THE EFFECT OF SERVICE QUALITY, PROMOTION, AND PRICING ON CUSTOMER RETENTION (CASE STUDY AT JOHNNY ANDREAN SALON MANADO TOWN SQUARE)
DAMPAK KUALITAS SERVIS, STRATEGI PROMOSI, DAN HARGA TERHADAP RETENSI PELANGGAN (STUDI KASUS PADA SALON JOHNNY ANDREAN MANADO TOWN SQUARE)

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ABSTRACT

Johnny Andrean is one of the famous salon that has been known for its quality in hairdressing and various needs of costumer who wants to change their style. It also show the quality of service they provide at a price that fits the costumer needs and wants. The salon business is still able to survive because of the modernization era of beauty is a secondary requirement that will approach basic needs The study aims to find out service quality, promotion strategy, and pricing on customer retention in Johnny Andrean Salon Manado Town Square. This research used quantitative method. The analytical method was used multiple linear regression analysis. The samples taken are 100 respondents. This research findings a significant effect of service quality, promotion, and pricing on customer rention simultaneously. However, partially the effect of service quality and promotion strategy on customer retention is not signifacnt. So, the Johnny Andrean should give more itention of the service quality and promotion strategy.

Keywords: Service Quality, Promotion Strategy, Pricing, Customer Retention

ABSTRAK

Johnny Andrean adalah salah satu salon terkenal yang telah dikenal untuk kualitas dalam kebutuhan rambut dan berbagai costumer yang ingin mengubah gaya mereka. Hal ini juga menunjukkan kualitas layanan yang mereka berikan dengan harga yang sesuai dengan kebutuhan pelanggan dan keinginan. Dan bisnis salon masih mampu bertahan karena era modernisasi kecantikan merupakan kebutuhan sekunder yang akan mendekati kebutuhan dasar. Tujuan adalah untuk mengetahui kualitas pelayanan, strategi promosi, dan harga pada retensi pelanggan di Johnny Andrean Salon Manado Town Square. Penelitian ini menggunakan metode kuantitatif. Metode analisis yang digunakan adalah analisis regresi linier berganda. Sampel yang diambil adalah 100 responden. Penelitian ini menyimpulkan temuan terdapat pengaruh yang signifikan dari kualitas pelayanan, promosi, dan harga pada pelanggan rention secara bersamaan. Tapi sebagian efek kualitas pelayanan dan promosi strategi retensi pelanggan tidak signifikan. Jadi Johnny Andrean harus memberikan perhatian yang lebih dari kualitas pelayanan dan promosi strategi.

Kata kunci: Kualitas Layanan, Strategi Promosi, Harga, Retensi Pelanggan

1. INTRODUCTION

Research Background

At this time, the business world has experience a huge challenge, especially in Indonesia. Many of business sectors experienced a decline. But many of the areas of business that experienced a decline, some business sectors are still able to survive in times of crisis. This type of business is services, including the beauty services offered by beauty salons.

Beauty is a study as part of aesthetics, sociology, social psychology, and culture. An "ideal beauty" is an entity which is admired, or possesses features widely attributed to beauty in a particular culture, for perfection. The experience of "beauty" often involves an interpretation of some entity as being in balance and harmony with nature, which may lead to feelings of attraction and emotional well-Beauty is a study as part of aesthetics, sociology, social psychology, and culture. An "ideal beauty" is an entity which is admired, or possesses features widely attributed to beauty in a particular culture, for perfection. The experience of "beauty" often involves an interpretation of some entity as being in balance and harmony with nature, which may lead to feelings of attraction and emotional well.

The development of beauty industry is growing rapidly in Indonesia, which mainly considered engaging in such beauty Salon and Spa, Beauty care service industry is one of the most flourishing industries with the growing number of beauty conscious women. There is a wide range of beauty care services like skin care, color cosmetics, fragrances. Hair care is also one of them.

Therefore many similar efforts in the field of beauty salon services, the competition was very tight. In such conditions beauty salon strategy – specific strategies should be able to withstand in the intense competition, including deploying an appropriate product strategy, pricing strategy, and promotional strategies. By considering, beauty salon has always been associated with women, but in the recent days, the industry demand enlarged its target market to both women and men.

Research Objectives

Based on there research problems, the objectives of this research are:
1. To find out if there is significant influence of service quality, promotion startegy, and price on Customer Retention simultaneously
2. To find out if there is significant influence of service quality on Customer Retention partially
3. To find out if there is significant influence of promotion strategy on Customer Retention partially
4. To find out if there is significant influence of price on Customer Retention partially

Theories

Marketing

Burns and Bush (2006) defined marketing as an organization function, not group of person or separate entity within the firm. Actually, it is also a set of processes and not a single tactic such as creating and end-aisle display. The processes create, communication, deliver value to customers. Marketing is not trying to sell customer something rather, it is providing customers with something they value. The objective of marketing is to create and manage customer relationship for the benefit of the organization and its stakeholders.

Consumer Behavior

According to Schiffman and Kanuk (2007) there are two different kind of consuming entities based on consumer behavior which are personal consumer as the user and organizational consumer includes profit and not-profit business, government agencies, and institutions. Consumer behavior, including the selection, purchase and consumption of goods and services that include elimination of three steps before buying activities, purchasing activities, activities after purchase (Rostami, 2001). Consumer behavior is a wide range of study about the decision making processes that a consumer make at the time of making a purchase. According to Kotler *et al*.(2009) "Consumer behavior is the study of how individuals or groups buy, use and dispose of goods, services, ideas or experience to satisfy their needs or wants." In the early stages, consumer behavior was taken as buyer behavior that reflects the interaction between consumers and produces at the time of purchase but now marketers recognize consumer behavior as an ongoing process not only what happens at the time when consumer gives money and gains some goods or services. (Solmon, 1996)

Customer Retention

Customer retention greatly depends on how customers perceived service quality (Kim *et al*., 2004). They found that unique features of products, value added services, customer support, price and convenience in procedures significantly influence the perceived service quality. It is discovered that retained customers tend to have higher levels of perceived service quality. According to Kotler (2000) customer retention is very important because it has a bearing on costs and profitability over time. King, R (2005) also explained that customer retention iinvolves steps taken by organization in order to reduce customer defection and successful customer retention starts with the first contact with a customer and continues throughout the entire lifetime of a relationship.

Customer retention as a concept has its root from the planned behavior theory and is something that consumers may exhibit to brands, services and products or activities. Customer retention has been conceptualized as a dimension of a customer loyalty construct (Zeithaml, Berry and Parasuraman, 1996).

Service Quality

Tangible

Referred to the outward physical trapping of the service provider, facilities and communication materials used (Parasuraman *et al*., 1991 (a), (b), 1985; Zeithaml, Berry and Parasuraman, 1988). Examples like the appealing store appearance; well-dressed, neat employees and appealing promotional materials (Shostack, 1981).

Reliability

The ability of the service provider and/or firm to consistently deliver the service as promised (Parasuraman *et al*., 1991a, b, 1985; Zeithaml *et al*., 1988) such as error-free records, reliable service performance and reliability in transactions. If performed well, they assured the customer and increased confidence towards the store.

Responsiveness

The readiness of the service provider or firm to service and help customers promptly (Parasuraman *et al*., 1991a, b, 1985; Zeithaml *et al*., 1988).

Assurance

The competency of the employee or firm that inspires trust and confidence in the service provider or firm (Parasuraman *et al*., 1991a, b, 1985; Zeithaml *et al*., 1988). In addition, it is knowledgeable and skilful in performing the service may increase job efficiency.

Empathy

The caring, individualized attention provided to customers (Parasuraman *et al*., 1991a, b, 1985; Zeithaml *et al*., 1988). For the purpose of this study, we have adopted SERVQUAL model by Parasuraman, *et al*. (1991) to identify and measure service quality.

2.   RESEARCH METHODS

Type of Research

Type of this research is quantitative research. Aliaga and Gunderson(2002) states that quantitative research is explaining phenomena by collecting numerical data to be analysed using mathematically based methods (inparticular statistics).

Place and Time of Research

The place of this research is in Manado City. The questionnaire distributed to Johnny Andrean Salon that located in Jl. Piere Tendean, Manado. This research starts from October -November (2 Months).
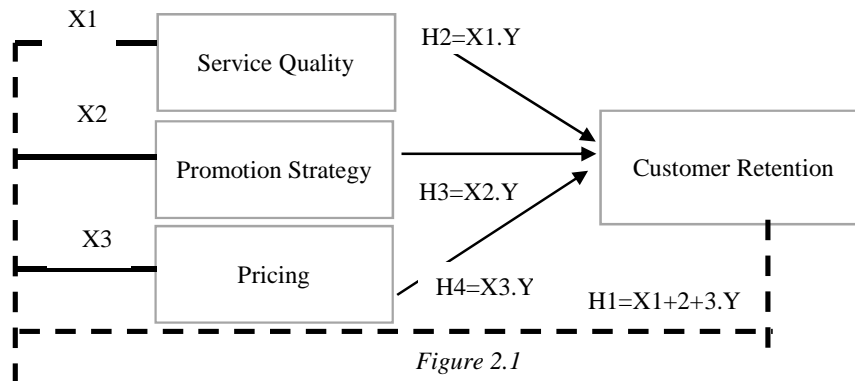
Conceptual Framework

Figure 2.1

Populations and Sample

Population is the entire group of people, events or things of interest that the researcher wishes to investigate. (Sekaran and Bougie 2009). Target population inthis study were people the visitors at Manado Town Square, who customer visit salon at Johnny Andrean Salon Manado Town Square

Data Collection Method

Primary data refer to information obtained first-hand by the researcher on the variables of interest for the specific purpose of the study (Sekaran, 2009). In this research, the primary data originated by researcher to address the research problem is questionnairesThe first section asked about respondent's identities and the second section asked about things that related with the variables.

Data Analysis Method
Validity and Reliability Test

Sekaran (2009) assumes that validity is a test of how well an instrument that is developed measures the particular concept it is intended to measure. A content validity test checks that there are enough relevant questions covering all aspects being studied and that irrelevant questions are no asked (Parahoo, 2006). Sekaran (2009) assumes that validity is a test of how well an instrument that is developed measures the particular concept it is intended to measure. A content validity test checks that there are enough relevant questions covering all aspects being studied and that irrelevant questions are no asked (Parahoo, 2006).

Reliability is a test of how consistently a measurement instrument measures whatever concept it is measuring (Sekaran, 2009).Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another.

Multiple Regression Analysis

Multiple regression analysis is the process of calculating a coefficient of multiple determination and regression equation using two or more independent variables and one dependent variable. For data collected from a sample, there is also a need to calculate the probability of the regression coefficient having occurred by chance alone (Sekaran, 2009).

The equation model of multiple regression analysis use in this research can be formulated as shown below:

$$Y = \; + \;_1X_1 + \;_2X_2 + \;_3X_3 + e$$

Where:

Y = Customer Retention (Dependent Variable)

    = The constant, when all independent variable equal to 0

X_1 = Service Quality (independent variable)

X_2 = Promotion Strategy (independent variable)

X_3 = Pricing (independent variable)

$_1, \;_2, \;_3$ =   The slope for each independent variable

    =   Error

3. RESULTS AND DISCUSSION

Validity Test Result

The following Table 1 explained about the measuring instrument, which in this research the indicators are service quality towards tangible, reliability, responsiveness,assurance,empathy

Table 1 explained 20 (twenty) questions, which are indicators of Service Quality(X_1), Promotion Strategy (X_2), Pricing (X_3), and Customer Retention (Y). It shows that all the indicators from each variable are valid.

Table 1. Validity Test

Correlations

		total_y	total_x1	total_x2	total_x3
Pearson Correlation	total_y	1,000	,246	,031	,333
	total_x1	,246	1,000	-,065	,295
	total_x2	,031	-,065	1,000	,019
	total_x3	,333	,295	,019	1,000
Sig. (1-tailed)	total_y	.	,007	,379	,000
	total_x1	,007	.	,259	,001
	total_x2	,379	,259	.	,427
	total_x3	,000	,001	,427	.
N	total_y	100	100	100	100
	total_x1	100	100	100	100
	total_x2	100	100	100	100
	total_x3	100	100	100	100

Source: Data Processed, 2015

Reliability Test Result

The reliability of a measure indicates the extent to which it is without bias (error free) and hence ensures consistent measurement across time and across the various items in the instrument. In other words, the reliability test of a measure is an indication of the stability and consistency with which the instrument measures the concept and helps to asses the goodness of a measure, Sekaran and Bougie (2009).

Table 2. Reliability Test

Reliability Statistics

Cronbach's Alpha	N of Items
,705	20

Source: Data Processed, 2015

The SPSS output shows that the value of Cronbach's Alpha of 20 items in this research is 0.705. From the theory stated before, if the value of Cronbach Alpha is more than 0.6 then it is reliable. This result means that the data is considered good and reliable since the value of Cronbach's Alpha is more than 0.7.

Multiple Linear Regression Analysis Result

The result are based on questionnaires that are collected from respondents.This results below are tabulated by microsoft excel. Table 3.3 result are based on data average scale of importance and performance.The average value of importance and performance set up the employee welfare program in four quadrants. This table consist of employee welfare, importance mean, performance mean, quadrant.

Table 3. Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10,980	2,246		4,889	,000
	Service Quality	,160	,097	,164	1,651	,102
	Promotion Strategy	,031	,079	,037	,386	,700
	Pricing	,229	,080	,283	2,852	,005

a. Dependent Variable: Customer Retention

Source: Data Processed, 2015

Based on Table 3, the result of multiple regression analysis can be concluded: The equation of this research is:

$$Y = 10.980 + 0,160X_1 + 0.31X_2 + 0.229X_3.$$

1. Constant value of 10.980 means that if all the independent variables in this research: service quality (X_1), promotion strategy (X_2), and pricing (X_3) are equal to 0 (zero), then the customer retention (Y) is predicted to be 10.980
2. Coefficient value of 0.160 means that if the independent variable in this research service quality (X_1) increases by one point or one scale, it will increase the customer retention (y) by 10.980.
3. Coefficient value of 0.031 means that if the independent variable in this research promotion strategy (X_2) increases by one point or one scale, it will increase the customer retention (y) by 10.980.
4. Coefficient value of 0.229 means that if the independent variable in this research, pricing (X_2) increases by one point or one scale, it will increase the customer retention (y) by 0.229

Hypotheses Testing

F-Test

Table 4. F-test result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	86,279	3	28,760	5,028	,003[b]
	Residual	549,161	96	5,720		
	Total	635,440	99			

a. Dependent Variable: Customer Retention

b. Predictors: (Constant), Service Quality, Promotion Strategy. Pricing

Source: Data processed, 2015

Table 4 shows that the F_{count} Value 5,028 of F_{Count} significant is 0.000. The sig is less than 0.05 which means the confidence of this prediction is above 95% and the probability of this prediction error is below 5% which is 0.010. Therefore, H_0 is rejected and H_1 is accepted. Thus, Service Quality (X_1), Promotion Strategy (X_2), Pricing (X_3) influence Customer Retention in Johnny Andrean Salon Manado Town Square (Y) simultaneously.

T-Test

Table 5. T-Test Result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10,980	2,246		4,889	,000
	Service Quality	,160	,097	,164	1,651	,102
	Promotion Strategy	,031	,079	,037	,386	,700
	Pricing	,229	,080	,283	2,852	,005

a. Dependent Variable: Customer Retention

Source: Data processed, 2015

1. Table 5 shows that t_{count} for Service Quality (X_1) is 1.651 which is greater than the value of t_{table} (1677) means that Service Quality (X_1) has not partially significant influence partially to Customer Retention in Johnny Andrean Salon Manado Town Square (Y). The sig. value of 0.102 means that prediction Service Quality (X_1) influence on Customer Retention in Johnny Andrean Salon Manado Town Square (Y)'s errors is 0.00 %. Thus the confidence of this prediction is above 95%. Therefore, H_2 is accepted.
2. Table 5 shows that t_{count} for Promotion Strategy (X_2) 1.386 less than the value of t_{table} (1.677) means that Promotion Strategy (X_2) has not partially significant influence on Customer Retention in Johnny Andrean Salon Manado Town Square (Y). The sig. value of 0.700 means that prediction of Promotion Strategy (X_2) influence on Customer Retention in Johnny Andrean Salon Manado Town Square (Y)'s errors is 0.00%. Thus the confidence of this prediction is above 95%. Therefore, H_3 is accepted.
3. Table 5 shows that t_{count} for Pricing (X_3) 2.852 more than the value of t_{table} (1.677) means that Pricing (X_3) has partially significant influence on Customer Retention in Johnny Andrean Salon Manado Town Square (Y). The sig. value of 0.005 means that prediction of Promotion Strategy (X_2) influence on Customer Retention in Johnny Andrean Salon Manado Town Square (Y)'s errors is 0.00%. Thus the confidence of this prediction is above 95%. Therefore, H_3 is accepted.

Discussion

Based on the SPSS software calculation, and from the analysis that has been conducted by using the Multiple Linear Regression Analysis it found that 3 Independent variables which are Service Quality (X1) Promotion Strategy (X2), and Pricing (X3) have impact or effect on Customer Retention (Y). The data also shows that based on the respondents' gender, 54% are female and based on age, 22% ranged from 31 to 35 years old. Based on the respondents' Occupation, 35% are civil servant.

The research found that the Service Quality not effect on Customer Retention. However, Cronin and Taylor (1992) did agree that the results did not mean that service quality fails to affect purchase intentions. Therefore, between Service Quality and customer retention too could be a plausible proposition. However, being consistent with research, the current study hypothesises a linear association between Service Quality and customer retention. Therefore: The higher of service quality, the greater the level of customer intention. But the service quality if it is not significant no effect with the customer retention itself. Cause the customer come and go back at johnny andrean salon. It's because the johnny andrean at manado town square strategies place to come, good hairstyles and the feels comfort with the treatment.

4. CONCLUSIONS AND RECOMMENDATION

Based on the result of the research several conclusions could be drawn as follow:
1. There is a F-test result shows that all of the independent variables, such as Service Quality (X_1), Promotion Strategy (X_2) and Pricing (X_3) have simultaneous effect on Customer Retention (Y).
2. There is an t-test of variable X_1, it shows that Service Quality (X_1) has partial effect on Customer Retention (Y). This result is caused by the customer are satisfied with the service given by the johnny andrean salon manado town square
3. There is a t-test of variable X_2, it shows that Promotion Strategy (X_2) has no partial effect on Customer Retention (Y). This result proves and supported by the customer feels like they're promotion isn work to get customer comes
4. There is a t-test of variable X_3, it shows that Pricing (X_3) has partial effect on Customer Retention (Y). This result proves and supported by the main journals results.

Based on the result and the conclusion, there are several recommendation that can be concluded:
1. The Johnny Andrean should give more attention to the customer needs and wants for the treatments
2. In order to maintain the customer retention of Johnny Andrean, service quality, promotion strategy should be improved. Especially in uniqueness of Johnny Andrean salon. Because if they maintain their uniqueness, the customer will be difficult to switch to other brands, or hairstyle and the johnny andrean products will be favorable.
3. The Johnny Andrean Salon should build a good communication between employee and customer. It can be good relationship between customer for the good service in johnny andrean manado town square
4. The Johnny Andrean Salon should more increase about promotion include in radio, advertising, internet, or any other way too for attract people more knowing the johnny andrean.
5. The price at Johnny Andrean is not comprable with the service, yet it should give more attention about price setting. Because many people or customer often complain about it. For further research, the results of this study can be used as an additional reference, although this research is still far from perfect. Therefore, to conduct research on the issues related to the customer retention, other factors and empirical studies that are more varied to support current findings on the different factors should be considered and observed more accurately. For instance, other factors such as marketing mix (product, place, price, and promotion),

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