

## **THE EFFECT OF PRICE AND BRAND TRUST ON CUSTOMER RETENTION AT NATASHA SKIN CARE MANADO**

*PENGARUH HARGA DAN KEPERCAYAAN MEREK TERHADAP RETENSI PELANGGAN PADA NATASHA SKIN CARE MANADO*

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### **ABSTRACT**

*Human needs to look more attractive and youthful it is a way of life since the days of the beginning of human civilization. The human desire to look attractive becomes one of the basic human needs in addition to food, clothing, and shelter. The study aims to address the effect of price and brand trust on consumer at Natasha Skin Care Manado. 89 customers of Natasha Skin Care Manado were surveyed as respondents. The result show that variable price and brand trust have significant effect on customer retention simultaneously, also price has significant and positive effect on customer retention partially and brand trust also have significant and positive impact to customer retention. As the recommendation, the company must give attention to the marketing strategy of company, especially to the variable price and brand trust, because this variable has impact to the customer retention.*

*Keywords: price, brand trust and customer retention*

### **ABSTRAK**

*Manusia perlu untuk terlihat lebih menarik dan awet muda itu adalah cara hidup sejak zaman awal peradaban manusia. Keinginan manusia untuk terlihat menarik menjadi salah satu dari kebutuhan dasar manusia selain makanan, pakaian, dan tempat tinggal. Tujuan penelitian ini, penulis ingin mengetahui efek dari harga dan merek kepercayaan pada konsumen di Natasha Skin Care Manado. Data diambil menggunakan kuesioner untuk 89 responden yang merupakan pelanggan dari Natasha Skin Care Manado. Hasil penelitian menunjukkan bahwa variable harga dan kepercayaan merek berpengaruh signifikan terhadap retensi pelanggan secara bersamaan, juga harga berpengaruh signifikan dan positif pada retensi pelanggan sebagian dan kepercayaan merek juga memiliki dampak yang signifikan dan positif untuk retensi pelanggan. Sebagai rekomendasi, perusahaan harus memberikan perhatian pada strategi pemasaran perusahaan, terutama untuk variabel harga dan kepercayaan merek, karena variabel ini memiliki dampak terhadap retensi pelanggan.*

*Kata kunci: harga, kepercayaan pelanggan and retensi pelanggan*

## 1. INTRODUCTION

### Research Background

Human needs to look more attractive, youthful, is a way of life since the days of the beginning of human civilization. Starting from the days of Babylon until the current human desire to look attractive becomes one of the basic human needs in addition to food, clothing, and shelter. Especially for women need to be more beautiful. Growth of body and beauty care business globally is also supported by an era of openness the information and communication.

The growth of the beauty industry, especially cosmetics and body care products globally due to humans at this time both men and women want to look more attractive. It is also in accordance with the analysis of the current marketing experts where consumers are increasingly becoming "Venus" means that the consumers are now increasingly focusing on beauty, and things that are interesting, especially themselves.

Natasha Skin Care one of the cosmetic and beauty clinics owned and founded from Indonesia. Natasha Skin Care was launched at Yogyakarta in 1999 by Dokter Fredy Setyawan. Natasha Skin Care focuses on natural skin care mix with science and technology treatment for man and woman. The threats of Natasha Skin Care in 21<sup>st</sup> century are robust competition, science and technology innovation, and volatile consumer behavior. The company must aware about brand change and product change from customer. Doing that company must create customer retention to maintain customer in the company. With this research thesis, the author would like to address the effect of price and brand trust on consumer at Natasha Skin Care Manado. Natasha Skin Care becomes point of view of this research because Natasha in Manado is the customer favorite and high quality with nature treatment for beauty care in Manado. The products and services vary from young to adult, for female also for male too.

### Research Objective

This research has several objectives are to analyze the influence of:

1. To determine the influence of price and brand trust to customer retention at Natasha Skin Care Manado.
2. To determine the influence of price to customer retention at Natasha Skin Care Manado.
3. To determine the influence of brand trust to customer retention at Natasha Skin Care Manado.

### Theoretical Review

#### Marketing

Marketing is an integrated communications development that aims to provide information about the goods or services in relation to satisfying the needs and desires of humans. Marketing is a social process in which there are individuals and groups, to get what they need and want by creating, offering and freely exchanging products of value with others (Kotler and Armstrong, 2013:6). Marketing activity are interconnected activities with the lain as a system.

#### Price

In every transaction price is an important factor either it can be associated to the goods or services. In the market pricing show its effect on the purchasing decision of customer. In the market two sort of consumer are situated, first type of consumer is price conscious and the second one is

quality conscious. Pricing is one of the most important elements which could be reason for repelling and attraction of customer toward company brand (Butt, 2011). As study identified that Price is the medium of exchange through which we can gain worth that can be in good or services (Butt, 2011).

### **Brand**

The difference between a good brand and a great brand lies in the depth of importance of the brand to the consumer, as well as the constant pursuit to understand the consumer (Crittenden, Keo, and McCarty, 2011). Strong brands have an advantage when consumers initiate their search with familiar and respected brands that have the potential to fulfill their needs (Hoeffler & Keller, 2003). The American Marketing Association (2013) defines a brand as a name, term, sign, symbol or design or a combination of them intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. A brand does not have an expiry date.

### **Brand Trust**

Trust is the key variable in the development of an enduring desire to maintain a relationship in the long term. Anwar *et. al.* (2011) Brand trust is undoubtedly one of the stronger tools of making the relationships with the customers on internet and company's most dominant marketing tool. Delgado and Aleman (2001) defined brand trust as the confident expectations of the brand's reliability and intentions in situations entailing risk to the consumer. As such, brand trust is one, logical outcome of brand familiarity and brand liking.

### **Consumer Behavior**

According to Kotler and Keller (2015) customers are values maximize. They form an expectation of value and act on it. Buyers will buy from the firm that they perceive to offer the highest customer delivered value, defined as the difference between total customer benefits and total customer cost. Buyer behavior is the outcome of both individual and environmental influences and how individuals make decision to spend their available resources (time, money and effort) on consumption related items (what they buy, why they buy, When they buy, Where they buy, How often they buy and use a product or service) (Rajelsvi, 2006).

### **Customer Retention**

Customer retention is very important for companies that maintain the business activities. Customer retention is important to most companies because the cost of acquiring a new customer is far greater than the most maintaining a relationship with current customers. According to Hennig-Thurau and Klee (1997), the key of customer retention is customer satisfaction.

### **Previous Research**

Based on Gounaris (2005) about Trust and commitment influences on customer retention: insights from business-to-business services. The result showed that all variables have significant impact to customer retention. Tahir *et al.*, (2014) Impact of Customer Based Brand Equity (CBBE) on Customer Retention: A comparative study of Government, Private and Foreign banks of Lahore, Pakistan, The result show that perceived quality and organizational association have significant positive relationship with customer retention. Further this study has determined the difference in CBBE among foreign, private and government banks and found the CBBE is highest in foreign

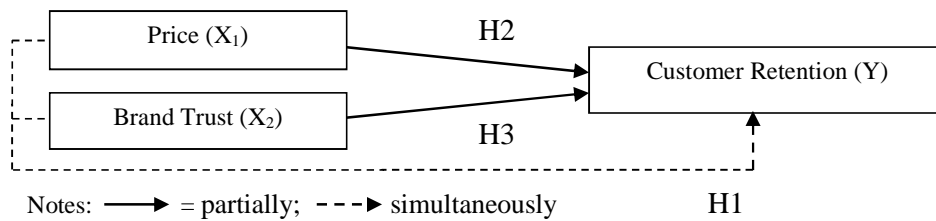
banks. Based on Dawes (2009) about The Effect of Service Price Increases on Customer Retention, the result show that Price increases has significant influence to customer retention.

**Research Hypothesis**

The hypotheses of the research are:

- H<sub>1</sub> = There are significant influences of price and brand trust on customer retention at Natasha Skin Care Manado.
- H<sub>2</sub> = There is partial and significant impact of price on customer retention at Natasha Skin Care Manado.
- H<sub>3</sub> = There is partial and significant impact of brand trust toward on customer retention at Natasha Skin Care Manado.

**Conceptual Framework**



**Figure 1 Conceptual framework**  
 Source: Data Procèssed; 2015

**2. RESEARCH METHOD**

**Type of Research**

This research will investigate the influence of price and brand trust on customer retention at Natasha Skin Care Manado. Where the customer retention as the dependent variable (Y) and the variables those affect customer retention which is price and brand trust into an independent variable or variables (X). This research is causal type. This research is a quantitative method since using questionnaire as a tool to gather data and analysis.

**Place and Time of Research**

This research is conducted in Natasha Skin Care Manado on June 2015.

**Population and Sample**

The population is the entire group of people, events or things of interest that the researcher wishes to investigate (Sekaran and Bougie 2009). The population in this research are customers that used Natasha Skin Care products and services especially in Natasha Skin Care Manado. And the sample of this research is 89 respondents, that a customers of Natasha Skin Care Manado. I used Slovin’s formula to get a number of respondents.

**Data Collection Method**

Primary data is data collected first-hand for subsequent analysis to find solutions to the problem research (Sekaran and Bougie 2009). The researcher gets primary data from the result of questioners. Questioners are distributed to respondents so they can respond directly on the questioners. Secondary data in this research is gathered from some related books, journals, internet, and literature from library. Secondary data use to support the research in order to develop the fundamental analysis and adding information regarding to the research.

### **Operational Definition and Measurement of Research Variables**

Independent variable is a variable which are manipulated or controlled or changed and influencing to dependent variable. In this research the independent variables are price ( $X_1$ ) and brand trust ( $X_2$ ). Dependent variable is a variable which effected of independent variable. The dependent variable in this research is customer retention ( $Y$ ).

### **Data Analysis Method**

#### **Validity and Reliability Test**

The purpose of testing reliability is to determine the level of measurement non error, it means showing the consistency of measurement. Reliability was measured by using Cronbach's Alpha coefficient, when the value of Cronbach's alpha increase the consistency also increases. If the coefficient value of Alpha less than 0.60 then the reliability is bad. Research instrument is acceptable if the test shows the alpha in the range of 0.7 and the reliability is good if above 0.80. Validity is a test of how well an instrument that is developed measures the particular concept it is intended to measure. Validity is the level extent to which of precision and accuracy of a measuring instrument to perform the functions of measuring in this study is the questionnaire. An instrument has high validity if it can deliver results in accordance with the purpose of measuring the measurements itself which is valid at 0.01 level or higher. The validity of testing can use the Product-Moment Correlation Pearson techniques. This research use the Pearson correlation significant one tailed test, that I have a prior test as the sign of (-) or (+) of the correlation. Questionnaires were used as a measuring instrument should qualify the validity of the content.

#### **Regression Analysis Method**

The method of analysis that used in this study is multiple regression analysis that using computer programming with the latest programs which is IBM SPSS 22 version. Hypotetical testing model with multiple regression analysis which are:

$$Y = b_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Description:

$b_0$	=	Constanta
$\beta_1$	=	$X_1$ regression coefficient
$\beta_2$	=	$X_2$ regression coefficient
$\epsilon$	=	Standard of error
$Y$	=	Customer retention
$X_1$	=	Price
$X_2$	=	Brand trust

### **3. RESULT AND DISCUSSION**

**Reliability and Validity of the Research**

**Table 1. Validity and Reliability Test Results**

Variables	Indicators	Correlation (r)			Coefficients	
		R	Sig.	Explain.	Alpha Cr.	Explanation
Price (X <sub>1</sub> )	X1.1	0.859	0.000	Valid	0.928	Reliable
	X1.2	0.929	0.000	Valid		
	X1.3	0.904	0.000	Valid		
	X1.4	0.829	0.000	Valid		
	X1.5	0.889	0.000	Valid		
Brand Trust (X <sub>2</sub> )	X2.1	0.733	0.000	Valid	0.842	Reliable
	X2.2	0.916	0.000	Valid		
	X2.3	0.855	0.000	Valid		
	X2.4	0.749	0.000	Valid		
	X2.5	0.702	0.000	Valid		
Customer Retention (Y)	Y1.1	0.906	0.000	Valid	0.968	Reliable
	Y1.2	0.948	0.000	Valid		
	Y1.3	0.967	0.000	Valid		
	Y1.4	0.937	0.000	Valid		
	Y1.6	0.954	0.000	Valid		

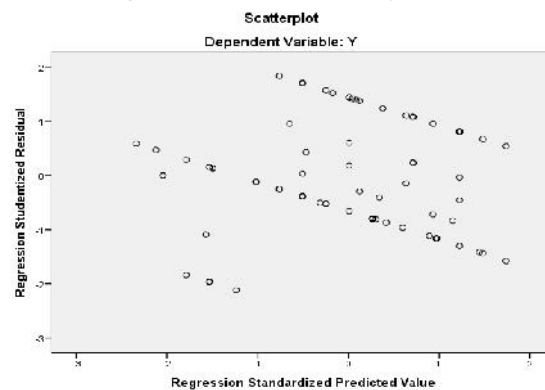
Source: Data Processed, 2015

The Table 1, shows that the whole item of questions for the variable is valid because it is above the critical value  $r_{tabel} = 0.205$  (Spearman Rho table,  $df = (n-3) = 86$ ) so that items such instruments can be used to measure the variables study. the average value of r obtained count is higher than the critical value ( $> CR$ ) of 0.30 and when seen from the average value of r count compared with the average r table, the average r count is higher than r table is 0.205 (5 % significance level).

**Heteroscedasticity**

Heteroscedasticity occurs if there are dots which form a certain pattern regularly as waves. Homoscedasticity occurs if there are no certain patterns which are clear, and the dots spread above and below the 0 the Y-axis

**Figure 2. Heteroscedasticity Test**

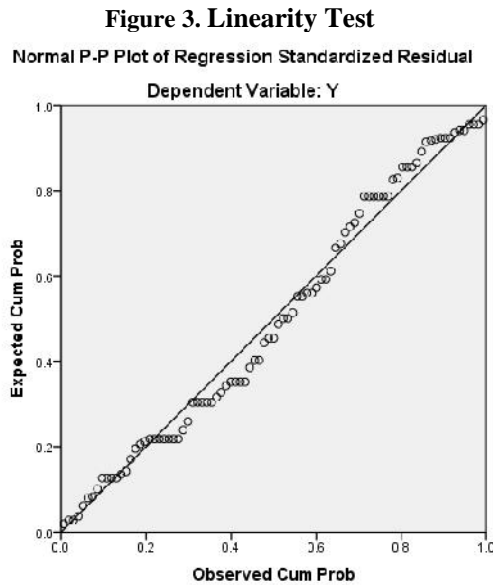


Source: Processed, 2015

Figure 2 can be seen all the data spread on top and in that the number 0 indicates the Y axis does not occurred heteroscedasticity. This suggests that the multiple regression models meet the requirements for classical assumption test.

**Linearity / Normality Test**

Normality test can be identifying by using graph of P-P Plot. The data will distribute normally if the value of P-P Plot is near diagonal line of the graph.



Source: Processed, 2015

From Figure 3, shows that the graph Normal P-Plot of Regression Standardized Residual describe the distribution of data around a diagonal line and spread in the direction of the diagonal line graph, then the regression model used in this study meet the assumption of normality.

**Table 2. Autocorrelation Test**  
 Model Summary<sup>b</sup>

Model	Durbin-Watson
1	1.658

Source: Processed, 2015

Basis for a decision to autocorrelation test are:

1.  $1.65 < DW < 2.35$  autocorrelation no occur
2.  $1.21 < DW < 1.65$  or  $2.35 < DW < 2.79$  inconclusive
3.  $DW < 1.21$  or  $DW > 2.79$  autocorrelation occur.

From the results of statistical calculations that can be seen in Table 2 , the value of Durbin - Watson = 1.658 means that DW is in the range  $1.65 < DW < 2.35$  Then it can be concluded there is no autocorrelation.

**Multiple Regression Analysis**

The following table is a summary of the summary table models, coefficients, and ANOVA.

**Table 3. Multiple Regression Test**

	Regression Coefficient (b)	Std. Error	Beta	t <sub>count</sub>	Sig.	Description
Constanta	6.828	3.054		2.236	0.028	
X <sub>1</sub>	0.368	0.118	0.303	3.108	0.003	Significant
X <sub>2</sub>	0.320	0.106	0.294	3.013	0.003	Significant
R (Multiple R)		=			0.464	
R Square		=			0.215	
Adjusted R Square		=			0.197	
F <sub>count</sub>		=			11.784	
t <sub>table</sub>		=			1.662	
α		=			0.05 (5 per cent)	

Source: Processed, 2015

Based on table 3 can be written in the form of regression equation Coefficients Standardized forms obtained by the following equation:

$$Y = 3.054 + 0.118 X_1 + 0.106 X_2$$

Explanations:

X<sub>1</sub> = Price

X<sub>2</sub> = Brand trust

Y = Customer retention

The regression equation can be explained as follows:

1. Constanta value of 6.828 independent variables consist of price or X<sub>1</sub> , X<sub>2</sub> or brand trust, increased by 1 scale , customer retention will be increased by 6.828 units .
2. The regression coefficient of 0.368 means price variable, if price increased by 1 scale in the answers of respondents will increase customer retention by 0.368.
3. The regression coefficient of 0.320 means the brand trust variable, if brand trust increases by 1 scale in the answers of respondents will increase customer retention by 0.320.

**Hypothesis Testing**

**Table 4 F-test**

ANOVA<sup>a</sup>

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	137.236	2	68.618	11.784	.000 <sup>b</sup>
	Residual	500.786	86	5.823		
	Total	638.022	88			

a. Dependent Variable: Y

b. Predictors: (Constant), X<sub>2</sub>, X<sub>1</sub>

Source: Processed, 2015

F-test was conducted to determine the effect of simultaneously variables which are price, and brand trust on customer retention, to test the hypothesis. Hypotesis test the effect of simultaneously using an F test. The test is done by comparing the calculation results with a significant level of significance level of 0.05 (5 per cent) with the following criteria:

1. If F<sub>count</sub> (sig) ≥ α 0.05 then Ho accept and Ha refuse
2. If F<sub>count</sub> (sig) < α 0.05 then Ho refuse and Ha accept

The test results for the overall regression model variables indicate the value of F count = 11.784 with 0.000 significance. By using the 0.05 limit (5 per cent). The results found that the



significance value less than 0.05 (<5 per cent). With the direction of the positive coefficients, thus found that the hypothesis that the variable price, and brand trust simultaneously have a significant effect on customer retention is accepted or proven.

**Table 5 T-test**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.828	3.054		2.236	.028		
	X1	.368	.118	.303	3.108	.003	.958	1.044
	X2	.320	.106	.294	3.013	.003	.958	1.044

a. Dependent Variable: Y

Source: Processed, 2015

T<sub>test</sub> is done to see the influence of price, and brand trust individually or partially on customer retention in Natasha Skin Care Manado. T<sub>test</sub> can be performed by using the criteria of hypothesis testing:

1. If  $t_{count} \leq t_{table} (\alpha = 0,05)$ , than  $H_0$  accept and  $H_a$  reject.
2. If  $t_{count} > t_{table} (\alpha = 0,05)$ , than  $H_0$  reject and  $H_a$  accept.

According to table 5:

1. Price variable,  $T_{count} 3.108 > T_{table} 1.662$ , thereby  $H_a$  accepted, and reject  $H_0$  who claim there is no influence of price to customer retention. Thus the second hypothesis which states there is influence of price to customer retention is accepted or proven.
2. Perceived risk variable,  $T_{count} 3.013 > T_{table} 1.662$ , thereby  $H_a$  accepted, and reject  $H_0$  who claim there is no influence of brand trust to customer retention. Thus the third hypothesis which states there is the influence of brand trust to customer retention is accepted or proven.

**Discussion**

1. **Impact of Price and Brand Trust to Customer Retention.** Based on the results of statistical test found that simultaneously of price, and brand trust influence on customer retention at Natasha Skin Care Manado. The results of this study indicate that the model is suitable or fit for the selected F test and test results showed that price, and brand trust influence on consumer retention simultaneously and significant on Natasha Skin Care in Manado city.
2. **Impact of Price to Customer Retention.** Based on the test that the t test statistics can be explained that the effect on price on customer retention in Natasha Skin Care Manado with a significant coefficient and positive direction. Result proved that price has positive and significant impact through customer retention in Natasha Skin Care customer in Manado.
3. **Impact of Brand Trust to Customer Retention.** Based on the test that the t test statistics can be explained that the effect of brand trust on customer retention in Natasha Skin Care Manado with a significant and positive coefficient. Result proved that brand trust has positive and significant impact through customer retention in Natasha Skin Care customer in Manado. Brand trust consists confidence with brand, brand associated with consistency, brand associated with responsibility, brand associated with honesty, and consumer’s belief of the brand qualities proven has significant and positive impact to customer retention that using or buying services and products in Natasha Skin Care Manado.

## 4. CONCLUSION AND RECOMMENDATION

### Conclusion

Conclusions of this research are:

1. This research model which consist with price, and brand trust has influence simultaneously on customer retention. This model applies to Natasha Skin Care clinic in Manado area.
2. Based on the results found that price has significant and positive impact on customer retention on Natasha Skin Care Manado. According to the results also that price become dominant factor that influence customer retention in Natasha Skin Care Manado.
3. Based on the results found that brand trust has significant and positive impact on customer retention on Natasha Skin Care Manado. According to the results also that brand trust become secondary factor that influence customer retention in Natasha Skin Care Manado.

### Recommendation

Recommendations of this research are:

1. Management and leader in Natasha Skin Care especially Natasha Skin Care Manado focused on beauty industries as a service company must pay attention and focus the company's marketing strategy carefully. This can be achieved through the identification of factors that can motivate consumers to make a favorable exchange value of the company. It is, among others, through the identification of customer retention. Based on the findings of this research Natasha Skin Care company must focus marketing strategy on price and brand trust to increase customer retention on the company's clinic in Manado.
2. Other researchers are focusing on the research field of management science especially in marketing management science must attention to these findings by replicating the results of this research on the object of other research in other beauty skin care firms.

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