# THE INFLUENCE OF PROMOTION, INNOVATION, PRICE, ON RE-PURCHASES AT MADYA BURUNG STORES WITH LOYALTY AS A MEDIATION VARIABLES

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# THE INFLUENCE OF PROMOTION, INNOVATION, PRICE, ON RE-PURCHASES AT MADYA BURUNG STORES WITH LOYALTY AS A MEDIATION VARIABLES

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### Abstract

This study aims to examine the effects of promotion, innovation, and price on repeat purchase in intermediate bird shops with loyalty as a mediating variable. The research problem is how to increase customer loyalty toward repurchase intention in middle bird shops. The variable used in this study is promotion, innovation, price as the independent variable, loyalty as variable intervening and repeat purchase as the dependent variable. The sampling method used on this research is purposive sampling technique. Sample collected from 100 respondents of customer in Madya Bird Store. Technique of data collection conducted by survey through interviews and questionnaires. Data analysis was performed by descriptive analysis method and the method of Partial Least Square (PLS). The result showed that customer on average make repurchase in toko madya Burung more than twice. The result of data analysis using the PLS indicates that there is a positive and significant through promotion, innovatin, and price in the repeat purchase. Based on the research results, repeat purchase can be increased through consumer loyalty.

**Keywords:** promotion, innovation, price, repeat purchase, loyalty.

### INTRODUCTION

Business growth in recent years has grown rapidly and broadly, making companies tighter in choosing marketing strategies when faced with the competition they face. The purpose of establishing a company is to maximize profit as much as possible and be able to expand its business and control the sustainability of the company (He et al 2013: 4). Most business owners find out what is needed by consumers, such as the products to be purchased, places that are frequently visited, and how many items are needed by consumers. Purchasing decisions affect the needs and desires of consumers. During the buying process, consumers consider the products they will buy (Philip Kotler and Gerry Armstrong, 2008: 158). So that every company must be able to understand the mindset of consumers. Companies must stimulate consumers to encourage the purchase of a product by motivating consumers to make purchasing decisions. The success of a company can be seen from how many items are sold and the high and low levels of products sold can affect profits and sales activities (Laksana, 2008: 49).

The existence of competition that occurs in a company is expected to be able to prepare strategies that will influence the running of marketing efforts. The competition that occurs

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will highlight the advantages of the products that the company sells. One of the intermediate bird shops located in the Limpung market in Batang Regency, a shop that sells various variants of birds, bird feed to bird cages. Increasing competition in the limpung bird market demands that Madya Burung shops must be able to compete with new competitors that are increasingly developing over time. The existing competition has the potential to dominate market share by offering a variety of new bird feed products at affordable prices to consumers who often stop by to buy bird feed needs. so that the level of competition can surpass existing competitors. Consumers consider promotion, innovation, and price factors in deciding to buy bird variants, bird feed and bird cages. Business actors are required to compete competitively and improve marketing strategies in achieving company goals and understand market conditions and consumer desires.

This study aims to create a concept that explains repurchase which is influenced by promotion, innovation, price in the form of repurchase and loyalty as a mediating variable. The study population was visitors to the Madya Burung shop in the Limpung market, Batang district. This research was conducted with a total of 100 respondents, namely consumers who have bought birds, bird feed and bird cages at the Madya Burung shop, Limpung market, Batang.

# THEORETICAL FRAMEWORK AND HYPOTHESIS FORMULATION The Effect of Promotion on Loyalty

Previous research by Tri Susilo (2018) found a positive relationship between promotion and consumer loyalty. If the promotion process adds to the attractiveness of consumer purchases of the products offered and the consumer is satisfied, it can increase consumer loyalty. Increasing promotion in sales can increase customer satisfaction so that this can have an impact on increasing consumer loyalty.

# H1: Promotion has a positive effect on consumer loyalty

# The Influence of Innovation on Loyalty

Based on previous research by Pantea Foroudi (2016), innovation has a positive or significant effect on consumer loyalty. Business people need to bring changes in a product being sold. The form of change is product innovation by updating a product and service so that it can have an impact on the continuity of the company. Innovation is defined as a form of idea in a product with a new perception from someone (Kotler and Keller, 2019). In simple terms, innovation is defined as a breakthrough in a new product or service with increasingly advanced business thinking. When business people produce innovative products, it can increase customer satisfaction and consumer loyalty.

# H2: Innovation has a positive effect on repeat purchases

# The Effect of Price on Loyalty

The results of previous research supported by Mahmud, et al (2014) state that price has a major influence on customer loyalty in a positive relationship. Price beperan as information where a price can guide consumers to find out a product. This is useful in overcoming the difficulty of buyers to assess a product or its benefits. Price is used as a consideration for consumers in consuming a product or service and price is often used as an indicator of value when the price is related to the benefits obtained by a good or service that has been consumed.

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# H3: Price has a positive effect on repeat purchases

### **Effect of Promotion on Repurchases**

The results of previous research conducted by Irfan Saputra (2019) stated that promotion has an effect on repeat purchases. Promotion can build a communication and can have a good influence on both parties by building trust and avoiding suspicion. As a business actor, it is necessary to increase attractive sales promotions in a business unit so that it can influence consumers and make repeat purchases in the future.

# H4: Promotion has an effect on repeat purchases

# **Effect of Innovation on Repurchase**

Based on the results of previous research by Naveed (2012), it is stated that innovation has a significant effect on repeat purchases. Innovation within the company provides skills in creating quality products so that high quality products can provide progress in competition between business actors which has an impact on re-purchases. The application of the right innovation in creating a level of customer loyalty to product purchases

# H5: Innovation has a positive effect on repeat purchases

# **Effect of Price on Repurchase**

Previous research by N. Paramananda (2018) stated that price has a positive effect on repurchases. A price plays an important role in purchasing, if the price given is too high it can consider consumers in buying the product or not. If consumers feel attracted to a given price, it can increase consumer repurchases.

# **H6: Price affects Repurchase**

# Effect of Loyalty on Repurchase

Previous research conducted by Charly Hongdiyanto (2020) states that there is a significant effect of loyalty on repeat purchases. . One of the important elements in advancing a company is the level of consumer loyalty to the product purchased. If as a business actor has considered the desires and needs of consumers properly and has been implemented in its sales, it will create customer satisfaction that can affect loyalty towards repeat purchases.

# H7: Loyalty has a positive effect on repeat purchases

# THEORETICAL FRAMEWORK

This study aims to determine how the effect of promotion, innovation, price on repurchases at Madya Burung Stores with loyalty as a mediating variable. So if it is described in the form of a schematic framework as follows:

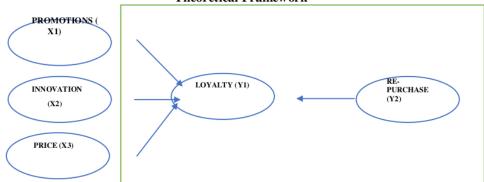
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# Picture 1 Theoretical Framework



The research variables consisted of independent variables, namely Promotion which is denoted by X1, Innovation which is denoted by X2, Price which is denoted by X3. The dependent variable in this study is repeat purchases denoted by Y2. The intervention in this study is loyalty denoted by Y1.

# **Operational Definition of Variables**

### Promotion

Promotion is an activity that communicates the use and benefits of a product and invites customers to buy the availability of a product. Indicators of promotion include the frequency of promotion, quality of promotion, quantity of promotion, time of promotion, and accuracy of promotion targets.

# Innovation

Forms of insight into new products that are usually combined with new things to build an unknown production method. Innovation indicators include line expansion, redefinition, completely new products, reduced costs, improvements to existing products.

### Price

Refers to the total sale value of goods or services, and consumers can exchange prices when they own the product or service. Indicators of price are quality price suitability, price suitability with benefits, competitive price suitability, price affordability, lower prices than competitors.

# Repeat purchase

A consumer's desire and action to buy back a product, because the demand for that product is fulfilled. Repurchase indicators are transactional interest, referential interest, preferential interest, explorative interest.

# Loyalty

Consumer behavior that leads to periodic repeat purchases. Loyalty indicators are making regular repeat purchases, buying between product and service lines, recommending products to others, showing immunity to the pull of competitors.

# Population and Sample

The population of this study were customers who had made repeated purchases at Madya Burung stores. The number of samples used is at least 100 respondents so the method used is purposive sampling.

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# Types and Sources of Data

The data used in this study are secondary data obtained by interview and questionnaire. In this study the respondents used were consumers who had bought at Madya Burung stores.

No.	Demographics	Category	Frequency (people)
1	Gender	Man	93
		Women	7
2	Age	17-22 years	12
		23 - 28 years	24
		29 - 34 years	34
		> 35 years	30
3	Profession	Student / Student	12
		Private Peagawai	21
		entrepreneur	39
		Civil servants	28
		Others	0
4	Average expenditure per month	Rp. 1,000,000	17
		Rp. 1,000,001 - Rp.	36
		2,500,000	42
		Rp. 2,500,001 - Rp.	5
		5,000,000	
		> Rp. 5,000,000	
5	Number of respondents who bought at	1 - 3 times	17
	Madya Burung Stores	4 - 7 times	28
		8 - 10 times	34
		> 11 times	21

# Method of collecting data

The method used in data collection is a questionnaire method. The questionnaire is a data collection technique used by researchers by giving a series of questions in writing to the respondent to be answered (Sugiyono, 2012: 93). In data collection by sending questions to be filled in by the respondents themselves, it can be done by distributing a questionnaire form containing questions.

# Method of Analysis

The analytical method used in this research is to use the Partial Least Square (PLS) method. PLS is a Structural Equation Modeling (SEM) equation model based on elements or variants. PLS is a substitute approach that shifts from a covariance-based to variant-based SEM approach (Ghozali, 2006).

# RESEARCH RESULTS AND DISCUSSION

Overview of Respondents

Respondents in this study were consumers of Toko Madya Burung. The number of respondents obtained as many as 100 people by distributing questionnaires. Based on the questionnaire that had been distributed, the researcher got the respondent's profile

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information from gender, age, expenditure per month.

The table above shows that the respondents are dominated by men, amounting to 93 out of 100 respondents. Meanwhile, there were 7 women out of 100 respondents. This shows that Toko Madya Burung is better known as male customers than female customers, because the number of female respondents is less than male respondents. The 29 - 34 year age group looks dominant with 34 respondents out of the total respondents. In this study, the respondent's expenditure of Rp. 2,500,001 - Rp. 5,000,000 was the largest number of respondents, namely as many as 42 people. While the number of respondents who bought at the Madya Burung Shop was 8-10 times with the number of respondents as many as 34 people.

### **Evaluation of the Measurement Model**

The measurement model is used to determine the validity and reliability of the model that connects indicators with latent variables. Evaluation of the measurement model is done by assessing convergent validity and discriminant validity.

# Validity test

The validity test is carried out to understand the measurement capacity of the instrument that must be measured (Abdillah, 2015: 194). The validity test with the Smart PLS program was carried out using the convergent validity measure. The results of the cross loading factor of the convergent validity value of each indicator can be seen from the AVE value greater than 0.5 (Ghozali & Latan, 2012).

Table 1
AVE value for each latent variable

Variable	AVE value
Promotion	0.557
Innovation	0.620
Price	0.620
Loyalty	0.620
Repeat purchase	0.672

Source: Primary data processed, 2020

### Reliability Test

According to Ghozali & Latan (2012), a latent variable must have a Cronbach Alpha value greater than 0.7 or a composite reliability greater than 0.7. However, according to Chin (1998), composite reliability is a more accurate estimate (Ghozali & Latan, 2012). Therefore, in this study, the reliability evaluation will refer to the composite reliability value.

Table 2
The Composite Reliability value on each latent variable

Variable	Composite Reliability value
Promotion	0,863
Innovation	0,890
Price	0,891
Loyalty	0,867
Repeat purchase	0,891

Source: Primary data processed, 2020

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# **Discriminant Validity Test**

The square root value of AVE of a latent variable must be greater than the correlation value with other latent variables if it is to fulfill discriminant validity (Ghozali & Latan, 2012).

 $\label{eq:Table 3} Table \ 3$  The value of the AVE squared for each variable

Variable	AVE value	AVE Square Value
Promotion	0.557	0.746
Innovation	0.620	0.787
Price	0.620	0.787
Loyalty	0.620	0.787
Repeat purchase	0.672	0.820

Source: Primary data processed, 2020

# **STRUCTURAL**

Evaluation of the structural model is done by looking at the coefficient of determination (R2), the value of the path coefficient, the value of t-statistics, and the regression equation.

# Coefficient of Determination

According to Chin (1998), the value of R2 is considered weak, moderate, and strong if it shows a value of 0.19; 0.33; and 0.67. In this research model, both are classified as strong because they are greater than 0.67.

Table IV R2 results from the proposed model

Endogenous Variables	R Square	
Loyalty	0.744	
Repeat purchase	0.838	

Source: Primary data processed, 2020

### Line Coefficient

According to Haas & Lehner (2007), path coefficient values that are in the range of -0.1 to 0.1 are considered insignificant, values greater than 0.1 are significant and directly proportional to values, while values less than -0.1 is a significant value and inversely proportional.

Table 5
Path Coefficient Value

	Path Coefficient		
Promotion → Loyalty	0.391		
Promotion → Repurchase	0.289		
Innovation → Loyalty	0.243		
Innovation → Repurchase	0.215		
Price → Loyalty	0.296		
Price → Repurchase	0.200		
Loyalty → Repurchase	0.290		
Source: Primary data processed, 2020			

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### T-statistics

The results of t-statistics calculations using the bootstrapping algorithm in SmartPLS are shown in table 4:15. The t-statistics value must be greater than 1.96 to be considered significant (Ghazali & Latan, 2012).

Table 6
The value of t-statistics

The value of t-statistics			
	he value of the t- statistic		
Promotion → Loyalty	3,126		
Promotion → Repurchase	2,635		
Innovation → Loyalty	2,401		
Innovation → Repurchase	2,703		
Price → Loyalty	2,554		
Price → Repurchase	2,586		
Loyalty → Repurchase	2,299		

Source: Primary data processed, 2020

# **Regression Equations**

The path coefficient value shows how strong the influence of a variable is on other variables (Wong, 2013). The higher the path coefficient value, the stronger the effect.

Table 7
Results of the Regression Equation

Endogenous	Equation
Variables	
Loyalty	0.391 Promotion + 0.243 Innovation + 0.296 Price
	+ ε1
Repeat purchase	0.289 Promotion + 0.215 Innovation + 0.200 Price
	+ 0.290 Loyalty + ε2

Source: Primary data processed, 2020

# Hypothesis test

The hypothesis is accepted if t-statistics is greater than 1.96 and the path coefficient is greater than 0.1 (Ghozali & Latan, 2012).

Table 8 Hypothesis test

Research hypothesis	Path	Path Coefficient	The value of the t-statistic	Conclusion
H1	Promotion → Loyalty	0.391	3,126	Significant
H2	Promotion → Repurchase	0.289	2,635	Significant
Н3	Innovation → Loyalty	0.243	2,401	Significant

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H4	Innovation →	0.215	2,703	Significant
	Repurchase			
H5	Price → Loyalty	0.296	2,554	Significant
Н6	Price →	0.200	2,586	Significant
	Repurchase			
Н7	Loyalty →	0.290	2,299	Significant
	Repurchase			

Source: Primary data processed, 2020

Based on the results of hypothesis testing in table 7, it can be seen that the seven hypotheses have a significant effect on endogenous variables. The variables that have the most influence on endogenous variables are Promotion and Price variables.

# H1: Promotion has a positive effect on loyalty

Promotion has a positive and significant effect on loyalty at Madya Burung Stores with a t-statistic value of 3.126, greater than 1.96. It can be concluded that the greater the promotion, the greater the loyalty.

# H2: Innovation has a positive effect on Loyalty

Innovation has a positive and significant effect on loyalty at Madya Burung Stores with a t-statistic value of 2.401, greater than 1.96. It can be concluded that the greater the innovation, the greater the loyalty.

# H3: Price has a positive effect on Loyalty

Price has a positive and significant effect on loyalty at Madya Burung Stores with a t-statistic value of 2.554, greater than 1.96. It can be concluded that the greater the price, the greater the loyalty.

### H4: Promotion has a positive effect on Repurchase

Promotion has a positive and significant effect on repeat purchases at Madya Burung Stores with a t-statistic value of 2,635 greater than 1.96. It can be concluded that the greater the promotion, the more re-purchases can be increased.

### H5: Innovation has a positive effect on Repurchase

Innovation has a positive and significant effect on repeat purchases at Madya Burung Stores with a t-statistic value of 2.703, greater than 1.96. It can be concluded that the greater the innovation, the greater the re-purchase.

# H6: Price has a positive effect on Repurchase

Price has a positive and significant effect on re-purchases at Madya Burung Stores with a t-statistic value of 2.586, greater than 1.96. It can be concluded that the greater the price, the higher the re-purchase.

# H7: Loyalty has a positive effect on Repurchase

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Loyalty has a positive and significant effect on repeat purchases at Madya Burung Stores with a t-statistic value of 2,299, greater than 1.96. It can be concluded that the greater the loyalty, the more re-purchases can be increased.

### Discussion

# Promotion has a positive effect on loyalty

Based on the hypothesis testing in table 7, it can be proven that the promotion variable has a positive and significant influence on the loyalty variable. It can be concluded that the greater the promotion, the greater the loyalty. The relationship between promotion and loyalty can be explained that the higher the level of promotion, the more loyal the customer will be.

The results of this study are in line with research conducted by Marife Mendez (2015) which shows that the role of product promotion has a high involvement in increasing consumer loyalty.

# Innovation has a positive effect on loyalty

Based on the results of hypothesis testing in table 7, it can be proven that innovation has a positive and significant effect on loyalty at Madya Burung Stores. This shows that the greater the innovation, the greater the loyalty.

Previous research conducted by Pantea Foroudi (2016) shows that innovation has a positive effect on loyalty. When business people produce innovative products, it can increase customer satisfaction and consumer loyalty.

### Price has a positive effect on Loyalty

Based on the results of hypothesis testing in table 7, it can be proven that price has a positive and significant effect on loyalty at Madya Burung Stores. This shows that the greater the price, the greater the loyalty.

The results of previous research are supported by Mahmud, et al (2014) which states that price has a major influence on customer loyalty in a positive relationship.

### Promotion has a positive effect on Repurchase

Based on the results of hypothesis testing in table 7, it can be proven that promotion has a positive effect on repeat purchases at Madya Burung Stores. This shows that the greater the promotion, the more re-purchases can be made.

The results of this study are supported by research conducted by Irfan Saputra (2019) which states that promotion has an effect on repeat purchases. With the use of price promotion is expected to have a positive impact on consumer satisfaction. By providing attractive price promotions, the level of consumer satisfaction will be even higher.

# Innovation has a positive effect on Repurchase

Based on the results of hypothesis testing in table 7, it can be proven that innovation has a positive and significant effect on re-purchases at Madya Burung Stores. This shows that the greater the innovation, the greater the re-purchase.

Previous research conducted by Naveed (2012) stated that innovation has a positive effect on repeat purchases. Innovation within the company plays an important role in breaking barriers, increasing market support and attention because through innovation, companies can respond to the environment by developing capabilities that have competitive advantages and affect overall company performance.

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# Price has a positive effect on Repurchase

Based on the results of hypothesis testing in table 7, it can be proven that the price has a positive and significant effect on re-purchases at Madya Burung Stores. This shows that the greater the price, the higher the re-purchases.

Previous research conducted by N. Paramananda (2018) stated that price has a positive effect on re-purchases. Price has a major effect on the marketing system which determines the demand and sales of products. Pricing in products is important and can influence rates consumer repurchase.

### Loyalty has a positive effect on Repurchase

Based on the results of hypothesis testing in table 7, it can be proven that loyalty has a positive and significant effect on repeat purchases at Madya Burung Stores. This can be shown by the greater the loyalty, the higher the repurchase.

This is supported by previous research by Charly Hongdiyanto (2020) which states that loyalty has an effect on repurchasing. Consumers who feel that what they need has been fulfilled, customers tend to repurchase so that satisfaction with a product makes these consumers loyal.

### CONCLUSION

Based on the data obtained and the results of the analysis carried out in this study, it can be concluded that:

- 1. The results of the analysis show that promotion has a positive and significant effect on loyalty at Madya Burung Stores. This influence indicates that the better the promotion, the higher the consumer loyalty at Madya Burung Stores, conversely, the lower the promotion, the lower the loyalty felt by consumers.
- 2. The results of the analysis show that innovation has a positive and significant effect on loyalty at Madya Burung Stores. This influence indicates that the better the innovation, the higher the consumer loyalty at Madya Burung Stores, on the contrary, the lower the innovation, the lower the loyalty felt by consumers.
- 3. The results of the analysis show that price has a positive and significant effect on loyalty at Madya Burung Stores. This influence indicates that the better the price, the higher the consumer loyalty at Madya Burung Stores, on the other hand, the lower the price, the lower the loyalty felt by consumers.
- 4. The results of the analysis show that promotion has a positive and significant effect on repeat purchases at Madya Burung Stores. This influence indicates that the better the promotion, the higher the re-purchases of consumers at Madya Burung Stores, on the other hand, the lower the promotion, the lower the re-purchases that consumers feel.
- 5. The results of the analysis show that innovation has a positive and significant effect on repeat purchases at Madya Burung Stores. This influence indicates that the better the innovation, the higher the consumer's re-purchases at Madya Burung Stores, on the other hand, the lower the innovation, the lower the re-purchases that consumers feel.
- 6. The results of the analysis show that the price has a positive and significant effect on repurchases at Madya Burung Stores. This influence indicates that the better the price, the higher the re-purchases of consumers at Madya Burung Stores, on the other hand, the lower the price, the lower the re-purchases that consumers feel.
- 7. The results of the analysis show that loyalty has a positive and significant effect on repeat purchases at Madya Burung Stores. This influence indicates that the better the loyalty, the

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higher the re-purchases of consumers at Madya Burung Stores, on the contrary, the lower the loyalty, the lower the re-purchases that consumers feel.

### Theoretical and Managerial Implications

In this study, a model was developed to strengthen the theory to provide support for previous research. Based on the findings of this study, Madya Burung Stores need to increase promotion, innovation and price as business actors in order for consumers to be interested in coming to buy and revisiting the Madya Burung Stores and promotions, innovation and prices are the most powerful factors influencing repurchase on the respondents of this study. Promotion can be done by doing promotions on line with social media or offline, a form of innovation that can be applied by multiplying new products, and the prices given vary so that consumers can determine and adjust to the needs they want to buy.

### **Limitations of Research Problems**

- 1. The factors that influence repurchase in this study consist of only 4 variables, namely promotion, innovation, price, and loyalty, while there are many other factors that influence re-purchase.
- 2. This research was only conducted in one case study, namely the Madya Burung Shop
- 3. The sample used by this researcher is only 100 respondents
- 4. Limited research time and costs.

# **Suggestions for Future Research**

For further research, it is expected to use more diverse and more respondents, in addition it is expected to use other factors that can influence repurchasing or to try to add indicators in each of the variables as well as other variables. In addition, further research can be carried out using a wider range of research objects.

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