

## **THE INFLUENCE OF SERVICE QUALITY AND PRICE ON THE CUSTOMERS BUYING DECISION IN THE GLOBAL JAYA SELANG COMPANY**

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### **ABSTRACT**

*The purpose of this research is to test the influence of service quality and price on customer buying decision in The Global Jaya Selang Company with B2B and B2C customers as the forms of commercial transactions of the company. The independent variables on this research are service quality (X1) and price (X2), while the dependent variable is the customer buying decision. Technique of data analysis used in this study is multiple regression analysis techniques using dummy variabel. The sample used is purposive sampling which involves 78 respondents, where 30 respondents are categorized as B2B customers and 48 respondents are B2C customers. The research results show that the service quality and price have significant influence on the customer buying decision in The Global Jaya Selang Company and have no difference between B2B and B2C customers on service quality and price to customer buying decision in The Global Jaya Selang Company.*

**Keywords:** Service Quality, Price, Customer Buying Decision, B2B, B2C.

### **INTRODUCTION**

In this era of globalization, the industrial sector is among the sectors that have increased rapidly. As in Indonesia, the numbers of large-sized and medium-sized industry are still increasing. The Global Jaya Selang Company as a sole trader company is one of the businesses that focus on selling hoses, pipes, and hose accessories specified for industrial machinery and hydraulic machines usages. The Global Jaya Selang Company adopts B2B and B2C as its forms of commercial transactions.

However, the recent sales level of The Global Jaya Selang Company has decreased significantly, due to the increasing and tight competition among similar businesses. Prior to this, the researcher conducted a preliminary survey to ten customers of the company before buying hydraulic hoses or industrial hoses as the company's products. The survey result showed that seven out of ten customers (70%) who bought the products of the company shared similar perception, that the service quality became their priority when deciding to buy hydraulic hoses or industrial hoses. Furthermore, six out of ten customers (60%) also agreed that price influenced their buying decision. Only four customers (40%) bought the company's products

based on the product quality, and three customers (3%) chose to buy the company's products based on the company's location, since the products with similar quality have also been available in other companies located near the company's store. Regarding the result of preliminary survey, the writer assumes that in order to win the tight competition and increase the recent sales level, The Global Jaya Selang Company must pay more attention on both its service quality provided to and the product price offered to its customers.

Nikhaeshemi *et al.* (2012) state that service quality is a global judgment or evaluation on the service excellences provided by a company to its customers. Service quality can convince the customers to commit themselves to a company's product and service, and this directly influences the market share increase of a product. In addition to that, pricing is also important to be considered as company's strategies in increasing sales revenue. Price is a certain amount of money charged for a product or service (Kotler, 2012: 290). Each company must define their pricing precisely to make them able to be successful in marketing their products and services. From the standpoint of a company, price is a component that directly influences the company profit, as the price level set by the company will affect the quantity of the product that the company sells. While from the standpoint of a customer, price is used to measure the value of the perceived benefits of the product or services that will ultimately affect the customer's buying decision.

## **LITERATURE REVIEW**

### **Service Quality**

Company services provided to customers is a very significant factor to be paid attention to in order to develop the company while at the same time to keep the existing customers (Fadmawati, 2014). Additionally, Arslan (2014) adds that service quality is a judgment or evaluation of a service that meets customer's expectation. When a trading company or a store is able to provide good and quality service, what will definitely be going to happen is that the consumers' satisfaction for the company increase and their buying decision also increases. SERVQUAL (Service Quality) model is one of the models of service quality approach that has mostly become a research reference. The SERVQUAL model is built on two factors; customers' perception on the experienced service, and the service that they actually expect or desire (experienced service and expected service). Parasuraman *et al.* (2009: 111) in Saidani and Arifin (2012) list five factors of SERVQUAL model, namely (1) tangible, (2) reliability, (3) responsiveness, (4) assurance, and (5) empathy.

### **Price**

Oentoro (2010:149) defines price as a form of currency, either in form of money or goods, in exchange for other products or services, which is paid by someone or some parties in a certain time and certain place. Furthermore, price interacts with other elements in marketing mix to control the effectiveness of each and whole elements.

### **Buying Decision**

Buying decision comes from customer's objective judgment or emotional boost of a product or service. Kotler and Armstrong (2011:149) argue that customer's buying decision is a final stage of a buying decision process, where a customer actually performs an action of buying the product or service. The role of a customer as a main actor in this buying process has always become the main concern of a producer. According to Kotler and Keller (2012), the buying decision process consists of several stages, namely (1) need or problem recognition, (2) information search, (3) alternative evaluation, (4) purchase decision, and (5) post-purchase behavior.

On the basis of problems formulation and theoretical review five hypotheses are posed.

1. H1: service quality influences customer buying decision for the product of The Global Jaya Selang Company.
2. H2: price influences customer buying decision for the product of The Global Jaya Selang Company.
3. H3: service quality and price simultaneously influence customer buying decision for the product of The Global Jaya Selang Company.
4. H4: service quality has stronger influence on the customer buying decision for the product of The Global Jaya Selang Company.
5. H5: price has stronger influence on the customer buying decision for the product of The Global Jaya Selang Company.

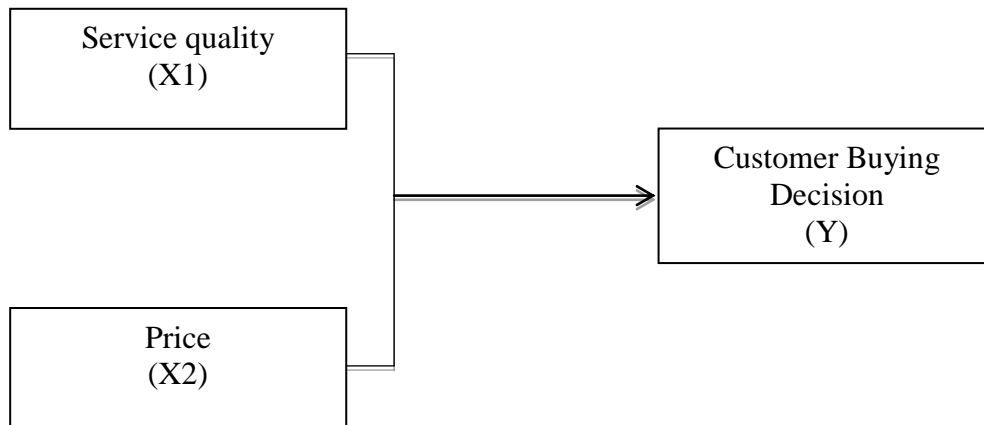


Figure 1. Model of Analysis

## RESEARCH METHODS

The research method used in this research is quantitative research method. The data needed are related to customers' identity and their responses on their buying decision, specifically related to the factor of service quality and product price. The data are gathered by distributing questionnaires to the customers of The Global Jaya Selang Company. The population for this research was 360 customers who came and bought the product marketed by The Global Jaya Selang Company in August 2015, and the sample was 78 respondents chosen by using Slovin's sample size formula. Purposive sampling based on the research's judgement is used to select the samples purposively based on certain consideration. All the samples are regular customers who come to the company's store to buy the products and have purchased the products of the company before.

Multiple regression technique is used to analyze the data. Wijaya (2010:1) explains that multiple regression technique is an analysis used to analyze data of several variables, of either independent variables or dependent variables. This kind of analysis is used to determine which of the variables contribute more to the customer buying decision for the products of The Global Jaya Selang Company. The Slovin formula is as  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \epsilon$ , where:

Y = Buying decision

$\beta_0$  = Constant

- $\beta_1$  = Coefficient regression for variable X1  
 $\beta_2$  = Coefficient regression for variable X2  
X1 = Service quality  
X2 = Price  
 $\varepsilon$  = Error

### Hypotheses Testing

- a. **F Test.** Ghozali (2011:98) explains f test is used to test whether the independent variables are simultaneously significant to the dependent variable or not. If the P value for the F-test is less than the significance level of 0.05, then the independent variable simultaneously influences the dependent variable.
- b. **T test.** Ghozali (2011:98) explains that t test is used to test the significance level of independent variables partially (individually) to the dependent variable. If the significant value of t-test is less than 0.05 then the independent variables partially influence the dependent variable.
- c. **Coefficient correlation (R).** Sugiyono (2011:153) explains that multiple coefficient correlation (R) is to test the degree of linear dependence between independent variable and dependent variable between 0 and 1. If R is close to 1, then it indicates a positive relationship between the variables, or otherwise.
- d. **Coefficient determination (R<sup>2</sup>).** According to Sugiyono (2011:154), coefficient determination is used to determine the strength of independent variable in influencing the dependent variable, if the value of R<sup>2</sup> is between 0 and 1. If R<sup>2</sup> is close to 1, then it indicates a close relationship between the variables, or otherwise.

### Classical Assumptions Test

- a. **Normality test.** Normality test (Ghozali, 2011: 32) aims to test the normal distribution of a regression model. The normality test in this research uses *Kolmogorov-Smirnov* test that compares the empirical distribution with standard normal distribution. If the significant value is less than 0.05, then the residual data that will be tested have significant difference, which means that the residual variable does not have normal distribution, or otherwise.
- b. **Multicollinearity test.** Ghozali (2011: 105) explains that this test is to measure whether the independent variables in a multiple regression model are highly correlated or not. Generally, the tolerance used to show a multicollinearity is  $> 0.10$  or equal to VIF (variance inflation factor)  $< 10$ , thus all researchers are expected to determine the degree of collinearity that can be tolerated in their research.
- c. **Heteroscedasticity test.** Heteroscedasticity test is used to measure whether there is a constant variance from the residuals across observations (Ghozali, 2011: 142) or not. Heteroscedasticity test uses Glejser test by regressing the absolute value of residuals to the independent variable, if the significant value is greater than  $> 0.05$ .
- d. **Autocorrelation test.** The aim of this test is to test if there is an autocorrelation between the residuals or prediction errors in period t with period t-1 in regression equation or not (Wijaya, 2010:54). Testing the autocorrelation can be done by using Durbin-Watson (DW). The criteria for Durbin Watson are displayed in Table 1.

**Table 1. Category of DW**

Value of DW	Category
<dL	Autocorrelation exists
dL - dU	Autocorrelation does not exist
dU - (4-dU)	Autocorrelation does not exist
(4-dU) - (4-dL)	Autocorrelation does not exist
> (4-dL)	Autocorrelation exists

Source: Sudarmanto (2013:271)

- e. **Linearity test.** Linearity test is used to measure whether two variables have significant linear relationship or not. This can be done by using test of linearity. If the significance value of linearity is lesser than 0.05, then it can be concluded that there is a linear relationship between independent variable and dependent variable (Riduwan and Susanto, 2011:338).
- f. **Multiple linear regression analysis with dummy variable.** Dummy variable regression is a regression model that can distinguish a model into two different models based on different constants. Different constants are generated by dummy variable which is used as device to sort the data into nominal and ordinal category (Gani, 2015: 158). Generally, the multiple linear regression equation in this research is formulated as follows:  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3D + \beta_1DX_1 + \beta_2DX_2 + \varepsilon$ , where

- Y = Buying decision  
 $\beta_0$  = Constant  
 $X_1$  = Service quality  
 $X_2$  = Price  
 $\beta_1$  = Coefficient value of  $X_1$   
 $\beta_2$  = Coefficient value of  $X_2$   
d = Dummy (value 1 is for B2B, while 0 is for B2C)  
d $X_1$  = Dummy times  $X_1$   
d $X_2$  = Dummy times  $X_2$   
 $\varepsilon$  = Error

## ANALYSIS AND DISCUSSION

**Table 2. Multiple Linear Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1 (Constant)	9.345	2.575	
KP_Total	.178	.044	.418
H_Total	.572	.213	.277

Based on Table 2, the linear equation is  $Y = 9,345 + 0,178X_1 + 0,572X_2$ , where:  
 $X_1$  = service quality

X2 = price

Y = customer buying decision

**F-test Result**

Testing the hypotheses are done by using f-test. F-test is conducted to test the significant relationship between independent variables and dependent variables simultaneously. The f-test shows the following result:

**Table 3. Result of F-Test**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	205.516	2	102.758	20.354	.000 <sup>a</sup>
Residual	378.638	75	5.049		
Total	584.154	77			

a. Predictors: (Constant), H\_Total, KP\_Total

b. Dependent Variable: KPP\_Total

The result of f-test analysis for this regression model for all variables shows that the F value is 20.354 and significant at 0.000. Since the significant value is less than 0.05, then it can be concluded that service quality and price have significant influence to the customer buying decision simultaneously.

**t-Test Result**

T-test is conducted to show the partial or individual influence of independent variable to the dependent variable in this research. The result is shown by Table 4.

**Table 4. Result of T-Test**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	9.345	2.575		3.628	.001
KP_Total	.178	.044	.418	4.053	.000
H_Total	.213	.213	.277	2.683	.009

a. Dependent Variable: KPP\_Total

The result of regression testing for service quality variable to the customer buying decision shows that the t-value is 4.053 and significant at 0.000. Since the significant value is less than 0.05, the alternative hypothesis is accepted. Thus, service quality variable partially and significantly influences customer buying decision.

The result of regression testing for price variable to the customer buying decision shows that the t-value is 2.683 and significant at 0.009. Since the significant value is less than 0.05, the alternative hypothesis is then accepted. Therefore, price variable also partially and significantly influences customer buying decision.

**Coefficient Correlation and Coefficient Determination**

**Table 5. Coefficient Correlation and Coefficient Determination**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
dimension 1	.593 <sup>a</sup>	.352	.335	2.247

Table 5 displays the coefficient correlation value is 0.593, which is closer to 1. This value means that there is a close positive relationship between service quality and price and customer buying decision.

**Coefficient determination (R<sup>2</sup>)**

The coefficient of determination is useful to explain the strength of independent variables in determining the dependent variable between the value of 0 and 1. If R<sup>2</sup> is close to 1, it means that there is a close relationship between variables, or otherwise

**Multiple Linear Regression Analysis with Dummy Variable**

This dummy variable regression is used to determine the sensitivity level between the B2B respondents and B2C respondents to service quality variable and price variable. By using dummy variable, the researcher can determine the relationships of service quality variable and price variable with the B2B respondents and B2C respondents. The value of this dummy variable is between 0 and 1. The researcher uses variable 1 for B2B respondents and variable 0 for B2C respondents.

The total samples are 78 respondents, in which the samples selected during questionnaire distribution for B2B respondents are 31 samples, while for B2C respondents are 47 samples.

**Linear Regression with Dummy Constant**

**Table 6. Result of Coefficient and Regression with Dummy Constant**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	10.336	3.554		2.908	.005
dummy	2.834	5.969	.443	.475	.636
ratax1	3.165	.966	.438	3.278	.002
ratax2	1.475	.633	.302	2.329	.023
D_ratax1	-.290	1.498	-.192	-.193	.847
D_ratax2	-.752	1.040	-.452	-.724	.472

a. Dependent Variable: KPP\_Total

Table 6 shows that the significant value of the dummy is 0.636 or greater than 5%. Thus, it can be concluded that the dummy variable in this research is not significant, or there is no significant difference between the relationship of B2B respondents and B2C respondents with the service quality variable (X1) and price variable (X2).

### **The Influence of Service Quality to the Customer Buying Decision**

The analysis result of service quality variable shows that this variable has a significant and positive influence to the customer buying decision for the product marketed by The Global Jaya Selang Company. The influence of service quality to customer buying decision is positively significant at 0.00 (less than 0.05), which indicates that both variables have linear relationship. The higher the company provides quality service, the higher the customer buy the products, or otherwise.

This result is supported by the results of related research done by Andreti *et al.* (2013) who claim that service quality has significant influence to the customer buying decision, thus service quality is a factor that must become the company's concern in order to increase its sales level.

Based on the result of dummy variable regression test to differentiate between the B2B dan B2C respondents, there is no significant difference between the respondents since the dummy coefficient is 0.636 or greater than 0.05. Therefore it can be concluded that there is no significant difference between the B2B respondents and B2C respondents in relation to the service quality variable and price variable.

### **The Influence of Price to the Customer Buying Decision**

The analysis result of price variable shows that this variable has a significant and positive influence to the customer buying decision for the product marketed by The Global Jaya Selang Company. The influence of price to customer buying decision is positively significant at 0.009 (less than 0.05), which indicates that both variables have linear relationship. The more affordable the company sets its product price, the higher the customer buy the products, or otherwise.

This result is supported by the results of related research done by Alfred (2013) who argues that price has significant influence to the customer buying decision.

Based on the result of dummy variable regression test to differentiate between the B2B dan B2C respondents, there is no significant difference between the respondents since the dummy coefficient is 0.636 or greater than 0.05. Therefore it can be concluded that there is no significant difference between the B2B respondents and B2C respondents in relation to the service quality variable and price variable.

## **CONCLUSIONS AND SUGGESTIONS**

### **Conclusions**

Based on the analysis results and description, the researcher comes into the following conclusions:

1. Service quality variable has positive and significant influence to the customer buying decision for the product of The Global Jaya Selang Company.
2. Price variable has positive and significant influence to the customer buying decision for the product of The Global Jaya Selang Company.
3. Service quality and price, simultaneously, have positive and significant influence to the customer buying decision for the product of The Global Jaya Selang Company.
4. There is no significant difference between the B2B respondents with the B2C respondents in relation to the service quality variable and price variable.

### **Suggestions**

1. Based on the result of If  $R^2$  analysis in this research, only 35.2% is influenced by service quality and price, while the other 64.8% is influenced by other variable. Regarding this result, a related future research needs to be conducted in order to



- analyze other variables that can influence customer buying decision.
2. There are several unreliable indicators put in the questionnaire as instrument of this research. Thus, next related future research that is going to be conducted needs more reliable indicators on the research instrument, or design more questions that are closely related to the research variables.
  3. The next related future research must determine and specify the frequency of product buying, for example, more than one-time buying, in order to get answer that is more accurate.
  4. The characteristic of respondents must be expanded, not only limited for the respondents who come to the store to buy the products, in order to efficiently shorten the time needed for distributing questionnaire.

### **Research Limitations**

The followings are the limitations of this present research:

1. The samples chosen are not determined and specified by the frequency of product buying.
2. There is a limitation of research variable, in which the variables analyzed are limited only to the service quality and price.

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