Value-Driven Loyalty: The Role of Price and Product Quality in the Indonesian FMCG Market

Ido Gusma Raba

Affiliation :Institut Teknologi dan Bisnis ASIA Malang, Indonesia
Correspondence E-mail : idograba@gmail.com

Abstract

Main Objectives: This study analyzes the influence of brand image, product quality, and price on consumer loyalty at PT Indomarco Adi Prima Kupang Branch. This topic is important because the competition in the retail industry is getting fiercer and customer loyalty is the key to business sustainability. The study aims to identify which factors are most influential in building loyalty.

Background Problems: The main issues examined were whether brand image, product quality, and price had an effect on consumer loyalty. This study also evaluates which variables are the most dominant in influencing loyalty. The core question of the study was formulated: "What factors most determine Indomarco's consumer loyalty?"

Research Methods: The study used a quantitative approach with a Likert scale questionnaire survey on consumers who had made a purchase more than three times. Data analysis was carried out using PLS-SEM through testing the outer model and inner model. Samples were selected by purposive sampling according to the research criteria.

Results: The results show that price and product quality have a positive and significant effect on consumer loyalty. On the other hand, reputation or brand image does not show significant influence. The research model has strong predictive power with an R² value of 0.777.

Conclusion: The study concluded that consumer loyalty is driven primarily by competitive prices and consistent product quality. Companies need to prioritize value strategies to strengthen customer loyalty. A reputation still needs to be built as a long-term asset even if the direct influence is not significant.

Keywords: brand image, product quality, price, consumer loyalty, PT Indomarco Adi Prima

Introduction

Competition in the business world is currently getting tighter along with technological developments and globalization that encourage changes in consumer behavior. This condition requires companies to have the right strategy to be able to survive and win the market. One strategy that has proven effective is building customer loyalty, as loyal customers not only contribute to long-term revenue, but also act as promoters through positive word of mouth.

The retail industry in Indonesia is experiencing rapid development with the presence of various big players such as Alfamart, Indomaret, and other distribution networks. Competition occurs not only on the price aspect, but also on the quality of service, brand image, and store atmosphere. Research shows that customer loyalty is a key factor in maintaining a company's competitive position in the retail sector (Marso & Idris, 2022). In this context, companies are required to continue to innovate and create shopping experiences that are able to increase customer satisfaction and loyalty.

Brand image is a consumer perception of a brand formed from a company's experience, communication, and reputation. A positive brand image is able to create trust and emotional attachment between consumers and companies. Customer loyalty comes not only from momentary satisfaction, but also from consumers' belief that the brand consistently delivers value that matches their expectations. Recent research shows that brand image has a significant effect on customer loyalty, both in the retail and service sectors (Nadjwa, Srivania, & Mardhiana, 2024; Yuwono & Anggiani, 2024; Alshobar Journal, 2023). Consumers who have a positive perception of the brand tend to make repeat purchases and even recommend the product to others. This confirms that a strong brand image is one of the important foundations in retaining consumers, as customer loyalty is often built on long-term perceptions of brand reputation and credibility. In the context of Indomarco, the brand image inherent in Indofood products and the company's reputation as a major distributor can be a determining factor in maintaining customer loyalty in the midst of increasingly fierce retail competition.

In addition to brand image, another factor that affects customer loyalty is the store atmosphere. Store atmosphere includes interior design, lighting, cleanliness, comfort, and interaction with employees. A pleasant store atmosphere can enhance a consumer's shopping experience, making them feel comfortable and encouraged to return to shopping. Research in the Indonesian retail sector proves that store atmosphere has an effect on customer satisfaction and loyalty (Marso & Idris, 2022; Wijaya, 2024; ResearchGate, 2025). Consumers who are satisfied with the store's atmosphere tend to have a stronger emotional attachment to the company, so their loyalty increases. Customer loyalty in this case is not just a willingness to buy back, but also a willingness to ignore competitors for a pleasant shopping experience. For Indomarco Kupang, a good store atmosphere can be an important strategy in retaining customers, because a comfortable store atmosphere and friendly service will strengthen long-term relationships with consumers.

Price also remains an important variable in purchasing decisions and customer loyalty. Consumers tend to be loyal if the prices offered are in accordance with the quality and experience they get. A fair and competitive price perception can create a sense of satisfaction, which ultimately strengthens customer loyalty. Research shows that fair and competitive price perceptions have an effect on customer loyalty, especially when combined with effective loyalty programs (Lex Localis, 2023; Econeurasia, 2023; ResearchGate, 2024). Consumers who feel that the price is in line with the accepted value will find it more difficult to move to a competitor, even if there is a lower price offer. Customer loyalty in the context of price is not only related to nominal, but also to consumers' perception of fairness and consistency of the prices that companies offer. For Indomarco Kupang, the right pricing strategy can be one way to retain customers, because consumers will feel valued and get value worth their expenses. Thus,

competitive and consistent prices are one of the important factors in building customer loyalty in the midst of increasingly intensive retail competition.

PT Indomarco Adi Prima, a subsidiary of PT Indofood Sukses Makmur Tbk, is one of the largest distributors of special consumer needs products in Indonesia. The Kupang branch plays a strategic role in the distribution of products in the East Nusa Tenggara region. With increasing competition and the diverse nature of consumer preferences in the region, it is important for companies to understand the factors that affect consumer loyalty to the products they distribute

Based on the description above, this study was conducted to analyze the influence of brand image, store atmosphere, and price on customer loyalty at PT Indomarco Adi Prima Kupang Branch. This research is expected to make a theoretical contribution to the development of marketing science as well as practical benefits for Indomarco in formulating customer retention strategies.

Brand Image
Brand image is the perception and impression that consumers have of a brand that is formed through experiences, beliefs, and associations associated with that brand (Kotler & Keller, 2016). A positive brand image helps create trust and emotional attachment between consumers and the company, thus driving loyalty.

Product Quality
Product quality is the ability of a product to meet the needs and expectations of consumers (Garvin, 1987). High-quality products are characterized by good durability, performance, and consistency, so they can increase customer satisfaction and trust.

Price
Price is the amount of money that consumers must pay to obtain a product or service (Kotler & Armstrong, 2018). Price plays an important role in shaping the perception of value received by consumers.

Consumer Loyalty
Consumer loyalty is the consumer's preference to continue buying or using a brand's products for a long period of time (Oliver, 1999). This loyalty is the end result of a positive experience and satisfaction with the brand.

Relationships Between Variables
Previous research has shown that brand image, product quality, and price are the main factors that influence consumer loyalty. For example, research by Putra and Rahmawati (2021) found that brand image and product quality have a significant effect on consumer loyalty in the retail sector. Research by Nugroho (2020) and Lestari (2022) also proves that a competitive pricing strategy can increase customer satisfaction and loyalty.

The hypotheses proposed in this study are:
H1: Brand image has a positive and significant effect on consumer loyalty.
H2: Product quality has a positive and significant effect on consumer loyalty.
H3: Price has a positive and significant effect on consumer loyalty.
H4: Brand image, product quality, and price simultaneously affect consumer loyalty.

Research Methods

This study uses a quantitative approach with a causal-comparative design to examine the relationship and empirical influence of exogenous variables—Reputation (X1), Price (X2), and Product Quality (X3)—on the endogenous variable, Consumer Loyalty (Y1). The research

population is all consumers who purchase products distributed by PT Indomarco Adi Prima Kupang Branch. The sample determination technique used is Purposive Sampling (Non-Probability Sampling) with the following respondent criteria: (1) at least 17 years old, and (2) have made purchase transactions more than three times. (Note: The number of final samples of N must be listed here according to the data collected, e.g. N=180).

Primary data were collected using a structured questionnaire with a 5-point Likert Scale instrument (1 = Strongly Agree to 5 = Strongly Agree). The data analysis technique used is Partial Least Squares - Structural Equation Modeling (PLS-SEM) with SmartPLS software. The evaluation was carried out in two stages: Outer Model: Testing Convergent Validity (Outer Loadings 0.70 and AVE 0.50) and Construct Reliability (Composite Reliability 0.70). Structural Model (Inner Model): Testing hypotheses through Path Coefficients and Bootstrapping procedures (p < 0.05 for significance). The predictive power of the model is assessed based on R2 and f2, while the fit of the model is measured using SRMR (\leq 0.08).
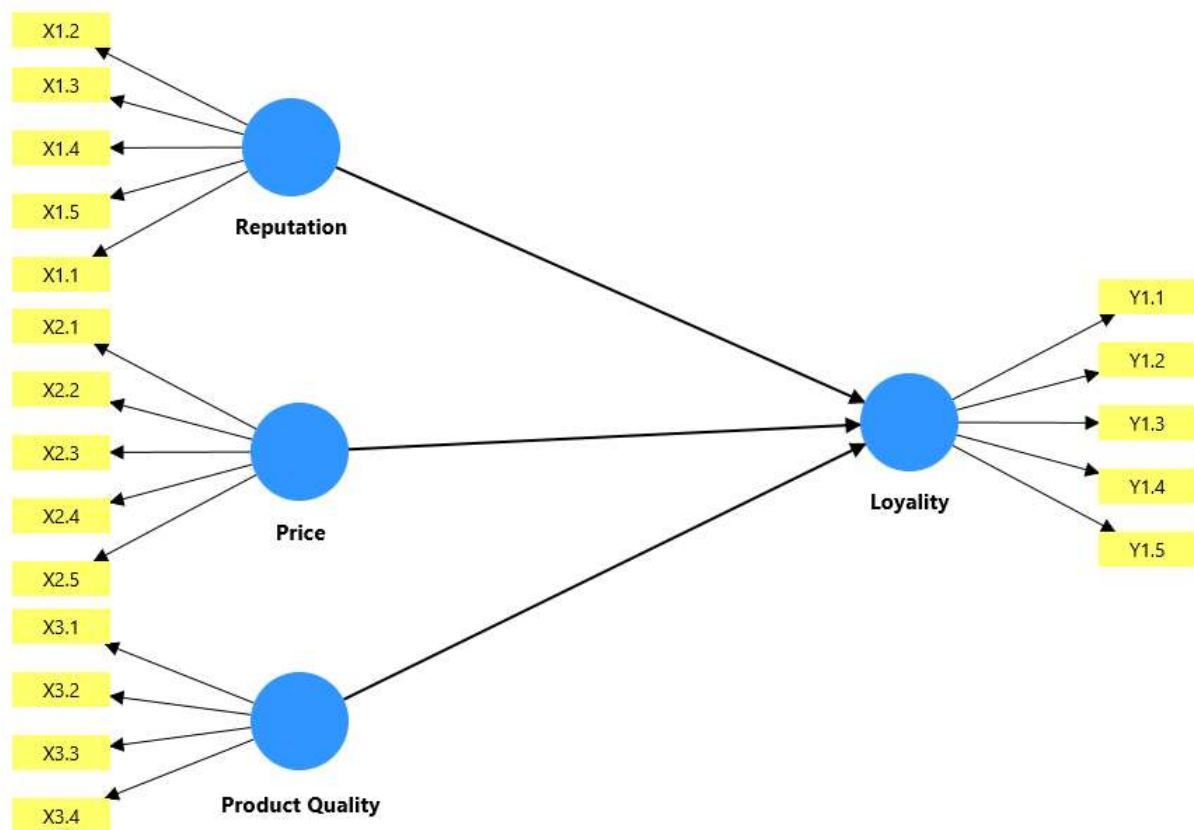

Figure 1 Conceptual Framework

Source: Processed Data, 2025

RESULT

The data analysis in this study uses *the Partial Least Squares-Structural Equation Modeling* (PLS-SEM) method with SmartPLS software. Model evaluation is carried out in two stages: measurement model evaluation (*Outer Model*) and structural model evaluation (*Inner Model*).

A. Evaluation of Measurement Models (Outer Model)

The evaluation of the measurement model aims to test the validity and reliability of the indicators (questionnaire items) against their latent constructs.

1. Convergent Validity Test

The convergent validity is tested through *Outer Loadings* and *Average Variance Extracted* (AVE) values.

a. Outer Loadings

The results of the *Outer Loadings* test (correlation of indicators with constructs) show that all indicators have values above the threshold of 0.70, as shown in Table 1.

Table 1 Outer Loading

Construct	Indicators	Outer Loading	Information
Reputation (X1)	X1.1-X1.5	0.798 - 0.894	Valid
Price (X2)	X2.1-X2.5	0.791 - 0.872	Valid
Product Quality (X3)	X3.1-X3.4	0.810 - 0.898	Valid
Loyalty (Y1)	Y1.1-Y1.5	0.701 - 0.839	Valid

Source: Processsed Data, 2025

The indicator with the lowest load is Y1.4 (0.701), but this value remains above the 0.70 limit. Therefore, all indicators used are valid to represent their latent constructs.

b. Average Variance Extracted (AVE)

The AVE value must be greater than 0.50 to meet the validity of the convergence.

Table 2 Average Varience Extracted Bootstrap

Construct	AVE	Limitation	Information
Reputation (X1)	0.699	> 0.50	Valid
Price (X2)	0.692	> 0.50	Valid
Product Quality (X3)	0.740	> 0.50	Valid
Loyalty (Y1)	0.607	> 0.50	Valid

Source: Processsed Data, 2025

The results show that the entire construct has an AVE value above 0.50. Thus, Convergent Validity is well met.

2. Reliability Test

Construct reliability is measured using *Composite Reliability* (rho_c) and *Cronbach's Alpha*. Both of these values must be greater than 0.70.

Table 3 Construct Reliability

Construct	Cronbach's Alpha	Composite Reliability (ρc)	Limitation	Information
Reputation (X1)	0.892	0.920	> 0.70	Highly Reliable
Price (X2)	0.888	0.918	> 0.70	Highly Reliable
Product Quality (X3)	0.882	0.919	> 0.70	Highly Reliable
Loyalty (Y1)	0.837	0.885	> 0.70	Reliable

Source: Processsed Data, 2025

All constructs have a value of rho_c and Cronbach's Alpha above 0.70. It can be concluded that the research instrument has a high and consistent level of reliability.

B. Evaluation of Structural Models (Inner Model)

Structural model evaluation includes testing hypotheses, determination coefficients (R2), impact measures (f2), and model fit.

1. Model Fit Test (Model Fit)

Model fit was evaluated using *Standardized Root Mean Square Residual* (SRMR). A good SRMR value is less than or equal to 0.08.

Table 4 Standardized Root Mean Square Residual

Fit Index	Result	Limitations (Good Fit)	Information
SRMR	0.082	<= 0.08	Adequate

Source: Processsed Data, 2025

The SRMR value of 0.082 indicates that the structural model has an **acceptable** *fit*, and the covariance generated by the model is quite close to the covariance of the sample data.

2. Determination Coefficient Test (R2)

The R2 coefficient indicates the ability of independent variables (Reputation, Price, Product Quality) to explain the variation of dependent variables (Loyalty).

Table 5 Determinant Coefficient

Endogenous Variable	R-square	Category
Loyalty (Y1)	0.777	Strong

Source: Processsed Data, 2025

An R2 value of 0.777 indicates that 77.7% of variations in Loyalty can be explained simultaneously by the variables Reputation, Price, and Product Quality. The rest (22.3%) is explained by other variables outside the model. This R2 value is categorized as strong.

3. Hypothesis Testing (Direct Influence)

Hypothesis testing was carried out by looking at the p-values and T-statistics on the *path coefficients*. The hypothesis is supported if the p-value < 0.05.

Table 6 Path Coefficient

Relationship	Line Coefficient (β)	T-Statistics	P-Values	Information
Reputation (X1) -> Loyalty (Y1)	0.037	0.239	0.811	**Subtract H1**
Price (X2) -> Loyalty (Y1)	0.563	5.369	0.000	**Receive H2**
Product Quality (X3) -> Loyalty (Y1)	0.350	2.146	0.032	**Receive H3**

Source: Processsed Data, 2025

The results of the study show that the company's reputation does not have a significant effect on customer loyalty. Despite the positive direction of influence, a high p-value (0.811) indicates that reputation is not strong enough to be a determining factor in building loyalty.

On the contrary, price has been shown to have the most significant influence on loyalty. With a path coefficient of 0.563 and a p-value of 0.000, it is clear that the perception of the price that is considered to be in accordance with the value that customers receive is able to increase their loyalty. This confirms that consumers are more sensitive to economic factors than company image.

In addition, product quality also has a positive and significant effect on loyalty, even though the strength is lower than the price. A path coefficient of 0.350 with a p-value of 0.032 indicates that consistency and quality excellence remain important factors in maintaining customer loyalty. Thus, loyalty is formed mainly through a combination of good price perception and maintained product quality.

Discussion

The findings of this study are in line with the basic theory of marketing and quality management put forward by Garvin (1988) and Juran. Both emphasized that consistent and superior product quality is a major prerequisite in creating customer satisfaction. Sustained satisfaction will ultimately contribute to the formation of long-term loyalty, so quality cannot be seen as an additional variable, but rather as a strategic foundation in business management.

However, the results of the analysis showed that although product quality has a significant effect on loyalty, the power of influence is relatively lower than price. The coefficient of the product quality line is 0.350, while the price reaches 0.563. This difference confirms that in the context of a market that is sensitive to economic value, price is still the dominant factor that determines customers' decisions to remain loyal.

A moderately categorized measure of product quality impact (f^2 = 0.154) gives an idea that quality is important, but it is not always the main determining factor in driving loyalty. The effectiveness of product quality in building loyalty seems to depend on the perception of value shaped by price. In other words, good quality will be more appreciated if consumers feel that the price paid is in accordance with the benefits received.

The synergy between product quality and price is key in strengthening customer loyalty. High quality serves as the basis for justifying the price set by the company. If consumers feel that the quality of the product is worth the price, then they will be more receptive to the price strategy offered. This shows that loyalty is not only built through quality or price separately, but through a combination of both.

In managerial practice, companies need to ensure that product quality remains consistent and superior, while setting competitive prices. Good quality without appropriate price support can lead to unfair perceptions, while low prices without adequate quality can damage customers' reputation and trust. Therefore, the integration of quality and price strategies is an important step in creating sustainable loyalty.

Overall, these findings confirm that product quality has a significant supporting role in building loyalty, although not a major factor. Companies must view quality as a minimum requirement that must be met, while price becomes a more decisive variable in the context of market competition. By managing the two synergistically, companies can create stronger value and strengthen long-term relationships with customers.

Managerial implications

The managerial implications of this study emphasize the importance of focusing on price variables and product quality as strategic priorities. These two factors have proven to have the

most influence on customer loyalty, so management needs to manage them in an integrated manner. By balancing competitive prices and consistent product quality, companies can maximize the perception of value for money which is the main basis for customers' decisions to remain loyal.

In addition, resource allocation should be directed at strengthening quality control and developing pricing strategies that are not only competitively attractive, but also remain profitable for the company. This step will ensure business sustainability while increasing customer satisfaction. A clear focus on these two variables will have a direct impact on loyalty, so that managerial investment in these areas is more effective than on other factors that have not been proven to be significant.

Although reputation does not show a direct influence on loyalty in the short term, it still has strategic value as a long-term asset. Reputation-building efforts should be seen as complementary to the success of the pricing and product quality strategy. By maintaining communication consistency, transparency, and a positive image, reputation can be a foundation that strengthens customer trust and unlocks future loyalty opportunities.

Theoretical implications

The results of this study show that economic value factors, especially price, have a stronger influence on loyalty than reputation. These findings confirm that in the context of a price-sensitive market, consumers tend to consider economic benefits more than company image. As such, strategies that emphasize cost efficiency and clear value offerings can be more effective in building customer loyalty than simply relying on reputation or brand image.

In addition, the rejection of the hypothesis of the influence of reputation on loyalty opens up opportunities for further research. This indicates that reputation may not work directly, but rather requires a mediating variable such as trust, or a moderation variable such as product engagement, in order to influence loyalty. In other words, reputation can be an important factor, but its role is more complex and depends on specific conditions that need to be explored more deeply through subsequent research.

Conclusion

PLS-SEM analysis showed that the measurement model (validity and reliability) of this model was adequate, and overall, the structural model had strong predictive power ($R^2=0.777$). Hypothesis testing revealed that Price ($\beta=0.563$; $p=0.000$) and Product Quality ($\beta=0.350$; $p=0.032$) have a positive and significant influence on Loyalty. In particular, Price is the most dominant predictor with a strong impact ($f^2=0.580$). In contrast, reputation was not shown to have a significant effect on loyalty ($p=0.811$). These findings imply that in the markets studied, customers tend to be rational and transactional, where the value factor (fair price versus product quality) takes precedence over the company's image factor.

Managerially, companies are advised to prioritize strategies that focus on increasing the value perceived by customers through integrated Price and Product Quality management. Although Reputation is not significant, branding efforts should still be continued as a long-term supporting factor. For further research, it is recommended to examine the role of mediating variables (such as Satisfaction or Trust) to identify the indirect mechanisms that Reputation may go through in influencing Loyalty, as well as to retest this model in different contexts or industries.

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