



Product and Channel Difference Mofel Distribution in Increasing Customer Loyalty

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Abstract: This study aims to determine the effect of product differentiation on customer loyalty at CV. Makmur Auto Sejahtera Medan, knowing the effect of distribution channels on customer loyalty at CV. Makmur Auto Sejahtera Medan, and knowing the effect of product differentiation and distribution channels on customer loyalty at CV. Prosperous Auto Prosperous Medan. The population in this study are regular customers of CV. Prosperous Auto Sejahtera Medan as many as 62 regular customers. The sampling technique in this study used a saturated sample. Thus, the number of research samples used is 62 regular customers. Data were analyzed using multiple linear regression analysis method. The results of the analysis give the equation Customer Loyalty = 0.108 + 0.249 Product Differentiation + 0.383 Distribution Channels + e. The results of the research partially show that product differentiation has a positive and significant effect on customer loyalty CV. Prosperous Auto Prosperous Medan. This is evidenced by the acquisition of tcount 4.834 > ttable 1.67065 and a significant value of 0.000 < 0.05 and distribution channels have a positive and significant effect on customer loyalty CV. Prosperous Auto Prosperous Medan. This is evidenced by the acquisition of a tcount of 4.818 > ttable of 1.67065 and a significant value of 0.000 < 0.05. Simultaneously, product differentiation and distribution channels simultaneously have a positive and significant effect on customer loyalty CV. Prosperous Auto Prosperous Medan. This is evidenced by the acquisition of an Fcount of 30.308 > ttable of 3.15 and a significant value of 0.000 < 0.05.

Keywords: Product Differentiation, Distribution Channels, Customer Loyalty.

INTRODUCTION

Companies that want to survive must have added value that makes the company different from other companies. The added value offered will further strengthen the choice for potential customers to make transactions or encourage existing customers to make transactions again. Companies that have the ability to increase customer loyalty on an ongoing basis will be able to survive the intense business competition because customer loyalty is a very important factor in the company's survival. CV. Makmur Auto Sejahtera Medan is a company engaged in the sale of car spare parts. This company is located on Jalan Bogor No. 105 Medan. The company's customers include auto parts shops, showrooms and companies that sell cars. The car spare parts that the company sells the most are Toyota brand car spare parts. Car spare parts products sold by the company include tires, car wheels, car audio and video, car exhausts, batteries, car lights. In 2018, the number of the company's regular customers was recorded at 62 customers and decreased compared to the previous year. This reflects that customer loyalty in the company has decreased so that customers switch to other companies in making transactions. The decrease in the number of regular customers led to a decrease in sales of car spare parts at the company (Nandan & Geetika, 2010).

Table 1. Data on the Number of Fixed Customers and Sales Data CV. Prosperous Auto Prosperous Medan 2014 – 2018

Year	Number of Customers	Total Sales
2014	74	Rp. 11,183,019,088
2015	73	Rp. 10,888,121,771
2016	70	Rp. 10,178,949,221
2017	68	Rp. 9,992,089,332
2018	62	Rp. 9,742,549,002

Source: CV. Prosperous Auto Prosperous Medan

From Table 1, it can be seen that within 5 years, from 2014 to 2018, the number of regular customers and total sales of car spare parts in the company decreased. The decline in sales was due to some customers switching to other companies in buying products. The decrease in customer loyalty was allegedly due to product differentiation and distribution channel factors.

Customer loyalty is customer loyalty to the company that arises without coercion but from self-awareness. Companies that are able to increase customer loyalty will make the company grow and reduce the influence of attacks from competitors from similar companies. Customer loyalty is a very valuable asset for every company because by making loyal customers, customers will have a commitment to the brand which will then bring profit to the company. Loyal customers can be influenced by a number of factors such as product differentiation and distribution channels. Product differentiation is a company's product offering that has a different character that is not owned by other company's products, such as being cheaper, more attractive, has better performance which will make the value of the product higher compared to competing products. Products that have good differentiation will make customers enthusiastic and interested because customers find and obtain something different that will provide satisfaction so that customers will always be loyal to the product, brand and company itself (Limakrisna & Yoserizal, 2016; Maryatmi & Limakrisna, 2020; Nandan Lima Krisna, 2019).

In terms of product differentiation, most of the car spare parts currently sold by the company are also sold by other companies. The company does not seek to sell car spare parts products which are rarely sold by other companies, such as by supplying car spare parts products from other countries which are rarely sold in Indonesia. To clarify this problem, data

on the product differentiation of car spare parts sold by the company will be displayed as shown in Table 2.

Table 2. Car Spare Part Product Differentiation Data CV. Prosperous Auto Prosperous Medan

Items	Specification
Car Vleg	R18 X 7.5, H5 PCD 114.3, ET 42 Hyper Silver
Car Videos	Image Size 137.5mm x 77.2mm, Width 6.2Inch, MPEG1/MPEG2 Video Recorder, Weight 1.7Kg
Car Audio	Bluetooth 3.0, Freq range 2.402-2.480 Ghz
Car Exhaust	Full stainless steel 304 S anti-rust, beautiful bass low RPM
Battery	Car battery voltage 12 volts, Capacity 45Ah
Car lights	Halogen technology, Wattage 55W, Color temperature up to 3700k, Lifespan 450 hours

Source: CV. Prosperous Auto Prosperous Medan

It can be explained that the car spare parts products sold by the company have various product differentiations. With product differentiation that is not yet good, it also causes the company to be unable to make customers remain loyal to buy car spare parts products at the company so that the company's customers experience a decline. The distribution channel is a path through which goods pass from producers to intermediaries and finally reaches the user/customer. Every customer certainly expects that the company can distribute/deliver the ordered product quickly. One of the company's goals in implementing distribution channels is to improve service for customers (Kurniawan et al., 2020; Widanengsih & Yulianti, 2022; Yulianti & Lasminingrat, 2021).

LITERATURE REVIEWS

Customer loyalty

According to Hasan (2014: 121) "Customer loyalty is a behavior related to the brand of a product including the possibility of renewing the brand contract in the future and how likely the customer is to increase the positive image of a product". According to Hurriyati (2013: 128), "Loyalty is a behavior shown by routine purchases, based on decision-making units." According to Tjiptono and Chandra (2012: 80) "Customer loyalty is the most important management challenge faced by top executives around the world". According to Tunggal (2012: 6), "Loyalty is customer attachment to a brand, manufacturer, service provider, or other entity based on a favorable attitude and good response, such as repurchasing".

From this understanding it can be concluded that customer loyalty is customer behavior in terms of commitment, confidence and loyalty to product brands and is the most important management challenge because it can enhance the positive image of a product. Customers who are loyal to a particular brand tend to be bound to that brand and will buy the same product again even though there are many other alternatives (Limakrisna et al., 2016, 2018; Priatna et al., 2017; Priatna & Roswinna, 2019; Roswinna et al., 2020).

According to Tjiptono (2014: 405) "Customer loyalty has an impact on word-of-mouth behavior, especially when consumers experience significant emotional experiences. Loyal customers tend to be willing to share their positive experiences with others. Loyal customers are one of the important things that can help a business grow. To attract customers to become loyal, an entrepreneur must not only have good quality products, but also must pay attention to good service quality so that customers are more satisfied with the company's business. Making customers loyal to a business is not easy because it takes hard work and is consistent with what has been given before.

Customer loyalty is formed from the above concept factors such as generic concepts, customer behavior and repeat purchases. Companies need to see and overcome all the needs, expectations or problems faced by customers. With that attention, customers will become

satisfied with the company and make repeat transactions with the company and in the end they will become loyal company customers. The more the company shows that it cares, the greater the customer loyalty will appear (Agustina et al., 2020; Febrian et al., 2020; Harnani, Rudi Suprianto Ahmadi, et al., 2020; Sugalang et al., 2020).

Product Differentiation

According to Manap (2016: 255) "Products are everything that is offered in the market to satisfy the needs and desires of consumers". According to Wijayanti (2017: 53) "A product is something that is traded with the aim of profiting from something that is the result of someone's creativity, a marketing team or a company." According to Arief and Kurniawan (2018: 8) "A product is something that is complex, which can be touched or not, which includes packaging, price, company prestige and company services received by buyers to satisfy their wants and needs." From this understanding it can be concluded that a product is something in the form of goods or services offered for sale and purchase to gain profit and satisfy customer needs.

According to Kartajaya (2014: 148), "Product differentiation is designing a set of differences in terms of content, context and infrastructure." According to Dimiyati (2018: 93) "Difference is very important and suitable as the key to success in a company. Companies in carrying out their business must apply differentiation where differentiation is one type of competitive advantage that a company can have." According to Sudaryono (2018: 214) "Product differentiation is an activity to modify a product to make it more attractive. Differentiation requires quite serious market research to be truly different, knowledge of competitors' products is also needed (Dinda Kartika & Oktafia, 2021; I. S. Kartika et al., 2018; M. Kartika et al., 2020; Lestari et al., 2021; Pratiwi Putri et al., 2020).

Distribution channel

According to Kotler and Keller (2013: 106) "Marketing channels/distribution channels are a group of organizations that are interdependent and involved in the process of making products or services provided for use or consumption" According to Sunyoto (2014: 172) "Distribution channels are intermediaries, buyers and sellers who are traversed by the movement of goods, both physical and transfer of property, from producers to consumers. According to Setyaningrum, et al. (2015: 158), a distribution channel is a business structure consisting of interrelated organizations, starting from the place where the product was originally made to the last seller with the intention of transferring the product and ownership to the final user, namely personal consumers or business users (Ahmadi et al., 2020; Harnani, 2020; Harnani, Amijaya, et al., 2020; Harnani, Rudi Suprianto Ahmadi, et al., 2020).

METHODS

Research conducted at CV. Makmur Auto Sejahtera Medan which is located at Jalan Bogor No. 105, Ch. Baru, Medan City, Medan City, North Sumatra. In the preparation of this study, the time of research began in April 2019 until July 2019. Qualitative data in this study such as questionnaire questions regarding product differentiation, distribution channels, and customer loyalty in the company. Quantitative data in this study is like the company's regular customer data. The population in this study are regular customers of CV. Prosperous Auto Sejahtera Medan as many as 62 regular customers. The number of research samples used were 62 regular customers. The data analysis model used in this study is multiple linear regression analysis which is used to determine how much influence product differentiation and distribution channels have on customer loyalty at CV. Makmur Auto Sejahtera Medan using the help of Statistical Product and Service Solution (SPSS) software version 20 with the formula:

$$Y = a + \beta_1X_1 + \beta_2X_2 + e$$

- Information : Y = Customer loyalty (dependent variable)
- X1 = Product differentiation (independent variable)
- X2 = Distribution channel (independent variable)
- a = constant
- b1 = coefficient for the product variable product differentiation
- b2 = un coefficientfor distribution channel variables
- e = percentage error (5%)

RESULTS AND DISCUSSION

Validity test

The validity test was carried out on 30 CV customers. Prosperous Auto Prosperous Medan. The results of the validity test for the variables in this study are:

Table 3. Validity Test Results for Product Differentiation Variables (X1)

No	Statement	Corrected Item-Total Correlation value	rtable value	Information
1.	Toyota spare parts have a simple design form	0.750	0.361	Valid
2.	Toyota spare parts have useful features when used	0.495	0.361	Valid
3.	Toyota spare parts have good performance quality	0.802	0.361	Valid
4.	Toyota spare parts have quality in accordance with applicable standards	0.757	0.361	Valid
5.	Toyota spare parts are not easily damaged	0.817	0.361	Valid
6.	Toyota spare parts can be used for a long time	0.791	0.361	Valid
7.	Toyota spare parts are easy to repair	0.703	0.361	Valid

Source: Research Results, 2019 (Data processed)

Based on Table 3. shows that the whole statement for the product differentiation variable (X1) has a value *Corrected Item-Total Correlation* which is greater than the rtable value of 0.361 so it can be concluded that all statements for product differentiation variables are declared valid.

Table 4. Validity Test Results for Distribution Channel Variables (X2)

No	Statement	Corrected Item-Total Correlation value	rtable value	Information
1.	The number of Toyota spare parts that are allowed to be purchased is according to your needs	0.855	0.361	Valid
2.	The company has delivered products quickly and on time	0.912	0.361	Valid
3.	Customers can easily obtain the necessary spare parts products such as car vleg, audio, etc	0.660	0.361	Valid
4.	Spare parts sold by various companies	0.920	0.361	Valid
5.	The company has a transport car that accelerates product distribution	0.912	0.361	Valid

Source: Research Results, 2019 (Data processed)

Table 4. shows that the whole statement for the distribution channel variable (X2) has a value *Corrected Item-Total Correlation* which is greater than the rtable value of 0.361 so it can be concluded that all statements for the distribution channel variables are declared valid.

Table 5. Validity Test Results for Customer Loyalty Variable (Y)

No	Statement	Corrected Item-Total Correlation value	rtable value	Information
1.	Customers purchase spare parts at the company continuously	0.418	0.361	Valid
2.	Customers know well the spare parts that the company sells.	0.863	0.361	Valid
3.	Customers have a sense of trust in the brand of Toyota spare parts sold by the company	0.863	0.361	Valid
4.	Customers are always loyal to using the same brand of spare parts	0.625	0.361	Valid

Source: Research Results, 2019 (Data processed)

Table 5. shows the overall statement for the customer loyalty variable (Y) has a value *Corrected Item-Total Correlation* which is greater than the rtable value of 0.361 so it can be concluded that all statements for customer loyalty variables are declared valid.

Reliability Test

The results of the reliability test on the variables used in the study are:

Table 6. Product Differentiation Reliability Test Results (X1)

Reliability Statistics	
Cronbach's Alpha	N of Items
.906	7

Source: Research Results, 2019 (Data processed).

Table 6. shows that the variables in this study have value *Cronbach's Alpha* greater than 0.60, namely product differentiation of $0.906 > 0.60$ so the variables in this study are declared reliable.

Table 7. Distribution Channel Reliability Test Results (X2)

Reliability Statistics	
Cronbach's Alpha	N of Items
.941	5

Source: Research Results, 2019 (Data processed)

Table 7. shows that the variables in this study have value *Cronbach's Alpha* greater than 0.60, namely the distribution channel of $0.941 > 0.60$ so the variables in this study are declared reliable.

Table 8. Customer Loyalty Reliability Test Results (Y)

Reliability Statistics	
Cronbach's Alpha	N of Items
.834	4

Source: Research Results, 2019 (Data processed)

Table 8. shows that the variables in this study have value *Cronbach's Alpha* greater than 0.60, namely customer loyalty of 0.834 > 0.60 so the variables in this study are declared reliable.

Multiple Regression Analysis

The results of the Multiple Regression Analysis test can be seen in Table 9.

Table 9. Results of Multiple Regression Analysis

		Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.108	1.186		.091	.928
	Diferensiasi_Produk	.249	.052	.454	4.834	.000
	Saluran_Distribusi	.383	.080	.453	4.818	.000

a. Dependent Variable: *Loyalitas_Pelanggan*

Source: Research Results, 2019 (Data processed)

Based on the table above, a multiple linear regression equation is obtained as follows: Customer Loyalty = 0.108 + 0.249 Product Differentiation + 0.383 Distribution Channels + e

The explanation of the multiple linear regression analysis above is:

1. A constant value of 0.108 means that if the value of product differentiation and distribution channels is 0 or does not exist, then customer loyalty to the company is worth 0.108.
2. The X1 coefficient of 0.249 is positive, meaning that product differentiation has a positive relationship with customer loyalty. If product differentiation is 1, then the company's customer loyalty will increase by 0.249 units. That is, the higher the product differentiation, the higher the customer loyalty to the company.
3. The X2 coefficient of 0.383 is positive, meaning that the distribution channel has a positive relationship with customer loyalty. If the distribution channel is 1, then customer loyalty will increase by 0.383 units. That is, the higher the distribution channel, the higher the customer loyalty to the company.

CONCLUSION

The results of multiple linear regression analysis obtained the equation that is Customer Loyalty = 0.108 + 0.249 Product Differentiation + 0.383 Distribution Channels + e. Simultaneous significant test results obtained that product differentiation and distribution channels simultaneously have a positive and significant effect on customer loyalty CV. Prosperous Auto Prosperous Medan. This is evidenced by the acquisition of an Fcount of 30.308 > ttable of 3.15 and a significant value of 0.000 < 0.05. Partial significant test results obtained that product differentiation has a positive and significant effect on customer loyalty CV. Prosperous Auto Prosperous Medan. This is evidenced by the acquisition of a tcount of 4.834 > ttable of 1.67065 and a significant value of 0.000 < 0.05. The results of the partial significant test show that the distribution channel has a positive and significant effect on customer loyalty CV. Prosperous Auto Prosperous Medan. This is evidenced by the acquisition of a tcount of 4.818 > ttable of 1.67065 and a significant value of 0.001 < 0.05. The test results of the coefficient of determination show that product differentiation and distribution channels can explain customer loyalty by 49.0% and the remaining 51.0% is influenced by other variables outside of this study such as customer satisfaction, brand and price.

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