

## The Influence of Price Fairness and Corporate Image on Customer Loyalty towards Trust

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**ABSTRACT:** Fashion trends that have sprung up in various media make people always try not to miss about the latest fashion models at the moment. The fact that Zara is under of PT Inditex managed to become the largest retail company in the world with annual sales revenue of \$ 30 million. This study aimed to explain the effect of price fairness and corporate image towards trust and loyalty of Zara customers in Bali. Respondents obtained are 100 respondents based on non-probability sampling which are purposive sampling. Data analysis method used is path analysis with SPSS 24.0 for Windows as the research tools. The results showed that (1) the price fairness has a positive and significant effect on customer trust; (2) the corporate image had a positive and significant effect on customer trust; (3) the price fairness and significant to customer loyalty; (4) the corporate image has a positive and significant effect on customer loyalty (5) customer trust has a positive and significant effect on customer loyalty, (6) customer trust can mediate the price fairness relationships with customer loyalty; and (7) customer trust can mediate the relationship between corporate image and customer loyalty.

**Keywords:** trust, loyalty, path analysis

### I. INTRODUCTION

Fashion trends that have sprung up in various media make people always try not to miss about the latest fashion models at the moment. These activities make people's behavior lead to a habit that makes them continue to follow it, causing a phenomenon of Outfit of the Day or commonly abbreviated as OOTD, related to the type of clothing worn on that day (Ulfah et al., 2016). There are various fashion changes made by teenagers due to the increase in information related to fashion, which is obtained from various communities such as the Collaborative Fashion Consumption (CFC) community and ready to wear fashion wherein the community always disseminates information about fashion and makes people will always do a search for information about fashion. Ready-to-wear or prêt-à-porter are ready-to-wear clothing that are mass produced and produced in various sizes and colors based on a single design that carries the name of a designer. This outfit can be directly bought and worn without having to take body measurements first. (Poespo, 2009).

One company that runs a ready-to-wear clothing business is Zara. Zara is a brand of fashion products originating from Spain. Zara is the biggest fashion product brand based on the number of outlets spread in 96 markets worldwide under the auspices of Inditex Group today. Zara was ranked first with 2,266 outlets and become the largest retail company in the world with annual sales revenue of \$ 30 million.

Customer loyalty plays an important role in the company's success. Loyalty is a commitment that is held firm to repurchase or subscribe to a choice of product or service in the future even though situational influences and marketing efforts have the potential to cause customers to switch to other products (Kotler and Keller, 2016: 207). Lolo (2020) found the corporate image, service quality and price perception of customer loyalty. Management priority marketing strategy to retain customers in the long run. Sari and Nyoman (2019) state that retaining loyal customers is to choose which is more profitable for the company, given the lower costs of retaining customers compared to increasing to get new customers.

### II. LITERATURE REVIEW

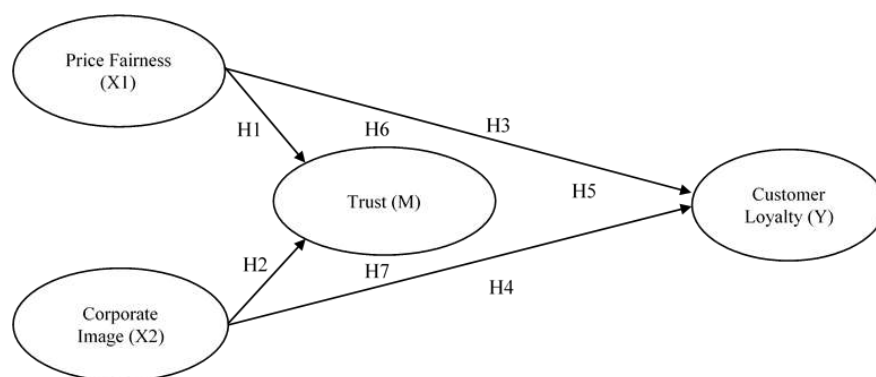
The purpose of marketing is to fulfill, serve the needs and desires of customers. Therefore, a marketer must understand and study the desires, perceptions, preferences and behavior of customers in order to meet customer needs. Customer behavior is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants (Kotler and Keller, 2016: 179).

Loyalty is customer behavior that will be known if the customer has made a purchase of a product offered in the market. Loyal customers are a deep commitment to repurchase and subscribe to a product or

service consistently in the future, so that it can lead to repeat purchases of the same brand despite the influence of the situation and various marketing efforts that have the potential to cause brand transfer actions (Sudarsono, 2009: 334). Shaping customer loyalty is influenced by several aspects such as: customer satisfaction, good corporate image, customer trust in the company, prices that are in accordance with standards and good service quality (fairness of prices) (Widiyanto and Toro, 2012).

Fairness of price is the view of customers about the difference in prices and the benefits that customers obtain and consider. When customers feel that the benefits provided / offered by products in connection with high sacrifice are felt, customers will feel that the price paid is reasonable (Nainggolan and Anas, 2020). The reasonableness of the high price of a product forms the customer's image of high quality and trust, thus giving rise to customer loyalty in further improvement (Fata, 2015).

One of the most important parts owned by a company, both large and small companies, is a corporate image. The corporate image as a general impression is left in the minds of customers as a result of a collection of feelings, ideas, attitudes, and experiences with companies that are stored in memory. The impression is then transformed into a positive or negative image in accordance with the feelings and experiences of customers in the company. Both positive and negative images will then be recalled when the company's name is heard or carried into customers' memories (Adbel-Salam et al., 2010).



**Fig 1. Conceptual Framework**

Trust only exists when one party believes in a cooperative relationship that is reliable and has integrity. Trust involves a person's willingness to behave in certain ways because of the belief that his partner will provide the satisfaction he expects and a hope that is generally owned by someone that the words, promises, or statements of others can be trusted Akbar and Parvez (2009: 26).

### III. MATERIALS AND METHODS

This research uses a quantitative approach in the form of associative study. Sampling is based on non-probability sampling with a purposive sampling technique, total sample were 100 customers who shop at least twice at Zara. Data was collected using an instrument in the form of a questionnaire given to customers of Zara who have shopped at the Zara store. The answers from respondents is measured using a Likert scale. The research instrument test use in the form of a validity and a reliability test. Inferential statistical data analysis techniques applied with path analysis with the help of SPSS 24.0 for Windows as the research tools.

### IV. RESULTS AND ANALYSIS

Clarification of the sex of respondents tends to be dominated by female, namely 82 peoples or 63.1 percent. Based on age, the majority of respondents aged 19-24 years which is equal to 49.2 percent. The last education classification in this study was divided into five levels of education, the last education classification of S1 dominates at 76.9 percent. The professional classification in this study is dominated by employee classification which is 61.5 percent.

#### Validity Testing Result

Based on TABLE 1, All research instruments used to measure price fairness, corporate image, trust and customer loyalty have a correlation coefficient value with a total score of all statement items greater than 0.3. This shows that the items in the research instrument are valid and appropriate to be used as research instruments.

**TABLE 1. Validity Testing Result**

No.	Variable	Indicator	Correlation Coefficient	Result
1	Price fairness	X1.1	0,719	Valid

		X1.2	0,837	Valid
		X1.3	0,539	Valid
		X1.4	0,761	Valid
		X1.5	0,717	Valid
2	Corporate image	X2.1	0,493	Valid
		X2.2	0,619	Valid
		X2.3	0,739	Valid
		X2.4	0,897	Valid
		X2.5	0,901	Valid
3	Trust	M1.1	0,760	Valid
		M1.2	0,806	Valid
		M1.3	0,857	Valid
		M1.4	0,866	Valid
		M1.5	0,886	Valid
4	Customer Loyalty	Y1.1	0,793	Valid
		Y1.2	0,494	Valid
		Y1.3	0,679	Valid
		Y1.4	0,844	Valid
		Y1.5	0,622	Valid

### Reliability Testing Result

**TABLE 2. Reliability Testing Result**

No.	Variable	Cronbach's Alpha	Result
1	Price fairness	0,743	Reliable
2	Corporate image	0,778	Reliable
3	Trust	0,890	Reliable
4	Customer Loyalty	0,717	Reliable

The instrument is said to be reliable if it has a Cronbach's alpha more than 0.60. All research instruments have a Cronbach's Alpha coefficient of more than 0.6. So it can be stated that all variables have met the requirements of reliability or reliability so that they can be used to conduct research.

### Effect Price Fairness and Corporate Image on Trust

Based on TABLE 3, it is known that the value of  $R^2$  is 0.607 which means that 60.7 percent the variant of the independent variable consisting of price fairness and corporate image is able to explain the trust as a dependent variable. While the remaining 39,3 percent is explained by other factors not included in the regression model. Based on the results of substructure 1 path analysis, the structural equation is as follows:

$$\text{Trust} = 0,371 \text{ Price fairness} + 0,507 \text{ Corporate Image} \dots\dots\dots(1)$$

**TABLE 3. Direct Effect**

TABLE 3: Direct Effect						
	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,182	0,278		0,657	0,512
	Price fairness	0,392	0,071	0,371	5,507	0,000
	Corporate image	0,574	0,076	0,507	7,525	0,000
R <sub>1</sub> <sup>2</sup> = 0,607		F statistic = 98,056		Sig. F = 0,000		
a. Dependent Variable: Trust						

### Effect Price Fairness and Corporate Image on Customer Loyalty towards Trust

Based on TABLE 4, it is known that the value of  $R^2$  is 0.536 which means that 53.6 percent the variant of the independent variable consisting of price, corporate image, and trust is able to explain the trust as a dependent variable. While the remaining 46.3 percent is explained by other factors not included in the regression model. Based on the results of substructure 2 path analysis, the structural equation is as follows:

$$\text{Customer loyalty} = 0,290 \text{ Price fairness} + 0,377 \text{ Corporate Image} + 0,376 \text{ Trust} \dots\dots\dots(2)$$

**TABLE 4. Indirect Effect**

	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		

1	(Constant)	-0,479	0,365		-1,312	0,192
	Price fairness	0,290	0,104	0,230	2,782	0,006
	Corporate image	0,377	0,120	0,279	3,127	0,002
	Trust	0,376	0,117	0,316	3,231	0,002
R <sub>2</sub> <sup>2</sup> = 0,536		F statistic = 46,545			Sig. F = 0,000	
a. Dependent Variable: Customer Loyalty						

Based on the calculation of the equation of regression structure on models 1 and 2, the regression can be deduced from this research as follows:

$$\text{Trust} = 0,371 \text{ Price fairness} + 0,507 \text{ Corporate Image}$$

$$\text{Customer loyalty} = 0,230 \text{ Price fairness} + 0,279 \text{ Corporate Image} + 0,316 \text{ Trust}$$

The indirect effect of price fairness on customer loyalty through trust can be calculated by multiplying the coefficient of price fairness and trust i.e.  $0,371 \times 0,316 = 0,134$ . Also the indirect effect of corporate image on customer loyalty through trust can be calculated by multiplying the coefficient of corporate image and trust i.e.  $0,507 \times 0,316 = 0,160$ . Total effect coefficient of variable path price fairness is calculated by summing the direct and indirect effect, i.e.  $0,230 + 0,134 = 0,364$ . Also the total effect coefficient of variable path corporate image is calculated by summing the direct and indirect effect, i.e.  $0,279 + 0,160 = 0,439$ .

Based on TABLE 5 can be noted that the indirect effect of price fairness on customer loyalty through trust is 0,134, while the result of the path coefficient of direct effect of price fairness on customer loyalty is 0,230. Therefore the indirect effect coefficient < direct effect coefficient ( $0,134 < 0,230$ ), this results indicated that trust can be partially mediated the effect of price fairness on customer loyalty. The indirect effect of corporate image on customer loyalty through trust is 0,160, while the result of the path coefficient of direct effect of corporate image on customer loyalty is 0,279. Therefore the indirect effect coefficient < direct effect coefficient ( $0,160 < 0,279$ ), this results indicated that trust can be partially mediated the effect of corporate image on customer loyalty.

TABLE 5. Total Effect

Variable	Direct Effect	Indirect Effect towards Trust	Total Effect
Price Fairness → Trust	0,371	-	-
Corporate Image → Trust	0,507	-	-
Price Fairness → Customer Loyalty	0,230	0,134	0,364
Corporate Image → Customer Loyalty	0,279	0,160	0,439
Trust → Customer Loyalty	0,316	-	-

Based on the results of testing the hypothesis of the effect of the price fairness on trust obtained Beta coefficient of 0.371 with a significance level of  $0.000 \leq 0.05$  which means that the price fairness variable has a positive and significant effect on trust. When price fairness increases, trust will increase. The results of this study are in accordance with the results of several studies conducted by Haghighi et al. (2012), Sari and Nyoman (2019), Setiawan et al. (2020) who found that the price fairness has a positive effect on trust.

The results of hypothesis testing the influence of corporate image on trust obtained Beta coefficient of 0.507 with a significance level of  $0.000 \leq 0.05$  which means that the variable corporate image has a positive and significant effect on trust. This means that if the customer's brand image is positive and high, the purchase intention or brand loyalty will be high. The results of this study are also in accordance with the research results of Leonnard et al. (2014) which states that corporate image has a significant influence on trust. This finding shows that a good corporate image can significantly increase customer confidence. According to Nguyen et al. (2013) image is considered as a source of trust so that corporate image can be seen as an important publicity tool that tends to strengthen customer trust.

The results of testing the hypothesis of the effect of the price fairness on customer loyalty, the Beta coefficient value of 0.230 is obtained with a significance level of  $0.006 (\leq 0.05)$  which means that the price fairness variable has a positive and significant effect on customer loyalty. This indicates that customers tend to consider the relationship between the price paid and the expectations of the product purchased. The results of this study are in accordance with the results of several studies conducted by Widianto and Toro (2012), Nazari et al. (2014), Bassey (2014), Yaqub et al. (2019).

The results of testing the hypothesis of the influence of corporate image on customer loyalty, the Beta coefficient value of 0.279 with a significance level of  $0.002 (\leq 0.05)$  means that the corporate image variable has a positive and significant effect on customer loyalty. This means that a positive corporate image can be the basis of consumer satisfaction that encourages consumers to promote the company through word of mouth. Furthermore, a good corporate image can be an important consideration for customers to make repeat purchases,

which is a reflection of consumer loyalty (Wu, 2011). The results of this study are consistent with the results of several studies conducted by Widiyanto and Toro (2012) and Ashraf et al. (2018).

The results of testing the hypothesis of the influence of trust on customer loyalty obtained Beta coefficient of 0.316 with a significance level of 0.002 ( $\leq 0.05$ ) which means that the variable of trust has a positive and significant effect on customer loyalty. This means that trust is the main aspect that helps customers to evaluate the performance of the organization and the services offered, so as to encourage customers towards more satisfaction. The results of this study are consistent with the results of several studies conducted by Doong et al. (2008), Anuwichanont and Mechinda (2009), Nguyen et al. (2013), and Subroto and Rahayu (2014).

Hypothesis testing on the role of trust mediates the effect of price fairness on customer loyalty using the Sobel Test proves the role of trust significantly mediates the effect price fairness on customer loyalty with results  $Z = 2.7440 > 1.96$  with a significance level of  $0.0061 < 0.05$ . These results indicate that trust plays a role in mediating the price fairness to customer loyalty. This means that the high price fairness will create high value on the product, so that it will form an image of product quality and the creation of high trust and a further increase in loyalty (Fata, 2015).

Hypothesis testing on the role of trust mediates the influence of corporate image on customer loyalty using the Sobel Test proves the role of trust significantly mediates the influence of corporate image on customer loyalty with the results  $Z = 2.9354 > 1.96$  with a significance level of  $0.0033 < 0.05$ . These results indicate that trust plays a role in mediating the corporate image on customer loyalty. This means that trust as a mediating factor is able to create customer loyalty with the corporate image. Trust plays a role in creating customers, where trust has a mediating role in the corporate image to increase customer loyalty. This result is supported by Nguyen et al. (2013) and Sari and Nyoman (2019).

## V. CONCLUSION

Price fairness has a positive and significant effect on trust. This indicates that when an increase in the fairness of prices, customer trust in Zara in Bali will increase. Corporate image has a positive and significant effect on trust. This means that when the corporate has a good image, customer in Zara in Bali will increase. Price fairness has a positive and significant effect on customer loyalty. That is, the more reasonable the price offered, the more Zara customer loyalty in Bali increases. The corporate image has a positive and significant effect on customer loyalty. When the corporate image continues to increase, Zara's customer loyalty in Bali will increase. Trust has a positive and significant effect on customer loyalty. This indicates that when trust increases, Zara customers' loyalty in Bali also increases. Trust is able to mediate the effect of Price fairness on customer loyalty. This means that Zara's customer loyalty in Bali will increase if the fairness of Zara's price in Bali can also increase trust. Trust is able to mediate the influence of corporate image on customer loyalty. This means that Zara's customer loyalty in Bali will increase if Zara's corporate image in Bali can also increase trust.

After studying, analyzing, discussing, and drawing conclusions, the authors provide some suggestions for future research considerations. Judging from the respondent's answer where "the price of Zara fashion products that are set is reasonable" has the lowest score of other indicators. Companies should pay more attention to the price of the product set so that it feels more reasonable for consumers, with the aim of anticipating consumers switching to other brands of fashion products. Respondents' answer "Zara has an attraction with me" has a low score compared to other indicators. Companies must create or stimulus effort to draw consumers closer. For example with post-purchase consumer services via e-mail to find out consumer experiences when using Zara fashion products and inform when there are promos or discounts as a form of corporate attention in an effort to attract consumers. Respondents' response "Zara employees pay attention to constraints and the best interests of consumers" has the lowest score compared to other indicators. Companies must increase attention to consumers, especially when consumers experience obstacles both when shopping or afterwards. Companies are advised to improve after-sales service in order to get feedback from consumers about products and services at the Zara store, either through a website or e-mail based on a consumer database.

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