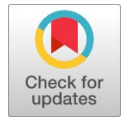# Analysis of Marketing Mix Strategies to Improve Customer Satisfaction and Loyalty Using Structural Equation Modeling Method

Adisty Azzahra Noeya, Agus Achmad Suhendra, dan Sri Martini

Abstract: Instant seasoning is a processed product made from various spices that is currently in high demand among many people, with many emerging variants. The abundance of instant seasoning producers has led to intense competition among them. XYZ Instant Seasoning, as one of the instant seasoning producers located in Bukittinggi City, needs to devise the right marketing strategy. The objective of this study is to determine the influence of the 7Ps marketing variables consisting of product, price, promotion, process, place, people, and physical evidence on customer satisfaction and loyalty as considerations for the company in determining marketing strategies. Data analysis is conducted using the Structural Equation Modeling (SEM) method. The respondents involved in this study are 163 respondents, obtained through purposive sampling method. The results of the analysis indicate that the variables product, price, promotion, place, and process have a significant influence on customer loyalty.

Keywords: Marketing Mix, Customer Satisfaction, Customer Loyalty, Structural Equation Modeling (SEM)

I. INTRODUCTION

Indonesia has 65.47 million Micro, Small, and Medium Enterprises (MSMEs) according to the latest data from 2019, offering a variety of products and services to the public (Kemenkop). With such a large number, it is not impossible for MSMEs to become the backbone of Indonesia's economy, as they did during the 1997 economic crisis when MSMEs made a significant contribution to national income (Syarief, 2020) [8]. Under current conditions, various MSME sectors are required to continue evolving in line with the developments in the business world, compelling entrepreneurs to determine appropriate development strategies. This ensures that MSME actors can face and win business competition, including increasing customer loyalty and satisfaction.

Adisty Azzahra Noeya*, Department of Industrial Engineering, Telkom University, Bandung-Dayeuhkolot (Jawa Barat), Indonesia. Email ID: noeyaadistyazzahra@gmail.com

Agus Achmad Suhendra, Department of Industrial Engineering, Telkom University, Bandung-Dayeuhkolot (Jawa Barat), Indonesia. Email ID: agus@telkomuniversity.ac.id

dan Sri Martini, Department of Industrial Engineering, Telkom University, Bandung-Dayeuhkolot (Jawa Barat), Indonesia. Email ID: srimartini59m@gmail.com

XYZ Instant Seasoning is one of the MSME products in West Sumatra, operating since 2007 in the production of wet instant seasonings with a distinctive Padang flavor [1]. The growing demand for instant food and beverages has led to increased competition in similar businesses, particularly in Bukittinggi City. This competition inevitably impacts both prospective and existing consumers of XYZ Instant Seasoning. Every business inevitably encounters challenges, and the XYZ Instant Seasoning MSME is no exception, facing both internal and external issues. An external issue is the competition from similar businesses, which can influence XYZ's consumer base. Some consumers have shifted to competitors offering better value. Other competitors attract consumer interest by offering lower prices and additional incentives. Thus, XYZ Instant Seasoning needs to plan marketing mix strategies to address these challenges [10].

The increasing intensity of competition and the number of competitors require businesses to consistently focus on consumer needs and desires while striving to meet customer expectations by providing superior service compared to competitors. Only high-quality companies can compete, dominate the market, and foster customer loyalty (Hendrayani & Sitinjak, 2020) [3]. A marketing mix can serve as a solution for MSMEs by designing marketing strategies using available resources to achieve their marketing objectives [11].

The factors within the marketing mix are expected to represent consumer satisfaction in purchasing XYZ Instant Seasoning products, which can lead to customer loyalty [12]. This, in turn, will influence business growth and ensure the business remains competitive. This study employs the variance-based Structural Equation Modelling (SEM) method, which is robust because it can be applied to all data scales, requires few assumptions, and does not necessitate a large sample size. However, it has limitations, as parametric assumptions require data to be normally distributed, which is not always the case in real-world settings (Muhammad, 2020) [5]. Therefore, based on the above explanation, the researcher aims to analyze the marketing mix strategy to improve customer satisfaction and loyalty for XYZ Instant Seasoning [13]. This research is expected to provide actionable insights for XYZ Instant Seasoning to develop its marketing strategies and succeed in business competition.

II. LITERATURE REVIEW

A. Marketing Mix

For both large-scale and small-scale businesses, creating a robust marketing strategy is essential to deliver value to customers and build strong relationships that are mutually beneficial for both sellers and buyers [14]. A marketing strategy can be formulated

through an integrated marketing mix design, which consists of the 7Ps: product, price, place, promotion, people, process, and physical evidence. The marketing mix is a term widely used in the business world, referring to a combination of strategies employed by companies in the field of marketing. It serves as the core of the marketing system and involves variables controlled by the company to influence buyers' or consumers' responses. In essence, the marketing mix is a set of controllable variables that companies use to affect consumer reactions in their target markets (Hendriyani et al., 2020).

B. Service Quality

Service quality can be defined as the extent of the gap between customers' actual experiences and their expectations regarding the services they receive or obtain (Zeithami & Berry, 1985) [9]. According to Kotler (1996) [4], service quality represents a consumer's assessment of the perceived service level compared to the expected value.

C. Customer Loyalty

Customer loyalty is a way to demonstrate consumer allegiance, expressed through consistent purchases of a product or service over time and a positive attitude in recommending the product to others. According to Engel (1995) [2], customer loyalty refers to a consumer's commitment to a product or service, characterized by repeated purchases of the product or service. Meanwhile, Oliver (1999) [6] defines customer loyalty as a deeply held commitment to repurchase or continue subscribing to a preferred product or service consistently in the future, despite situational factors and marketing efforts that could potentially alter behavior..

III. RESEARCH METHODOLOGY

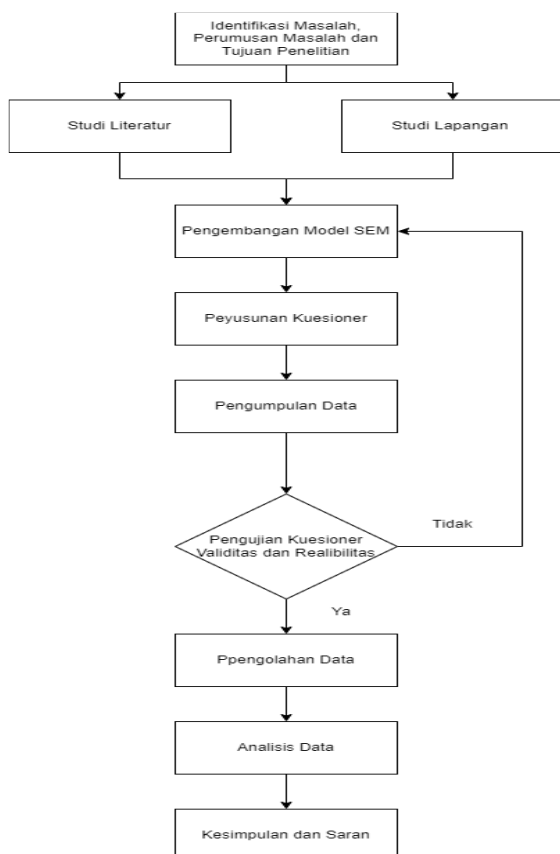**[Fig.1: Structural Equation Modeling (PLS-SEM)]**

This study focuses on customer loyalty and satisfaction regarding XYZ Instant Seasoning. The marketing mix strategy utilized consists of the 7Ps: product, price, promotion, place, people, process, and physical evidence (Riyanto, 2020) [7]. The 7P marketing mix is essential as it provides a framework for effectively delivering products to consumers. These factors are tested for their influence on loyalty and customer satisfaction using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method. The sample for this research comprises 163 consumers of XYZ Instant Seasoning who have previously placed orders for the product.

## IV. CONCEPTUAL FRAMEWORK OF THE RESEARCH

The conceptual framework of this research aims to simplify the research process. Within this framework, it becomes clear which variables influence customer satisfaction and loyalty. Therefore, the framework in this study is depicted through a model where the 7Ps variables act as independent variables, while customer satisfaction and customer loyalty serve as dependent variables.

Previous studies and relevant theories suggest that high-quality products, supported by excellent and comfortable service quality, help maintain customer satisfaction with a company. Customer satisfaction with the 7Ps variables encourages repeat purchases and prompts customers to recommend the company's products or services to their close circles, thereby fostering customer loyalty. The relationships between these variables can be illustrated in Figure 2. (This figure typically visualizes the influence of the 7Ps variables on customer satisfaction, which in turn affects customer loyalty.)
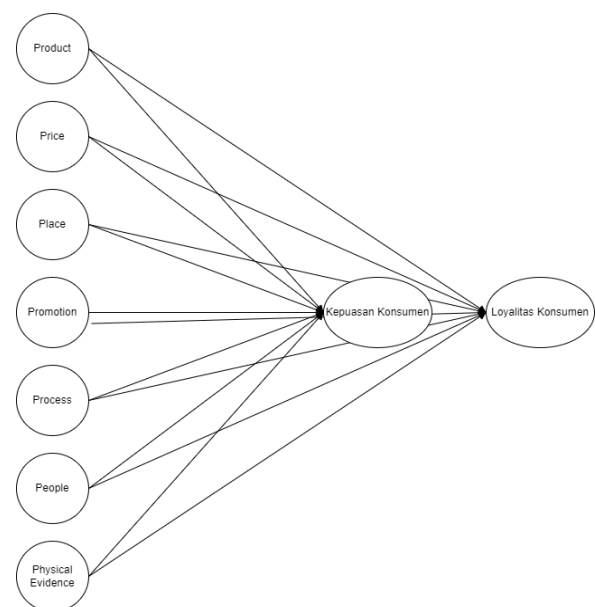
[Fig.2: 7Ps Variables]

V. RESULTS AND DISCUSSION

A. Validity and Reliability Tests

The questionnaire used in this study must undergo validity and reliability testing to ensure the

accuracy and consistency of the instrument. These tests were conducted using the Smart PLS software.

INDIKATOR	NILAI	INDIKATOR	NILAI
A1	1.000	L2	0.773
CS1	0.728	L3	0.812
CS2	0.707	PC1	0.739
CS3	0.728	PC2	0.713
H1	0.880	PC3	0.719
H2	0.886	PL1	0.895
H3	0.836	PL2	0.800
K1	0.707	PM1	0.718
K2	0.764	PM2	0.810
K3	0.739	PM3	0.819
K4	0.737	PM4	0.727
K5	0.556	PS1	0.774
K6	0.452	PS2	0.849
K7	0.654	PS3	0.825
L1	0.819		

Based on the outer loading values in Table 1, most indicators of the variables have factor loading values exceeding 0.7, which indicates they meet the validity criteria. However, the following indicators exhibit loading values below 0.7:

- K5: 0.556
- K6: 0.452
- K7: 0.654

Since these indicators have loading values less than 0.7, they are considered invalid and fail the validity test. To ensure the accuracy of the model, these invalid indicators are excluded from the analysis. The model is then reanalyzed without including these indicators to refine the results and maintain the reliability of the conclusions drawn.

INDIKATOR	NILAI	INDIKATOR	NILAI
A1	1.000	L3	0.810
CS1	0.729	PC1	0.739
CS2	0.711	PC2	0.712
CS3	0.724	PC3	0.719
H1	0.880	PL1	0.895
H2	0.886	PL2	0.800
H3	0.837	PM1	0.718
K1	0.700	PM2	0.810
K2	0.818	PM3	0.819
K3	0.801	PM4	0.727
K4	0.742	PS1	0.774
L1	0.821	PS2	0.849
L2	0.772	PS3	0.825

Based on Table 2, all indicators now have factor loadings greater than 0.7, indicating that all the indicators pass the validity test. This confirms that the indicators are valid and the analysis can proceed to the next steps.

The cross-loading values are used to assess whether the variables have sufficient validity. This is done by comparing the correlation of each indicator with its intended construct to the correlation with other constructs. If the correlation between the indicator and its targeted construct is higher than its correlation with other constructs, then the variable is considered to have high validity.

These cross-loading values can be reviewed in the cross-loading factor values table, where each indicator's correlation with its assigned construct should be the highest.

If this condition is met, the validity of the variables is confirmed.

	CUSTOMER SATISFACTION (CS)	LOYALTY (L)	PEOPLE (PL)	PHYSICAL EVIDENCE (A)	PLACE (PC)	PRICE (H)	PROCESS (PS)	PRODUCT (K)	PROMOTION (PM)
A1	0.083	0.105	0.077	1.000	0.007	0.139	0.202	0.178	0.354
CS1	0.729	0.093	0.251	-0.056	0.335	0.037	-0.033	0.146	0.017
CS2	0.711	0.036	0.126	0.199	0.240	-0.018	0.026	0.125	0.062
CS3	0.724	0.147	0.094	0.060	0.297	0.027	0.096	0.132	0.039
H1	-0.050	0.484	0.048	0.072	0.031	0.880	0.280	0.370	0.328
H2	0.081	0.409	0.080	0.124	0.013	0.886	0.362	0.373	0.354
H3	0.040	0.431	0.155	0.171	0.108	0.837	0.351	0.461	0.415
K1	0.039	0.347	0.156	0.145	0.145	0.486	0.275	0.700	0.338
K2	0.142	0.360	0.125	0.213	0.197	0.382	0.289	0.818	0.423
K3	0.184	0.376	0.060	0.076	0.131	0.286	0.297	0.801	0.309
K4	0.199	0.306	0.240	0.118	0.229	0.285	0.295	0.742	0.310
L1	0.225	0.821	-0.022	0.063	0.076	0.405	0.473	0.394	0.377
L2	0.036	0.772	0.113	0.119	0.066	0.392	0.463	0.363	0.389
L3	0.041	0.810	0.067	0.072	0.061	0.434	0.351	0.331	0.439
PC1	0.278	0.079	0.372	0.119	0.739	0.040	0.107	0.303	0.155
PC2	0.065	0.065	0.255	0.010	0.712	0.002	0.020	0.135	0.073
PC3	0.339	0.043	0.176	-0.095	0.719	0.075	-0.084	0.069	-0.094
PL1	0.221	0.041	0.895	0.091	0.327	0.080	0.095	0.190	0.193
PL2	0.152	0.073	0.800	0.031	0.289	0.107	0.059	0.112	0.103
PM1	0.078	0.420	0.102	0.391	0.077	0.341	0.381	0.311	0.718
PM2	0.096	0.356	0.149	0.284	0.072	0.226	0.390	0.325	0.810
PM3	0.051	0.369	0.148	0.254	0.024	0.372	0.376	0.411	0.819
PM4	-0.067	0.383	0.160	0.141	-0.026	0.344	0.371	0.334	0.727
PS1	-0.009	0.365	0.123	0.187	0.065	0.222	0.774	0.282	0.401
PS2	0.015	0.388	0.082	0.158	0.012	0.281	0.849	0.281	0.419
PS3	0.069	0.528	0.040	0.156	-0.031	0.391	0.825	0.346	0.397

Based on the output in Table 3, the correlation values between each indicator and its corresponding latent variable are higher than the correlation values with indicators from other latent variables. This indicates that each latent variable or construct has good validity. Specifically, the values of the indicators within the same construct block are greater than those in other blocks. From the cross-loading validity output, it can be concluded that the latent constructs predict the indicators in their respective blocks more effectively than those in other blocks. This confirms that the constructs are valid and capable of representing the intended dimensions in the model.

	Cronbach's Alpha	Composite Reliability
CUSTOMER SATISFACTION (CS)	0.741	0.765
LOYALTY (L)	0.821	0.843
PEOPLE (PL)	0.720	0.837
PHYSICAL EVIDENCE (A)	1.000	1.000
PLACE (PC)	0.751	0.767
PRICE (H)	0.836	0.901
PROCESS (PS)	0.757	0.857
PRODUCT (K)	0.765	0.850
PROMOTION (PM)	0.769	0.853

The output in Table 4 shows that both Cronbach's Alpha and Composite Reliability values exceed 0.7, which is the minimum threshold required for reliability. Therefore, it can be concluded that all constructs in the model demonstrate good reliability. This ensures that the indicators within each construct are consistent and capable of producing stable results across different samples or tests.

B. Structural Model Evaluation (Inner Model) - R-Square Test

	R Square
CUSTOMER SATISFACTION (CS)	0.788
LOYALTY (L)	0.858

Table 5 shows that the customer satisfaction construct has an R-square value of 0.788, which means that 78.8% of the variation in customer

satisfaction is explained by the 7P constructs (product, price, promotion, place, people, process, and physical evidence). The remaining 21.2% is explained by other factors not included in the study.

Similarly, the loyalty construct has an R-square value of 0.858, indicating that 85.8% of the variation in loyalty is explained by the 7P variables. The remaining 14.2% is explained by other factors outside of the scope of the study.

C. Structural Model Evaluation (Inner Model) - Significance Test using Bootstrapping

The evaluation of the structural model (inner model) is also performed using a significance test through the bootstrapping method. In this research, the significance level used is 5% (two-tailed), with a t-value of 1.96 as the critical threshold.

The hypothesis is accepted if the t-statistic value is greater than 1.96. This indicates that the relationships between the constructs are statistically significant. If the t-statistic exceeds the threshold, it suggests that the influence of the independent variables (7Ps) on the dependent variables (customer satisfaction and loyalty) is significant and can be considered meaningful within the context of the study (Ghozali, 2008).

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Keterangan
PEOPLE (PL) -> CUSTOMER SATISFACTION (CS)	0.080	0.890	0.374	Tidak Signifikan
PEOPLE (PL) -> LOYALTY (L)	-0.069	0.955	0.340	Tidak Signifikan
PHYSICAL EVIDENCE (A) -> CUSTOMER SATISFACTION (CS)	0.073	0.736	0.462	Tidak Signifikan
PHYSICAL EVIDENCE (A) -> LOYALTY (L)	-0.090	1.285	0.200	Tidak Signifikan
PLACE (PC) -> CUSTOMER SATISFACTION (CS)	0.223	2.399	0.017	Signifikan
PLACE (PC) -> LOYALTY (L)	0.049	0.770	0.442	Tidak Signifikan
PRICE (H) -> CUSTOMER SATISFACTION (CS)	-0.058	0.799	0.424	Tidak Signifikan
PRICE (H) -> LOYALTY (L)	0.256	3.562	0.000	Signifikan
PROCESS (PS) -> CUSTOMER SATISFACTION (CS)	0.006	0.061	0.951	Tidak Signifikan
PROCESS (PS) -> LOYALTY (L)	0.139	1.771	0.077	Signifikan
PRODUCT (K) -> CUSTOMER SATISFACTION (CS)	0.301	4.108	0.000	Signifikan
PRODUCT (K) -> LOYALTY (L)	0.121	1.389	0.165	Tidak Signifikan
PROMOTION (PM) -> CUSTOMER SATISFACTION (CS)	-0.038	0.389	0.697	Tidak Signifikan
PROMOTION (PM) -> LOYALTY (L)	0.356	4.085	0.000	Signifikan

Based on Table 6, the exogenous variable with the highest influence on loyalty is the product variable, as indicated by the original sample estimate value of 0.35. This means that, compared to other variables, the product has the strongest influence on customer loyalty.

Similarly, the variable with the highest influence on customer satisfaction is also the product variable, with an original sample estimate value of 0.301. This suggests that, in comparison to the other variables, the product has the greatest impact on customer satisfaction as well.

These findings highlight the central role of the product in driving both customer loyalty and satisfaction, making it a key factor for the success of the business in this study.

D. Proposed Design for Enhancing Customer Satisfaction and Loyalty

i. Product Strategy Design

To enhance product offerings and strengthen its position in the market, the following strategies can be implemented:

▪ *Maintain Focus on Quality and Comfort:* Ensure the product is of high quality and provides ease and comfort to customers. This helps build customer trust and satisfaction, ensuring repeat purchases.

▪ *Introduce New Product Variants:* Expanding the product line by adding new variants or flavors of instant seasoning. This will cater to diverse customer tastes and preferences,

encouraging both new and existing customers to try different products.

ii. Promotion Strategy Design

To increase customer engagement and drive sales, the following promotional strategies can be applied:

▪ *Promote Events and Activities:* Inform customers about events or activities that XYZ Instant Seasoning is participating in, through online channels (social media, website) as well as offline events. This will raise awareness and attract attention to the brand.

▪ *Offer Attractive Discounts:* Provide promotional discounts to encourage purchases, especially during peak seasons or special occasions. Offering time-limited discounts can create urgency and drive sales.

▪ *Coupon-Based Promotions:* Introduce a coupon system offering rewards for customers who purchase XYZ Instant Seasoning under specific conditions. This can create excitement, incentivize larger purchases, and drive customer loyalty.

VI. CONCLUSION

The main objective of this research was to analyze the marketing mix strategy to enhance customer satisfaction and loyalty. Based on the data analysis, the following findings were made regarding the marketing mix variables that contribute to improving customer satisfaction and loyalty:

a. The data analysis reveals that the price, process, and promotion variables have a significant impact on customer loyalty, while other variables have a positive but insignificant effect. Furthermore, the exogenous variables that significantly influence both loyalty and customer satisfaction are place and product, while the remaining variables do not have a significant effect.

b. The analysis also identified the variables with the highest significance, with the promotion variable having the highest original sample estimate of 0.356 towards customer loyalty, and the product variable having 0.301 towards customer satisfaction.

Based on the research findings, the following managerial implications can be made for XYZ Instant Seasoning to remain competitive in the market:

a. Offensive Strategy: XYZ Instant Seasoning can adopt an offensive strategy aimed at acquiring new customers by focusing on marketing efforts, offering attractive promotions, and expanding product variants.

b. Defensive Strategy: XYZ Instant Seasoning should implement a defensive strategy aimed at retaining existing customers by ensuring consistent product quality, rewarding customer loyalty, and enhancing customer engagement through personalized services and loyalty programs.

These strategies will help XYZ Instant Seasoning maintain a strong competitive position while continuously satisfying and retaining its customers.

DECLARATION STATEMENT

After aggregating input from all authors, I must verify the accuracy of the following information as the article's author.

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- **Conflicts of Interest/ Competing Interests:** Based on my understanding, this article has no conflicts of interest.
- **Funding Support:** This article has not been sponsored or funded by any organization or agency. The independence of this research is a crucial factor in affirming its impartiality, as it has been conducted without any external sway.
- **Ethical Approval and Consent to Participate:** The data provided in this article is exempt from the requirement for ethical approval or participant consent.
- **Data Access Statement and Material Availability:** The adequate resources of this article are publicly accessible.
- **Authors Contributions:** The authorship of this article is contributed equally to all participating individuals.

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