

# The Determinants of Morinaga Milk Customers Loyalty in Aceh Province

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**Abstract.** The purpose of this study is to develop the integrated model of Milk customer loyalty in Indonesia. Method of analysis in the research uses literature review. This study uses twenty seven references relates to product quality, brand image, price, advertisement, decision making and customer loyalty. Several studies discuss the relationship between product quality, brand image, prices and advertisement on decision making. Besides that it also reviews the relationship between these variables on customer loyalty. However, it presents the shortcomings of current research and the trends for future study in healthy industry.

**Keywords:** Product Quality · Brand Image · Prices · Advertisement · Decision Making · Customer Loyalty

## 1 Introduction

The dairy industry in Indonesia is one of the strategic food industries that has a great potential to be developed. The milk processing Industry has an important role in providing adequate nutrition for the community. Currently, the average consumption has only reached 10.47 kg/capita/year which is still far below the average of ASEAN countries such as Philippines 20 kg/capita/year, Malaysia 20 kg/capita/year, Thailand 20-25 kg/capita/year, and Singapore 32 kg/capita/year.

The tight competition between dairy companies causes producers to look more closely at market conditions, such as by segmenting products based on ages (baby milk, child milk, and adults). The condition of market demands for the milk contents of the infant growth and children encourages milk producers to produce milk containing high-value ingredients such as DHA, AA (arachidonic acid), vitamins, calcium, linoleic and other ingredients. To supplement this nutritional need, growth milk plays an important role in optimizing children growth and development.

Based on the data taken from the Central Bureau of Statistic of Indonesia (2015) noted that female workers in Indonesia in February 2015 "increased by 1.39 million. These data also include the high number of mothers working after maternity leave. Mothers cannot spend their time to breastfeed (ASI) for their babies. Therefore, giving

PASI (Breastmilk Substitute) or formula milk cannot be avoided to increase nutritional intake other than Breastfeed (ASI).

There are two factors that influence the decision of parents in giving formula milk to children, including internal factors such as; a socio-economic background which includes psychological, physical health, education and knowledge, lifestyle, demography, and family income, [1]. Another internal factor is that the psychological condition of the mother such as the breastfeeding could not come out. Besides, many women do not want to breastfeed because of a lifestyle that views breastfeeding as the cause of the bad shape of the body, [2] While the external factors are milk prices and advertising influences. Toddlers are recommended to consume milk three times a day to meet the important sources of calcium and phosphorus for bones, [3], with calcium needs between 500-800 mg per day [4].

According to, [5], states that one of the factors that cause a mother not to breastfeed her baby is due to the increased promotion of formula milk as a substitute for breast milk. So, the promotion of formula milk can be said as the cause of the decrease in the numbers of mothers who exclusively breastfed their babies. The increase in the use of formula milk is caused by parents, especially mothers, who prefer to give their babies breastmilk substitutes (PASI). This means that the respondents make a purchase decision when they see a lot of advertisements,[6].

Advertising does not entirely provide true information to consumers. The results of a research by [7], regarding the analysis of advertising claims and labels on food products, shows that 9.8% of food advertisements are milk advertisements. Advertisements for formula milk are considered excessive because good growth and development of children can be achieved by consuming milk. Milk is not the only factor that supports the growth and development of children. Similarly stated by [8], advertising has influenced the purchase decision of consumers. Even in recent years, the effect of advertising has had a lot of influences that focus on the effects of advertising on purchase decisions [9, 10]. Advertising strategy is a tool that creates awareness of products or services ultimately and results in consumer purchase decisions[11].

Based on the description that has been explained, the problem is the need for milk for children under five who have been the primary choice for children. ASI/breastmilk is an expression of God's compassion and an extraordinary gift for every baby born into the earth. In Surat Al-baqarah (2: 233), the wisdom of the verses contained in the Holy Qur'an emphasizes that breastmilk (ASI) is very important. Breastmilk is the best food that can be given to a child in the first six months of life.

The provision of formula milk for babies should be done after a two-year period of breastfeeding. However, mothers or families must understand the content of formula milk so that all children needs can be met. Formula milk products are products aimed at the baby and children segment, but decisions in purchasing are dominated by parents, especially couples of childbearing age (EFA).

This study describes different viewpoints from previous researchers over the years which state that satisfaction is a variable that mediates customer loyalty,[12],[13]. But in this study, the researcher tries to examine further the role of purchase decision in mediating customer loyalty such as a novelty offered by the authors.

## 2 Literature Review

Faithful customers will act as information channels and will disseminate information about products to their social networks, friends, and relatives,[14]. Customers will show their loyalty in a variety of ways including repetitive purchases, increase the number of purchases and also be a supporter of organizations that play a key role in shaping customer decision making [15], [16], [17].

The customer decision-making process consists of five steps that have been widely used by researchers,[18] and [19].The steps included in the model are; needs recognition, information search, alternative evaluation, purchases and post-purchase processes. While Stigler is in [20],states that a brand that is known by the buyers will generate interest in making purchase decisions. The existence of a brand image does not only affect how consumers see the product but also has a benefit in reducing the risk in the purchase of the brand image,[21].

A strong and positive brand image not only helps companies to achieve a competitive advantage but also encourages repetitive purchase decisions of customers,[22]. These results are in line with the findings of [23] and [24], [25], that there is a significant relationship between brand image and costumers purchase decision. But, in contrast to a number of other empirical studies, such as stated by [26], [27], and [28], there is no significant relationship between brand image and customer purchase decision.

Price has played an important role in consumer purchase behavior and in the decision-making process, [29] ;[30]. The key elements of price decisions are most useful for seeing price decisions as a strategic thing, [31]. A research conducted by [32], in dairy and processed products shows that price has the most influence compared to the quality and safety. Meanwhile, the results of a research by [33], state that price have no any effects on milk purchase decision.

The limited amount of research on price decision-making processes shows that there are very different practices from retail marketing theory. Similarly,[34], very few of the existing models offer clear support for understanding prices when making decisions. The researcher places their efforts to learn how to create and maintain customer loyalty, [35]. (Aaker, 1992). Furthermore, loyal customers are willing to pay premium prices to stay connected with certain brands [36].(Bojanic, 1996).

## 3 Determinants of Customer Loyalty

Customer Loyalty is not only shaped by customer satisfaction but also formed by purchase decisions. For more details, it can be seen from the following explanations:

1. The background to selecting purchase decision as the intervening variable, [37], states that the relationship of satisfaction and loyalty is not simple and straightforward as the level of elaboration of customers who must act out as a moderator between satisfaction and loyalty.
2. Likewise, as stated by [38], that the relationship between satisfaction and loyalty is non-linear.

3. This study describes a different viewpoint from many of views of previous researchers so far who state that satisfaction is a variable that mediates customer loyalty, [12], [13].
4. Conclude that satisfying customers is not enough to keep them loyal because they are free to make choices [39].
5. [40], concludes that it is wrong to put forward the assumption that satisfaction and loyalty are moving together.
6. According to [16], suggests that from satisfied or very satisfied customers between 65% and 85% will move to the other products.
7. Customer satisfaction is very important for customer loyalty where satisfaction and loyalty have a strong relationship and some authors claim that the relationship between customer satisfaction and loyalty can be replaced,[41]. Martisiute et.al., (2010).

#### **4 Suggestions for Future Studies**

Based on the description above, the authors convey a new concept that might be meaningful to enrich knowledge and to provide a contribution to the development of science. The author tries to develop a new concept which will give a more meaningful meaning in the treasury of science, namely by placing the purchase decision as the intervening variable where the intervening or mediating variables between exogenous variables and endogenous variables (loyalty) mostly used is consumer satisfaction variables as intervening variables, such as [42]Zamora et al.(2004), [43],Baker-Prewitt (2000), stated theoretically and empirically that consumer satisfaction increases one of the loyalty factors. It means that there are other factors that can also be studied as factors that can mediate between exogenous and endogenous variables, namely the purchase decision variable.

Based on that, this research does repeat what has been accepted by the public and has been hypothesized and even theorized by scientists. In this case, the authors hypothesize that purchase decisions mediate between several elements of the marketing mix towards customer loyalty. Customers Satisfaction is essential for the loyalty of customers, and satisfaction has a strong relationship. Some authors claim that the relationship between loyalty and satisfaction may be replaced, others think differently,[41]. In addition, the use of purchase decisions as mediating or intervening variables is based on the thoughts conveyed by [44], purchase decisions of customers based on 5 (five) stages, fulfilling of needs (needs), understanding of needs (recognition), searching process, evaluating process, and decision making. Usually, consumers buy products both regarding product quality, price and other elements are after they obtain information about a product and use that information to evaluate the characteristics of merchandise sold, services provided, prices, convenience, personnel and physical [45]. It means that purchase decision stages are very important for consumers before they keep loyal to the products.

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