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The Effect of Pricing and Promotion Strategies on Consumer Loyalty on the Shopee Platform in Palembang City

Putri Amelia*
IBA University

Esty Naruliza
IBA University

Asma Mario
IBA University

***Correspondence :** Putri Amelia
putriamelia5461@gmail.com

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Abstract

The growth of e-commerce has driven significant changes in consumer behavior, including increased use of the Shopee platform, which dominates 36% of the market in Indonesia. Pricing strategy (X1) is an approach to setting product prices based on costs, demand, and competition. Promotion (X2) includes activities to persuade consumers to make purchases. Consumer loyalty (Y) reflects a deep commitment to continue supporting preferred products despite the influence of situational and marketing factors. This study aims to examine the influence of pricing and promotion strategies on Shopee consumers' loyalty in Palembang, both simultaneously and partially. The research subjects are Shopee consumers in the city of Palembang. The approach used is quantitative descriptive with accidental sampling on 272 respondents with an error level of 10%. Data were obtained through a Google Form questionnaire and analyzed using SPSS 26, with validity, reliability, classical assumption, and hypothesis tests. The results of the study showed a coefficient of determination (R^2) of 49.3%, meaning that 49.3% of consumer loyalty can be explained by pricing and promotional strategies. Pricing contributed 28.4%, while promotions contributed 20.8% to consumer loyalty. In conclusion, both simultaneously and partially, pricing and promotional strategies have a significant effect on Shopee consumer loyalty in Palembang. The proposed hypothesis was proven correct, with a positive influence between the two variables on consumer loyalty.

Keywords

Pricing Strategy, Promotion, Customer Loyalty, E-Commerce

Introduction

The way people shop has changed due to the rapid development of information technology and the increasing popularity of the internet. Technological advances and easy access to the internet have caused major changes in consumer purchasing habits. Because consumers are considered important in achieving goals, marketing campaigns are carried out in ways that create fierce competition. Every business actor strives to gain market share and new consumers, and the more competitors there are, the more careful new consumers are in choosing the products that are launched. Before that, businesses must be able to understand consumer demand. In recent years, the expansion of the e-commerce sector in Indonesia has become an undeniable reality. The capital city of South Sumatra Province is Palembang, which is no exception to the technological advancements and the growth of e-commerce. According to a survey of e-commerce users in Indonesia in 2023, as reported on similarweb.com, the results are as follows:

Table 1. Top 5 *E-Commerce* Rankings 2023

No	Marketplace	Market Share
1	Shopee	36%
2	Tokopedia	35%
3	Lazada	14%
4	Blibli	6%
5	Bukalapak	4%

Source: similarweb.com,2024

At the end of 2023, Shopee once again held the largest market share in Indonesia, with a market share of 36%, according to SimilarWeb. Shopee competed closely with Tokopedia, which was in second place with 35%. Next was Lazada, which held a 14% market share and was in third place. Blibli came in fourth with a 6% market share, while Bukalapak ranked fifth with a 4% market share. Shopee is a rapidly growing mobile app-based e-commerce platform in Indonesia. Forrest Li, CEO and founder of SEA Ltd, the parent company of Garena and Shopee, is the richest person in Singapore who founded the company in 2015 using the technology firm Sea Limited.

Pricing strategies must be sufficient to cover the costs of production, promotion, and distribution of products; pricing strategies must be modified to account for other components of the marketing mix. (Tjiptono, 2019) Additionally, (Sari & Naruliza, 2019) state that "price is one of the flexible elements of the marketing mix, meaning it can be quickly adjusted or modified according to needs." This process is carried out by considering various relevant factors to ensure the set price aligns with the company's objectives, whether to attract consumers or achieve business sustainability.

According to (Ramadhona et al., 2023), "promotion is an effort to convey information, build trust, and create an impression of a product to potential buyers, with the aim of shaping perceptions and fostering influence that can encourage purchasing decisions." Thus, promotion is not merely a medium for conveying information but also serves as a tool for building positive perceptions and motivating consumers to make purchasing decisions. This consumer loyalty is created through positive experiences and continuous satisfaction, as well as the perceived added value by consumers, leading to consistent purchasing behavior that reflects emotional attachment and trust in the company. According to (Kotler et al., 2022), "Consumer loyalty reflects a deep commitment to use a particular product, service, or brand in future purchasing and consumption opportunities."

Methods

Research Method

This study uses a quantitative descriptive approach, which aims to describe or provide an overview of the phenomenon, namely the effect of pricing and promotion strategies on consumer loyalty to Shopee in Palembang. This approach was chosen because it can describe the existing conditions based on numerically obtained data, which is then analyzed using statistical methods.

Research Object

The research subjects are Shopee app users in Palembang City. These consumers were selected because they are users who have experience shopping on the Shopee platform, which is relevant to the research objectives.

Population and Sample

The population in this study is all consumers who have made purchases on the Shopee platform in Palembang. Considering the unlimited population (infinite), this study uses an error rate of 10% (0.1), resulting in a sample of 272 respondents based on calculations using the Isaac and Michael table. The sample selection was carried out using the non-probability sampling technique with the accidental sampling method. In accordance with Sugiyono (2020), this method was carried out by selecting individuals who were encountered by chance and deemed relevant and suitable as sources of research data.

Data Collection

The data used in this study is primary data, which was obtained through the distribution of questionnaires. These questionnaires were compiled using a Likert scale to measure respondents' perceptions of the variables of pricing strategy, promotion, and consumer loyalty. The data collection procedure was carried out by distributing an online questionnaire using the Google Form platform, which can be accessed via the following link: https://t.co/OhyXfUUAO13. The questionnaire consisted of questions that measured consumers' perceptions and attitudes towards the variables under study.

Statistical Tests

The collected data was then analyzed using SPSS version 26 software to perform various statistical tests, including:

1. Validity Test to ensure that the instruments used can measure what is intended.
2. Reliability Test to test the consistency and stability of the instruments used in data collection.
3. Classical Assumption Test to ensure that the data used meets the basic assumptions in regression analysis, such as normality test, multicollinearity, heteroscedasticity, and autocorrelation.
4. Hypothesis Testing was conducted to test the relationship between variables, namely the effect of pricing and promotion strategies on Shopee consumer loyalty.

By using this method, the study is expected to provide a clear picture of the influence of pricing and promotion strategies on consumer loyalty on the Shopee platform in Palembang.

Results and Discussion

Result

1. The characteristics of the respondents

In this study indicate that most respondents were in the productive age range, with 33 respondents (12%) aged under 20 years, 225 respondents (83%) aged 20-40 years, and 14 respondents (5%) aged 40 years and above. Most respondents, namely 83%, were in the 20-40 age group. Based on gender, 51 respondents (19%) were male, while 221 respondents (81%) were female, indicating that the majority of respondents were female. In terms of occupation, most respondents, namely 190 respondents (70%), were still students. In addition, there were 23 respondents (9%) who worked as entrepreneurs, 36 respondents (13%) who worked as employees, 18 respondents (7%) who were housewives, and 5 respondents (2%) who were unemployed. Based on the frequency of purchases on the Shopee platform, the majority of respondents, namely 236 respondents (87%), shop more than 4 times, while 35 respondents (13%) shop 2-3 times, and no respondents shop only 1-2 times on Shopee. This indicates that most respondents have a high shopping frequency on the platform.

2. The validity and reability of instuments

In this study, the validity and reliability of the instruments used to measure the variables under study were tested using validity and reliability tests. Based on the results of the validity test, all statements used in this study were declared valid, meaning they can be used to collect data. The variable Pricing Strategy (X1) consists of 8 statements, the variable Promotion (X2) consists of 10 statements, and the variable Consumer Loyalty (Y) consists of 6 statements. All statements in the three variables were declared valid and can be used as research instruments. In addition, to test reliability, Cronbach's Alpha was used. The reliability test results show that the Cronbach's Alpha value for the Price Strategy (X1) variable is 0.755, for the Promotion (X2) variable is 0.820, and for the Consumer Loyalty (Y) variable is 0.772. Since the Cronbach's Alpha values for all three variables are greater than 0.6, it can be concluded that the statement items for the variables Price Strategy (X1), Promotion (X2), and Consumer Loyalty (Y) are reliable, meaning that the instruments used in this study are consistent and trustworthy for measuring these variables.

3. Multiple Liniear Regression

Table 2. Results of The Multiple Linear Regression Test

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	3,354	1,358		2,469	,014
	Strategi_harga	,341	,049	,396	6,894	,000
	Promosi	,250	,038	,376	6,540	,000

From the table, the independent variables X_1 = 0.341 and X_2 = 0.250 with a constant of 3.354, resulting in the following regression equation:

$$\mathbf{Y = 3.354 + 0.341\ X1 + 0.250\ X2 + e}$$

Based on the regression equation, the following can be presented:

a. Constant coefficient = 3.354, meaning that if there is no pricing strategy and promotion, consumer loyalty remains at 3.354 units.

b. Variable X_1, where X_1 is the pricing strategy of 0.341, which indicates that "if the pricing strategy increases while other independent variables remain constant, consumer loyalty will increase by 0.341 or 34.1%."

Variable X_2, where X_2 is promotion at 0.250, indicating that "if promotion increases while other independent variables remain constant, consumer loyalty will increase by 0.250 or 25%."

4. Determination Test

Table 3. Determination Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,702[a]	,493	,490	2,173	1,690

a. Predictors: (Constant), Promosi, Strategi_harga

b. Dependent Variable: Loyalitas_konsumen

From the table, it can be seen that the coefficient of determination (R^2) is 0.493. This result means that the dependent variable of consumer loyalty can be explained by the independent variables, namely pricing strategy and promotion. Thus, the contribution of the independent variables is 49.3%, while the remaining 50.7% is influenced by social factors, personal factors, family factors, psychological factors, and cultural factors.

Discussion

The problem to be addressed is "How do Pricing and Promotion Strategies Affect Consumer Loyalty on the Shopee Platform in Palembang?" This means that the level of consumer loyalty is influenced by Pricing and Promotion Strategies. From the qualitative analysis, it was found that "Pricing and Promotion Strategies have an influence on Consumer Loyalty on the Shopee Platform in Palembang." This can be seen from the regression calculation results, where the value of the price strategy variable (X_1) is 0.341, indicating that "if the price strategy increases while other independent variables remain constant, consumer loyalty will increase by 0.341 or 34.1%." In other words, "the positive value of the regression coefficient for the price strategy variable indicates that the more price strategies there are, the higher the consumer loyalty."

Additionally, the regression analysis results for the promotion variable (X_2) show a value of 0.250, indicating that “if promotion increases while other independent variables remain constant, consumer loyalty will increase by 0.250 or 25%.” In other words, “a positive regression coefficient value for the promotion variable indicates that the more promotion there is, the more consumer loyalty increases.”

In this study, variable X_1 is pricing strategy, variable X_2 is promotion, and variable Y is consumer loyalty. Where “Pricing strategy is a systematic approach or method used by companies to determine the price of a product or service by considering important factors so that the price is appropriate to measure the company's success.” Pricing strategy has indicators such as price affordability, price suitability with product quality, price suitability with benefits, and price according to ability or price competitiveness. The indicators of pricing strategy are divided into four, namely:

1. Price affordability
2. Price suitability with product quality
3. Price suitability with benefits
4. Price according to ability or price competitiveness

The better a company implements pricing strategies, such as making prices more affordable, aligned with quality, and benefits, the higher consumer loyalty toward the Shopee platform in Palembang increases. Consumers are more loyal if they perceive Shopee’s prices as fair, commensurate with quality, and more advantageous compared to competitors.

In variable X_2, “promotion is a series of activities aimed at communicating product benefits and reminding consumers to make purchases.” There are also promotion indicators that complement this pricing strategy variable, which are divided into five categories:

1. Promotion frequency
2. Promotion quality
3. Promotion quantity
4. Promotion timing
5. Promotion targeting accuracy

The more frequent and targeted the promotions are, both in terms of quality, frequency, and timing, the higher the consumer loyalty toward Shopee. Consumers are more likely to continue using Shopee because they frequently receive attractive promotional information or relevant discounts.

However, consumer loyalty is not solely based on pricing and promotional strategies; there are other factors that influence consumer decisions and should not be overlooked by companies. “Consumer loyalty is a behavior characterized by a deep-seated commitment to purchase and continue making repeat purchases, thereby supporting the continued existence of the preferred product in the future.” Consumer loyalty indicators are divided into three categories:

1. *Repeat* (loyalty in purchasing products)
2. *Retention* (resistance to negative influences regarding the company)
3. *Referrals* (totally recommending the company's existence)

Consumers not only return to shop at Shopee but also remain loyal and recommend Shopee to others, thanks to the pricing and promotional strategies implemented.

The figures shown in the multiple linear regression test are $Y = 3.354 + 0.341 X_1 + 0.250 X_2 + e$. Based on the results of the multiple linear regression test, consumer loyalty on the Shopee platform is 3.354 units without the influence of pricing and promotional strategies. This indicates that, even without the influence of pricing strategies and promotions, consumer loyalty would remain at that level.

The coefficient values indicate that pricing and promotional strategies will increase consumer loyalty to Shopee, as shown by the figures 0.341 for variable X_1 and 0.250 for variable X_2. Pricing and promotions will increase consumer loyalty by 0.341 (X_1) and 0.250 (X_2) for each additional unit. Based on these figures, pricing and promotional strategies have a positive impact on consumer loyalty. The coefficient of determination of 0.493 (49.3%) explains the significant influence of pricing and promotional strategies in enhancing consumer loyalty on the Shopee platform in Palembang.

In conclusion, appropriate pricing strategies and effective promotions significantly increase customer loyalty on the Shopee platform, as evidenced by repeat purchases, resistance to competitors, and recommendations to others. Therefore, pricing and promotional strategies toward customer loyalty on the Shopee platform in Palembang have a significant influence, as they are influenced by other factors such as social factors, personal factors, family factors, psychological factors, and cultural factors.

Conclusion

The results of this study indicate that 49.3% of consumer loyalty can be explained by the variables of pricing strategy and promotion, while the remaining 50.7% is influenced by other factors not examined in this study. These factors include social factors, personal factors, family factors, psychological factors, and cultural factors, all of which can influence consumer loyalty decisions and behavior. Based on partial calculations, more in-depth results were obtained regarding the contribution of each variable to consumer loyalty. First, 28.4% of consumer loyalty can be explained by the pricing strategy variable, which shows that product prices have a significant influence on increasing consumer loyalty on the Shopee platform. Second, 20.9% of consumer loyalty can be explained by the promotion variable, which means that promotions carried out by Shopee also have a positive contribution in influencing consumer loyalty. Based on these results, it can be concluded that both pricing strategy and promotion have a simultaneous and partial effect on consumer loyalty on the Shopee platform in Palembang. More specifically, pricing strategies have a positive and significant effect on consumer loyalty, meaning that strategic price changes can increase consumer loyalty levels. Similarly, promotions also have a positive and significant effect on consumer loyalty, indicating that effective promotions can strengthen consumers' commitment to continue shopping on Shopee.

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