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MODEL OF CUSTOMER LOYALTY: AN EMPIRICAL STUDY AT COFFEE TOFFEE

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Abstract

The main objective of this research to built an empirical model of Consumer Loyalty of the Coffee Toffee Company in Jakarta. The samples used in this research is 370 consumers who came in the period December 2016, data used are secondary data collected by direct observation and by giving questionnaires to customers who come to the subject of research. The approach of the modeling and solution techniques are used as an tools of analysis in this research is using Structural Equation Model (SEM). The research finding is customer loyalty empirical model built through service quality, unique selling points, and promotions, but promotion have dominant effect on customer loyalty. The contribution of this research is promotion become very importance for Coffee Toffee Company for building customer loyalty beside service quality and unique selling points. The novelty of research is unique selling point influences customer loyalty on coffee toffee cafe has rarely be researched in previous studies.

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Keywords: Service Quality, Unique Selling Point, Promotion, Consumer Loyalty.



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1. Introduction

Along with the development of more advanced age, the individual needs to be more and more that must be met. In this modern era with a variety of work activities is high, it would require an additional requirement that is a place to relax that is able to eliminate the fatigue and boredom of a variety of work activities. The cafe is the perfect place for those who want to relax. The cafe, which is often also called a coffee house, coffee shop or café, is a term used to place orders coffee or other hot beverages. The cafe has characteristics such as a bar or restaurant, but in contrast to the cafeteria. Many cafes are not only providing coffee, but also tea along with snacks.

The area of coffee in Indonesia ranks second after Brazil. In 2011 the coffee plantation area in Indonesia is estimated at 1,254,921 hectares, of which folk estates effort by 95.94%, 1.77% state plantations and private estates 2.29%. But in terms of production Indonesia was only able to produce as much coffee as 684 thousand tons, lower than Vietnam (BPS, 2015). This is because the coffee production in Indonesia is still low. In terms of exports, Indonesia also ranks third after Brazil and Vietnam, with export value reaching 432.7 thousand tons in 2012 (Andriana, 2014).

Consumer satisfaction is an important thing for a company because it is generally assumed to be a significant determinant of purchase repetition that produces a consumer loyalty. Satisfaction of playing a major role in marketing as it is a good predictor of buying behavior.

Stemvelt (2004) states that the concept of quality of service is a perception of revolution overall quality is unthinkable and became an idea that should be formulated (formulation) so that its application (implementation) could be tested again (evaluation), to be a dynamic process, ongoing, continuous in customer satisfaction. The theory of "destination" developed by Samuelson (2000: 84) that the objective is adjusted assuming satisfaction with the level of service quality.

Parasuraman (2001) suggests the concept of quality of service associated with the satisfaction is determined by the five elements are commonly known as quality of service "RATER" (responsiveness, assurance, tangible, empathy and reliability). The concept of quality of service RATER point is to shape attitudes and behavior of developer services to provide a strong form and basic services, in order to get votes in accordance with the quality of service received.

USP oriented benefits or advantages of a product that is not owned by competitor products. Advantages possessed by these products is something sought or used as a reason consumers to use a particular product because it is distinguished by a specific character (Suyanto, 2005).

USP (Unique Selling Proposition) is a marketing concept that was first proposed as a theory to explain the pattern in the ad campaign. This shows that an advertising campaign such as creating a unique proposition to customers to be more interested. Namely by offering one of the advantages or benefits of the product that is unique, memorable, and not shared by other similar products / competitors.

Uniqueness or Unique Selling Proposition (USP) is closely related to differentiation, because differentiation is one that is unique. Determinants of the uniqueness of a company or product is the fundamental reason that led to a product to be unique.

Promotion is a form of marketing communications, namely the marketing activities that tries to spread information, influence, persuade or remind the target market for the company and its products that consumers are willing to accept, purchase, and loyal to the products offered by the company (Tjiptono, 2002).

In essence, the campaign is a form of marketing communications. The definition of marketing communications is the marketing activities that tries to spread information, influence / persuade and / or alert the target market for the company and its products to be willing to accept, purchase, and loyal to the products offered by the company concerned.

Forms of promotion according to Kotler and Armstrong (2004) is Advertising, Personal Selling, Sales Promotion, Public Relations.

According Tjiptono (2000) is a commitment to customer loyalty to a brand, store or supplier based on the nature of the very positive in the long-term purchase.

Loyal customers is an important asset for the company this can be seen from the characteristics possessed by loyal customers, as expressed by Griffin (2005), a loyal customer has the following characteristics:

1. Making a purchase on a regular basis (regular makes repeat purchase)
2. Buying outside the line of products / services (purchase across product and services lines)
3. Recommend other products (Refers other)
4. Show the immunity of appeal similar products from competitors (demonstrates an immunity to the full of the competition)

From the above it can be concluded that customer loyalty will be created if the company can provide customer satisfaction by providing quality products in accordance with the hope that ultimately the quality of a product / service of the company will create customer loyalty to the company.

2. Problem Statement

Measure of success of a business is not enough to create a sense of satisfaction to the customer, but the challenge for every company to be able to create loyalty in customers. There are a lot of things and factors that could influence a consumer loyalty such as quality of service, unique selling point, promotions, location, confidence in the product, customer satisfaction, product variation. Grow customer loyalty is important because of the brand that consumers can make grow consistently. This makes the authors interested in making a research entitled model of customer loyalty coffee shop.

3. Research Questions

1. What is the effect of service quality on customer loyalty?
2. What is the effect of unique selling points on customer loyalty?
3. What is the effect of promotions on customer loyalty?

4. Purpose of the Study

The main objective of this research to built an empirical model of Consumer Loyalty of the Coffee Toffee Company in Jakarta.

5. Research Methods

The object of research into the independent variable in this study is Service Quality, Unique Selling Point and Promotion. While the dependent variable is the Customer Loyalty. The nature of this research is descriptive and verification.

Sources of data in this research is secondary data sources of documentation or reports are available on the company and or related institution. While the primary data in the form of service quality, unique selling point, promotions and customer loyalty comes from customers Coffee Toffee company in Jakarta, Indonesia. Based on the purpose of this study is to built the empirical model of customer loyalty, the approach in the modeling and solution techniques are used as a tools of analysis in this research is using Structural Equation Model (SEM). The reasons for selecting this method is the ability to measure the construct indirectly, through the indicators and simultaneously analyze the indicator variables and latent variables.

This study included within the scope of the study of Science in Marketing Management with a focus discussion on customer loyalty. Customer loyalty can be built by several factors including service quality, unique selling points and promotions.

6. Findings

Based on test results using Structural Equation Model (SEM), it can be obtained is described as follows:

Service quality effect on customer loyalty with path coefficients at 0:25 and the value of t 2.98 ($2.98 > 1.96$), then the unity hypothesis (H_1) received / proven. So the service quality has a significant influence on customer loyalty.

Based on the above hypothesis testing results show that the results of this study are consistent with the results from Yap and Sweeney (2007) who found that the process (intangible aspects) and the real aspects of service quality has a significant positive effect on loyalty, value, and satisfaction.

Unique selling point has a significant influence on customer loyalty with path coefficient of 0.3 and with a value of t ($3.18 > 1.96$), then the second hypothesis (H2) received / proven. So unique selling point is partially proven significant influence on customer loyalty.

Based on the above hypothesis testing results show that the results of this study are in line with the opinion of Kotler and Keller (2008: 58) that a product or brand has a continuous competitive advantage or unique selling proposition gives consumers a compelling reason for why you should buy the product. For that reason the importance of creating uniqueness of a product or service that makes competitive advantages as a reason for consumers to always choose the product concerned.

Promotion has significant influence on customer loyalty with path coefficient of 0.6 and with a value of t ($14.07 > 1.96$), then the third hypothesis (H3) received / proven. So the promotion is partially proven significant influence on customer loyalty.

Based on the hypothesis testing results above show that the results of this study are consistent with the results of Herath et al. (2013) which resulted in the influence of the components of the marketing mix (product, price, place, promotion) partially or simultaneously on customer loyalty at Coffee Toffee in Jakarta.

The contribution of service quality, unique selling point, and promotion in explaining Customer loyalty is to the effect as 0.80 and the value of F ($217.19 > 3020$), the fourth hypothesis (H4) received / proven. So service quality, unique selling point, and promotion together proved and have a significant influence on customer loyalty with the influence of 80.02% while the remaining 19.98% is the influence of other factors.

Based on the description of the results of testing the hypothesis above, the findings in this study is that customer loyalty will be high, especially on the elements of the purchase on a regular basis if they have promotional programs especially good at public relations, and has a unique selling point that both the elements of Service and Personnel and supported by a high quality of service, especially in terms of Tangible.

7. Conclusion

7.1. Conclusion

Based on the above results, it can be drawn some conclusions as follows:

1. Service Quality has a positive and significant influence on customer loyalty at Coffee Toffee with a contribution of 14.88%, and the most dominant element of the service quality is the tangible elements.
2. Unique selling point has a positive and significant influence on customer loyalty at Coffee Toffee with a contribution of 20.24%, as well as with the most dominant element of the unique selling point is the service element and personnel.

3. Promotion has a positive and significant influence on customer loyalty at Coffee Toffee with a contribution of 44.91%, as well as the most dominant element of the promotion is the element of public relations.

4. Service quality, unique selling points and promotions together have a positive and significant influence on customer loyalty at Coffee Toffee with a contribution of 80.02% while the remaining 19.98% is the influence of other factors.

7.2. Contribution of The Research

1. There are many other factors that influence consumer loyalty at Coffee Toffee, such as variable customers relationship, value of service, trust, satisfaction, and others, are likely to provide a dominant influence in increasing customer loyalty at Coffee Toffee in Jakarta.

2. This study uses a variable customer loyalty as the dependent variable, so as to further research will likely produce different findings, when used other variables that are positioned as between.

3. The study was conducted on consumers at Coffee Toffee in Jakarta, so that if it is done on the consumer at Coffee Toffee others, the possibility of the results will be different and will add specific input and comprehensively.

4. The results of this study can also be applied to other coffee shop, to get a high consumer loyalty.

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