Relationship Management of Cafe

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Relationship Management of Cafe Customers around Universitas Sebelas Maret Surakarta - Indonesia

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ABSTRACT

Objective – This aim of this research is to analyze the influence of Customer Relationship Management (CRM) dimensions on customer satisfaction and loyalty for cafés around Universitas Sebelas Maret (UNS) Surakarta.

Methodology/Technique – Convenience sampling method was used to collect the primary data. 140 respondents participated in this research and the data is analyzed using Structural Equation Modelling with AMOS software. Validity testing is conducted using CFA with a factor loading of > 0.05, whilst the reliability testing is conducted using a Cronbach alpha of > 0.07.

Findings – The results of the hypothesis testing show that the influence of CRM on customer satisfaction is positive and significant with a CR value of 2.133 and a p-value of 0.033. In addition, CRM is also found to have an effect on customer loyalty with a CR value of 2.160 and a p-value of 0.031. The findings also demonstrate that the effect of customer satisfaction on loyalty is positive and significant with a CR value of 2.248 and a p-value of 0.025. The final conclusion in this study shows that CRM affects customer loyalty through customer satisfaction, with a value of 0.295.

Novelty – this research departs from previous research and in its application to the restaurant industry, which has not been done before.

Type of Paper: Empirical.

JEL Classification: M30, M39.

Keywords: Customer Relationship Management; Customer Satisfaction; Customer Loyalty.

1. Introduction

Customer Relationship Management (CRM) is the holistic process of identifying, attracting, differentiating and retaining customers. It is carried out by integrating the company's supply chain into the value creation process in order to create customer value. The application of CRM is used to retain customers.

Some previous studies have proven that CRM provides positive benefits for companies, for example, in the tourism industry (Riadh & Bahri-Ammari, 2014), the banking industry (Rosmayani, 2016; Semuel, 2012), service providers (Bhei & Chiao, 2006), service firms (Yim et. al., 2014) and even in new product performance (Ernst et. al., 2011). According to Semuel (2012), CRM comprises the following three dimensions: commitment, communication and customer complaints handling. These dimensions affect consumer trust and loyalty. Unlike Semuel (2012), Bhei and Chiao (2006) examine the effect of perceived service quality on customer satisfaction and loyalty. The present study attempts to modify the model based on these studies and their applications to the restaurant industry. Hence, the purpose of this study is to analyze the effect of the dimensions of CRM on customer satisfaction and loyalty, to analyze the effect of satisfaction on customer loyalty, and to analyze the influence of the dimensions of CRM on customer loyalty, as mediated by customer satisfaction, in cafés surrounding UNS Surakarta.

2. Literature Review

2.1. Customer Relationship Management

CRM is the process of securing, maintaining and developing profitable customers. It requires a clear focus on the attributes of value-added services for customers and creating customer loyalty (Handen, in Tjiptono, 2014). Semuel (2012) states that the first dimension of CRM is commitment. This is a belief in the importance of building a lasting, long-term relationship with other partners. In other words, those who hold such a commitment will make the necessary effort to maintain the relationship in the long term (Morgan & Hunt, in Buttle, 2004). The second dimension is communication. The communication between producers, intermediaries, marketing and consumers is an activity that assists consumers in making decisions in the field of marketing by encouraging all parties to think, do and act better (Sudaryono, 2016). In addition to these two dimensions, the model developed by Parasuraman, Zeithaml and Berry (1994) hypothesizes that service quality affects customer satisfaction. Service quality reveals the extent of the gap between customer expectations and the actual service that they receive.

3.2 Customer Loyalty

Loyalty is associated with the characteristics of people and is not something that a brand can inherently possess. The following three models are identified with regard to the concept of customer loyalty (Uncles, et. al., in Tjiptono, 2014). Attitudes that lead to relationships with the brand: past purchasing patterns are compared with respect to consumer motivation or commitment to the brand; and the relationship between attitudes and behavior is moderated by contingency variables, such as an individual's current conditions, individual characteristics and/or a consumer's purchasing intentions.

3.3 Customer Satisfaction

Customer satisfaction is viewed as a comparison between consumer expectations and the product or service actually received by the consumer. Customer satisfaction comprises a post-purchase evaluation where the chosen option is either equal to or exceeds the customer's expectations. Satisfaction can be measured as the extent to which the customer's expectations of a product or service are in accordance with the actual performance of that product or service (Pujiati, 2010; Sangadji & Sopiah, 2013).

4. Research Hypotheses

Customers that are satisfied with the service provided tend to make repeat purchases, which in this context can reduce the rate at which they will switch to another café. The higher the commitment and the better the communication and service quality provided by the café, the more satisfied the customer will be. The task of

maintaining customers require efforts to establish strong relationships with them through the adoption of CRM based on the premise that good relationships will lead to higher customer loyalty. Semuel (2012) hypothesizes that the dimensions of CRM have an impact on customer loyalty while Bei and Chiao (2006) state that perceived service quality has an impact on customer satisfaction and loyalty. Hence, customer satisfaction will affect customer loyalty. If the customer satisfied, they are more likely to be loyal and are more likely to repeat their purchases in the future. Previous studies also conclude that there is an indirect relationship between the dimensions of CRM on customer loyalty which is mediated by customer satisfaction. Therefore, the following hypotheses are proposed:

H1: The dimensions of CRM (commitment, communication and service quality) have an influence on customer satisfaction.

H2: The dimensions of CRM (commitment, communication and service quality) have an influence on customer loyalty.

H3: Customer satisfaction has an influence on customer loyalty.

H4: The dimensions of CRM (commitment, communication and service quality) have an influence on customer loyalty which is mediated by customer satisfaction.

5. Research Methodology

This study comprises a survey conducted among consumers at the Arje's Kitchen, Sandwich Kitchen, Co-Pilot and Kedai Kepo cafés. Quantitative and qualitative data is used from both primary and secondary data sources. The sample in this study consists of 140 respondents who were sourced using convenience sampling. The data analysis technique used is Structural Equation Modelling (SEM). Validity and reliability tests were conducted using a confirmatory factor analysis (CFA) and Cronbach alpha.

6. Results

The respondents had the following characteristics. 51.43% were aged between 13–20 whilst 45% were aged between 21–30 and 3.57% were aged above 30. There were 41(29.29%) male respondents and 99 (70.71%) female respondents. As many as 5% of respondents reported having attained a junior high school education, 27.86% high school, 10.71% D3 education, 54.29% reported an S1 education and 2.14% reported another type of education. 78.57% of respondents were students, 2.86% were civil servants, 3.57% conducted entrepreneurial work, 10.71% were private sector employees, and 4.29% reported having other jobs.

Validity testing using CFA produced a loading factor of >0.50, meaning the instrument is valid and feasible to use. The following reliability test results were obtained: commitment (0.815); communication (0.921); service quality (0.761); customer satisfaction (0.794), and customer loyalty (0.830). Therefore, the instrument is reliable. The GFI test results are shown in Table 1. The GFI model testing indicates that the chi-square value for the full model is 496,778 for 344 degrees of freedom. The values for CMIN/DF, IFI, and RMSEA are all indicated as being a good fit according to the predetermined criteria. Although the GFI, CFI and TLI/NNFI values are all in the marginal range, and the probability value, AGFI, and NFI are categorized as a poor fit, this model is permitted for use.

Table 1. The Result of the Goodness of Fit Index

No	Goodness of Fit	Cut-off Value	Result	Description
1	Chi-Square	Low	496,778	-
2	Sign. Probability	≥ 0.05	0.000	Poor Fit
3	CMIN/DF	≤ 2.00	1.444	Good Fit
4	GFI	$\geq 0.90 < 1$	0.807	Marginal

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5	AGFI	$\geq 0.90 < 1$	0.773	Poor Fit
6	CFI	$\geq 0.95 < 1$	0.902	Marginal
7	TLI/NNFI	$\geq 0.95 < 1$	0.892	Marginal
8	NFI	$\geq 0.95 < 1$	0.743	Poor Fit
9	IFI	1.0	0.904	Good Fit
10	RMSEA	0.03–0.08	0.057	Good Fit

Source: Processed primary data, 2018

The hypotheses testing is performed by comparing the critical ratio (CR) value with the probability value. The results are displayed in Figure 1 and Table 2 below.
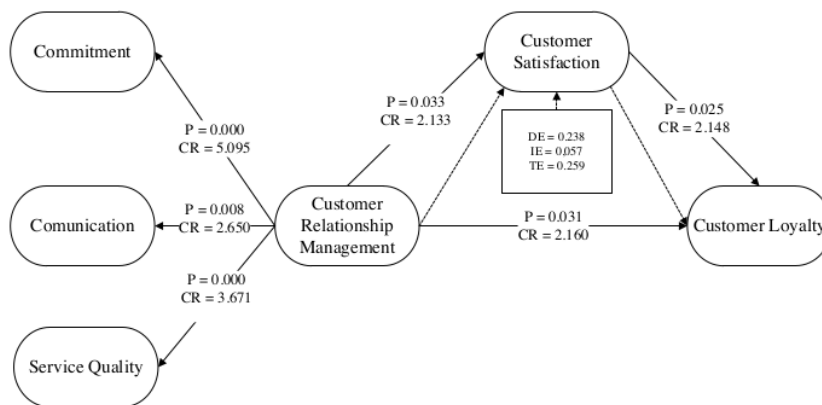

Figure 1. Result derived from the Conceptual Model

Table 2. The Results of Regression Weights

			Estimate	SE	CR	P	Description
Customer Satisfaction	<---	CRM	0.105	0.049	2.133	0.033	Significant
Communication	<---	CRM	0.168	0.063	2.650	0.008	Significant
Service Quality	<---	CRM	0.210	0.057	3.671	0.000	Significant
Commitment	<---	CRM	0.552	0.108	5.095	0.000	Significant
Customer Loyalty	<---	Customer Satisfaction	0.279	0.124	2.248	0.025	Significant
Customer Loyalty	<---	CRM	0.124	0.057	2.160	0.031	Significant

Source: Processed primary data, 2018

The CR value for the relationship between the dimensions of CRM and customer satisfaction is 2.133 with a p-value of 0.033. These values indicate that the dimensions of CRM affect customer satisfaction. Therefore, Hypothesis 1 is supported as CR >1.96 and the p-value is <0.05. The results of this study do not support those obtained by Iriandini, Yulianto and Mawardi (2015), which stated that the dimensions of CRM have no significant effect on customer satisfaction. The CR value for the relationship between the dimensions of

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CRM and customer loyalty is 2.160 with a p-value of 0.031. These values indicate that the dimensions of CRM affect customer loyalty. Therefore, Hypothesis 2 is supported as CR >1.96 and the p-value is <0.05. The results of this study do not support those of Iriandini, et. al. (2015), which state that the dimensions of CRM do not have a significant effect on customer loyalty.

The CR value for the relationship between customer satisfaction and customer loyalty is 2.248 with a p-value of 0.025. These values indicate that customer satisfaction affects customer loyalty. Therefore, Hypothesis 3 is supported as CR >1.96 and the p-value is <0.05. The results of this study support those of Sukarti (2014), which state that customer satisfaction has a positive and significant effect on customer loyalty. The value for the direct effect of the CRM dimensions customer loyalty is 0.238, while the indirect effect has a value of 0.057 and the value for the total effect is 0.295. As such, the value of TE > (DEx IE), or 0.295 > (0.238 x 0.057). This indicates that customer satisfaction mediates the effect of the dimensions of CRM on customer loyalty. Therefore, Hypothesis 4 is supported. The results of this study support those obtained by Ningsih, Suharyono, and Yulianto (2016), who demonstrated that the dimensions of CRM have a positive and significant effect on customer loyalty when mediated by customer satisfaction.

7. Discussion

Based on the results presented above, all of the proposed hypotheses are supported. The results show that the dimensions of CRM have an effect on customer satisfaction. The results obtained in this study do not support those of the study by Iriandini et. al. (2015), which show that the dimensions of CRM do not have a significant effect on customer satisfaction. Commitment is the belief that it is important to build lasting, long-term relationships with other partners, while CRM is undertaken with the aim of maintaining the relationships that have previously been formed. Commitment is reflected in cooperative behavior and the proactive actions taken to maintain the relationships developed and nurtured thus far (Buttle, 2004; Sheth & Mittal, in Tjiptono, 2014; Shemawell et. al.; Gundlach et. al.; Garbarino and Johnson, in Adinugroho, 2015). Communication is a form of information exchange that can improve marketing relationships and is important because information will generate awareness and understanding between buyers and sellers, which will ultimately provide satisfaction and create mutually beneficial relationships (Kotler, 2010). Whereas the quality of service represents the expected level of excellence and the control that is exerted over that excellence in meeting customer needs (Parasuraman et. al., & Wyckof, in Tjiptono, 2014).

The results of this study indicate that the dimensions of CRM have a significant effect on customer loyalty. The result obtained in this study does not support that of Iriandini et. al. (2015), which states that the dimensions of CRM have no significant effect on customer loyalty. The dimensions of CRM, which consist of commitment, communication and service quality, have a very strong influence on customer loyalty. Parties who hold a firm commitment to establishing good communication and who can provide services in accordance with the expectations of another party will create relationships that can be maintained in the long term (Sheth & Mittal, in Tjiptono, 2014:415).

The results of this study indicate that customer satisfaction has a significant effect on customer loyalty and supports the results obtained by Sukarti (2014) indicating that customer satisfaction has a significant positive effect on customer loyalty. Loyalty is both a complex and multi-dimensional concept. Reynold et. al., in Tjiptono (2014), defines customer loyalty as a function that reflects the same attitudes in the same situation for the associated purchased products. According to Sheth and Mittal, in Tjiptono (2014), customer loyalty is represented by a customer's commitment to a brand, store or suppliers, and is based on a very positive attitude/evaluation, manifested by consistent repurchasing behaviors. Loyal customers will thus be consistent in their purchases. Customer satisfaction mediates the influence of the dimensions of CRM on customer loyalty. This is demonstrated by the results of Total Effect > (Direct Effect x Indirect Effect), or 0.295> (0.238 x 0.057). Hence, in this study, the results indicate that customer satisfaction plays a role in mediating the influence of the dimensions of CRM on customer loyalty, both directly and indirectly. The results of this study support the findings of Ningsih et. al. (2016), which state that CRM has a significant effect on

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customer loyalty through customer satisfaction. The commitment, communication, and quality of service that satisfy customers play a role in influencing customer loyalty. Therefore, satisfaction is an important factor in the creation of loyalty.

8. Conclusion

This study concludes that customer satisfaction and loyalty are influenced by the dimensions of CRM, namely commitment, communication and service quality. The results of the study also demonstrate that customer satisfaction has a positive influence on customer loyalty in cafés surrounding UNS. The dimensions of CRM were found to have a positive and significant influence on customer satisfaction in cafés surrounding UNS Surakarta. The greater the connection between a café and its customers, the greater the level of satisfaction experienced by the customers of that café.

The dimensions of CRM also have a significant effect on customer loyalty at the cafés in the UNS Surakarta area. The greater the connection between the café and its customers, the greater the level of loyalty shown by those customers. The dimensions of CRM have a significant influence on customer loyalty when mediated by customer satisfaction, both directly and indirectly, at the cafés around Universitas Sebelas Maret Surakarta. The stronger the relationship between the café and its customers, the greater their satisfaction and the greater the likelihood that those satisfied customers will re-visit the cafés and maintain a long-term relationship with them. Based on the results of this study, it is suggested that entrepreneurs in the restaurant industry maintain a commitment to serve customers as best as possible, establish positive communication, and improve the quality of service provided, to improve customer satisfaction and loyalty.

This limitations of this study include the limited scope of the industry type examined, as well as the number of samples and variables analyzed. Further research may wish to examine different industries or increase the number of samples and variables analyzed.

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