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Improving customer loyalty through customer experience, price attractiveness, and customer relationship management

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ABSTRACT

This study aims to determine the effect customer Experience, Price Attractiveness and Customer Relationship Management have on Customer Loyalty. The data is collected using primary sources, which is done by distributing questionnaire to 300 respondents using purposive sampling technique. The findings show that customer experience is perceived as good, price attractiveness is perceived as attractive and affordable, while customer loyalty is not high. there is a significant influence of Customer Experience on Customer Loyalty ($R^2 = 0.31$). Customer experience is related to customer loyalty, because the experience of a brand involves the subjective experience and behavior of a consumer. Price attractiveness has a greater effect on customer experience and Customer Relationship Management. Customer Relationship Management and price attractiveness have a positive influence on customer loyalty. Customer experience has a positive influence on customer loyalty in 'Kedai Yups' café.

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INTRODUCTION

The development of the world in the era of the 21st century has grown very rapidly and underwent continuous metamorphosis. Lovelock & Wirtz stated that one example of metamorphosis in the 21st century is in terms of industries undergoing dramatic transformations, driven by technology, globalization, changes in government policies, evolving consumer needs, and lifestyles [1].

In today's era of intense business competition, the number of brands and products, both goods and services competing in the market has become very large [2]. As a result, consumers have a variety of choices and alternatives, especially in the service sector. Lupiyoadi described that service companies function to create memorable new experiences for consumers [3]. The goal of a new experience for consumers is a challenge for the service company. Most of the abstract and intangible service products have aspects that are around the core of the company into consideration for consumers [4]. One of these aspects is the environment in which the service delivery is located (service scape). Intense competition and increasing consumer expectations for a product, especially service products, have forced companies to have ways to improve

their value propositions [5]. One of the service products that feel the tight competition of service companies today is the café business. Bandung City has become a hub of café culture, offering a variety of traditional and modern food and drinks, especially popular among students [6].

As per research by Fauzi & Harli (2017) [7], the RAD method for building a CRM system has increased customer satisfaction to 85%, making business operations more efficient. Dewi (2015) [8] found a positive relationship between CRM and customer satisfaction and loyalty. However, customer satisfaction did not show a direct impact on loyalty. In contrast, Iriandini et al. found Commitment and Communication in CRM to be significant for customer loyalty, while Service Quality did not play a significant role [1], [9].

On the basis of the above phenomenon, the authors are interested in conducting research at the 'Kedai Yups' café which is located in Bandung, West Java as figure 1. 'Kedai Yups' is a café that provides coffee, tea, and juice. It can be a place to hang out and drink coffee with affordable prices and a comfortable atmosphere, as well as free wi-fi facilities, and delivery order. The café opens from 07.00 - 23.00. One of the efforts of 'Kedai Yups' to increase sales and compete with other café business competitors, is by increasing customer loyalty.



Figure 1. 'Kedai Yups'

Companies can build customer loyalty if they are able to provide a superior customer experience. This is supported by the results of research by Wereda & Grzybowska (2016) [10] in a study of the relationship between customer experience and customer loyalty, it was found that customers who had positive experiences were more likely to come back for another purchase, were more likely to recommend the business to friends, and were less likely to switch to competitors. According to Mashingaidze, emotional experience contributes greatly to customer loyalty to a company's brand [11]. This is in accordance with the concept of loyalty from Griffin which stated that customer loyalty show buying behavior that does not move from time to time, and loyalty indicators are indicated by repeat purchases [12].

In addition, Putri et al. (2022) [13] found that price attractiveness and service quality are aspects that play a role in increasing the share of airline passengers in Indonesia. Service quality is assessed with the following dimensions: reliability, responsiveness, assurance, empathy, tangible, and convenience. On the other hand, price attractiveness is assessed by the dimensions of price affordability, discounts, and price suitability. Conceptually, according to Lovelock & Wirtz, price is the expenditure of money, time, and effort that customers spend in buying and consuming services [14]. Low customer loyalty also tends to be suspected by the ineffectiveness of programs to maintain customer relationships, because the phenomenon of the current marketing era has shifted from transactional to relational era. In the industry, there is customer relationship management to manage customer relationships. In addition,

Hamidin (2008) [15] found that Customer Relationship Management plays a role in customer retention. Saufi et al. (2019) [16] suggest that in order to increase customer trust in the company, it is necessary to develop parallel communication channels with customers, which demonstrate flexibility in their relationship and maximize the benefits of reciprocal relationships.

In this study, a new issue raised is the importance of considering environmental and social factors in making business decisions related to customer experience. This includes corporate social responsibility, the environmental impact of business activities, as well as policies that are inclusive and pay attention to the needs of all relevant parties, such as customers with special needs or minority groups. By considering these aspects, companies can build stronger and more sustainable relationships with customers, and increase their loyalty and trust.

Hypothesis

H1: Customer Experience has a positive effect on customer loyalty

H2: Price Attractiveness has a positive effect on Customer Loyalty

H3: Customer Relationship Management positive effect on Customer Loyalty

The research hypothesis above, the research model is described in [Figure 2](#) where this research is expected to show how much influence the variables have, namely Customer Experience, Price Attractiveness, and Customer Relationship Management which have a temporary hypothesis that has a positive effect on customer loyalty.

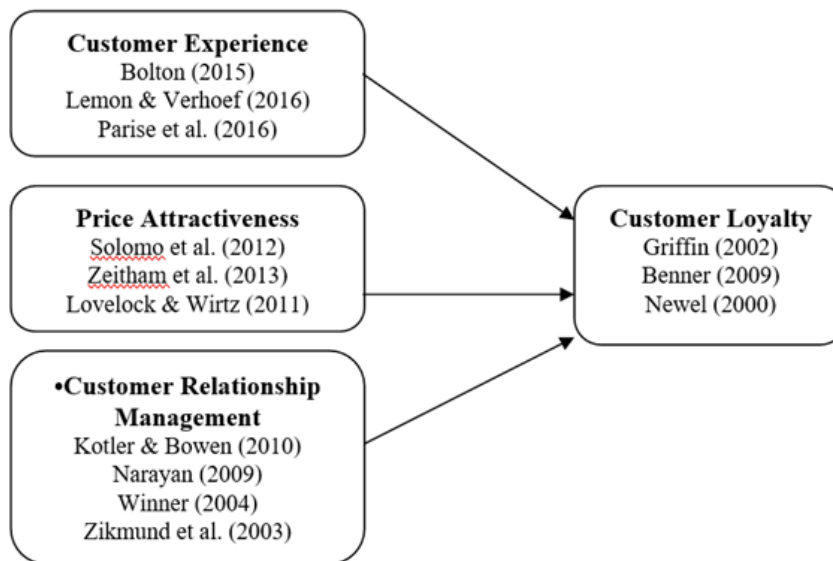


Figure 2. Research Framework

RESEARCH METHOD

Given the problems studied, this study uses a quantitative approach. Quantitative research is defined as a systematic investigation of phenomena by collecting quantitative data and processing them with statistical techniques [17]. Quantitative research collects information using a sampling method (survey). In this study, descriptive is used to obtain an overview of the 'Kedai Yups' customer experience management, price attractiveness, customer relationship management, and customer loyalty. The study was conducted to explain the relationship and influence between variables, customer experience management, price attractiveness, customer relationship management, and customer loyalty.

This study uses the LISREL SEM method because it is the most suitable method used to evaluate the relationship between complex variables. In this case, LISREL is considered as a software program to test the relationship model between variables in SEM analysis. PLS and AMOS are methods used in SEM analysis. However, PLS is more suitable for use when the measured variables are not normal or have an abnormal distribution,

while AMOS is more suitable for use when the SEM model being tested is clearly defined. Thus, because the variables tested have normality assumptions, and the SEM model tested has been clearly defined, the LISREL SEM method was chosen as the most appropriate analytical method. Specific applications of SEM are considered, including confirmatory factor analysis, analysis of paths of observed variables, and analysis of paths of latent variables [11]. Application examples including source code, templates, and results sections are presented for each type of analysis. Tricks of the trade for structural equation modeling are presented, including the use of single indicator latent variables and reducing the complexity of cognitive models. and distribution of 300 samples to 'Kedai Yups' cafe customers.

RESULT AND DISCUSSION

Hypothesis 1: The Influence of Customer Experience on Customer Loyalty on 'Kedai Yups' Café

The following are the results of hypothesis testing regarding the effect of Customer Experience on the Customers loyalty of 'Kedai Yups' café.

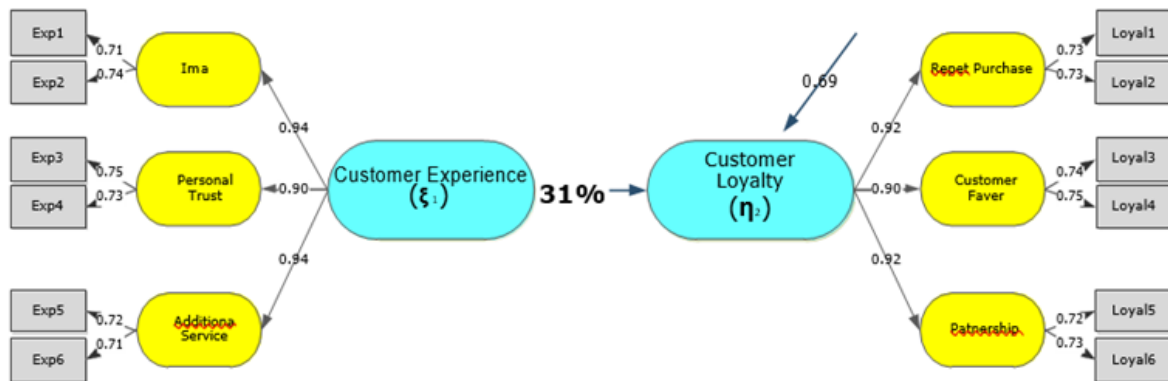


Figure 3. Path Diagram of Customer Experience towards Customer Loyalty

Based on the [figure 3](#) above, the following structural equations are obtained:

$$\xi_1 = 0.56 * \eta_1 + \zeta_3, \quad R^2 = 0.31$$

Table 1. Partial Test Results for Customer Experience on Customer Loyalty

Hypothesis	Koef.Estimate	S.E.	t count	R2
Customer Experience → Customer Loyalty	0.56	0.13	4.17*	0.31

Source: LISREL Calculation Results, 2020 *significant at =0.05 (t table =1.96)

In [Table 1](#) above, it can be seen that partially there is a significant influence of Customer Experience on Customer Loyalty ($R^2 = 0.31$). Customer experience is related to customer loyalty, because the experience of a brand involves the subjective experience and behavior of a consumer [2]. The experience is created by the image, trust and additional services provided by the airline. The experience that customers have can be positive, so

they will be happy to repurchase the service.

Hypothesis 2: The Influence of Price Attractiveness on Customer Loyalty on ‘Kedai Yups’ Café

The following are the results of hypothesis testing regarding the effect of Customer Experience on the Customers loyalty of ‘Kedai Yups’ café.

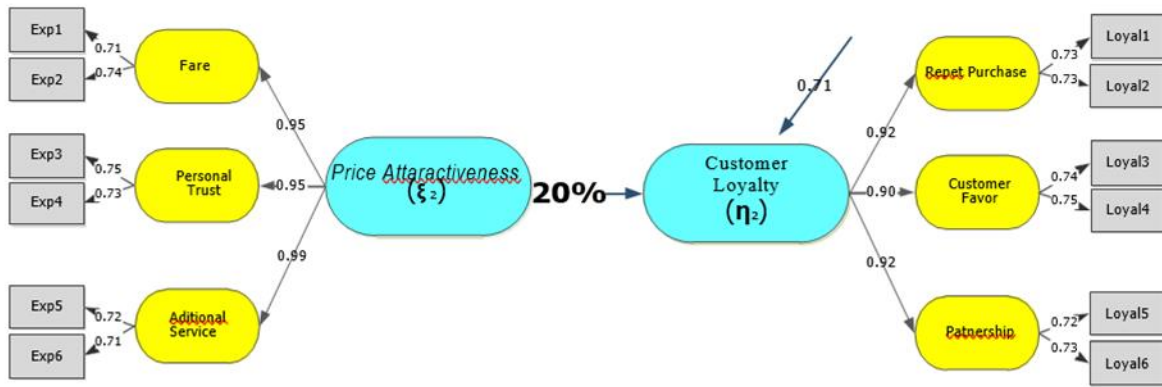


Figure 4. Path Diagram of Price Attractiveness towards Customer Loyalty

Based on the figure 4 above, the following structural equations are obtained:

$$\eta_2 = 0.56*\eta_1 + \zeta_3, \quad R^2 = 0.05$$

Table 2. Partial Test Results for Price Attractiveness on Customer Loyalty

Hypothesis	Koef.Estimate	S.E.	t count	R2
Price Attractiveness ξ_2 Customer Loyalty	0.20	0.082	2.47*	0.05

Source: LISREL Calculation Results, 2020 *significant at =0.05 (t table =1.96)

In Table 2 above, it can be seen that partially there is a significant influence of Price Attractiveness on Customer Loyalty ($R^2 = 0.05$). The results of this quantitative study indicate that the increase in customer loyalty is dominantly of Price Attractiveness. Price attractiveness is reflected in the low cost of all price, fees, or any other payments related to the purchase of products at 'Kedai Yups' Café perceived by the customer, where affordability shows the perception of the

customer that the price is cheap and in accordance with the purchasing power of the customer.

Hypothesis 3: The Influence of Price Attractiveness on Customer Loyalty on 'Kedai Yups' Café

The following are the results of hypothesis testing regarding the effect of Customer Experience on the Customers Loyalty of 'Kedai Yups' café.

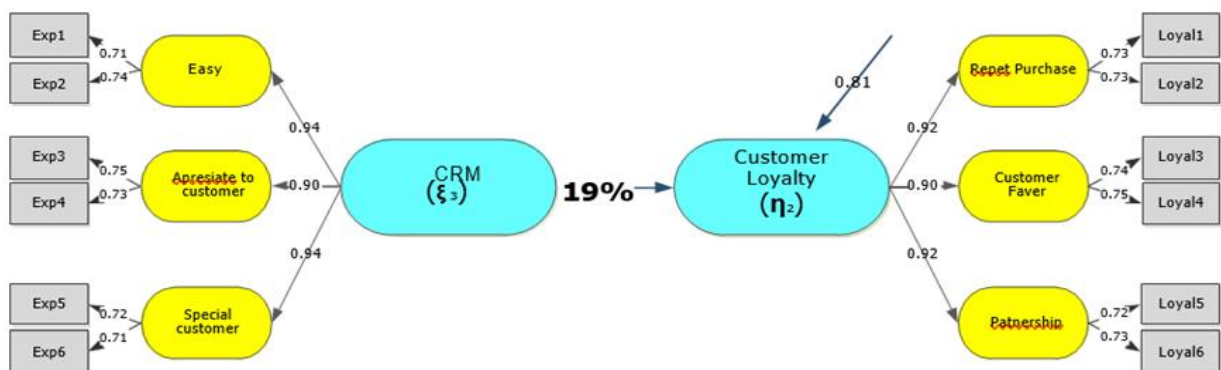


Figure 5. Path Diagram of Customer Relationship Management towards Customer Loyalty

Based on the figure 5 above, the following structural equations are obtained:

$$\xi_1 = 0.56*\eta_1 + \zeta_3, \quad R^2 = 0.04$$

Table 3. Partial Test Results for Customer Relationship Management on Customer Loyalty

Hypothesis	Koef.Estimate	S.E.	t count	R2
CRM → Customer Loyalty	0.19	0.066	2.88*	0.04

Source: LISREL Calculation Results, 2020 *significant at =0.05 (t table =1.96)

In Table 3, it can be seen that partially there is a significant influence of Customer Relationship Management on Customer Loyalty (R2 = 0.04). Customer Relationship Management is a representation of the ease of ordering and transacting the product of Café 'Kedai Yups', giving awards to customers, and special treatment for customers, greetings and greetings and getting to know customers, interesting gathering events such as birthdays, holidays and other events.

This model describes giving appreciation to customers as a form of interaction when ordering cafe products. This model is more directed to carry out activities that will relate directly to customers. As for educational institutions, the research conducted by Hamidin shows that the model can describe the process of accessing "customers" interactions with educational institutions in accessing CRM via websites and mobile phones [1]. As for the business world carried out by Wereda & Grzybowska it shows the Social CRM Model that is proposed to process information from tourists and package it into knowledge [10].

DISCUSSION

The findings from this study reveal that customer experience and price attractiveness have a significant influence on customer loyalty, which supports the

first and second hypotheses proposed. The results confirm previous studies that have also reported the same influence of customer experience on customer loyalty [10], [11], and the impact of price attractiveness on customer loyalty [3]. The study found that customers who had a positive experience while purchasing a product or service were more likely to remain loyal to the company or café in the context of this study [13]. They demonstrated a greater propensity to return for future purchases, recommend the business to friends, and remain less inclined to switch to competitors. Additionally, the study found that price attractiveness was also a crucial factor in building customer loyalty. Customers who perceived the price of the product or service as attractive were more likely to remain loyal to the company, indicating the importance of competitive pricing strategies in building customer loyalty.

Conceptually, according to Lovelock & Wirtz, price is the expenditure of money, time, and effort that customers spend in buying and consuming services [17]. Customers who consider the price of a product or service to be attractive tend to show their loyalty towards the brand. Customers can consider a price as attractive by looking at their efforts to purchase a product and their satisfaction towards the product. They also can consider whether the price fits their ability

to pay or consume the product or service. Finally, the results of this study proved that the third hypothesis proposed, namely the influence of customer relationship management on customer loyalty, is accepted. In other words, customer relationship management has a significant influence on customer loyalty. The results of this study strengthened the previous study, companies can grow their customer loyalty by engaging in customer relationship management [12]. They must stay in touch with customers, being responsive, adaptive, and flexible to face the changing demands from customers. When companies practice these aspects, it will not be possible to boost their customer loyalty.

CONCLUSION

This study has found that customer experience, price attractiveness, and customer relationship management all have a positive influence on customer loyalty at 'Kedai Yups' café. Among these factors, customer experience has the most significant impact, with additional loyalty services and personal trust in the café's product quality and service coverage being the most critical aspects. Service quality is also the most significant contributing factor in increasing customer loyalty at the café. Price attractiveness also plays a vital role in building customer loyalty, with price

affordability being the most significant influence, supported by the suitability of the price with the services offered by the café. Lastly, customer relationship management was found to have a positive impact on customer loyalty, highlighting the importance of understanding customer needs and behavior to maintain strong relationships with them. In summary, this study highlights the importance of focusing on customer experience, price attractiveness, and customer relationship management to build and maintain customer loyalty in the café industry. The study found that customer experience is important for customer loyalty in 'Kedai Yups' café. The café should provide good product quality and customer service, and additional loyalty services to enhance personal trust and maintain a good business image. Price attractiveness is also important, and the café should ensure that prices are affordable and in line with the quality of products offered. Promotions can be used to attract customers. To improve customer relationship management, the café should establish a harmonious relationship with customers, pay attention to special days, and provide information about products. Convenience for ordering and delivery, café facilities and infrastructure, and the hospitality of employees should also be considered.



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