

How to Cite:

Haris, A., Rahman, A., Yusriadi, Y., & Farida, U. (2021). Analysis of determinant factors affecting retail business customer loyalty. *Linguistics and Culture Review*, 5(S3), 310-318. <https://doi.org/10.37028/lingcure.v5nS3.1529>

Analysis of Determinant Factors Affecting Retail Business Customer Loyalty

Abdul Haris

Sekolah Tinggi Ilmu Ekonomi Indonesia Makassar, Indonesia

Abdul Rahman

Sekolah Tinggi Ilmu Ekonomi Wira Bhakti Makassar, Indonesia

Yusriadi Yusriadi

Sekolah Tinggi Ilmu Administrasi Puangrimaggalatung, Makassar, Indonesia

Umi Farida

STIE AMKOP, Makassar, Indonesia

Abstract---Demographic development is the first field that influences the growth of retail stores. The rising population allows all goods and services to increase. To establish customer loyalty, the company must try to try to offer the highest quality in any product or service it must create a positive sense of quality in the minds of its customers. This research is a descriptive research type, trying to explain and describe each variable's conditions in detail and see the relationship or relationship between these variables. In the context of this study, the independent variables are Service Quality (X1), Relationship Marketing (X2), and Customer Satisfaction (Y), while the dependent variable is Customer Loyalty (Z). Quantitative data were analyzed using descriptive analysis and Structural Equation Modelling (SEM) analysis. Partially service quality has a significant influence on customer satisfaction in modern stores. In the sense that the quality of service provided by modern store management in Makassar City can contribute positively to customer satisfaction with the five dimensions of Tangible, Reliability, Empathy, Assurance, and Responsiveness. Direct service quality significantly influences customer loyalty, and indirect service quality has a significant effect on customer loyalty (LP) through customer satisfaction at modern stores in Makassar City.

Keywords---business retail, customer, Indonesia, loyalty, public service.

Introduction

The rapid development of retail or modern stores has increased competition for shop share in today's business world. Companies that want to succeed in the millennial era must have a company strategy that can understand customer behavior (Rijal et al., 2019; Sawitri et al., 2019). A good company understands who its customers are and how they behave. Understanding who the customers are will lead entrepreneurs to win the competition in the business world that has crossed national borders. As a result of the growth of different fields, modern stores will continue to expand. Trendy shops that develop nationally help large retailers or retailers and small retailers serving local communities. Demographic development is the first field that influences the growth of retail stores (Ansar et al., 2019; Tamsah et al., 2020; Sukimi et al., 2019). The rising population allows all goods and services to increase.

Makassar City is not very different from other major cities in Indonesia, which is seen as a potential place for expanding the store business. Makassar City is a gateway to East Indonesia with promising market prospects. After introducing regional autonomy, the market potential has been wide open, and the provincial government's attitude is quite welcoming to investors. Modern stores are an essential component in the distribution chain and are the last link in the distribution process (Ahdan et al., 2019). A product can reach its users directly through retail. The retail industry here is described as an industry that sells goods and services that have added value to meet the needs of individuals, families, groups, or end-users. The goods sold are, for the most part, meeting needs—a household with nine staples. The following is a graphic picture of the growth of modern shops in the city of Makassar over the last five years.

The consistency of the relationship with old customers and attracting new customers with the idea of service quality would have a more significant impact on the store department as the company plan focuses on the longevity and satisfaction of each customer using the relationship marketing strategy (Umar et al., 2019). Customer satisfaction is paramount if a company is to succeed and compete with other companies. To establish customer loyalty, the company must try to offer the highest quality in any product or service it must create a positive sense of quality in the minds of its customers. Satisfied and loyal customers are openings for new customers. Maintaining all current customers would usually be more efficient than the customer's turnover since the cost of acquiring new customers can be five times the cost of retaining an existing customer (Wahid & Ismail, 2012; De Cnudde & Martens, 2015).

Research Method

This study relies more on numbers in the form of scores as the basic framework for analysis. The score is obtained by the survey method. From the data, facts, or information acquired survey, the condition of each variable under study can be described so that it is possible to know the effect of one variable on another, which in the context of this study is the independent variable on the dependent variable (Nguyen-Phuoc et al., 2020; Murali et al., 2016). This research is a descriptive research type, trying to explain and describe each variable's conditions

in detail and see the relationship or relationship between these variables. In the context of this study, the independent variables are Service Quality (X1), Relationship Marketing (X2), and Customer Satisfaction (Y), while the dependent variable is Customer Loyalty (Z).

Table 1
Sample modern store customers

No.	Modern Store Type	Modern Shop Population	Number of samples of Modern Stores	Total Customer Population	Customer sample quantities
1	Alfamart	172	17	21.022	81
2	Indomaret	172	17	21.548	81
3.	Alfamidi	49	5	6307	24
4.	Other similar stores	29	3	3679	14
Total		422	42	52.556	200

Source: processed, 2016

The data collection technique was done utilizing observation, interviews, and documentation. Data validity testing was carried out to test each question's validity or statement for each item on each variable. The test technique used is the correlation technique through the Product Moment Correlation Coefficient, namely by correlating the score of each question/statement item with the following formula:

$$r = \frac{N(\sum XY) - (\sum X \sum Y)}{\sqrt{[N \sum X^2][N \sum Y^2 - (\sum Y)^2]}}$$

r = The coefficient of the validity of the item being sought

X = The score obtained from the subject in each item

$\sum X$ = The sum of the scores in the X distribution

$\sum Y$ = The sum of scores in the Y distribution

$\sum X^2$ = The sum of the squares in each X

$\sum Y^2$ = The sum of the squares in each Y

$\sum XY$ = The sum of the total scores in the X and Y distribution

N = Number of Respondents

Quantitative data were analyzed using descriptive analysis and Structural Equation Modeling (SEM) analysis. The descriptive study aims to describe the results of respondents' assessments regarding achievement motivation, government policies, entrepreneurial intentions, and community economic behavior based on the answers' percentage weight and the total score of respondents' answers (Sweeney & Swait, 2008; Yoo & Bai, 2013; Keiningham et al., 2020).

Result

After describing the measurement model and the structural model of each of the latent variables above, then the significance test of the influence between latent variables is carried out as stated by the hypothesis of this study. In general, the equation used to see it can examine the relationship between the four latent variables through hypothesis testing. The effect of service quality (KL) and relationship marketing (RM) on customer satisfaction (KP) and its impact on customer loyalty (LP) of modern stores (Retail business) in Makassar City as shown below:

$$\eta_1 = \gamma_{11} \xi_1 + \gamma_{12} \xi_2 + \zeta_1$$

$$\eta_1 = 0,0962 \xi_1 + 0,4655 \xi_2 + \zeta_1$$

First hypothesis test service quality (KL) affects customer satisfaction (KP) in modern shops in Makassar City

The first hypothesis test proposed in this study is related to service quality (KL) on customer satisfaction (KP). The hypothesis testing uses a full model diagram that explains the relationship between exogenous and intervening variables, both directly and indirectly, between the variables studied and will further explain the contribution of exogenous variables through the total effect on the intervening variables.

Table 2
The contribution of service quality (KL) affects customer satisfaction (KP)

Latent Variable	Path Coefficient	Direct Influence	Indirect	Total
Quality of Service	0.0962	$(0.0962)^2 = 0.93\%$	$0.0962 \times 0.4655 \times 0.6267 = 2,81\%$	$0.93\% + 2.81\% = 3,74\%$
Customer satisfaction	0.4655	$(0.4655)^2 = 21.67\%$	$0.0962 \times 0.4655 \times 0.6267 = 2,81\%$	$21.67\% + 2.81\% = 24.48\%$
Total Effect Together (R ²)			5,62%	28.22%

Source: Processed data, 2016

Based on the table above, it can be seen that the calculated F value through formulations, namely: $(R^2 / K) / [(1 - R^2) / (nk - 1)]$, where k = the number of variables that follow the Customer Satisfaction variable (η_1) as much as two latent variables, namely service quality (KL) and Relationship Marketing (RM). The influence of the service quality variable (KL) is indicated by the calculated F value of 38.706. At the same time, it obtained the F table value of 3.042 at $\alpha = 0.05$ and degrees of freedom $db_1 = 2$ and db_2 of 197 from $(n - k - 1)$. Thus, the service quality (KL) significantly affects customer satisfaction (KP) at the 95 percent confidence level (Santoso & Erdaka, 2015; Rita et al., 2019).

Second hypothesis test service quality (KL) affects directly or indirectly on customer loyalty (LP) in modern shops in Makassar City

Partially the service quality variable (KL) influences customer loyalty (LP) either directly or indirectly. Judging from the value of T count, 3.0444 is greater than the critical T value of 1.96, so it can argue that service quality (KL) significantly affects the customer loyalty (LP) variable. Meanwhile, determining the contribution of the influence of service quality (KL) on customer loyalty (LP) is shown through direct and indirect effects based on the path coefficient value. The magnitude of the partial direct influence of service quality (KL) on customer loyalty (LP) obtained an influence contribution of 38 percent. Meanwhile, the indirect effect of service quality (KL) on customer loyalty (LP) by considering the variable service quality (KL), the contribution of influence was 19.5 percent.

Thus, the real influence of service quality (KL) on customer satisfaction (KP) is 38%. On the other hand, the impact of service quality (KL) contributes either directly or indirectly. This value follows the results shown through the structural equations in the appendix, where the R2 value is 0.2821, as shown in the results of the equation function. Based on the results of data analysis, it can argue that partially, only the quality of service influences customer satisfaction. In contrast, the service quality variable (KL) partly does not affect customer satisfaction (KP). On the other hand, these two variables can simultaneously contribute to the influence of customer satisfaction (KP) by 28.21 percent. In contrast, the remaining 71.79 percent is the effect on customer satisfaction (KP) which is contributed by other variables not examined in this dissertation study. This value is indicated by the amount of error var in the equation function (Rusfian & Alessandro, 2021; Hendriarto, 2021).

The third hypothesis tests relationship marketing (RM) affects customer satisfaction (KP) in modern shops in Makassar City

Partially the Relationship marketing (RM) variable does not affect customer satisfaction (KP), it is shown where the value in Figure 5.9 of the path diagram below for the T value is marked in red.

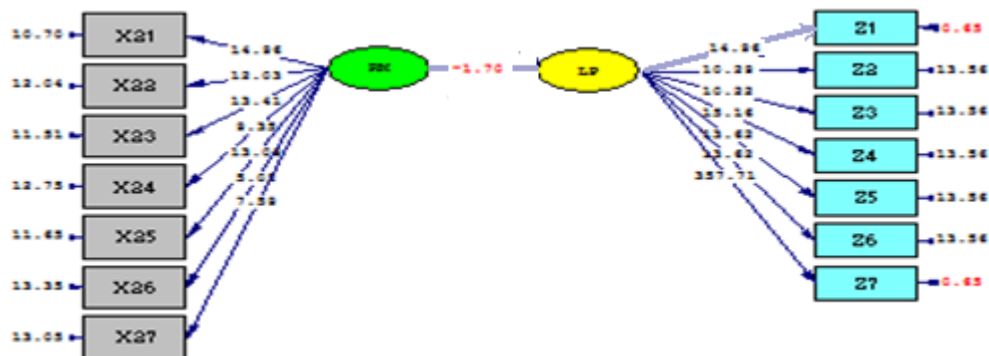


Figure 1. Diagram of relationship marketing (RM) affects customer loyalty (LP)

Suppose it is based on the path coefficient in the diagram of Figure 5.9 where the standardized loading (R2) or the contribution of the influence of Relationship marketing (RM) is only 0.0962 or 1 percent on Customer Satisfaction (KP) (Umar et al., 2019; Davis-Sramek et al., 2008). Likewise, the T value of 0.9600 is smaller than the critical T value, which is 1.96, so it can say that Relationship marketing (RM) does not significantly affect customer satisfaction (KP). Determining the t table can be done through formulations in excel, namely: $TINV(0.05, n - k - 1)$.

Discussion

The analysis results show that there is a significant and positive influence on the variable Service Quality and Marketing Relationships either partially or simultaneously on the Customer Satisfaction variable and its impact on the customer loyalty variable in the retail business in Makassar City. In general, respondents' responses related to Service Quality, Marketing Relationship, Customer Satisfaction, and Customer Loyalty (LP) at modern stores in Makassar City show a reasonably good category. This indicates that there has been a paradigm shift in thinking towards business development from traditional stores to trendy shops with modern shop models.

Based on the research results, it is stated that the variable service quality, Relationship Marketing, Customer Satisfaction is a measure of a customer attachment to a current product, service, and shop assistant to the creation of Customer Loyalty. Modern store customers will choose where the place to be occupied shopping according to where the customer feels the quality of service and relationship marketing which then creates customer satisfaction and then creates customer loyalty. In this study, it is known that the quality of service and relationship marketing is what the customer wants in creating customer satisfaction and loyalty.

Service quality is the quality of service provided to customers, both internal and external customers, based on standard service procedures (Awaluddin et al., 2019; Sahid et al., 2020; Farida & Bin-Tahir, 2019; Sahid et al., 2019). Service quality is the totality of characteristics of goods and services that show their ability to satisfy customer needs, both evident and hidden (Sukimi et al., 2019; Mustafa et al., 2020; Usman et al., 2020; Yusriadi, 2020). For companies engaged in the service sector, providing quality services to customers is an absolute must. That must be done if the company wants to achieve success (Mashudi Gani et al., 2019; Sahabuddin et al., 2019).

According to some of the experts above, it can create quality services in a modern market in the service sector. Providing quality services to customers is an absolute must if a company wants to develop service quality through the five dimensions of service capability principles. To precisely and correctly serve the type of service promised to customers, awareness or desire to act quickly to help guests and provide timely service, knowledge, courtesy, and employee confidence. The assurance dimension has the characteristics: competence to provide assistance, courteous and respectful of the customer, giving special attention to individual guests. This empathy dimension has features: a willingness to approach, provide protection, and an effort to understand the wants, needs, and

feelings of guests and something visible or real, namely: the appearance of employees and other physical facilities such as equipment and supplies, which supports the implementation of services.

It obtained the research results from the distribution of questionnaires given to respondents from five dimensions of service quality that showed a positive contribution to the formation of service quality on customer satisfaction to create customer loyalty. From the results of testing the Relationship Marketing variable on each dimension on the average score, the Dimension of Trust is a psychological state in the form of a desire to accept vulnerability based on positive expectations of the desires or goals of other people's behavior (Rousseau, 1998).

From the results of the customer satisfaction variable (KP), it depends on the customers' perceptions and expectations. The factors that influence customer perceptions and expectations when purchasing goods or services are the customer's needs and desires when purchasing a product or service. For the Conformance Dimension of expectations and interest in returning to give this positive influence obtained from testing respondents, the four indicators provide an enormous contribution to customer satisfaction. Following previous research by Naik et al. (2010), Pearson correlation analysis shows that service quality and customer satisfaction directly affect.

Conclusion

Partially service quality has a significant influence on customer satisfaction in modern stores. In the sense that the quality of service provided by modern store management in Makassar City can contribute positively to customer satisfaction with the five dimensions of Tangible, Reliability, Empathy, Assurance, and Responsiveness. Direct service quality significantly influences customer loyalty, and indirect service quality has a significant effect on customer loyalty (LP) through customer satisfaction at modern stores in Makassar City. In the sense that service quality has a considerable impact both directly and indirectly on customer loyalty through customer satisfaction. Relationship marketing (RM) has no significant effect on customer satisfaction (KP) in modern shops in Makassar City. In the sense that relationship marketing has two dimensions, namely the Trust (Trust) measurement, which has indicators: Company and Employee Credibility, Company Reliability, Company Intimacy. Meanwhile, the commitment dimension has hands: Investment Commitment, Affection Commitment, Temporal Commitment, and Employee Commitment.

References

- Ahdan, S., Kaharuddin, A. H. B., & Yusriadi Yusriadi, U. F. (2019). Innovation And Empowerment Of Fishermen Communities In Maros Regency. *International Journal of Scientific and Technology Research*, 8(12).
- Ansar, U. F., Yahya, M., Yusriadi, Y., & Bin-Tahir, S. Z. (2019). Institutional Economic Analysis Of Bugis Merchants In The Inter-Island Trade.
- Awaluddin, Luthfi, M., & Yusriadi, Y. (2019). The Effectiveness Of The Implementation Of Independent Community Empowerment Programs In Bone District. *International Journal of Scientific & Technology*, 8(8).

- Davis-Sramek, B., Mentzer, J. T., & Stank, T. P. (2008). Creating consumer durable retailer customer loyalty through order fulfillment service operations. *Journal of operations management*, 26(6), 781-797. <https://doi.org/10.1016/j.jom.2007.07.001>
- De Cnudde, S., & Martens, D. (2015). Loyal to your city? A data mining analysis of a public service loyalty program. *Decision Support Systems*, 73, 74-84. <https://doi.org/10.1016/j.dss.2015.03.004>
- Farida, U., & Bin-Tahir, S. Z. (2019, October). Bureaucratic reform of tourism sector public services in Tana Toraja Regency. In *IOP Conference Series: Earth and Environmental Science* (Vol. 340, No. 1, p. 012045). IOP Publishing.
- Hendriarto, P. (2021). Understanding of the role of digitalization to business model and innovation: economics and business review studies. *Linguistics and Culture Review*, 5(S1), 160-173. <https://doi.org/10.37028/lingcure.v5nS1.1347>
- Keiningham, T., Aksoy, L., Bruce, H. L., Cadet, F., Clennell, N., Hodgkinson, I. R., & Kearney, T. (2020). Customer experience driven business model innovation. *Journal of Business Research*, 116, 431-440. <https://doi.org/10.1016/j.jbusres.2019.08.003>
- Mashudi Gani, M., Arsyad, S. S., & Amnah Hadi, Y. Y. (2019). Success in Management of Student Businesses with Personal Characteristics, Government Assistance and Entrepreneurship Curriculum.
- Murali, S., Pugazhendhi, S., & Muralidharan, C. (2016). Modelling and investigating the relationship of after sales service quality with customer satisfaction, retention and loyalty—a case study of home appliances business. *Journal of retailing and consumer services*, 30, 67-83. <https://doi.org/10.1016/j.jretconser.2016.01.001>
- Mustafa, D., Farida, U., & Yusriadi, Y. (2020). The effectiveness of public services through E-government in Makassar City. *International Journal of Scientific & Technology Research*, 9(1), 1176-1178.
- Naik, C. K., Gantasala, S. B., & Prabhakar, G. V. (2010). Service quality (SERVQUAL) and its effect on customer satisfaction in retailing. *European journal of social sciences*, 16(2), 231-243.
- Nguyen-Phuoc, D. Q., Su, D. N., Tran, P. T. K., Le, D. T. T., & Johnson, L. W. (2020). Factors influencing customer's loyalty towards ride-hailing taxi services—A case study of Vietnam. *Transportation Research Part A: Policy and Practice*, 134, 96-112. <https://doi.org/10.1016/j.tra.2020.02.008>
- Rijal, S., Haerani, Y., Mayasari, R. E., & Yusriadi, Y. (2019). The effectiveness of implementation of government regulation number 41 the year 2011 on the development of youth entrepreneurship and pioneering and the provision of youth facilities and infrastructures in Kolaka. *International Journal of Scientific & Technology Research*, 8(10), 2237-2242.
- Rita, P., Oliveira, T., & Farisa, A. (2019). The impact of e-service quality and customer satisfaction on customer behavior in online shopping. *Heliyon*, 5(10), e02690. <https://doi.org/10.1016/j.heliyon.2019.e02690>
- Rousseau, D. M. (1998). Why workers still identify with organizations. *Journal of Organizational Behavior*, 217-233.
- Rusfian, E. Z., & Alessandro, J. D. (2021). The influence of social media's marketing activity on local brand equity and consumer response: using mix method approach. *Linguistics and Culture Review*, 5(S1), 767-780. <https://doi.org/10.37028/lingcure.v5nS1.1462>

- Sahabuddin, C., Muliaty, M., Farida, U., Hasbi, & Yusriadi, Y. (2019). Administration of post-reformation decentralization government. *International Journal of Recent Technology and Engineering*, 8(3).
- Sahid, A., Amirullah, I., Azis, A., & Rahman, A. A. (2019). Bureaucratic Reform to the Human Resources: A Case Study on the One-Stop Integrated Service. *The Journal of Social Sciences Research*, 4(1), 61-66.
- Sahid, A., Amirullah, I., Rahman, A. A., Senaman, A., & Yusriadi, Y. (2020). The role of the government in supporting the duties of local governments in Makassar City. *International Journal of Scientific and Technology Research*, 9(3).
- Santoso, A. S., & Erdaka, A. (2015). Customer loyalty in collaborative consumption model: Empirical study of CRM for product-service system-based e-commerce in Indonesia. *Procedia computer science*, 72, 543-551. <https://doi.org/10.1016/j.procs.2015.12.162>
- Sawitri, N. N., Ermayanti, D., Farida, U., Junus, D., Rachman, E., & Vikaliana, R. (2019, March). Human Resources Competency, The Use of Information Technology and Internal Accounting Control on Time Procurement of Financial Reporting. In *Journals of Physics: Conference Series* (Vol. 1175, No. 1, p. 012263). IOP Publishing.
- Sukimi, M. F., Latief, M. I., & Yusriadi, Y. (2019). Compromise in Traditional Ceremonies: A Case Study of The Rambu Solo'ceremony in Toraja Regency. *Humanities & Social Sciences Reviews*, 7(6), 286-291.
- Sweeney, J., & Swait, J. (2008). The effects of brand credibility on customer loyalty. *Journal of retailing and consumer services*, 15(3), 179-193. <https://doi.org/10.1016/j.jretconser.2007.04.001>
- Tamsah, H., Yusriadi, Y., & Farida, U. (2020). Training, knowledge sharing, and quality of work-life on civil servants performance in Indonesia. *Journal of Ethnic and Cultural Studies*, 7(3), 163-176.
- Umar, A., Hasbi, U. F., & Yusriadi, Y. (2019). Leadership Role In Improving Responsibility Of Employee's Work In Scope Of General Bureau Of Government Of Bulukumba Regency. *International Journal of Scientific and Technology Research*, 8(10).
- Umar, A., Madani, M., Farida, U., Yusriadi, Y., Tamsa, H., Yahya, M., ... & Misnawati, M. (2019). One-stop service policy as a bureaucratic reform in indonesia. *Academy of Strategic Management Journal*, 18(2), 1-12.
- Usman, M. Y., Wibowo, A. D., Laksana, W. U., Yusriadi, Y., & Sahid, A. (2020). Local government levy optimization. In *Proceedings of the International Conference on Industrial Engineering and Operations Management*.
- Wahid, N. A., & Ismail, I. (2012). Retail banking and customer relationship quality issues in Indonesia. *Procedia-Social and Behavioral Sciences*, 65, 542-548. <https://doi.org/10.1016/j.sbspro.2012.11.162>
- Yoo, M., & Bai, B. (2013). Customer loyalty marketing research: A comparative approach between hospitality and business journals. *International Journal of Hospitality Management*, 33, 166-177. <https://doi.org/10.1016/j.ijhm.2012.07.009>
- Yusriadi, Y. (2020). Economic and Social Impacts of Social Entrepreneurship Implementation Service to Community. In *Proceedings of the International Conference on Industrial Engineering and Operations Management*.