Analysis of Customer Relationship Management Effects Toward Loyalty of Consumers at Kafe XYZ

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Abstract: Effect of Customer Relationship Marketing program at Kafe XYZ Menteng toward loyalty of consumer is the aim of this research. Data are collected by spreading 100 questionnaires to visitors at Kafe XYZ, Menteng using convenience sampling method. The spread of questionnaires was done from 2 October 2006 up to 16 October 2006. Research finding indicates that there has been effect of Customer Relationship Marketing program taken at Kafe XYZ toward loyalty of consumer.

Keywords: CRM, kafe, loyalty, consumer

INTRODUCTION

Restaurant business in Jakarta has been currently one of businesses on trend. Many restaurants have been spreading out in Jakarta and this gives consumers a lot of alternatives to choose as he wishes. This causes problem for any firm to get loyalty from its customers. Meanwhile, there have been a lot of researches stating that the cost to get any new customer will be higher than that the cost to maintain old customers.

That is why, there have been many restaurants at present which put investment to develop the Customer relationship Management (CRM) program. CRM is a program designed by the firm to give special value to its customers so as there has been long term relationship between the firm and its customers. In addition, by CRM program it is expected consumers will have special ties with the firm and will become loyal customers. In order that the CRM run by any firm be effective, it should be maintained under vision of the firm through appropriate method under cost not too costly (Freeland, 2003).

Phenomena of restaurants mushrooming in Jakarta, and almost no loyal customer has been a phenomena that should be considered by various parties. In relation to such phenomena above, this research is aimed at having knowledge the effect of the Customer Relationship Management (CRM) toward Loyalty of Customers at Kafe XYZ, Menteng, to be aware of what attributes are of CRM program at Kafe XYZ that will be the consideration of customers to come back to such Kafe and to have knowledge on the highest attribute of loyalty.

METHODS

Customer Relationship Management (CRM), Temporal & Trott (2001, p.9) defines CRM as: “CRM is all about collaborating with each customer-being able to create the classic win-win situation: you add value to each customer's daily life and they give you loyalty in return”.

Kincaid (203, p.41) states that: “CRM is the strategic use of information, process, technology, and people to manage the customer’s relationship with your company across the whole customer life cycle”.

The aims of CRM (Chan, 2003) are:(a) discovering lifetime value (LTV) of customers. The longer of anyone becomes the customer, the bigger the value of such consumer to the firm; (b) Seeking ways to be able to develop LTV of customers continuously; (c) formulating strategy to use profit of the firm to get new customers under relatively cheap cost.

In formulating CRM strategy, the firm should take into account the basic rules to start CRM (Temporal & Trott, 2001): (a) the firm should develop clear facts. This could be realized through the
development good database system; (b) formulate CRM strategy that is easy to consumers. Too complicated strategy will only make consumers inactive to respond; (c) Make realistic strategy. The firm should design an effective strategy under cost not too costly.

The following is the stages to apply CRM (Chan, 2003): (a) get acquainted with customers and develop database. Know your customers and try to prepare a good organized marketing database; (b) choose more prioritized customers. The firm cannot give same service to one customer with the other. In addition, the customer also has varied profit potency for the firm. Therefore, the firm should make selection over its customers. Give priority to more profitable customers; (c) make interaction easy for customers. Whatever the form of CRM in application, such CRM should be easy for customers. If it is too complicated, the customer will be inactive to respond and not easy to be invited for cooperation; (d) make on-line internet site. To save time and energy, make internet website so as customers could see and understand CRM program offered by the firm. This site may contain profiles of companies, place for interviews, as well as place for personal interaction; (e) create interesting atmosphere for customers. An interesting atmosphere is conducive background for the firm to create good relationship with customers; (f) give personal touch in service. Personal touch in service may give separated added-value for customers. Therefore, the firm should develop its creativity to formulate strategy for personal touch in service under inexpensive cost.

Loyalty. Kincaid (2003, p.9) states that: “Loyalty is an emotion: It isn’t rational. Loyalty occurs when an individual has a vested interest in maintaining a close relationship, usually resulting from a series of positive experiences that have occurred over time”.

According to Lovelock & Wright (2002, p.104): “Loyalty has been used to describe a customer’s voluntary decision to continue patronizing a specific firm over the long term, purchasing and using its goods and services on a repeated and preferably exclusive basis, and voluntarily recommending it to friends and associates”.

According to Griffin (2003), types of loyalties are classified into four different groups, namely: (a) no loyalty. Consumers stated to have no loyalty have been in the lowest point of repeat purchase variable. For example is anyone who may have a fried rice dish any where no matter what restaurant he is called at, the important thing is he could get it in cheaper price and big portion; (b) inertia loyalty. Loyalty in this type has high repeat purchase. The consumer included in this classification maintains repeat purchase because of habit, in other word, there has been no situational factor that become the main reason he chooses a product; (c) latent loyalty. Consumed classified under this type has strong attachment with a product or brand (high relative attachment), but the situational factor affects the consumer in making repeat purchase; (d) premium loyalty. A consumer who has high value, either in repeat purchase or in relative attachment. The consumers in this classification in general feel proud over the product or service consumed, and recommend such product or service to persons around him.

In collecting data, surveys are taken by way of distributing questionnaires to 100 visitors at Kafe XYZ, Menteng on 2 – 16 October 2006 by employing convenience sampling method. The questionnaire replies are graded by employing Likert scale (Sugiyono, 2004): highly agreed statement = 5 score; agreed statement = 4 score; less agreed statement = 3 score; not agreed statement = 2 score; highly not agreed statement = 1 score.

To have knowledge on effect of CRM toward loyalty of consumers, the data collected will be analyzed by employing Simplified Regression statistic analysis. To know what CRM attributes that will become the consideration of customers to come over again to Kafe Pis Menteng, and to have knowledge on the highest attributes of consumers’ loyalty, Mean Score (MS) is employed. The formula of MS is (Gravetter & Wallnau, 2004, p.74-75):

$$\text{MS} = \frac{\sum (\text{Score} \times \text{Frequency})}{n}$$

MS outcome is mapped to scale range by taking into account the interval as follows:

Interval = \frac{\text{Highest Score} - \text{Lowest Score}}{\text{Number of classes}}

Interval calculation = \frac{5 - 1}{5} = 0.8

Then, the scale range is formulated given interval size, so that it may be known mean position of respondent evaluation. Such range scales are: 1.00-1.80 = Very poor/Highly disagreed; 1.81-2.60 = Poor/Disagreed; 2.61-3.40 = Moderate/Neutral; 3.41-4.20 = Good/Agreed; 4.21-5.0 = Very good/Highly Agreed

The simplified regression formula is (Salkind, 2004, pp.248-249):

$$Y = a + bx$$
RESULTS AND DISCUSSION

**CRM Attribute**

| No. | CRM Attribute                                      | Mean Score |
|-----|---------------------------------------------------|------------|
| 1.  | Giving value to customers (personal touch)        | 4.13       |
| 2.  | Complaint handling                                | 4.00       |
| 3.  | Two way communication                             | 3.92       |
| 4.  | Loyalty program                                   | 3.92       |
| 5.  | Creating interactive relation through website     | 3.76       |
| 6.  | Information through brochures                      | 3.76       |
| 7.  | Promo through SMS                                  | 3.02       |

From the Table above, it may be stated that attributes that will become consideration of consumers to return to Kafe XYZ, Menteng is the capability to give score on customers like giving anniversary cake surprise and a glass of free drink at anniversary time of such visitor as well as the capability of Kafe XYZ, Menteng in handling customers' complaint. Attributes that have become consideration are taken from two highest mean scores from the Table above.

**Loyalty Attribute.** From the Table above, it may be stated that the highest attributes for loyalty is repeat purchase (re-purchase) and purchasing other products or services from same firm. Such attributes are taken from two (2) highest mean scores from the Table above.

**Regression Analysis.** Before making regression analysis, it will take an Alpha Cronbach reliability test to know whether attributes employed are reliable or not. Anastasi (1997) states that the alpha score between 0.7 - 0.9 indicates that the attribute used in the test tool is reliable. Meanwhile, Cohen (2005) states that alpha score above 0.9 is ‘too high’ possibly indicating that the item in such test is redundant.

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The Table above indicates that after all data obtained, the reliability test taken on 7 CRM attributes in the questionnaires spread at Kafe XYZ, Menteng, through Alpha Cronbach test, the seven CRM attributes get alpha score of 0.727, meaning that CRM attributes is reliable.

| CRM Attribute                                      | Mean Score |
|---------------------------------------------------|------------|
| 1. Re-purchase (repeat purchase)                  | 4.13       |
| 2. Trying other product of same firm              | 4.05       |
| 3. Giving recommendation to others                | 3.92       |
| 4. Sacrifice in the form of money                  | 3.76       |
| 5. Sacrifice in the form of time                   | 3.59       |
| 6. Not tempted by offer of other firm              | 3.02       |
| 7. Keep up to latest information on the firm       | 2.80       |

After all data obtained, the reliability test taken on 7 loyalty attributes, the 7 loyalty attributes get alpha score of 0.708, meaning that CRM attributes is reliable.

To know whether there has been effect between CRM against loyalty of customers at Kafe XYZ, Menteng, the writer uses a simplified linear regression analysis method.

Predictors: (Constant), Total CRM. In the Table above, it is obtained R Square score of 0.814. It means 81.4% of variance of consumers' loyalty may be explained by change in “CRM” variable.

From the Table above (ANOVA Table), it is obtained calculated F score of 428.004, whereas for F Table = 161.4 (distribution table F with 5%). Because the calculate F score > F table, it may be concluded that H0 is verified. It means CRM has effect toward customers’ loyalty at Kafe XYZ, Menteng.

This could be also seen from Sig score of 0.000 less than 0.05. It means H1 is verified meaning there is effect of CRM toward consumers’ loyalty.

Dependent Variable : Total Loyalty. To find regression model so formed, it should be ensured that significance of regression coefficient for constant and for CRM coefficient is significant: (1) for constant. Regression coefficient score for significant constant. This may be seen from Sig. score = 0.000 less than
significance level of 5%: (2) for CRM coefficient. Regression coefficient score for significant CRM. This may be seen from Sig. score = 0.000 less than significance level of 5%.

Hence, the regression model so formed is:

\[ Y = a + bx \]
\[ Y = 4.316 + 0.787x \]

Where:
- \( Y \) = Customers' loyalty;
- \( X \) = CRM (Customer Relationship Management).

Regression equation above is straight related, meaning if the effort to maintain CRM is improved, customers' loyalty obtained will be higher, so does vice versa. If CRM effort at Kafe XYZ, Menteng, decreases, customers' loyalty will also decrease.

**CONCLUSION**

Based on the simplified regression analysis, there is significant effect of CRM (Customer Relationship Management) program over customers' loyalty at Kafe XYZ, Menteng.

Based on Mean Score, CRM (Customer Relationship Management) attributes that become consideration of consumers to visit Kafe XYZ, Menteng, are: a. Grading the customer (personal touch), customers appreciate efforts of Kafe XYZ, Menteng to always give added value, surprise and experience by way of giving compliment to loyal customers, or any visitor accidentally being celebrated its anniversary; b. Handling customers' complaint. Kafe Pisa Menteng is assessed proactive and effective in handling its customers' complaints, so that any customer feels being cared of and given extra-service.

Four highest loyalty attributes are: (1). Repeat Purchase; (2). Buying other product or services from same firm; (3). Giving recommendation to others; (4). Sacrifice in the form of time.

CRM (Customer Relationship Management) program at Kafe XYZ, Menteng should be better maintained and continuously developed. The development may be taken through several methods, among others, by adjusting the program to market trend, for example by inviting currently popular bands.

Improving effectiveness of CRM program by using website to create interactive relationship with customers and promoting Kafe XYZ, by giving information on what will be done by such Kafe.

Improving effectiveness of information dissemination program through brochures in Kafe XYZ, Menteng, by way of giving such brochure to visitors at time they come into or get out from the restaurant.

There should be revision on consumers' database so as the promotional program through SMS may reach more consumers.

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