THE INFLUENCE OF RETAILING MIX PERFORMANCE AND CUSTOMER RELATIONSHIP MARKETING ON CUSTOMER LOYALTY

Ryan Kurniawan, S.E., M.M.
Faculty of Business and Management, Widyatama University, Bandung, Indonesia

ABSTRACT

Today the retail business is growing rapidly in Indonesia, retailers specifically local and foreign mini market compete tightly in offering goods and services. This in turn is accompanied by growing consumer demand upon excellent service and quality products. Facing this kind of market the company must increase their competitive advantage if they want to survive in the mini market retailing industry. This condition indicated the importance that the mini market business should focus on efforts in maintaining the loyalty of their customers.

Customer loyalty is important and crucial in the marketing world. Retail industry customer in Indonesia tends to be disloyal, the average customer have 4 retail channels per person. To give an alternative solution toward problems on customer loyalty at mini market, it is imperative that this research conveys variables that influence customer loyalty. The variables are retailing mix and customer relationship. Through this research it can be known what dimensions shape the overall variables in relevance with assessment objectives and what the influence between variables are.

The characteristics assessed in this research are retailing mix and customer relationship which have influenced upon customer loyalty. Because the constructs are unobservable variables assessment is conducted through indicators (manifested from concept) directly as observable variables. The analysis conducted is descriptive analysis for variables that are qualitative and verificative as hypothesis measurement by using statistic test for thing that have causality by nature. The number of samples are 200 respondents who are selected by stratified random sampling from mini markets customers who already obtain membership from mini markets who have conducted customer relationship in Bandung.

The outcome of this research shows that retailing mix and customer relationship have a significant influence upon customer loyalty. But the influence of customer relationship on customer loyalty is higher than the influence of retailing mix on loyalty.

KEYWORD

retailing mix, customer relationship, loyalty
INTRODUCTION

The main task of an enterprise is to produce loyal minimarket retail customers who are in the long run will serve as the key to earn profit.

Entering the era of globalization, economic strength and business climate will be characterized by a higher intensity of competition. Information and communication technologies will be more sophisticated and people around the world will be connected to one another without any major obstacles. Therefore the market for goods and services will be more open, more accessible and more innovative. Further, competition and collaboration of multinational companies is even increasing, so that international trade is no longer taking place between nations, but competition among firms, all powered by the rapid advances in communications technology and information.

Another impact of increasing competition within the industry is the emergence of a positive response from the user community of goods and services as a result of price competition and the increasing range of services offered. The study by Weinstein showed that customers now are more clever, in selecting products and services offered to him, has a low level of loyalty, are very sensitive to price, and always looking for the highest value offered to them.

One business sector that is a major concern for foreign investors is the retail industry. The population in Indonesia is more than 220 million, the reason why foreign retailers want to develop their business in Indonesia. This is supported by a shift in interest from traditional retail shopping (traditional shops) to the modern retail (modern retail) growing from year to year.

According to Foster and Cadogan's Research in Marketing Intelligence & Planning Volume 18 Number 4 2000 pp.. 185-199 of the relationship, satisfaction, and loyalty to strengthen the above statement by saying that the relationships formed between the customer and the seller plays an important role in satisfaction and consumer attitudes toward companies that have an impact on loyalty, as follows:

Quite clearly, our results show that the relationships that customers forge with salespeople play a key role in the development of their relationship with the firm. Interestingly, the relationship was shown to be mediated by customers' satisfaction with their salesperson and their perceptions of the supplier firm's service quality. Importantly, however, we see that loyalty behaviors are directly influenced by attitudinal loyalty to the firm, customers' trust in the firm, and the quality of customers' relationship with the salesperson. As expected, customers' favorable attitudes to the firm were shown to impact positively, not only on customers' prosperity to do further business with the supplier, but also, on their loyalty.

Based on the description above problems, it is necessary to conduct a research on the influence performance of retailing mix and customer relationship vis-à-vis to customer loyalty mini markets in Bandung.

Thus, the main problem formulated is:

"To what extent is the influence of the retailing mix and customer relationship on customer loyalty to mini markets in Bandung?"
Research Method

Table 1
Research Design

<table>
<thead>
<tr>
<th>Types of Research</th>
<th>The method used</th>
<th>Unit Analysis</th>
<th>Time horizon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Descriptive Verificative</td>
<td>Descriptive Survey Explanatory Survey</td>
<td>Individu→Penganminmar ketBandung</td>
<td>One shoot – cross sectional</td>
</tr>
</tbody>
</table>

Independent variables, the retailing mix and customer relations. Dependent variable (dependent variable), namely customer loyalty.

Table 2.
Minimum Sample Size and Number of Variables

<table>
<thead>
<tr>
<th>Number of Variables</th>
<th>Minimum sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>200</td>
</tr>
<tr>
<td>5</td>
<td>200</td>
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<tr>
<td>10</td>
<td>200</td>
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<td>20</td>
<td>630</td>
</tr>
<tr>
<td>25</td>
<td>975</td>
</tr>
<tr>
<td>30</td>
<td>1395</td>
</tr>
</tbody>
</table>

Source: Jöreskog dan Sörbom (1988, pg.32)
HYPOTHESIS

The performance mix of retailing mix and customer relationship affect the customer loyalty minimarket in Bandung.

RESEARCH RESULTS

Estimated parameters are standardized on one track along with its value as shown in Figures 1 and 2.

Figure 1
Estimated Parameter Path Diagram Hypothesis

Figure 2
Value Line Diagram Hypothesis Test-t

Figure 2 Note that all values of t greater than t table value = 1.96 its means all paths are significant except the parameter estimates for the error in the indicators of immune customers. It can be concluded that all indicators of the latent variables are valid and the effect of exogenous latent variables of endogenous latent variables are significant. This means that the fifth hypothesis supports the existing theory.
Figure 3 shows the structural diagram of retailing mix Performance and Customer Relations to Customer Loyalty.

![Structural Diagram](image)

**Figure 3**
Structural diagrams and Sales Mix
Customer Relations on Customer Loyalty

It can be determined from Figure 3 that the direct influence of the retailing mix Performance to Customer Loyalty is $0.25 \times 0.25 \times 100\% = 6.25\%$. While the direct impact of Customer Loyalty to Customer Relationship amounted to $0.38 \times 0.38 \times 100\% = 14.44\%$.

Thus it can be said that the higher performance of the customer relationship will be within the higher levels of customer loyalty. This trend is consistent with the results of research from Colgate, (1999) which says: Generally speaking, as the relationship between the customer and the service provider gets closer, satisfaction and customer loyalty levels rise. This is also supported by research conducted by Souchon & Thirkell, 2000 Relationship Marketing and Customer Loyalty In A Retail Setting: Adyadic Exploration, from Aston Business School Research Institute, Aston University, Birmingham B47ETRP0015ISBNNo: 185 449520, findings indicate that customer relationships are very important to increase the commitment and loyalty as follows:

*Customer loyalty is increasingly seen to be crucial to the success of business organizations, with the growing realization that attracting new customers is far more expensive than retaining existing ones context. A dyadic exploratory study of clothing store managers and their customers was conducted, and a response rate of 69% obtained. Findings reveal that customers’ perceptions of clothing stores’ relationship marketing efforts are crucial to enhanced commitment and loyalty.*

It could be argued that the retail customer tend to be loyal if they are satisfied with the services offered by the retailers, thus they choose to shop in minimarkets.
CONCLUSION

Based on the results of research the following conclusion were drawn:

1. Performance of retailing mix evenly – average for the location, purchasing procedures, products offered, the price of goods, minimarket atmosphere, employee, and method of promotion is good.

2. Minimarket customers assess the implementation of customer relationship as average or less satisfactory with a high gap between the performance and level of importance.

3. In general, the level of customer loyalty is stagnant because there are some customers who like to recommend to choose a particular minimarkets.


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