

THE EFFECT OF CUSTOMER SATISFACTION AND LOYALTY ON CUSTOMER RETENTION OF “CHICKEN SAMOSA” PRODUCTS AT UNIKAALE SURABAYA

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ABSTRACT

Culinary business will not be going down year by year. Entrepreneurs do not only merely rely on the quality of the sale of the goods and products, but also must be accompanied by a service. The increasing number of the growth of food business, not all of them can last long. Customer loyalty is the core objective that is pursued by marketers. The methods used in this research are quantitative and SEM-PLS analysis techniques using Warp PLS software. The respondents of this research were 34% of men and 66% of women. The objective of this research was to find out the effect of customer satisfaction to the customer retention at Unikaale Surabaya, customer loyalty to the customer retention at Unikaale in Surabaya, customer satisfaction to the customer loyalty at Unikaale Surabaya. The results of this research confirmed that customer satisfaction (CS) has significant effect on the customer loyalty (CL) with $p < 0.001$, customer satisfaction (CS) has significant effect on the customer retention (CR) with $p < 0.001$, and customer loyalty (CL) has significant effect on customer retention (CR) with $p < 0.001$.

Keyword: customer satisfaction, loyalty, customer retention, chicken samosa

INTRODUCTION

In recent years, the level of Indonesian consumption has been increasingly high, especially in the field of culinary. This shift makes many entrepreneurs create some innovative products in the field of food and beverage. This behavioral change is the impact of the increase of MSEs in all parts of Indonesia, especially in Surabaya. As the the increase of Minimum Wage of Regency (MWR) also has an impact on the desire to get something easily and quickly. Therefore, Unikaale creates *samosa* chicken products made for the needs of society.

Rapid development of the culinary business in Surabaya. "Recorded in 2000 the culinary businesses includes 500-600 restaurants from middle to upper rest depot and online store" Tjahjono said Haryono, chairman of the branch of Apkrindo East Java.

Table1. The Growth of Food and Beverage Business in 2010 – 2014

KBLI 2009-2 digits (Description)	2010		2011		2012		2013		2014	
	Number of Companies based on 2- digits of KBLI (Unit)		Number of Companies based on 2- digits of KBLI (Unit)		Number of Companies based on 2- digits of KBLI (Unit)		Number of Companies based on 2-digits of KBLI (Unit)		Number of Companies based on 2- digits of KBLI (Unit)	
	Micro	Micro	Micro	Small	Micro	Small	Micro	Small	Micro	Small
Food	881590	48320	872869	118403	871898	70712	1008890	158651	1125425	73066
Beverage	29848	547	32516	1408	51069	2605	45508	1962	43293	1401

Source: <http://bps.go.id/linkTableDinamis/view/id/1011>

The existence of the Samosa Chicken products occurs from one of the subjects "Entrepreneurial Project" which requires students to have their own business. In this course, students are required to be able to develop and improve their project deficiencies that exist in doing business. The selection of any product through several stages of selection is the needs of today's society first and then the appropriate passion. The sales of Samosa Chicken products is not as easy as it is imagined in the beginning because many product innovations from samosas owned by online store-based entrepreneurs in Surabaya.

Table 2. Samosa Products Price in Surabaya

No.	Name of Product	Brand	Quantity	Price (IDR)
1	Sambosa meat	Calma	10	25.000
2	Sambosa meat	Good Store	10	30.000
3	Sambosa	Fiky	10	33.000
4	mushroom	Basra Frozen	10	30.000
5	Samosa Chicken	Unikaale	10	22.000

Source: Data processing 2016

LITERATURE REVIEW

Customer Satisfaction

Hasan (2013: 89) states that a key of successful businessman to win the competition in the market lies in its ability to provide the total customer values through the delivery of quality products at competitive prices, satisfaction will direct people to repeat purchases and do positive word of mouth (WOM) recommendations. Consumer satisfaction will be realized if the level of satisfaction meant here is the appropriate relations between what is perceived by consumers for their consumption experience and what they expected before (expectations). Consumer satisfaction is obtained if consumers receive beyond what they expected (positive disconfirmation). The consumers who are satisfied with the products offered, will be a loyal customer (customer loyalty).

Customer Loyalty

Customer loyalty is a behavior that is associated with the brand of a product, including the possibility of renewing the contract brand in the future, how the possibility of customer changes his support for the brand, how many possibilities to improve the customers' desire to enhance

the positive image of the product. In the Journal by Khan (2013), customer loyalty aims to focus on research and it simply turns into a critical concern for management because the competition is concentrated mainly in industry services (Bodet, 2008).

There are some features about the criteria used to measure a loyalty as follows:

1. Loyalty can be measured by the defection rate, the number and the continuity of core customers, the longevity of core customers and the value of core customers as a result of the quality, productivity, reduction in cost, and cycle time.
2. The loyalty data are obtained the customer feedback collected through various sources such as observation, suggestion boxes and surveys.
3. Lost customer analysis, analysis of non-customers, feedback from front-line employees, individual interviews and input from distributor or retailer.

Customer Retention

According to Hasan (2013: 56) strategic tips to retain customers is by making a reassessment of the relationship of each major customers and check loyalty, determining whether they would change the suppliers in a short time, creating a protection strategy, insulating customers from competitors, key focus on improving cost transition without having to enter price competition, ensuring the customers realize the value of the products offered, providing additional value and business benefits, giving a respond to the customers early because generally the customers appreciate any response of the providers, differentiating the company, the products and the best customer service and treat more of everything. Magatef (2015) says that customer retention is a critical component of the customer relationship. The main aspects of customer retention is the emotion generated by the customer experience combined with a strong reputation of the organization. Without the emotional that is very crucial to retain the customers, customer loyalty will be impossible. Customer retention is critical for most companies since the cost of acquiring new customers is greater than the cost of maintaining relationships with current customers. "(Singh and Imran 2012) retention program aims to transform customers occasionally become frequent customers; they will be more likely to recommend your business to friends and relatives.

The Effect of Customer Satisfaction on the Customer Retention

Customer satisfaction is one of the indicators in getting a profit in the future. Manufacturer of a positive relationship between customer satisfaction and retention, if the consumers are satisfied with the products or services, they are more likely to make a purchase and are more willing to spread WOM (Hasan, 2013: 89). The more satisfied customers, the greater is their customer retention (Anderson and Sullivam, 1993; Fornell, 1992; Lee et al, 2001;. Ranaweera and Prabhu, 2003). This is also confirmed by Day *et al.* (1988) and Kotler (1994) that customer satisfaction is a significant factor for customer retention.

The Effect of Customer Loyalty on the Customer Retention

Customer retention is important for companies to know whom to serve their customers. Sales of postal services are important drivers of customer retention (Saeed, Grover & Hwang, 2005). Customer retention can reflect customer loyalty (Hallowell, 1996). Similarly, Bolton, Kannan, and Bramlett (2000) studied that customer loyalty has a significant effect on retention. Gerpott, Rams and Schindler (2001) examined the relationship between customer retention and customer loyalty in the telecommunication market. Retention and attraction of new customers is used as a driver for increased market share and revenue (Rust, Zohorik & Keiningham 1995).

The Effect of Customer Satisfaction on the Customer Loyalty

In the journal by Gyo soo Kim (2007), building the literature of customer satisfaction, better service recovery increases the tendency of customers to come back to the same service providers (Bitner, 1990; Boulding et al, 1993; Smith and Bolton, 1998). Smith and Bolton (1998) completes this order by showing satisfaction after service recovery affect customer loyalty (retention and word-of-mouth behavior). Customer satisfaction is the true satisfaction berlanju tmenjadi customer loyalty that leads to increased sales volumes larger, more productive assets and the return on investment is higher.

Model of Analysis

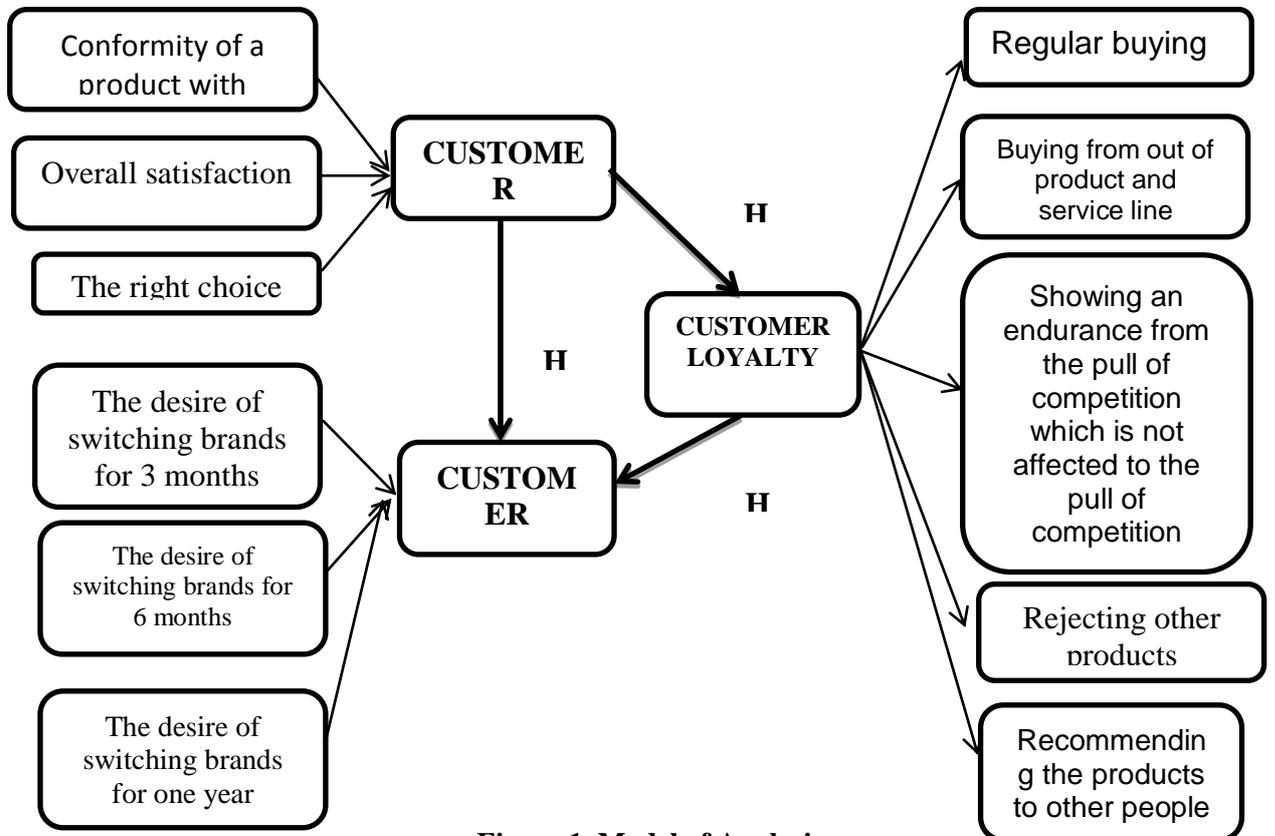


Figure 1. Model of Analysis
Source: Research Method, 2016

Hypothesis

The hypothesis of this research are as follows:

- H1 : There is the effect of customer satisfaction (X1) on the customer retention (Y) at Unikaale Surabaya
- H2 : There is the effect of customer loyalty (X2) on the customer retention (Y) at Unikaale Surabaya
- H3 : There is the effect of customer satisfaction (X1) on the customer loyalty (X2) at Unikaale Surabaya

RESEARCH METHODS

Research Approach

The method used in this research is quantitative research methods. This research used primary data, i.e., where the data were taken directly from the object of research by individual researchers and organizations through questionnaires distributed to the terms determined by the researcher. This research used Structural Equation Modeling (SEM) which is an analytical technique used for model specification and estimation in linear relationships among variables (MacCallum and Austin 2000).

Sampling Method

Population and Sample

The populations were the whole symptom/units to be observed. They were taken from the consumer data of 50 people who had repeatedly purchased Chicken Samosa products at Unikaale. The sampling technique used in this research was saturated sample where all the population were used as a sample.

Data Collection

Based on the type of data used, this research is the primary data, i.e., data obtained directly from the object studied through the questionnaires distributed to customers of Unikaale Surabaya. The type of data in this research were gender and age divided into four age categories: 18-23 years old, 24-29 years old, 30-35 years old, and > 35 years old. The data sources directly provide the data to data collectors. In this research, the primary data source were the results of questionnaires filled by the respondents.

There are 5 items of questions on these variables, while the variables measured by the measurement agree or disagree on the subject, object or particular event. Likert Scale begins on a scale of 1-5, namely: (1) strongly agree, (2) agree, (3) neutral, (4) disagree (5) strongly disagree.

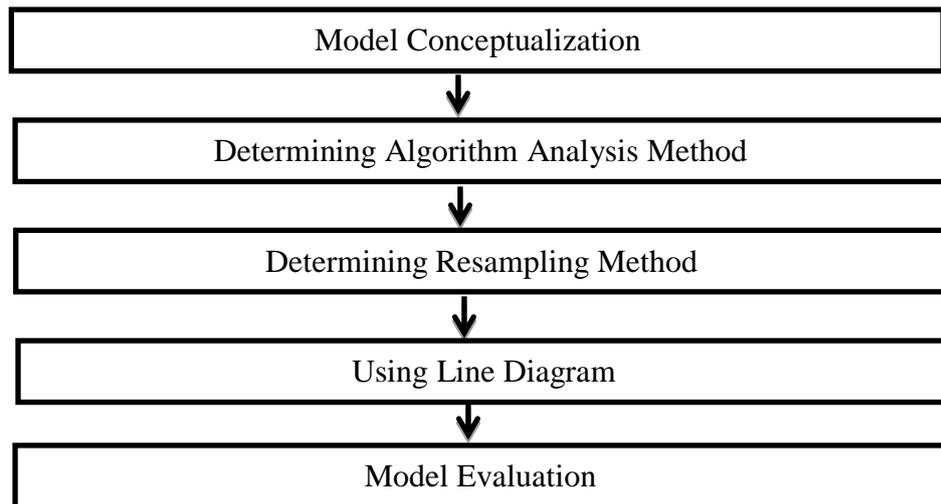


Figure 2. Statistical Analysis

DISCUSSION

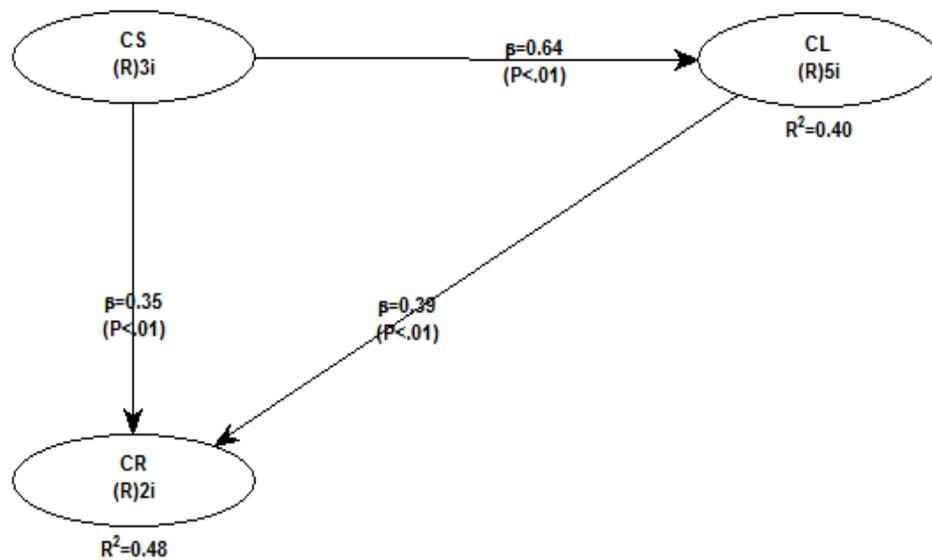


Figure 3

Based on the results of output path coefficient and *p*-value and diagram above, it can be seen that the Customer Satisfaction (CS) significantly effect the customer retention (CR). With the *p*-value <0:01 and coefficientnya path value of 0353. Customer satisfaction significantly affects the customer loyalty with *p*-value <0.001 and the coefficient path value of 0.636. While customer loyalty significantly effects the customer retention with *p*-value of 0.001 and path coefficient value of 0.387

a. Cross Loading

Table 3. Cross Loading

Indicator	CS	CR	CL	P Value
cs1	0.856	-0.038	0.167	<0.001
cs2	0.949	0.109	-0.188	<0.001
cs3	0.967	-0.071	0.017	<0.001
cr2	-0.243	1.162	-0.119	<0.001
cr3	0.243	0.641	0.119	<0.001
cl1	-0.570	0.403	0.796	<0.001
cl2	-0.148	-0.452	0.868	0.001
cl3	0.177	0.153	0.619	<0.001
cl4	-0.017	-0.342	0.947	0.009
cl5	0.511	0.045	0.209	<0.001

Source : Appendix D8

Based on Table 3 it illustrates that every question indicators are able to be predicted well by their respective latent constructs, because the correlation constructs of each indicator in measuring is greater than other latent constructs. Table 5:25 also explains that the value of cross loading on each indicator has been qualified > 0.7. CL1 has a value > 0.6 where the indicator is expressed moderate and can still be used in this research. From the above explanation, it can be concluded that the discriminant validity can be said to be valid.

Based on Table 5:20 on the *p*-value indicates that the data obtained for all indicators in each variable reflective meet the requirements with a significance value of less than 5%. and Ghozali, 2015).

b. Average Variance Extracted square root and correlation among constructs

Table 4. Latent Variabel Coerrelations

	CS	CR	CL
CS	(0.924)	0.619	0.606
CR	0.619	(0.901)	0.608
CL	0.606	0.608	(0.667)

Source : Appendix D14

Table 5. P Values for Correlations

	CS	CR	CL
CS	1.000	<0.001	<0.001
CR	<0.001	1.000	<0.001
CL	<0.001	<0.001	1.000

This output is used for the evaluation of discriminant validity. The criteria used is the square root of AVE (i.e., diagonal column are bracketed) must be higher than the correlation between the variables latent in the same column. From 5:21 table shows that the square root AVE (0.924; 0.901; 0.667) greater than the correlation constructs (0.619; 0.606; 0.608) so it can be said to be valid construct.

Evaluation of structural models using the R-Square, Q², VIF, Effect Size results are described as follows:

a. R-square

Table 5. Latent Variabel Coefficient

	CR	CL
R-squared	0,477	0,404

Based on the results output obtained above, R-square value for customer loyalty (CL) variable is 0.533 which means that the effect of customer satisfaction and customer retention (CR) reach 53.3%. The remaining is affected by other variables outside this research model.

b. Q² is *Q-square Predictive Relevance*

Here is test of inner model that can be done by looking at the value of Q² (predictive relevance):

$$Q^2 = 1 - (1 - R_1^2) (1 - R_2^2) (1 - R_3^2) \dots (1 - R_p^2)$$

$$Q^2 = 1 - (1 - 0,477) (1 - 0,404)$$

$$Q^2 = 0.707$$

The calculation results shows predictive-relevance value of 0.753 which means that the magnitude of the diversity of data that can be explained by the structural model is 70.7%. While the remaining of 24.7% is explained by other variables (which is not contained in the model) and error. The closer to 1 means that the model is getting better.

CONCLUSION AND SUGGESTION

Conclusion

The following is the description of respondent characteristics based on the data analysis of this research: (1) 8% of the respondents aged 15-20 years based; 35% of the respondents aged 21-25; 7% of the respondents aged 26-30 years; 4% of the respondents aged >30 years. It is concluded that the majority of Chicken Samosa customers at Unikaale is ranged at the age of 21-25. (2) 34% of the respondents was male and 66% of the respondents was women based on the gender. This shows that the percentage of male consumers is fewer than women in buying "Chicken Samosa" products at Unikaale. (3) 26% of the respondents worked as school students/college students; housewife (2%); employees of the company (26%); self-employed (34%); civil servants (2%), and other professions (10%). It is concluded that the majority of the customers of Unikaale work as a student. (4) Total purchases of respondents in this research was 24% of respondents who buy one time, 72% of respondents buy > 3 times and 4% of respondents buy >5 times. This proves that many respondents had re-purchased. (5) The choice of Chicken Samosa flavors was 52% of the respondents who chose the spicy flavor and 48% of respondents chose the original flavor. Therefore, it confirms that the percentage of Samosa Chicken with spicy flavor is more desirable for the respondents.

Based on the results and the discussion, it can be concluded that: (1) Customer satisfaction (CS) has a significant effect on customer loyalty (CL). As the customers tried to buy the products, it makes them satisfied which results in customer loyalty (CL) indicated by repeatedly buying and helping to promote the products to their relatives. (2) Customer satisfaction (CS) has a significant effect on customer retention (CR). The customer's satisfaction will form customer retention. However, customer retention will be formed if the company has been long standing. (3) Customer Loyalty (CL) has a significant effect on customer retention (CR). If the customer loyalty is fostered continuously in the mind of the customers, it will facilitate the formation of customer retention. The formation of customer loyalty must go through several steps, such as the establishment of a loyalty program until small rewards to the customers.

Suggestion

Based on the description of the conclusion, the researcher reveals some suggestions as follows: companies need to reevaluate the desirability of customers if it has already been appropriate with what they want; Companies need to hold regular advice taken from all the customers who often make repurchases; Companies need to take an innovation action when customers are getting fed up with the old products.

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