

The Role of Relationship Marketing on Customer Loyalty toward Indonesian Fast Food Restaurant

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ABSTRACT

The aim of this research is to examine the influence of trust, commitment, communication, and conflict handling in customer loyalty. Data collected from 200 respondents were used with a simple linear regressions analysis. This showed a positive influence between relationship marketing dimensions and customer loyalty.

Keywords: Commitment, Communication, Conflict Handling, Customer Loyalty, Trust

INTRODUCTION

Customer loyalty has been the objective or goal of marketers and businesses. In a competitive market scenario, a business must adapt and develop to achieve its goals. Ndubisi (2004) stated that it is possible for a business to leverage firm-customer relationship to gain privileged information about customers' needs and improve product offer. The concept of relationship marketing is a means by which a business can gain improve firm-customer relationship and achieve higher levels of loyalty from customers. Relationship marketing spotlights on the creation and upkeep of the relationship between two social affairs of exchange, the supplier as an individual and the purchaser as a man through the responsibility for acting to be commonly earnest, corresponding, trusting and to casing bonds. Rivalry between businesses and improvement in industry standards suggest that sorting out new customers cannot always be depended on (Zeithaml et al., 2006).

In Indonesia, relationship marketing has been studied since the late 90s NukIdianuj (2001) stated that relationship marketing concept is a displacement

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from previous concept which called transaction marketing that focus more on exchange while relationship marketing focus on construction of value-based and relationship marketing network. Relationship marketing is a basic of marketing practice which is maintain the relationship closer with creating 2 ways communication between the company and the customer with mutually beneficial. Fundamentally, relationship marketing is a long term relationship between manufacture, customer, supplier, and others. Relationship marketing can deceive the power of customer hope with the influence of information technology to give the customer their satisfaction and loyalty (Alladin, 2013).

Previous studies (see for example, Ndubisi, 2006) found that the four variables (trust, commitment, communication, and conflict handling) have significantly affected customer loyalty in the banking sector in Malaysia. This study will examine the influence of relationship marketing on customer loyalty in the fast food sector in Indonesia. Further, it also examines which RM dimension has the most influence on customer loyalty. The finding of the research can be used by fast food businesses to formulate the best strategy in order to gain the highest customer loyalty.

LITERATURE REVIEW

Relationship Marketing

Relationship marketing is system to construct, create, and upgrade the customer relationship (Berry, 1983). Relationship

marketing aimed to create, keep, and improve the relationship with customer and shareholders which are its can give a benefit one to another (Gronroos, 1994). the impact of relationship marketing as a strategically critical instrument from which customer loyalty can be secured and, therefore, the accomplishment of higher competitiveness and improved consumer loyalty can be accomplished. Developing competition, combined with industry development and recessionary weights, imply that associations can't solely rely on upon new customer to take the spot of lost customer (Zeithaml et al., 2006). Relationship marketing has positively affected the execution of the company contemplated.

As discussed by Ndubisi (2006), marketing literature has underlined four main points in relationship marketing; trust, commitment, conflict handling, and communication.

Trust

According to Chattananon and Trimetsoontorn (2009), trust is characterized as a normal business relationship which each individual included can rely on upon the respectability of the insurance offered by the others. Trust can be characterized as a readiness to satisfy the guarantees to their accomplice and meet what they anticipated.

Different researchers have defined trust as far as astute conduct (Dwyer et al., 1987), common qualities (Morgan & Hunt, 1994), shared objectives (Wilson, 1995), instability (Crosby et al., 1990), activities with positive results (Anderson & Weitz,

1989) and making and keeping guarantees (Bitner, 1995). A backstab of this trust by the seller or service provider could lead to defection. Therefore, trust can be defined as a willingness to fulfil the promises to their partner and meet what they expected. Therefore, the hypotheses are as follows:

H1: There is positive influence of Trust toward Customer Loyalty

Commitment

Moorman et al. (1992) defined commitment as a consistent eagerness to preserve a value relationship. Commitment is another significant precursor of relationship marketing and a profitable develop for measuring the propensity of client devotion and conjecture future repurchase (Taleghani et al., 2011). Research proposes that relationship commitment is at the centre of all effective working connections and that it is a fundamental fixing in fruitful long haul connections, including supplier-purchaser connections (Anderson & Weitz, 1989). Therefore, commitment is how to maintain the performance that has been expected by their partner and it can enhance the long-term relationship to achieve customer loyalty. Therefore, it is hypotheses as follows:

H2: There is positive influence between Commitment and Customer Loyalty

Communication

Sin et al. (2002) characterized communication as the formal and casual bargain and sharing of noteworthy and

convenient data among purchasers and dealers. Communication is likewise viewed as a critical part of effective connections (Morgan & Hunt, 1994). Anderson and Narus (1990) describe communication as formal and in addition casual sharing of significant and auspicious data between firms". Communication is an irreplaceable trait in fruitful organizations to be portrayed as central for improving cooperation (Rule and Keown, 1998). Communication in relationship marketing means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. It is the communicator's job in the early stages to fabricate mindfulness, create purchaser inclination (by advancing worth, execution and different components), persuade intrigued purchasers, and urge them to settle on the buy choice (Ndubisi & Chan, 2005). Therefore, it is hypotheses as follows:

H3: There is positive influence of Communication toward Customer Loyalty

Conflict Handling

Dwyer et al. (1987) defined conflict handling as a seller's ability to eludes the potential of problem, answer conflicts before they make problems, and discuss open solution when the problem arises. Conflict handling can become a consideration as how we avoid and make a solution for a problem when

it happens before and after the problem exist (Ndubisi & Chan, 2005). Taleghani et al. (2011) stated that customers tend to be loyal to banks that effectively make steps towards conflict resolution with good reactions to show problems. Therefore, it is hypothesized as follows:

H4: There is positive influence of Conflict Handling toward Customer Loyalty

Customer Loyalty

Customers who buy from a business contribute to its profit giving it a continuous income base. Customer loyalty is described by Oliver (1999) as a profound desire to purchase or reject a particular product (Yim et al., 2008). Fornell and Larcker (1981) conceives that loyalty is the capacity of fulfilment, exchanging boundaries

and voice. Loyal customer may not be constantly fulfilled, but rather fulfilled clients are adept to be faithful.

Relationship marketing aims to create, keep, and improve the relationship with customer and shareholders which are its can give a benefit one another (Gronroos, 1994). Relationship marketing structure and fundamental measurements differ crosswise over exact concentrates, however key to the conceptualization is the conviction that no single measurement or social develop can completely characterize the general profundity or atmosphere” of a trade relationship. Adjei et al. (2009) explain that the outcome of relationship marketing generally is to strengthen or expand the long term consumer satisfaction and customer loyalty, and also keep on supplying high satisfaction level to customer.

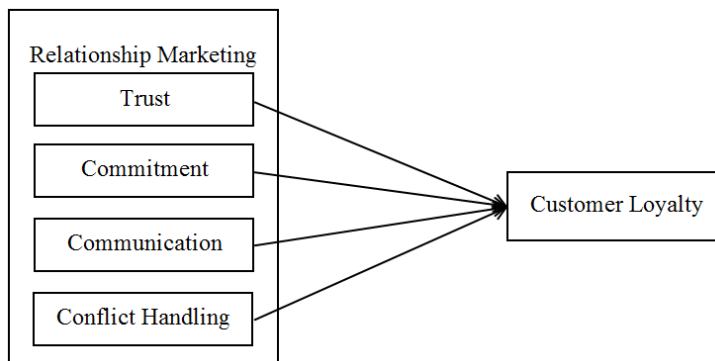


Figure 1. Research Framework

METHODOLOGY

Sample and Data Collection

The subject of this study is the consumer of fast food using a questionnaire that was spread out to 223 respondents. Most of

the respondents are female about 57% or 114 respondents. Males accounted for the balance 43% or 86 respondents. The distribution of respondents' age is balanced to 50%, half of them aged 17 - 25 years

and the rest of them are 26 - 35 years. Respondents with monthly expenses less than Rp1.000.000 are about 52.5%. Respondents with monthly expenses between Rp1.000.000 and Rp5.000.000 per month are 43.5%. The rest of them are 4% with spending per month that more than Rp5.000.000.

Measurement

The measurement of trust dimension was adopted from Churchill and Surprenant (1982), and the measurement of communication, commitment, and conflict handling dimension were adopted from Morgan and Hunt (1994). While for the

loyalty dimension, it was measured using items as adopted from Bloemer et al. (1999).

Validity and Reliability

Table 1 shows the Pearson Product Moment correlation for the seven Likert scaled variables. All indicator items on the relationship marketing variables (trust, commitment, communication and conflict handling) and customer loyalty found to be valid, since all of them have value of more than 0.115 with the significance level of less than 5 % (p <0,05). All variables also indicated to be reliable with Cronbach’s alpha of more than 0.6.

Table 1
Validity and Reliability

| Indicators | Correlation Coefficient(rxy) | Cronbach Alpha |
|--------------------------|-------------------------------------|-----------------------|
| <i>Trust</i> | | 0.863 |
| Trust1 | 0.669 | |
| Trust2 | 0.676 | |
| Trust3 | 0.638 | |
| Trust4 | 0.689 | |
| Trust5 | 0.594 | |
| Trust6 | 0.676 | |
| <i>Commitment</i> | | 0.869 |
| Commitment1 | 0.710 | |
| Commitment2 | 0.729 | |
| Commitment3 | 0.743 | |
| Commitment4 | 0.710 | |
| <i>Communication</i> | | 0.868 |
| Communication1 | 0.695 | |
| Communication2 | 0.756 | |
| Communication3 | 0.707 | |
| Communication4 | 0.724 | |
| <i>Conflict handling</i> | | 0.872 |
| Conflicthandling1 | 0.709 | |
| Conflicthandling2 | 0.810 | |
| Conflicthandling3 | 0.748 | |
| <i>Customer loyalty</i> | | 0.899 |
| Customerloyalty1 | 0.738 | |
| Customerloyalty2 | 0.738 | |
| Customerloyalty3 | 0.937 | |

DATA ANALYSIS AND RESULTS

The statistical tool for the data analysis is a simple linier regression. Below is an estimation of linear regression index that is generated after testing:

Table 2
Regression

| Variables | Regression coefficients | t value | P value |
|----------------------|--------------------------------|----------------|----------------|
| Trust | 0.703 | 7.604 | 0.002 |
| Commitment | 0.121 | 1.292 | 0.000 |
| Communication | 0.145 | 1.582 | 0.000 |
| Conflict | 0.715 | 8.105 | 0.001 |

The test results showed that the p-value of trust is 0.002, which is below than 0.05. This value proves that Ho is rejected. It means that there is a positive significant influence of trust toward consumer loyalty on fast food restaurants in Yogyakarta. Trust is a variable that affects consumer loyalty with a positive coefficient of 0.703. It means if trust increases by one unit then the loyalty of consumers will increase by 0.703 assuming other variables in constant conditions. This shows that the better positive influence of trust at fast food restaurants in Yogyakarta, the greater the loyalty of consumers. Thus the first hypothesis which states “H1: There is positive influence of trust toward customer loyalty” is supported.

Commitment has p-value of 0.000 that below 0.05. This value proves that Ho is rejected. It means that there is a positive significant influence of commitment toward consumer loyalty on fast food

restaurants in Yogyakarta. Commitment is a variable that affects consumer loyalty with a positive coefficient of 0.121. It means if commitment increases by one unit then the loyalty of consumers will increase by 0.121 assuming other variables in constant conditions. This shows that the better positive influence of commitment at fast food restaurants in Yogyakarta, the greater the loyalty of consumers. Thus the second hypothesis which states “H2: There is positive influence of commitment toward customer loyalty” is supported.

Meanwhile, the test results of communication show that the p-value is 0.000 that below 0.05. This value proves that Ho is rejected. It means that there is a positive significant influence of communication toward consumer loyalty on fast food restaurants in Yogyakarta. Communication is a variable that affects consumer loyalty with a positive coefficient of 0.145. It means if communication increases by one unit then the loyalty of consumers will increase by 0.145 assuming other variables in constant conditions. This shows that the better positive influence of communication at fast food restaurants in Yogyakarta, the greater the loyalty of consumers. Thus the third hypothesis which states “H3: There is positive influence of communication toward customer loyalty” is supported

The test results of conflict handling showed that the p-value is 0.001 that below 0.05. This value proves that Ho is rejected. It means that there is a positive significant influence of conflict handling toward

consumer loyalty on fast food restaurants in Yogyakarta. Conflict handling is a variable that affects consumer loyalty with a positive coefficient of 0.715. It means if conflict handling increases by one unit then the loyalty of consumers will increase by 0.715 assuming other variables in constant conditions. This shows that the better positive influence of conflict handling at fast food restaurants in Yogyakarta, the greater the loyalty of consumers. Thus the fourth hypothesis which states “H4: There is positive influence of conflict handling toward customer loyalty” is supported.

CONCLUSION

This study empirically investigates the influence of trust, commitment, communication and conflict handling towards loyalty in fast food restaurant business in Indonesia. Four underpinnings of relationship marketing were included to measure relationship marketing variable have found that there is positive influence towards customer loyalty in fast food restaurant in Indonesia. Based on the finding of this research, it is recommended fast food restaurant businesses focus on relationship marketing dimension (trust, commitment, communication, and conflict handling) in order to gain customer loyalty.

It is suggested for future studies include other variables such as bonding, satisfaction, shared values, empathy, reciprocity, and others.

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