

THE IMPACT OF CUSTOMER LOYALTY PROGRAM TO CUSTOMER LOYALTY (STUDY OF GAUDI CLOTHING STORE MANADO)

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ABSTRACT

This research is to analyze the impact of loyalty program member card to customer loyalty in Gaudi clothing store Manado. Loyalty program is one of the important marketing strategic in industries nowadays to gain customer and to retain customer. Loyalty program member card contains of discount, point reward, special treatment and privilege are influencing the customer loyalty in this case Gaudi clothing store Manado card holder. This research is a quantitative research that associative with multiple linear regression analysis technique. The respondent of this research is Gaudi member that has Gaudi member card. Loyalty program member card which is Discount, point reward, special treatment and privilege have a significant influence to customer loyalty. It has proven that means there is significant relationship between the four independent variables with dependent variable. This research conclude that there is significant partial and simultaneous of Loyalty program (discount, point reward, special treatment and privilege) on customer loyalty. This study suggests to the store that member card is really important marketing strategic and personal approach to the customers about the stock info is really important to the loyalty of member card holder.

Keywords: *loyalty program, privilege, customer loyalty.*

INTRODUCTION

Research Background

Nowadays fashion is a popular style. Fashion is a distinctive and often habitual trend in the style in which a person dresses. Mostly woman loves to dresses stylish and nice to fulfill their fashion needs. Gaudi is one of fashion clothing store that provide stylish things especially in clothing. Teenagers nowadays are mostly addicted to a new fashion trend which makes Gaudi their favorite place to shop.

Gaudi is one of fashion clothing stores in Manado. There are a lot of fashion clothing stores such as Body & soul, mel's & Jan's, color box, etc. Gaudi provides stylish fashion that makes mostly woman favorite place to shop to meet theirs fashion needs. And gaudi provides member card to their customers which gives benefits to gaudi and to their customers.

Loyalty program is the marketing strategy to gain new customer and to retention customer. Loyalty programs have been an important element of customer relationship management for firms. Nowadays, tight market competition has changed the management system drastically; loyalty programs are becoming an important strategic mechanism for companies to increase revenue growth and to retain customer loyalty.

Customers that participate in a loyalty program have the attitude, satisfaction, trust and commitment more positively to retailers than non-participants (Gomez 2006). In other words, member-card as an incentive of attraction for doing something more and it should have a direct influence to customer loyalty. That is why the researcher interested to observe about member-card usefulness to gain customer loyalty.

Manado people are interest in a fashion trend and Gaudi provides clothing product that up to date and match woman needs. Gaudi clothing store is one of the clothing stores in Manado that provide member card benefits to their customer to retain and to gain new customers.

Research Objectives

Regarding the problems which have been formulated and identified that are mentioned in previous section, the following research objectives are:

1. To analyze the influence of discount, point reward, special treatment and privilege program on the Customer Loyalty at Gaudi Clothing Store Manado simultaneously
2. To analyze the influence of discount program on the customer loyalty at Gaudi Clothing Store Manado partially
3. To analyze the influence of point reward program on the customer loyalty at Gaudi Clothing Store Manado partially
4. To analyze the influence of special treatment program on the customer loyalty at Gaudi Clothing Store Manado partially
5. To analyze the influence of privilege program on the customer loyalty at Gaudi Clothing Store Manado partially

THEORETICAL FRAMEWORK

Theories

Marketing

Kotler and Armstrong (2012:5) marketing as the process by which companies create value for customer and build strong customer relationship in order to capture value from customer in returns.

Marketing Management

Marketing management as the art and science of choosing target market and building profitable relationship with customers. The purpose of marketing management is to find, attract, keep and grow target consumer by creating, delivering and communicating superior customer value (Kotler and Armstrong 2012:8)

Customer Relationship Management

Customer Relationship Management is the overall process of building and maintaining profitable customer relationship by delivering superior customer value and satisfaction (Kotler and Armstrong 2012:12).

Loyalty Program

Rutelione (2009) in Williams (2009), Loyalty program serve two purposes; the first being to boost profit while increasing the number of purchases among customers, the second purpose of the programs is to create stronger relations between customers, while seeking to strengthen the database of consumers

Customer Loyalty

Kumar and Shah (2004) it is difficult to build and sustain customer loyalty. Kumar and Shah (2004) states that a company that gains loyal customers receives different types of benefits, the best known are:

1. Loyal customers are less price sensitive
2. Loyal customers spend more time with the company
3. Loyal customers pass on their positive feeling about the company or the brand to others.

Customer Loyalty Program

Customer loyalty program offer financial and relationship rewards to customers with the purpose of making the customers' brand loyal. (Dowling and Hammond, 2003). O'Malley (1998) loyalty programs are developed to reward loyal customers, generate information about the customers and manipulate their behavior. Yi and Jeon (2003) states that loyalty programs are usually introduced to build customer loyalty through a reward scheme.

Previous Research

Ergin et al. (2007) in their article impact of loyalty cards on customers' store loyalty. The main objective of research article is trying to determine whether loyalty cards issued by the stores have an impact on customer loyalty. In the second article Acatrinei and Puiu (2012) explored about the loyalty card: issues in

evaluating loyalty program effectiveness. That addresses the issue of correctly evaluating the impact of a loyalty program in retail stores when it is difficult to establish causality relations in what concerns joining a particular program. The last articles Bolton et al. (2000) discussed issues of implications of loyalty program membership and service experience for customer retention and value. Companies that offer loyalty reward program believe that programs have long-run positive effects on customer evaluation and behavior.

Conceptual Framework

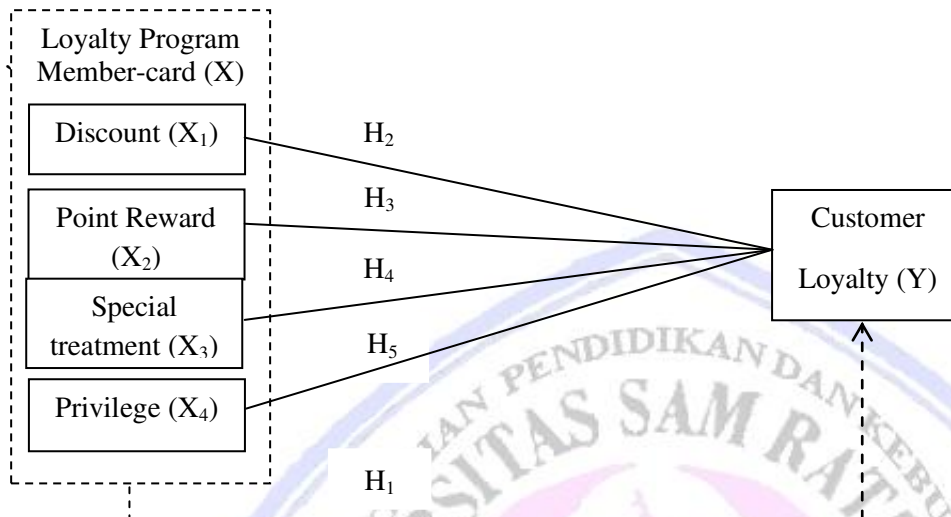


Figure 1. Conceptual Framework

Source: Research Procedure

Research hypothesis

1. H_1 : There is a significant influence of discount, point reward, special treatment and privilege program on the customer loyalty at Gaudi Clothing Store Manado simultaneously.
2. H_2 : There is a significant influence of discount program on the customer loyalty at Gaudi Clothing Store Manado partially
3. H_3 : There is a significant influence of point reward program on the customer loyalty at Gaudi Clothing Store Manado partially
4. H_4 : There is a significant influence of special treatment program on the customer loyalty at Gaudi Clothing Store Manado partially
5. H_5 : There is a significant influence of privilege program on the customer loyalty at Gaudi Clothing Store Manado partially

RESEARCH METHOD

Type of Research

The purpose of this research is to know the influence of Loyalty program member-card on the customer loyalty. This research is causal type. Causal since the purpose is to determine if one or more variables cause another variable to occur or change. This research is a quantitative method since using questionnaire as a tool to gather data and analysis.

Place and Time of Research

The study was conducted in Manado and occurred at Gaudi Clothing store Manado. That store is the object to do this research and find if loyalty program member-card influence the customer loyalty. This research collects the data from respondents who have member-card of Gaudi Clothing store Manado from July – September 2014 and the survey started on July 2014.

Population and Sample

The population that is mainly observed in this current research is all the customer of Gaudi Clothing store Manado. The research sample is in Manado. 100 respondents were conducted as the sample of this research.

Data Collection Method

The data used in this research consist of two types between primary data through questionnaires and secondary data taken from books, journals and relevant literature from library and internet to understand of theoretical support on this research.

Operational Definition and Measurement of Research Variables:

1. Discount (X_1)

Is a straight reduction in price on purchase during stated period of times.

2. Point Reward (X_2)

The customers were given points every purchasing and the points are collected until it reaches a certain amount of points which can later exchange their member-card to a new higher member-card which can gives much discount from previous member-card.

3. Special Treatment (X_3)

Special service which is the member-card holder of Gaudi clothing store Manado get 25%-30% based on the type of the card one week before the customers birthday.

4. Privilege (X_4)

Customers get discount from the Gaudi specials events.

Data Analysis Method

Validity and Reliability Test

Validity is a test of how well an instrument that is developed measures the particular concept it is intended to measure. To analyze the validity of questionnaire, Pearson Product Moment is used. The instrument will valid if the instrument is able to fill the requirement in validity test. Validity for each variable is good where the values are above minimum level of 0.30. Reliability test is established by testing for both consistency and stability of the answer of questions. Consistency indicates how well the items measuring a concept hang together as a set; Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another, the questionnaire is reliable if the value of Cronbach's Alpha more than 0.6 (Sekaran & Bougie, 2010:162)

Multiple Regression Analysis Method

The method of research used in this study is multiple regression analysis. Multiple regression analysis is the process of calculating a coefficient of multiple determination and regression equation using two or more independent variables and one dependent variable (Sekaran & Bougie, 2010:348). The equation model of multiple regression analysis used in this research can be formulated as shown below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where :

Y = Customer Loyalty (Dependent Variable)

A = The constant, when all independent variable equal to 0

X1 = Discount (independent variable)

X2 = Point Reward (independent variable)

X3 = Special Treatment Support (independent variable)

X4 = Privilege (independent variable)

β = The slope for each independent variable

e = Error

RESULT AND DISCUSSION

Validity and Reliability

Validity test is used to know whether the instrument is valid or not. The instrument is valid if the value of variable is positive and more than 0.3 ($r > 0.3$). Discount (0.977), Point Reward (0.984), Special Treatment (0.982), and Privilege (0.960) with Customer Loyalty shows positive relationship. Reliability test to measure if one item of question was tested several times would give consistent value. Reliability analysis use Alpha Cronbach (0.6). it is shown that a value of Alpha Cronbach is 0.962, which is above the acceptance limit of 0.6; therefore, the research instrument for relationships among the variables indicates good consistency and the data is reliable.

Classical Assumption

Multicollinearity

Table 1. Multicollinearity result

Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
1	X ₁	3.209
	X ₂	8.314
	X ₃	3.881
	X ₄	6.425

a. Dependent Variable: Y

Source: SPSS data analysis 2014

Table above shows that the Tolerance of Discount is 0.312; Point Reward is 0.320; Special Treatment is 0.258, and Privilege is 0.456 meaning the tolerance value of each variable is more than 0.2. The VIF value of Discount 3.209, Special Treatment is 8.314, Special Treatment is 3.881, and Privilege is 6.425 meaning the VIF value of each variable is less than 10. Since all the tolerance value is more than 0.2 and VIF value is less than 10 of each variable independent, so this research is free from multicollinearity

Heteroscedascity

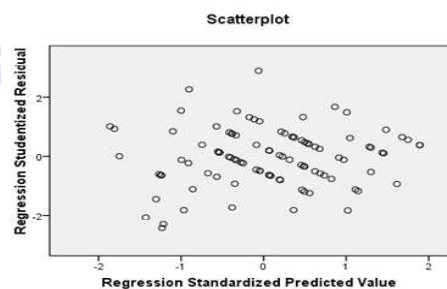


Figure 2. Heteroscedascity result

Source: SPSS data analysis 2014

The Figure 2 shows that the pattern of points is spreading. The points are spreading above and below of zero point in ordinate. It proves that there is no heteroscedasticity in this regression model.

Normality

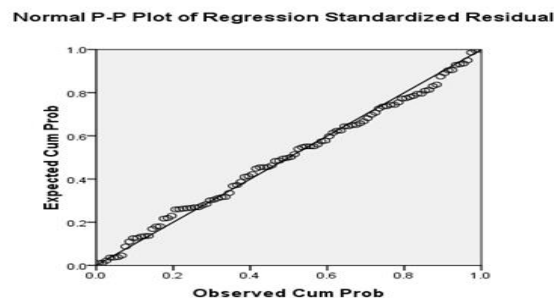


Figure 3. Normality Result
Source: SPSS data analysis 2014

Figure 3 shows that the data spreads near the diagonal line and follow the direction of diagonal line. Therefore, the normality test is accomplished.

Multiple Regression Analysis

Table 2. Multiple Regression Result

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	.101	.376		.269	.788
Discount	.157	.067	.163	2.336	.022
1 Point Reward	.170	.057	.186	3.002	.003
Special Treatment	.360	.075	.350	4.823	.000
Privilege	.312	.069	.312	4.523	.000

a. Dependent Variable: Customer Loyalty

Source: SPSS data analysis 2014

The calculation is conducted by using the SPSS software. The computerized calculation ensures the accuracy of the analysis. From the result in table 3, the multiple regression model can be defined as:

$$Y = 0.101 + 0.157X_1 + 0.170X_2 + 0.360X_3 + 0.312X_4$$

From the multiple linear regression equation above, it can inform the interpretation as follows:

1. Constant value of 0.101 means that if the variables in this research of Variable X1, X2, X3 and X4 simultaneously increased by one scale or one unit will increase the Y at 0.101 point.
2. Coefficient value of 0.157 means that if the variables in this research of X1 increased by one scale or one unit, it will improve and increase Y at 0.157.
3. Coefficient value of 0.170 means that if the variables in this research of X2 increased by one scale or one unit, it will improve and increase Y at 0.170.
4. Coefficient value of 0.360 means that if the variables in this research of X3 increased by one scale or one unit, it will improve and increase Y at 0.360.
5. Coefficient value of 0.312 means that if the variables in this research of X4 increased by one scale or one unit, it will improve and increase Customer Satisfaction Y at 0.312.

Multiple Regression Coefficient of Correlation & Determination**Table 3. Table R and R²**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.963 ^a	.927	.924	.570

a. Predictors: (Constant), X₄, X₁, X₃, X₂

b. Dependent Variable: Y

Source: SPSS analysis 2014

The interpretation of coefficient correlation (R) that shown in Table 4 means there is significant relationship between the four independent variables with dependent variable. It is because the value of R is 0.963 which proved that the relationship among variable independents and dependent is very strong.

Hypothesis Testing**F-Test**

F-test is used to determine the simultaneous effect of all independent variables to dependent variable. This test is conducted by comparing the f_{count} and f_{table} . If f_{count} is higher than f_{table} , H_0 is rejected and H_1 is accepted.

Table 4. F-Test ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	392.481	4	98.120	301.575	.000 ^b
1 Residual	30.909	95	.325		
Total	423.390	99			

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant), Privilege, Point Reward, Discount, Special Treatment

Source: SPSS data analysis 2014

With the level of significant of 0.05 and degree of freedom (df) of 4; 100, the F_{table} from F distribution table is $F_{4; 100; 0.05} = 2.46$, while F_{count} from Table 4.6 is 301.575 then the result is $F_{count} > F_{table} : 301.575 > 2.46$. Since the F_{count} is greater than F_{table} , H_0 is rejected and H_1 is accepted. It means that the independent variables significantly affect the dependent variable simultaneously

T-Test

T-test is used to determine the partial effect of each independent variable to dependent variable. T-test value is obtained by comparing value of t_{count} with t_{table} . If T_{count} is higher than T_{table} , then H_0 is rejected and H_1 is accepted.

Table 5. T-Test

Model	T	Sig.
(Constant)	.269	.788
Discount	2.336	.022
1 Point Reward	3.002	.003
Special Treatment	4.823	.000
Privilege	4.523	.000

a. Dependent Variable: Customer Loyalty

Source: SPSS data analysis 2014

By using the confidence level of 95% the T_{table} will be $T_{100; 0.05} = 1.984$. The partial influence of each independent variable will be explained as follows:

1. Discount (X_1) on Customer Loyalty (Y)
The hypothesis is reject H_0 and accept H_1 if $T_{count} > T_{table}$ or accept H_0 and reject H_1 if $T_{table} > T_{count}$. In Table 4.7 the T_{count} of Discount (X_1) is 2.336. Comparing T_{count} with T_{table} : $2.336 > 1.984$. Since the T_{count} is greater than T_{table} , H_0 is rejected and H_1 is accepted. Therefore, Discount has a significant influence to Customer Loyalty.
2. Point Reward (X_2) on Customer Loyalty (Y)
The hypothesis is reject H_0 and accept H_1 if $T_{count} > T_{table}$ or accept H_0 and reject H_1 if $T_{table} > T_{count}$. In Table 4.7 the T_{count} of Point Reward (X_2) is 3.002. Comparing T_{count} with T_{table} : $3.002 > 1.984$. Since the T_{count} is greater than T_{table} , H_0 is rejected and H_1 is accepted. Therefore, Point Reward has a significant influence to Customer Loyalty.
3. Special Treatment (X_3) on Customer Loyalty (Y)
The hypothesis is reject H_0 and accept H_1 if $T_{count} > T_{table}$ or accept H_0 and reject H_1 if $T_{table} > T_{count}$. In Table 4.7 the T_{count} of Special Treatment (X_3) is 4.823. Comparing T_{count} with T_{table} : $4.823 > 1.984$. Since the T_{count} is greater than T_{table} , H_0 is rejected and H_1 is accepted. Therefore, Special Treatment has a significant influence to Customer Loyalty.
4. Privilege (X_4) on Customer Loyalty (Y)
The hypothesis is reject H_0 and accept H_1 if $T_{count} > T_{table}$ or accept H_0 and reject H_1 if $T_{table} > T_{count}$. In Table 4.7 the T_{count} of Privilege (X_4) is 4.523. Comparing T_{count} with T_{table} : $4.523 > 1.984$. Since the T_{count} is greater than T_{table} , H_0 is rejected and H_1 is accepted. Therefore, Privilege has a significant influence on Customer Loyalty.

From the explanations above, it is described that all independent variables which are Discount, Point Reward, Special Treatment and Privilege influence Customer Loyalty partially. All independent variables have positive significant relationship with dependent variable.

Discussion

The research is conducted in Manado at Gaudi clothing Store with 100 respondents. Gaudi provides member card and its benefits to the customer of the store to retain and gain new customers. Based on the hypothesis testing by F-test and T-test, the result has proven that there is linear relationship or have influence between variable partially and simultaneously.

Based on the research finding, there are some factors that influence the Customer Loyalty on Gaudi clothing store Manado. F-Test result shows that there is a linear relationship in this multiple regression model it is described that independent variable (Discount, Point Reward, Special Treatment and Privilege) simultaneously influences the Customer Loyalty as dependent variable.

The researcher found from the previous study that the results show that customers also focus heavily on the availability of a wide assortment of products. Therefore, companies have to take the whole package into consideration. They must aim to build a connected network of customers, partners and vendors, enable by technology, all working towards profitable, and mutually beneficial relationships by Ergin et al. (2010)

The result showed that special treatment is the most influencing factor to Customer Loyalty. Gaudi Clothing Store Manado offered special treatment such as news to new store stock to the member card holder and a special discount to birthday member. This point was seriously used and encouraged customer to repurchase behavior, because of the advantage of discount merchant itself.

The other independent variables that is acceptable influence is Privilege. Privilege offered kind of discount merchant such as shopping access in Restaurants, entertainment center in order to create comfortable shopping for convenience customer spending

Point reward as independent variable that is also dominated the influence of loyalty program on Gaudi clothing store Manado. This variable has given significant effect although not directly perceived benefits, where the customer must collect the number of points and exchange with another prize. At last, the customer feels the compensation benefits on offer by Gaudi, which can be stimulated to increase the amount of items purchase by

using Gaudi member card. From previous article researcher found that the articles investigate the conditions under which a loyalty rewards program will have a positive effect on customer evaluation, behavior, and repeat purchases intention. The result show that members in the loyalty reward program by Bolton et al. (2000)

The other independent variable is Discount. Discount provides value compensation separately to each owner membership card, which will feel the financial benefits directly and get discounted price that is cheaper than the normal price should be paid. In other word, customers get benefits from Gaudi card and stimulate the customer loyalty.

CONCLUSION AND RECOMMENDATION

Conclusion

After examining the findings and discussing the result, the researcher finally arrived at some conclusion in this research:

1. The loyalty program (Discount, Point Reward, Special Treatment and Privilege) are simultaneously influence Customer Loyalty at Gaudi Clothing Store Manado
2. The loyalty program have partially significant influence to the customer loyalty at Gaudi clothing store Manado, where it describes as below :
 1. Special treatment has the most significant factor to influence the customer loyalty
 2. Privilege has partially significant effect toward customer loyalty.
 3. Point reward has partially significant effect toward customer loyalty.
 4. Discount has partially significant effect toward customer loyalty.

Recommendation

Considering the special treatment is the most influencing factor in the customer loyalty on Gaudi clothing store Manado. Special Treatment offers special treats to Gaudi Clothing Store Manado member such as news to new store stock to the member card holder and a special discount to birthday member and news for the on sale item to the member. This point was seriously used and encouraged customer to be a loyal customer, because of the advantage of discount merchant itself. Surely this is a great opportunity for the marketers to see the potential of the most demanded by respondent on this research. To stabilize this strategy, the marketers should have conduct:

1. More published about the store info to the member card holder and emphasized this card as a valuable card.
 2. Participate on promotion even marketing, in order to increase awareness of merchant list name.
 3. Improve the awareness of customer toward even program
- In additional, in improvement of the effectiveness of other compensation Benefit of loyalty program is needed to consider.

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