



Factors Affecting to Consumers Loyalty of Low Cost Green Cars

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Abstract

Automotive industrial competition in Indonesia is becoming tighter. Various types of cars are offered by the producers to the consumers for all segments. One of the types of the cars penetrated to the market in Indonesia is of the concepts of Low Cost and Green Car (LCGC) for the middle and lower segments. The customer relationship is the most important variable to maintain the customer loyalty. A good brand image can also be the supporting factor to keep them loyal. This study aims to determine the impact of relationship management and brand image to customer loyalty. This study was conducted through survey method, and data was collected from 400 vehicles owners. This paper used Structural Equation Modelling (SEM) to analysis. The result of the study shows that the customer relationship management and brand image impact simultaneously and partially to customer loyalty.

Keywords—Brand Image; Customer Loyalty; LCGC; Relationship Management.

Abstrak

Persaingan industri otomotif di Indonesia semakin ketat. Berbagai jenis mobil ditawarkan produsen kepada konsumen semua segmen. Salah satu jenis mobil adalah low cost and green car (LCGC) untuk segmen menengah ke bawah. Kereliasan pelanggan merupakan variabel penting untuk mempertahankan loyalitas pelanggan. Citra merek yang baik dapat juga menjadi pendorong pelanggan tetap loyal. Penelitian ini bertujuan untuk mengetahui pengaruh manajemen hubungan dan citra merek terhadap loyalitas pelanggan. Penelitian ini menggunakan metode survey dan data diperoleh dari 400 orang pemilik. Alat analisa yang digunakan adalah Structural Equation Modeling (SEM). Hasil penelitian menunjukkan bahwa terdapat pengaruh manajemen hubungan pelanggan dan citra merek terhadap loyalitas pelanggan baik secara simultan maupun secara parsial.

Kata Kunci—Citra Merek; Loyalitas Pelanggan; LCGC; Manajemen Kereliasan.

I. INTRODUCTION

The study in the automotive sector in India shows the result that the significant factors that lead to the customer loyalty for automobile was trust associated with on time service delivery, promptness in handling repair work, friendliness helpfulness, arranging replacements and fulfill its obligation to customers (Malik, 2015). The study was held with the unit of general automotive industrial observation while this study in particular is focussing on the LCGC segment. The presence of the car with LCGC concept has open the niche of new market segment, particularly for the consumers whose earnings fall into the middle and lower class. The characteristics of the LCGC consumers are different from those of cars consumers in general. Currently there are some car brands with the LCGC concepts; Toyota Agya, Daihatsu Ayla, Honda Brio, Suzuki Karimun Wagon R, and Datsun Go+.

Some of the previous study with the central theme of customers loyalty and other customers relationship show almost the similar outcomes. The research on the hotel industry in Malaysia show the result that relationship quality positively and significantly influences customer loyalty (Abdul-rahman & Kamarulzaman, 2012). The study on banking industry shows that the relationship marketing tactics affected customer loyalty

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significantly through customer trust and customer satisfaction (Rizan, Warokka, & Listyawati, 2014). Competitive advantage, customer satisfaction, and customer relationship impact significantly to the customers loyalty (Rahman & Hassan, 2016). Therefore, based on the previous study, the variable of customer relationship is included as the free variable in this study. The producer and the customer at the automotive industry are inter-related, that they mutually need one another. To create a strong bond with the customers is the dream of all companies, and this has often become the key of the successful-long-run marketing (Kotler & Keller, 2009). The goal of the customers relationship management is to maintain and create the customers loyalty (Zikmund, William G., Raymond Jr, & McLeod., 2003). The customers need the producer due to their needing of genuine-spare parts warranty, and the warranty for a proper maintenance in accordance with the standard-maintenance procedure.

In this study, the author includes brand image in addition to customer relationship as the other independent variable. There is a positive impact of strength brand association towards customer satisfaction, and there is a positive impact of customer satisfaction towards customer loyalty (Andreani, Taniaji, Natalia, & Puspitasari, 2004). The customers can be made loyal to the brand by providing satisfaction through better quality services and communicating and developing a good brand image through accurate positioning (Ghafoor, 2012). Customer satisfaction on brand image has been significant, as well as, customer loyalty intention (Kambiz & Safoura, 2014). The brand image is also taken as opinion and consumers' trust in the quality of the product yielded by the company, and the honesty of the company in producing the products offered to the consumers (Cannon, J.P., Perreault, W.D., & McCarthy, 2009). The dimension of the brand image in this study is the perception towards the product and service. In this tight competition era, all the product marketing goes hand in hand with the service. Brand image is the perception in the mind of the customers, a good image of a product (Hawkins & Mothersbaugh, 2010). Besides the two dimensions mentioned above, the price dimension makes the third dimension in the brand image variable. Price has been attributed as the main consideration for the car consumers. Other than the factor of affordable price, the price of the spare parts, operational, and maintenance costs has been put into account as the factors for the consumers to consider. The perception for the consumers towards the reselling price is also an important issue. Cars have been made the part of investment in Indonesia. There is a tendency in Indonesia that whenever they need money, they can always sell their cars as the alternative.

II. LITERATURE REVIEW

A. *Customer Relationship*

Customer Relationship Management (CRM) is defined as a strategical approach related with the creation and the improvement of stockholder value through the development of the right relationship with the main customers and customer segments (Payne & Frow, 2006). Cautious process in managing detailed information on individual customer and all customers' "touch points" to maximize customers' loyalty (Kotler & Keller, 2009). Based on relationship marketing principles which are considered as one of the areas in modern marketing and have produced huge research importance (Payne & Frow, 2006). CRM is a strategy and process in obtaining, maintaining and partnering with selective customers to create superior value for company and comprehensive customers, involving organized marketing, sales, customer service, and organization supply function to achieve more efficiency and effectivity in delivering bigger customer value (Parvatiyar & Sheth, 2001). CRM consists of three concepts known as threecornerstones of CRM, and one of those concepts is customer value creation which aims not only to maximize profit from a single transaction but also to establish long-term relationship with customers more (Storbacka, K., & Lehtinen, 2001).

There is a key dimension, a bond, in establishing a relationship. A bond is a part of a relationship where the two parties form a tie to achieve a goal; trust, which is an assurance where each party will fulfill their promises and will not cause any loss to the other party. The following quality is empathy, translated as a dimension from business relationship which allows both parties to assess the situation from the other parties' perspective. This can be interpreted as an effort to understand the passion and other people's will; reciprocal, where both parties give something to each other that can be beneficial to them (Hollensen, 2003). According to Storbacka and Lehtinen (2001), there are three concepts of CRM. The first concept is the creation of customer value which aims to maximize not only merely profit from a single transaction, but also competitive advantage which is based on both price and the company's ability to help customers produce value for themselves, and to cultivate long-term relationship with customers. The second concept is by seeing a product/service as a process. Products

are seen as entities which cover exchange between process run by the company and by customers. The third concept is the company's responsibility. Companies can cultivate stronger relationships only if they are responsible for building such relationship and offers their customers to produce their own values. This CRM concept is also presented by Shet and Parvatiyar (2001) which states that customer relationship management is a comprehensive strategy in the process of obtaining, maintaining and corresponding with customers to create superior values for companies and customers. CRM dimension, according to Shet, and Parvatiyar is continuity marketing, which is a method of providing goods to consumers that relies on direct marketing and continues into perpetuity. Continuity marketing is used to maintain and improve customers' loyalty through long-term special services in order to improve value by learning the characteristics of both company and customers. One to one marketing is a program run individually which aims to fulfill satisfaction of needs that are unique to the customers. Therefore, Partnering/Co-marketing is a partnership relationship with marketers to serve the needs of final consumers. In this research the dimensions of customer relationship are commitments to relationship, human resource credibility, and information technology reliability.

B. Brand Image

American Marketing Association in Kotler and Keller (2009) describes brand as a name, term, sign, symbol or design for their combinations that is intended to identify a product or a service from one of the sellers or group of sellers in which the dimension differentiates them from competitors. Meanwhile brand image, according to Kotler and Keller (2009) is defined as a set of belief, idea, and impression possessed by someone to certain objects. Image is a total of perception towards a certain object formed by processing information from several sources everytime (Sutisna, 2001). Brand image is a representation of the whole perception towards the brand and formed from information and past experience towards that brand (Setiadi, 2008). Brand image can be measured through: brand quality, familiarity, ease of use, well known brand, product variation, and good products (Dewi, Andri, & Yonaldi, 2012). In this research the dimension used to measure the brand image are the consumer's perception towards products, prices and services.

C. Customer Loyalty

Kotler and Keller (2009) stated that customer loyalty is a repeated purchase made by a customer because of his commitment to a certain brand or company. The definition of loyalty can be categorized by behaviour and defined as non-random purchase disclosed from time to time by several units that call the decision (Griffin, 2006). Loyalty depicts the willingness of customers to keep supporting a company in a long term exclusively and recommending company's products to associates and partners (Wirtz & Lovelock, 2016).

Loyal customers are invaluable assets for companies as loyal customers develop these following characteristics: making organized repeated purchase, buying outside product lines, bringing others, and showing immunities from competitor's attraction (Griffin, 2006). The dimension of customer's loyalty is repeated purchase (repeat), prospect creation (refers others), and immunity towards competitors (immunity), harmonious relationship, positive delivery and hesitation to switch (Kotler & Keller, 2009). The author summarized and perfected loyalty measurements from previous research into a certain customer loyalty measurement towards service providers into four indicators, as follows: making repeated purchase, buying service-inter lines, referring to others, showing immunities to competitors' attraction (Griffin, 2006).

In this study, the dimensions of customers loyalty opinions expressed by experts mentioned above involving the purchase of product lines, reference to others and immunity to competitors.

D. Framework

This section explains the study framework referring to theories, literatures and empirical studies to support theoretical conceptual models development in light of the implementation of relationship management, brand image, and customer loyalty.

Customer relationship management is a process to obtain, maintain and develop profitable customers and requiring certain focus towards the attribute of a certain service that can produce values to customers so that it can produce loyalty (Brown, 2000). Relationship management is a cooperative relationship between companies and customers so that both parties can be beneficial to each other which eventually will increase their values (Storbacka & Lehtinen, 2001) please be consistent in writing the reference. Relationship management system allows companies to understand better segment and basic sequence from their customers, better promotion target, and cross selling (Wirtz & Lovelock, 2016).

In the current hyper competitive market, maintaining customers is a very important action in order to survive, and furthermore beneficial instead of fighting to attract new customers. Brand loyalty is an intrinsic commitment to repeatedly purchase certain brands (Peter & Olson, 2005). Strong brands produce a high customer loyalty. Brands indicate a certain quality level so that satisfied buyers can easily choose the same products again. Brand loyalty gives a safe demand level, and is estimable by the company. It creates barriers that can complicate other companies to enter the market. Loyalty can also be translated into the willingness of customers to pay higher price (Kotler, Keller, & Brady, 2016)

Based on the problem and the literature studies, there are 3 hypotheses in this study comprising the followings:

- H1: There is an influence of customer relationship management and brand image towards customer loyalty
 H2: There is an influence of relationship management towards customer loyalty
 H3: There is an influence of brand image towards customer loyalty

III. RESEARCH METHOD

A. Research Design

This research aims to find out the effects of relationship management and brand image towards loyalty in on LCGC cars consumers in Bandung. This research is categorized as an analytical descriptive research. This research employs the causal research design to explain the causal relationships among research variables.

B. Research Population and Samples

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1. Research Population

The research population is the owners of four wheels LCGC in the vicinity of Bandung which consisted of four districts. Considering the huge population in this city, a representative sampling is necessary which can eventually depict the population accurately. The population are 164,434 cars owner (Gakindo, 2018).

2. Research Sample

The magnitude of the samples is determined by using slovin method, with error margin of five percent, which means 95% accuracy, and with proportionate random sampling. Table 1 below describes 400 respondent samples are obtained with the proportion of brand.

Table 1. Respondent Composition

No.	Brand	Population	%	Sample
1.	Toyota Agya	57,646	35%	140
2.	Daihatsu Ayla	35,084	21%	84
3.	Honda Brio	31,820	19%	76
4.	Datsun Go+	28,358	17%	68
5.	Suzuki Wagon	11,526	8%	32
	Total	164,434	100%	400

Source: Gakindo, 2018

C. Data

The data was obtained by observing and spreading questionnaires directly to LCGC consumers in of Bandung.

D. Research Design

This study uses Structural Equation Model (SEM) to analyse the data. The tool is used because of its advantages, namely:

1. Investigating the validity and reliability of the instruments
2. Examining the relationship between variables
3. Obtaining beneficial models for the forecast activity.

IV. RESULT AND DISCUSSION

A. Respondents

The respondents of this study are 400 people. More specifically, the respondents are 240 males (60%) and 160 females (40%). Their profiles can be seen in the table 2.

Table 2. Respondents

Notes	Amount	%
Age (years)		
Di bawah 25	67	16.7%
26 – 35	248	62.0%
36 – 45	55	13.7%
Above 45	30	7.6%
Education		
Junor/Senior High School	68	17.0%
Diploma	116	29.0%
Undergraduates	197	49.3%
Postgraduates	19	4.7%
Expense (Rp/million)		
Under 5	247	61.7%
5 – 10	125	31.3%
10 – 15	16	4.0%
Above 15	12	3.0%
Duration of Possession		
Under 1 year	38	9.5%
1 – 2 years	224	56.0%
2 – 3 years	110	27.5%
Above 3 years	28	7.0%

Table 2 shows that the age of the respondents is dominated by those of age 26-35 years old, and the respondents' education level mostly are undergraduates. The durations of vehicle ownership are 1-2 years long.

Table 3. Validity of Questionnaire

Variables	Cronbach's Alpha	No. of items
CRM	0.734	7
B I	0.748	9
CL	0.511	6

Table 3 shows the result of the Calculation employing α (Cronbach alpha) formula shows that reliability value for each variable is 0.734 for customer relationship management, 0.748 for brand image, and 0.511 for loyalty. With such a coefficient value above the table value, it is declared reliable. Cronbach's Alpha > R_{table} . Figure 1 below shows the results of variables relationship.

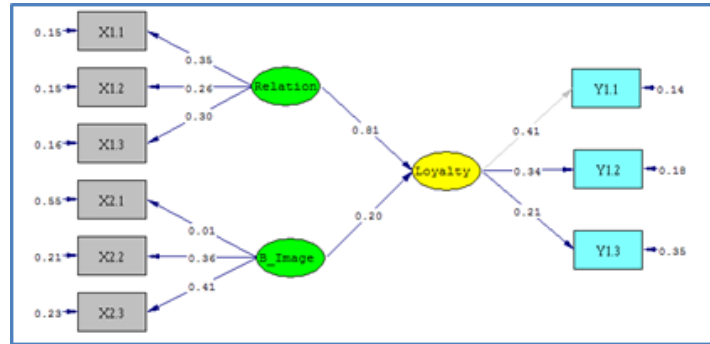


Figure 1. The Relationship of Variables

B. Correlation Coefficient Analysis

The respondents of this study are 400 people. More specifically, the respondents are 240 males (60%) and 160 females (40%). Their profiles can be seen in the table 2.

By employing Lisrel Application program, an output result of coefficient correlation is obtained as in the followings figure.

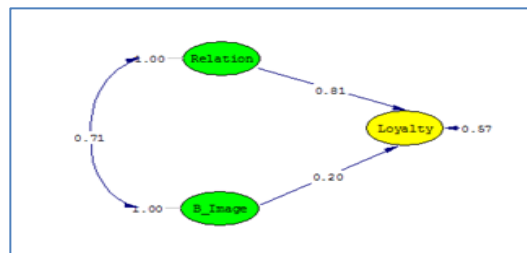


Figure 2. Correlation Coefficients Among Independent Variables

Figure 2 shows Coefficient Correlation between variables X1 and X2 with the correlation numbering 0.71 is obtained. This indicates a strong correlation

C. Variables Construct Analysis

Based on the processing results using LISREL program 9.10 measurement model (CFA), each variable relationship and their own indicators are shown by loading the factors of each indicator as follows table 4.

Table 4. The Results of Variables Construct Analysis

Item	Loading Factor	t-Value	R ²	Error
X11	0.350	12.590	0.450	0.150
X12	0.260	10.390	0.310	0.150
X13	0.300	11.300	0.360	0.160
X21	0.010	0.250	0.001	0.550
X22	0.360	10.260	0.380	0.210
X23	0.410	10.640	0.420	0.230
Y11	0.410		0.630	0.140
Y12	0.340	11.040	0.480	0.180
Y13	0.210	7.030	0.160	0.350

D. Structural Model Analysis

In lane analysis, in order to see whether the obtained model has fulfilled the Goodness of fit measure to confirm the proper model of the comparison between data and model, it can be seen through this criterion as table 5 below. The result shows that the obtained model fulfils GOF criteria.

Table 5. Structural Model Analysis

Goodness of Fit	Estimation	Test Results	Condition
Chi-square (X^2)	30.50	Good	
P-Value	0.17	Good	>0.05
GFI	0.97	Good	≥ 0.90
AGFI	0.95	Good	≥ 0.90
RMSEA	0.03	Good	<0.08
CFI	0.99	Good	≥ 0.90
NNFI	0.99	Good	≥ 0.90

E. Effect of Relationship Management and Brand Image towards Customer Loyalty

Structural model depicts relationships between of customer relationship and brand image towards customer loyalty partially or simultaneously. Based on data processing the results are as follows:

Structural Equation

$$\text{Loyalty} = 0.20 * \text{Brand_me} + 0.81 * \text{kerelasi}, \text{ Errovar} = 0.57$$

$$R^2 = 0.61$$

$$\begin{matrix} (0.16) & (0.15) & (0.13) \\ 1.27 & 5.32 & 4.53 \end{matrix}$$

$$\text{P-Value for Test of Close Fit (RMSEA} < 0.05) = 0.94$$

Based on the equation above, it can be concluded that customer loyalty variable is positively affected by brand image with lane coefficient of as 0.20 and Customer Relationship Management with lane coefficient of 0.81. With the lane coefficient of Customer Relationship Management towards loyalty of 0.81, Customer Relationship Management contributes towards an increase of customer loyalty by 0.81. Relationship Management Variable is mostly affected by commitment dimension with coefficient of 0.35. Thus, the presented conceptual hypothesis is tested and acceptable.

The lane coefficient of brand image towards customer loyalty reach up to 0.20, which means that means brand image contributes towards customer loyalty with as much as 0.20. Brand image variable is mostly affected by perception dimension towards services, and perception towards prices with each coefficient of 0.41 and 0.36 respectively. Thus, the conceptual hypothesis is tested and acceptable please use the general statements in explaining the results of hypothesis testing.

F. Discussion

Eventhough LCGC market target aims at the middle and lower segments, it turns out to be that the perception on price does not make the most of the brand image. The most factor in making the brand image is the perception on service which goes along well with the research done by Malik (2015) on a research in the automotive industry.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

The customer relationship management and brand image influence to the costumers loyalty both simultaneously and partially. Customer Relationship Management variable is positively influential and significant on customers loyalty, and commitment becomes the biggest dimension that affects this variable. This

finding indicates that to have cars with LCGC concept, consumers tend to pick cars or producers who always manage the relationship with commitment to customers reliably. Brand image variable is significantly to give positive influence customers loyalty, and perception towards perception service against prices affect the most to brand image. This finding indicates that to have cars with LCGC concept, consumers tend to pick cars with producers who give the best service and reasonable price for customers.

B. Recommendations

Based on the conclusion above, it is imperative that producers or LCGC car dealers that manage customer relationship and maintain brand image, the important variables for improving customer relationship

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