

Research article

The Effect of Relationship Marketing on Consumer Loyalty in Local Fast-Food Restaurants in Yogyakarta

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Abstract.

There are many local fast-food restaurants in Yogyakarta. So far, they have survived and grown because they offer low prices. However, to continue to survive it will not be enough to provide low prices because consumers who are sensitive to price tend to switch to other brands if other brands provide lower prices. One way to keep customers loyal is to implement relationship marketing. Therefore, this research investigated the effect of relationship marketing on consumer loyalty. The data were acquired from local fast-food customers via a questionnaire; 136 responses were collected. The data were processed using SEM analysis techniques through the Warp-PLS 7.0 analysis tool. The results showed that trust, communication, and commitment positively and significantly affected consumer loyalty. On the other hand, handling conflict had a positive but insignificant effect on consumer loyalty.

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1. Introduction

The fast-food business in Indonesia continues to experience growth. The Business Economics website states that the growth of the fast-food business increased by 15% in 2019; this is due to the growth in income and the lifestyle of consumers eating food outside the home [1]. In addition, the income received by public fast-food companies in Indonesia, as seen in their financial reports, increased by 11.23% [2].

Products offered to consumers in the fast-food business are foods that can be processed and consumed in a short time [3]. In general, there are two types of fast food in Yogyakarta, first, modern and global fast food, such as KFC, Mc Donalds, Pizza Hut, and Hoka-Hoka Bento. Next up is a local fast-food restaurant, such as Olive, Popeye, Jogja Chicken, Karen Chicken, and Rocket Chicken [4].

Local fast-food restaurants excel because of their more affordable product prices. However, the advantage of the price is not enough. Local fast-food restaurants need to make an effective strategy to compete with global fast food [5]. The outcome of a brand

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strategy is consumer loyalty. A brand with consumer loyalty will get sustainable income and reduce its costs [6]. The leading indicators of consumer loyalty are consumers who continuously buy from the brand and inform others about the brand positively [7]. This loyalty is essential because maintaining consumers is cheaper than finding new customers [8].

There are many ways to achieve consumer loyalty, one of which is by understanding relationship marketing. Relational marketing can create, maintain, and improve relationships with consumers [9]. Previous research has shown that relationship marketing can increase consumer loyalty [10], and increase and strengthen customer satisfaction and customer loyalty [11]. Thus, this study aims to examine the impact of relationship marketing on local fast-food consumers' loyalty.

2. Literature Review and Hypotheses Development

2.1. Relationship Marketing on Consumer Loyalty

Consumers who retain purchases from the company, increase profits for future business, and provide positive word of mouth are essential indicators of consumer loyalty [12]. Consumer loyalty provides the company with a sustainable revenue base and reduced costs [6]. Customer loyalty is influenced by the company's marketing strategy, customer perceived value, and relationship quality [13]. The marketing literature shows that relationship marketing variables, including trust [14], conflict handling, communication [15], and commitment [16], are associated with customer loyalty. Relational marketing is a system for building, creating, and improving relationships with consumers [17]. Relational marketing seeks to build, maintain, and develop consumer and shareholder relationships [9].

According to [8] trust is defined as a feature of a business relationship where everyone involved can depend on the integrity of the guarantees offered by others. Trust is considered to be related to the belief and recognition of the quality of service suppliers, which drives their satisfaction [18, 19]. Providing guaranteed guarantees is essential as a means of achieving consumer loyalty, holding a customer base, and securing future productivity [20]. Commitment is the willingness to continuously maintain a valuable relationship [21]. The commitment dimension can affect customer satisfaction into customer loyalty [22]. In addition, commitment is another significant antecedent of relationship marketing and a valuable construct for predicting repeat purchases and loyalty [20].

The term "communication" in relational marketing refers to the act of giving reliable information, informing customers of a delivery problem, addressing quality issues, and keeping commitments [15]. The relationship between communication and satisfaction has been found that suppliers who accept a more affiliative communication style get a more idealized rating [23]. When a company and its customers communicate effectively, the relationship will be strengthened, increasing customer loyalty [10].

Conflict handling is the seller's ability to anticipate and resolve issues before developing [24]. Conflict handling can consider how marketers avoid and provide solutions to a problem that occurs before and after the problem exists [10]. Previous research has shown that conflict handling affects consumer loyalty [10]. Research by [11] explains that the effect of relationship marketing, in general, is to maintain or develop long-term consumer loyalty. Thus, the hypotheses in this study are

H1: trust affects consumer loyalty

H2: communication affects consumer loyalty

H3: commitment affects consumer loyalty

H4: conflict handling affects consumer loyalty

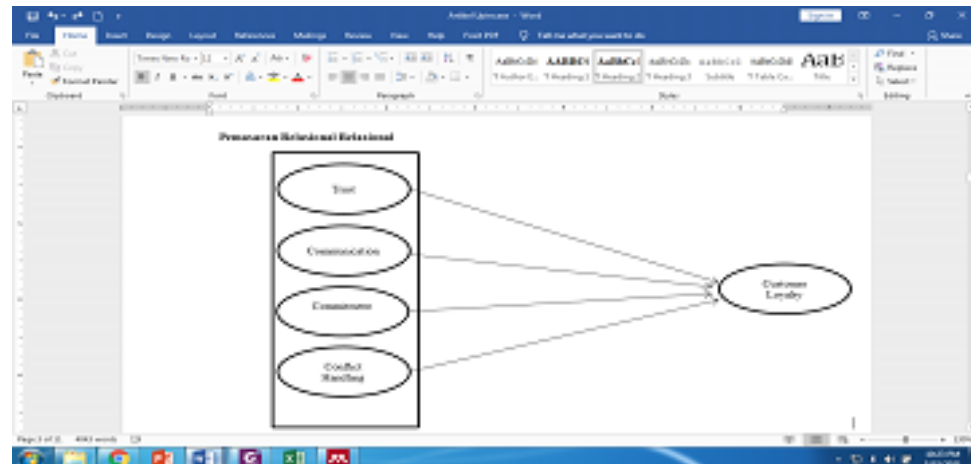


Figure 1: Research Model.

3. Research Methods

3.1. Research Design

A quantitative approach is used in this study. This research is specifically deductive-hypothesis, or research designed to test hypotheses based on existing theories or concepts. The unit of analysis in this research is an individual. The time dimension in this study is cross-sectional. Purposive sampling was utilized to choose the sample in

this study [25]. In this study, primary data were gathered by survey methods. Distribution of questionnaires to respondents is done via a google form. The questionnaires were distributed from 11 January to 5 February 2021.

Measurement items for each variable were adapted from previous studies. The trust variable consists of five indicators adopted from [26] commitment consists of four statement items adapted from [10, 14] conflict handling consists of three indicators adapted from [10] loyalty consists of five indicators adapted from [27].

The structural equation model analysis technique was applied in this study. This analysis technique can describe the concept of a model with latent variables (variables that cannot be measured directly) by measuring the indicators [28]. It can be expressed in the form of a structural model, representing the theory with a set of structural equations, and is usually represented by a visual diagram. In addition, SEM essentially can offer the ability to perform path analysis with latent variables [29]. The analytical tool used to perform SEM analysis in this study is Warp-PLS 7.0. Partial Least Square (PLS) is used because it can perform analytical calculations efficiently on samples that are not too large and complex [30]. Besides that, PLS can also explain whether there is a latent variable relationship. PLS can also be used to confirm the theory [31].

4. Result

4.1. Profile of Respondent

The total number of respondents that the researcher received was 138 responses. However, only 136 responses deserve further analysis. The remaining two responses were declared inadequate because they did not match the characteristics of the respondents required in this research. According to their marital status, 119 people are unmarried (88%), 16 people are married (12%), and the rest have been married to one person (1%). Judging from the education level, the majority of respondents are 88 high school graduates (65%), after that 26 people (19%) were bachelor's graduates, 16 magisters (12%), five Diplomas (4%), and three doctoral graduates (1%), and for monthly expenses, 77 people are spending less than 1.000.000 (57%), 45 people spending between 1.000.001-2.500.000 and the rest more than 2.500.000. Table 1 shows the complete information of respondents.

TABLE 1: Respondent's Profile.

Demography	Total	Percentage (%)
Marital Status Unmarried Married Have been married	119 16 1	88 12 1
Education Level High School Bachelor Magister Diploma Doctoral	88 26 16 5 3	65 19 12 4 1
Monthly Expense (Rupiah) < 1.000.000 1.000.001– 2.500.000 2.500.001– 5.000.000 5.000.001–10.000.000 > 10.000.000	77 45 8 5 1	57 33 6 4 1

4.2. Measurements' reliability and validity

The Cronbach's Alpha value was used to assess the study's reliability. If the value exceeds 0.7, it is considered reliable. Another parameter used is the Composite Reliability value greater than 0.6 [32]. The results of the reliability test in this study are shown in the following table:

TABLE 2: Result of reliability testing.

Variable	Composite Reliability	Cronbach's Alpha	Results
Trust	(0.916)	(0.885)	Reliable
Communication	(0.912)	(0.856)	Reliable
Commitment	(0.871)	(0.800)	Reliable
Conflict Handling	(0.909)	(0.850)	Reliable
Loyalty	(0.910)	(0.875)	Reliable

Table 2 shows that all variables have Cronbach's Alpha values greater than 0.7 and Composite Reliability values above 0.6, indicating strong reliability.

Validity testing is carried out in two stages, namely convergent validity and discriminant validity. In convergent validity, data that is considered good must have a loading value above 0.5 and a p-value below 0.05 [29]. If the data meets these requirements, the data is declared valid. Because our study has a loading factor value greater than 0.5 and a p-value less than 0.05, the discriminant validity of the entire data set in this study meets the requirements.

The next stage evaluates each variable's Average Variance Extracted (AVE) value. Based on Table 4, the results of the Average Variance Extracted (AVE) test show that all variables fulfilled the minimal AVE requirement of 0.5 [30].

The next test is the discriminant validity test. A variable is declared valid in a discriminant manner if it has the highest $\sqrt{\text{AVE}}$ value compared to other variables [29].

TABLE 3: Average Variance Extracted (AVE).

Variable	AVE
Trust	(0.687)
Communication	(0.776)
Commitment	(0.630)
Conflict Handling	(0.770)
Loyalty	(0.669)

The following table summarizes the results of the discriminant validity test used in this study:

TABLE 4: Result of Discriminant Validity.

	KP	KO	KOM	PK	LY
KP	(0,829)	(0,667)	(0,721)	(0,668)	(0,595)
KO	(0,667)	(0,881)	(0,697)	(0,681)	(0,632)
KOM	(0,721)	(0,697)	(0,794)	(0,692)	(0,644)
PK	(0,668)	(0,681)	(0,692)	(0,878)	(0,540)
LY	(0,595)	(0,632)	(0,644)	(0,540)	(0,818)

Overall, the \sqrt{AVE} value for each variable exceeds the correlation value between the variables. Thus, it may be argued that this research variable possesses discriminant validity.

4.3. Structural Model Analysis (Inner Model)

The next step carried out by the researcher after testing the research data both invalidity (convergent and discrete) and reliability is the structural model analysis (inner model), namely testing the model fit using the Warp-PLS 7.0 analysis tool. The following table are the results of the indicator value from the model fit test.

TABLE 5: Model Fit and P-value Variance Extracted (AVE).

Indicator	Value
Average path coefficient (APC)	0.004
Average R-squared (ARS)	<0.001
Average adjusted R-squared (AARS)	<0.001
Average block VIF (AVIF)	2.618
Average full collinearity VIF (AFVIF)	2.763
Tenenhaus GoF (GoF)	(0.671)

The results in the table show that the model in this study has good goodness of fit, an APC value (0.004), an ARS value ($p < 0.001$), a AARS value ($p < 0.001$).

Multicollinearity testing is carried out to ensure that there is no similarity between variables that can lead to biased results. The results of the AVIF and AFVIF values in the Table 6 are 2.618 and 2.763 respectively, based on these findings, this study has no multicollinearity issues.

Based on [33], the value of Tenenhaus GoF (GoF) explains that the model is said to have suitability if the GoF value is ≥ 0.10 , the GoF value ≥ 0.25 , if the GoF value is ≥ 0.50 . The results of the GoF value in the table are 0.671 so based on these results, the model in this study has great suitability. Overall, the model in this study is fit based on all fit indicators.

4.4. Hypothesis Test Results

In testing the hypothesis that needs to be considered is the path coefficient (β) and its significance level (p-value). The level of significance used in this study was 5% ($p < 0.05$). Table 4.6 shows the results of testing the output path coefficients obtained using the Warp-PLS 7.0 application.

The results of hypothesis testing in Table 4.6 show that trust has a positive effect on loyalty ($\beta = 0.20$ and $p\text{-value} < 0.01$), thus h1 is supported. Communication has a positive effect on loyalty ($\beta = 0.29$ and $p\text{-value} < 0.01$), as well as commitment, has a significant positive effect on loyalty ($\beta = 0.30$ and $p\text{-value} < 0.01$) thus h2 and h3 are supported. Conflict handling has a positive but insignificant relationship with loyalty ($\beta = 0.01$ and $p\text{-value} = 0.44$), it can be concluded that it is not supported.

TABLE 6: Hypothesis Test Results.

Hypothesis	Path Coefficient	Results
H1: Trust affects loyalty	0,20**	Supported
H2: Communication affects loyalty	0,29**	Supported
H3: Commitment affects loyalty	0,30**	Supported
H4: Conflict affects loyalty	0,01	Not Supported

The results indicated that trust positively affects consumer loyalty ($\beta = 0.20$ and $p\text{-value} < 0.01$), it can be concluded that H1 is supported. This finding indicates that the greater the level of trust, the greater the level of consumer loyalty. Trust is defined as a characteristic of a business relationship where everyone involved can depend on the integrity of the guarantees offered by others [18]. Trust is considered to be

related to the belief and recognition of the quality of service suppliers, which drives their satisfaction [19]. This study's findings are consistent with previous research in banking contexts which shows that trust has an effect on loyalty [10, 34]. Communication has a positive effect on loyalty ($\beta = 0.29$ and $p\text{-value} < 0.01$), it can be concluded that H2 is supported. This result demonstrates that when an organization and its customers communicate effectively, better relationships are formed, and customers become more loyal. The findings of this study are consistent with previous research demonstrating that communication has an impact on consumer loyalty [10, 34]

Commitment has a positive and significant effect on loyalty ($\beta = 0.30$ and $p\text{-value} < 0.01$). These results prove commitment can increase consumer loyalty to local fast food. Commitment is a continuous willingness to maintain a valuable relationship [21]. Previous research has shown that the commitment dimension affects customer satisfaction into customer loyalty [22]. In addition, customer loyalty, repeat purchases, and relationship marketing all depend on customer commitment. In addition, customer loyalty, repeat purchases, and relationship marketing all depend on customer commitment [20]. The hypothesis test results indicate that conflict handling has a positive but insignificant effect on loyalty ($\beta = 0.01$ and $p\text{-value} = 0.44$), indicating that H4 is not supported. This indicates that conflict handling does not increase consumer loyalty in local fast food.

5. Conclusion

This study investigates the impact of relationship marketing on the loyalty of local fast-food consumers in Yogyakarta. The data processing results show that trust, communication, and commitment positively and significantly affect consumer loyalty. On the other hand, conflict handling has a positive but insignificant effect. Theoretically, this study contributes to research on loyalty influenced by relationship marketing in local fast-food restaurants. Practically for local fast-food restaurant managers, it is important to strengthen relationship marketing because it is proven to strengthen consumer loyalty. Finally, although 136 people are a sufficient number of respondents, to generalize the findings, it is necessary to add the number of respondents for further research.

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