The Use of Loyalty Card Promotion: Analyzing Customer Loyalty and Satisfaction of Card Holders

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Abstract: - The increasing consumption of coffee in Indonesia makes business people try to create innovation by establishing marketing facilities that can provide satisfaction for customers. In addition, each company creates a loyalty program in the form of a member card that provides benefits and privileges in making transactions. This study aims to determine the effect of member card usage and customer satisfaction on customer loyalty. The research method used through descriptive and quantitative approaches with data collection techniques through the distribution of online questionnaires through social media was obtained by 244 respondents. The sampling technique uses nonprobability sampling with incidental methods. This research uses SMARTPLS software version 3.2.9 to conduct data processing. The results of this study show that member cards have a significant positive influence on customer satisfaction and member cards also have a significant positive influence on customer loyalty. In the end, customer satisfaction also has a significant positive influence on customer loyalty.

Key-Words: - Member card, customer loyalty, customer satisfaction, coffee shop, Card Promotion.


1 Introduction
Coffee shops have now become a part of the trend and even lifestyle, particularly among millennials and Generation Z. Coffee is a popular beverage loved by people of all ages in Indonesia, including children and the elderly. According to International Coffee Organisation (ICO) figures, coffee consumption in Indonesia ranked fifth in the world in the 2020/2021 year. In Indonesia, coffee consumption hits 5 million bags weighing 60 kilograms. As a result, it has grown in comparison to prior years, when it reached 7.39 million bags weighing 60kg, [1]. According to the Ministry of Agriculture's Agricultural Data Center and Information System, the average annual growth in Indonesia's coffee consumption from 2016 to 2021 is expected to be 8.22%. The supply of coffee is expected to reach 795 thousand tons in 2021, while demand is expected to total 370 thousand tons, leaving a 425 thousand tons excess. Smallholder coffee plantation owners supply around 94.5% of Indonesia's coffee production, [2]. As for the robusta variety, it is produced in South Sumatra, Lampung, Bengkulu, East Java, and Central Java, accounting for 81.87% of the country's total coffee production, [1].

As a result of the increasing consumption of coffee in Indonesia, many business people are competing to create an innovation to establish a coffee shop business by adding contemporary décor and facilities that can support customer satisfaction. Each coffee shop certainly has its uniqueness and characteristics and this coffee shop business is considered quite promising for a long period of time, [3].

With the rapid development of coffee shops in Indonesia, competition cannot be avoided. The increasing competition in the coffee shop industry certainly requires companies or business shops to continue to innovate regularly. Companies or business stores must continue to pay attention to customer needs and desires to create customer satisfaction which will eventually make customers make repeat or loyal purchases, [4].

Customer satisfaction is crucial to a company's success because it may help clients form favorable opinions of the goods and services the company provides. An optimistic outlook has a significant effect on future product or service repurchases. Even if there are tempting offers from other retailers, pleased customers are more likely to make repeat purchases at the same store. In general, a strong correlation between customer happiness and
loyalty may play a significant role or serve as a moderating element.

One of a company's or store's advantages is its ability to build a loyal client base. However, many businesses are unaware that building a loyal customer base involves several steps, from finding new consumers to building customer advocacy that will result in financial gain for the firm. The business makes a variety of attempts to cultivate and preserve client loyalty to improve its financial performance and ensure its existence. In increasing and maintaining customer loyalty, a business must be able to manage effectively and efficiently. So in its implementation, a business not only focuses on finding or getting new customers but also must be able to manage or retain old customers well so that old customers are not disappointed, [5].

One way to maintain and increase customer loyalty is by Loyalty Program. The program supports repeat purchase rates and increases and maintains sales rates by providing incentives for customers who frequently buy in bulk, [6]. The loyalty program is a special offer for those who have Member Cards, for example, discounts, prices, and many other offers. Loyalty programs affect customer satisfaction and loyalty. This study discusses the relationship between, [7]. Member Cards, mobile apps, and loyalty in any of the coffee shops. The results confirm that the program Member Card and mobile apps are one way to build relationships with customers and are part of customer loyalty programs. The research that has been done indicates that Customer satisfaction has a positive and significant effect on customer loyalty through membership cards, [6], [7]. In addition, this study shows that membership cards can increase customer satisfaction and will indirectly make customers loyal, [8]. Research shows that there is a positive and significant relationship between programs, Loyalty from member Cards, customer satisfaction, and customer loyalty, [9].

Therefore, this study aims to discuss the influence of member cards and customer loyalty on customer satisfaction. This research is interesting to study because considering the phenomenon of the continued development of the coffee shop business which is increasingly widespread and spread throughout Indonesia.

2 Literature Review

Member Card
Loyalty programs are designed to increase customer satisfaction and commitment. The effectiveness and relevance of loyalty programs are measured by achieving certain customer satisfaction threshold levels, [10]. Loyalty programs provide perceived benefits or value to members as a sign of appreciation for their loyalty to the organization. In addition, when customers engage in a loyalty program, the benefits they feel and that they receive will lead to the loyalty of a business. Therefore, the benefits of customer loyalty programs can be divided into two: Hard and Soft benefits, [11] [12], [13]. Hard benefits a monetary gains in the form of discounts, special discounts, and coupons while soft benefits a non-monetary gains, [14]. A member card is a membership card that the owner gets: Discounts in the form of discounts from promotions and services issued by the company that issued the membership card, [15]. Member card (membership card) provides more benefits and facilities than those who do not use Member Card. The company issues a loyalty program in the form of a membership card to know the number of customers in the company and become data for the company.

Customer Loyalty
Loyalty is a commitment made by customers in the long term by making purchases or repeatedly consuming a product. Customer loyalty is inseparable from the satisfaction that has been felt by customers in buying the same product at different times continuously, [16]. Loyalty is proof for customers who are always loyal customers and have a positive attitude toward a company. The loyalty that exists in customers can be reviewed according to the brand that consumers have purchased and what consumers feel about the brand, [17]. One of the crucial aspects that affect a company's performance in competing against rivals both now and in the future is loyalty, which is measured by the volume of buybacks customers make over a certain time period. Customers anticipate that the business will consistently provide exceptional value. High levels of customer satisfaction and customer retention may be achieved through offering exceptional service and producing better value. Customer loyalty will be one of the key drivers of success in the future in the age of current technologies, [18], [19].

Customer Satisfaction
After completing a transaction, a customer's feelings of satisfaction or dissatisfaction are dependent on how well their expectations were met in relation to reality, [20]. An enjoyable fulfillment reaction is agreeing with something, whereas an unpleasant
fulfillment response is expressing discontent. Additionally, satisfaction is a favorable and emotive response that one party describes as the outcome of an evaluation of all elements of the working relationship with the other party, [21]. defines satisfaction as the outcome of a process of subjective assessment in which options are chosen or expectations are exceeded. While other studies explain that satisfaction is a post-purchase orientation of an affective or cognitive nature that focuses on evaluating product performance, [22]. Customer satisfaction is positively due to the products and services offered by retailers. This habit has an important role in future customer buybacks. Meanwhile, in the business dimension, when an organization maintains a positive relationship with its customers, some desired results may occur. If the number of expectations obtained is high while the performance value is ordinary, satisfaction will not be achieved and customers will feel disappointed and even leave the company or business because the company or business is not able to meet the expectations of these customers, [23]. Creating satisfaction in the hearts of customers is very beneficial for the growth of loyalty or loyalty to a brand, [24]. Increasing customer satisfaction can be achieved by doing work the first time correctly and handling complaints provided by the customer effectively and efficiently so that the customer is satisfied with the attitude taken by the business, [25]. Satisfaction involves the attributes of a product or service that customers provide according to their expectations, [26], [27].

The three variables, namely customer satisfaction, customer loyalty, and member cards can be connected as a research model, visually explained in figure 1. Therefore, the hypotheses and frameworks obtained are as follows:

- Hypothesis 1: Member cards have a significant influence on customer loyalty
- Hypothesis 2: Member cards have a significant influence on customer satisfaction
- Hypothesis 3: Customer loyalty has a significant influence on customer satisfaction

3 Methodology

Research Design

This research uses a type of quantitative research with a descriptive approach. Descriptive is data analysis by describing data that has been collected without drawing conclusions that aim to find out which relationship is the strongest between variables through correlation analysis, prediction regression analysis, and comparison between the average sample or population data, [28]. Quantitative is a research method based on philosophy positivism which is used to research a specific population or sample, aiming to describe and test the hypotheses that have been established. The measurement scale used is the scale, [Likert 1-5 used as a reference for the length of the short interval on the measuring instrument. The Likert scale consists of 1 (strongly disagree), 2 (disagree), 3 (moderately agree), 4 (agree) and 5 (strongly agree). Data obtained from primary and secondary data, [29]. Primary data was obtained through the distribution of questionnaires with Google Forms. While the secondary data is obtained from journals and website relevant, [30]. Sample collection using Nonprobability sampling with incidental specifications, [31]. Incidental sampling technique is the determination of samples by chance where the researcher meets anyone who meets the criteria and can be used as a source of data, [32], [33].

The method utilized for causal models is called structural equation modeling. SEM may assess factors that cannot be directly measured and can correct measurement mistakes, [34]. Partial Least Square (PLS), a statistical method based on SEM, was utilized in this work, [35]. Regression models' partial least squares, sometimes referred to as projections against latent structures, are estimated...
using PLS. PLS has the benefit of being able to model several dependent and independent variables (complex models), and even in the face of skewed and missing data, its conclusions are still trustworthy, [36].

3.1 Respondents’ Profiles
This research was conducted in 2022 using a quantitative approach based on the incidental nonprobability sampling method. The questionnaire was distributed using a Likert scale of 1-5 and obtained as many as 244 respondents which were then used as primary data. The questionnaire used includes several characteristics of respondents such as gender, age, and education. The results of these characteristics are in Table 1.

From the characteristics of respondents that have been obtained through the spread of Google forms, it is known that the majority of respondents are female as much as 72.13% with their education, namely Bachelor (S1) as much as 74.59 and the age range of 21-25 years as much as 63.93%. Furthermore, these 244 respondents will be processed data to obtain research results and answer hypotheses.

4 Results
Evaluation of the Measurement
Measured models are used to assess the relationship between indicator variables and related constructs. The results can determine measurement indicators and the directional relationship between concepts and measurement indicators. The validity and reliability of measurements can be seen in Table 2.

Table 2. Evaluation of the Measurement

<table>
<thead>
<tr>
<th>Factors</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>0.897</td>
<td>0.916</td>
<td>0.547</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>0.897</td>
<td>0.923</td>
<td>0.706</td>
</tr>
<tr>
<td>Member Card</td>
<td>0.884</td>
<td>0.910</td>
<td>0.590</td>
</tr>
</tbody>
</table>

Based on the Table 2 above, what is used to test validity and reliability is to look at the results of Cronbach’s alpha, composite reliability, and AVE (Average Variance Extracted). In Cronbach’s alpha and composite reliability, it was found that all data were said to be reliable to be used as research instruments. Cronbach’s Alpha and Composite Reliability can be said to be reliable if it has a value above 0.7. All variables namely customer satisfaction, customer loyalty, and member cards have a value above 0.7 therefore it can be said to be reliable. The AVE (Average Variance Extracted) value is used as a determinant of convergent validity and can be said to be valid if it has a value above 0.5. The three variables namely customer satisfaction, customer loyalty, and member cards have a value above 0.5 therefore all variables are declared valid and the data can be used for research. Furthermore, testing was carried out on outer loading contained in Table 3.

Table 3. Outer Loading

<table>
<thead>
<tr>
<th>Variables</th>
<th>Indicator</th>
<th>Factor Loading</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>Y1</td>
<td>0.775</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y2</td>
<td>0.735</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y3</td>
<td>0.768</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y4</td>
<td>0.719</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y5</td>
<td>0.726</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y6</td>
<td>0.793</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y7</td>
<td>0.711</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y8</td>
<td>0.691</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y9</td>
<td>0.733</td>
<td>Valid</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>X2.1</td>
<td>0.868</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X2.2</td>
<td>0.847</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X2.3</td>
<td>0.862</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X2.4</td>
<td>0.863</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X2.5</td>
<td>0.754</td>
<td>Valid</td>
</tr>
<tr>
<td>Member Card</td>
<td>X1.1</td>
<td>0.794</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X1.2</td>
<td>0.839</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X1.3</td>
<td>0.756</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X1.4</td>
<td>0.717</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X1.5</td>
<td>0.749</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X1.6</td>
<td>0.775</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X1.7</td>
<td>0.741</td>
<td>Valid</td>
</tr>
</tbody>
</table>

In outer loading processing, the data used to be processed is the loading factor value of each indicator with details of customer satisfaction having 9 indicators, customer loyalty having 5 indicators, and member cards having 7 indicators. Table 3 obtained outer loading results on all variables and each indicator is above 0.60 so that all
indicators can be said to be valid and have been considered valid for research and can be used for further research, namely in the Hypothesis test.

**Hypothesis Test**

Next, the researcher conducts testing on a hypothesis that will examine the value of t-statistics, p-values, and path coefficients between independent and dependent variables to determine the importance of predictive models in evaluating structural models. t-statistics between independent and dependent variables in the path coefficient table obtained from software processing SmartPLS can thus be used to determine the importance of predictive models in testing structural models (Table 4).

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path Coefficient</th>
<th>T-Statistic</th>
<th>P-Values</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Member Card -&gt; Customer Satisfaction</td>
<td>0.685</td>
<td>15.738</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2 Member Card -&gt; Customer Loyalty</td>
<td>0.510</td>
<td>5.438</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3 Customer Loyalty -&gt; Customer Satisfaction</td>
<td>0.210</td>
<td>2.629</td>
<td>0.009</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

The findings of the analysis of this study revealed that Member cards and customer loyalty have a positive and significant influence on customer satisfaction. The findings show that consumers are satisfied with the Loyalty Program Form Member Card. Previous studies have also shown that Customer satisfaction has a positive and significant effect on customer loyalty through Member cards. In addition, this study shows that [Membership Card can increase customer satisfaction and will indirectly make customers loyal. Research shows that there is a positive and significant relationship between, [Loyalty Program Form Member Card, customer satisfaction, and customer loyalty.

Hypothesis 1: Member cards influence customer loyalty

The hypothesis test in Table 3 shows the p values between Member Card against customer loyalty of 0.000 and this value is below 0.05 (0.000 < 0.05) so it is concluded that Member Card Has a positive and significant influence on customer loyalty. This happens because customers feel firsthand the privileges of the loyalty program provided for users who have accounts to Member Card. Therefore, customers feel loyal and will make repeat purchases even customers will recommend to friends or people they know, [37]. Programs provided by coffee shops Make customers continue to make transactions so that they can increase the type of membership. The higher the membership tier, the more benefits customers can receive. This study is also in line with stating that Member Card has a direct effect on customer loyalty, [38].

Hypothesis 2: Member cards influence customer satisfaction

The results of the hypothesis test in Table 3 between Member Card to customer satisfaction using Software SmartPLS get p values of 0.000. The value is below 0.05 (0.000 < 0.05) so it is concluded that Member cards have a positive and significant influence on customer satisfaction. This is because customers are satisfied with the facilities or benefits provided by Member Card, so that it is considered in accordance with customer expectations. Some Member Cards from Coffee Shops There are various types of membership and each type of membership has its advantages, [39]. Thus, from these benefits and privileges, customers are satisfied with the use of Member Card. This is also in line with research which states that Member Card Significant effect on customer satisfaction. In addition, the study states that Member Card and Sales Promotion provided by the company has a positive effect on Customer Satisfaction, [40]

Hypothesis 3: Customer loyalty influences customer satisfaction

In this study, the results obtained from the Table 3 hypothesis test found that customer loyalty to customer satisfaction has a p-value of 0.009 which The value is less than 0.05 (0.009 < 0.05). These results can be said that customer loyalty has a positive and significant influence on customer satisfaction, [41]. From this, it is proven that the positive experience that has been experienced by customers on a product will have an emotional effect in the form of satisfaction and can make customers make coffee shop the main choice and can provide recommendations to the closest people so that it can cause a loyal attitude. For all sectors, even those that provide both goods and services, customer loyalty is crucial. Customer satisfaction is essentially one of the key elements that may make consumers loyal, thus when customers consistently utilize the goods or services of a certain business, it can be considered that the business has succeeded in satisfying its customers, [42]. This study runs...
counter to previous studies that claim client loyalty has little bearing on consumer happiness. Additionally, one study found a strong indirect link between customer loyalty and customer satisfaction through customer trust.

5 Conclusion
This study uses coffee shops as research objects that have loyalty programs in the form of member cards that affect customer satisfaction at coffee shops. To support the study, researchers use primary data and secondary data in obtaining data so that it can be processed, [43]. The results showed that member cards have a significant positive influence on customer satisfaction this is due to the benefits of member cards in the form of product discount promos in accordance with customer expectations so that customers feel satisfaction [44], [45]. Furthermore, member cards have a significant positive influence on customer loyalty where this is because the benefits of member cards in the form of discount promos make customers make repeat purchases, [46]. Therefore, customers are loyal to the coffee shop and customer satisfaction has a significant positive influence on customer loyalty where this is because customer expectations are in accordance with the products in the Coffee shop can make loyal customers, [47], [48].

In the next research, it is advisable to look for other factors or variables that have not been studied. In addition, it is also expected to use different measurement methods, [49]. The limitation of this study is that primary data in the form of questionnaire distribution still requires more respondents so it is expected that the results obtained are more widespread, [50].

References:


Contribution of individual authors to the creation of a scientific article (ghostwriting policy)
- Mutiara Dian Azzahra carried out the field survey, data analysis, and the optimization.
- Agus Maolana Hidayat was responsible for the conceptualization and review.
- Mahir Pradana was responsible for the field survey and submission of the article.

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