Customer Loyalty of Discount and Promotion Mobile Applications

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Abstract ─ *In the current Information Technology era third-party applications come to help companies to get information according to their customer needs. By using such application Consumers get easy information through categories provided by third-party applications. This paper is aimed to reveal what determine factors for Customer Loyalty for such an application. The research model development developed by Customer Satisfaction (CS), Trust (Tr), Perceived Value (PV), Commitment (Commit) and Customer Loyalty (CL) where the result of determine factor to Customer Loyalty (CL) are Customer Satisfaction (CS), Perceived Value (PV), and Commitment (Commit). On the other hand Trust (Tr) in this research does not have strong relation with the model.*

Keywords ─ *application, discount, promotion, customer, loyalty*

I. Introduction

The use of discounts and other promotions in the business world is part of the company's strategy to attract customers. Giving direct or indirect discounts such as discounts on second purchases, and so on or promotions in the form of rewards, buying 1 free 1, and so on is done at offline stores and online stores. Offerings like this provide benefits for consumers so they can buy favorite products at affordable prices. In the other hand to many products that implement discount and promotion strategies make it difficult for consumers to get information what products that suits their needs.

In the current Information Technology era, third-party applications come to help consumers get information according to their needs regarding products that are doing promotions both discounts and rewards. Lakupon, Fave, Traveloka are such of the application. Consumers get easy information through categories provided by third-party applications. To increase the number of users, this third-party application also provides offers to its users. By collaborating on certain products the application gives special offer to its users.

Nowadays there are many similar third-party applications, which provide information services about products that are being discounted and promos. Users can choose to use applications that are considered appropriate to their needs. The question that arises is, if the majority of consumers like discount products and other promotions while many third-party applications offer similar services, namely providing information on products that are being promoted, will the user be loyal to a promotional information service provider application? How to measure user loyalty to promotional information service provider application? What factors affected user loyalty in promotional information service provider application products?

Because it involves complex multidimensional constructs, research continues on Customer Loyalty. The researchers made observations in various points of view. In a study of four hotels in Germany, Michael Toedt [1] found that Communication to customers has a positive effect on Loyalty in the context of Customer Relationship Marketing. Whereas the research conducted by Ilona et al. [2] on service providers produced three alternative solutions for measuring Customer Loyalty. Another study conducted by Moon-Koo Kim et al. [3] on smartphone users in Korea shows significant relation between Customer Satisfaction and Switching Barriers on Customer Loyalty, as well as the significant influence of Device Features and Corporate Factors on Customer Satisfaction. While Agustina [4] in her research explained the positive influence of Customer Relationship Management, Brand Trust and Customer Satisfaction on Customer Loyalty at Distributor Shop.

Therefore, this paper aimed to investigate the determine factor of customer loyalty particularly towards discount and promotion applications.

II. Research Method
A. Proposed Model

Cambridge Business English Dictionary define Customer Loyalty as the fact of a customer buying products or services from the same company over a long period of time

(https://dictionary.cambridge.org/dictionary/englis h/customer-loyalty). Kotler [5] explained that high loyalty is a customer who purchases with a percentage increasing in certain companies compared to other companies. Whereas Hur et al. [6] define Customer Loyalty as a commitment that is held firmly to buy back selected products or services consistently in the future, thus causing repeated purchases of goods or services with the same brand despite the influence of situational and marketing efforts that have the potential to cause behavior to switch to products. or services with other brands. Griffin [7] said that loyalty can be measured through four indicators namely making regular purchases, buying outside the product and service lines, recommending products to others and showing immunity to the

attractiveness of similar products or services from competitors. Whereas in the virtual context, many of the researchers analyzed the relationship effects of variables, including Satisfaction, Trust, Commitment towards online Loyalty (Toufaily et al. [8]). In a research conducted by Sri, et al. [9] Commitment has affected positively towards Customer Loyalty. While Innocentius and Patricia [10] discovered that Perceived Value and Customer Satisfaction, both of them have positive relation towards Customer Loyalty, where Trust have no positive effect towards Cusotmer Loyalty.

Based on researches of scholars above, this paper proposed model for Customer Loyalty measurement as follow :
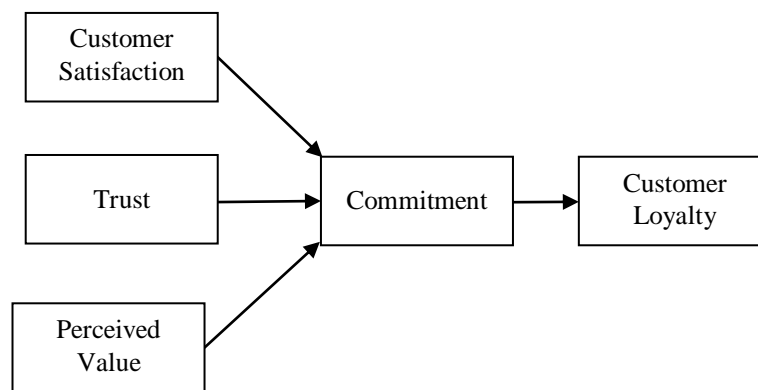
Fig 1: Proposed Model

B. Indicators of Model Development

Data collection of this research is taken by questionnaire sheets. The questionnaires are spread among discount and promotion application users in Jakarta area. About 171 questionnaires are returned of 210 questionnaires. The measurement of this paper used Likert scale from Strongly Disagree to Strongly Agree where the scale criteria implemented through level 1 to 5 [11]. Indicators for this research shown in the table below.

I.Table 1. Varibles and Indicators

Variable	Indicators	Source
Customer Satisfaction (CS)	X1 = Tend to repeat purchase X2 = Word-of-mouth X3 = Reputation X4 = Customer behaviour X5 = Spread positive	[10]
Trust (T)	X6 = Effective X7 = Reliable X8 = Credibility	[12]
Perceived Value (PV)	X9 = Emotional value X10 = Social value X11 = Value of money X12 = Performance	[13]
Commitment (Commit)	Y1 = Consumer confidence Y2 = Psychological engadgement Y3 = Consumer dependent Y4 = Benefits calculation Y5 = Morality engadgement	[9]
Customer Loyalty (CL)	Y6 = Makes regular purchases Y7 = Purchases across product Y8 = Repeat order Y9 = Demonstrate immunity	[12]

III. Result and Discussion

A. Descriptive Analysis

Data collection in this study collected by questionnaires that are spread among discount and promotion application users in Jakarta area. About 171 questionnaires are returned of 210 questionnaires. The diversity of users can be explain as follow. About 69% of user gender are male and 31% of user gender are female. Based

on age discount and promotion application user is dominated by 20 − 30 years of age user for about 82%. Followed by under 20 years of age user as much as 12%. The rest of respondents are above 30 years of age.

B. Model Analysis

To measure the model in this study where consist of relationship between variables Structural Equation Modelling (SEM) is fit to apply. Confirmatory Factor Analysis (CFA) measurement in SEM is intended to confirm that indicators are valid to its variable. The result of CFA measurement in table 2 below showed that indicator X3 below the validity level (> 0.5). It means indicator X3 not have strong relation to Customer Satisfaction (CS) variable and have to eliminated from the model.

III.Table 1. Indicator Validity

Variable	Indicator	Estimate	Validity (> 0.5)
Customer Satisfction (CS)	X1	.737	Valid
	X2	.767	Valid
	X3	.408	Not Valid
	X4	.743	Valid
	X5	.508	Valid
Trust (T)	X6	.875	Valid
	X7	.886	Valid
	X8	.746	Valid
Perceived Value (PV)	X9	.797	Valid
	X10	.846	Valid
	X11	.881	Valid
	X12	.801	Valid
Commitment (Commit)	Y1	.826	Valid
	Y2	.830	Valid
	Y3	.784	Valid
	Y4	.787	Valid
	Y5	.815	Valid
Customer Loyalty (CL)	Y6	.895	Valid
	Y7	.918	Valid
	Y8	.841	Valid
	Y9	.761	Valid

The next step is to analyze the structural model. In SEM, this measurement is intended to analyze overall model conformity test and the causality relationship of the model [11]. Based on AMOS software calculation it showed that Trust (Tr) variable have P = 0.7 in relation to Commitment (Commit) where it above the cut off of 0.05 (see table 3). Because Trust (Tr) does not meet the cut off we modify the model as the final model by eliminate Trust (Tr).

III.Table 2. Regression Weights of Research Model

			Estimate	S.E.	C.R.	P
Commit	<---	CS	.419	.080	5.218	***
Commit	<---	Tr	.040	.106	.380	.704
Commit	<---	PV	.625	.087	7.193	***
CL	<---	Commit	.687	.033	20.751	***

Furthermore Customer Satisfaction (CS) and Perceived Value (PV) have a relation with Commitment (Commit) 0.3 and 0.5 respectively (see table 4).

III.Table 3. Standardized Regression Weights of Research Model

			Estimate
Commit	<---	CS	.340
Commit	<---	Tr	.023
Commit	<---	PV	.493
CL	<---	Commit	.847

As we modify the model by eliminating Trust (Tr) the calculation with AMOS continued. Table 5 showed that Customer Satisfaction (CS) along with Perceived Value (PV) have a relation with Commitment (Commit) as big as 0.35 and 0.50 respectively. While Commitment (Commit) have strong relation with Customer Loyalty (CL) as big as 0.85.

III.Table 4. Standardized Regression Weights of Modified Model

			Estimate
Commit	<---	CS	.345
Commit	<---	PV	.503
CL	<---	Commit	.847

IV. Conclusion

The results of this study provides determine factors of Customer Loyalty for discount and promotion application. Customer Satisfaction(CS), Perceived Value (PV), and Commitment (Commit) are the determine factors for Customer Loyalty (CL). While Trust (Tr) (P = 0.7) does not have strong influence because does not meet the cut off of 0.05. This finding support the research that conducted by Pin Luarn and Hsin-Hui Lin [14] to analyze Customer Loyalty in e-service context where Trust had no strong relation influence to Commitment of the significant level of 0.05 (P = 0.068).

The results of this study also encourage companies to keep develop a relation to third-party application that provide service for discount and promotion information because users have commitment to re-purchase from this kind of application.

This paper finding also can be used by application developer who wants to develop such of discount and promotion application that give better service and quality.

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