

Loyalty program and communication effectiveness as drivers of store loyalty

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Abstract	<p>Purpose The purpose of this study is to determine the direct effect of a loyalty program on program loyalty and store loyalty and to determine the role of communication effectiveness as a mediating variable in moving customers from program loyalty to store loyalty in the context of micro, small and medium enterprises (MSMEs). Design/methodology/approach Respondents of this study were 100 customers of the MSMEs that sell Batik products in Cirebon, Indonesia who were selected by the purposive sampling method. This study focuses on primary data collected through a structured questionnaire. Data were analyzed using SmartPLS 3.0 to determine the causality relationship between variables and to test the communication effectiveness as a mediating variable. Findings The results of this study indicate that the loyalty program has a significant effect on program loyalty; program loyalty has a significant effect on store loyalty and communication effectiveness, and communication effectiveness has a significant effect on store loyalty. Other results indicate that communication effectiveness partially mediates the relationship between program loyalty and store loyalty. Research limitations/implications Despite the significant implications, this study has four limitations. First, the research results cannot conclude the store in general because the sampling of this study is limited to MSMEs only. Future research is needed to explore more deeply to compare store loyalty to MSMEs and non-MSMEs. Second, this research is only aimed at MSMEs that have loyalty programs. Future research can be carried out by comparing MSMEs that have loyalty programs and MSMEs without loyalty programs. Third, this study only uses two independent variables and one mediating variable. As is well known, there are many other variables that are antecedents of store loyalty. Future research needs to be done to explore the effect of other variables (mediating and moderating) on store loyalty, such as service quality, company image and customer satisfaction. Fourth, the research sample is only 100 respondents. Future research should use a larger sample as this research is customer-based. Practical implications This study has a significant impact on MSMEs management by providing strategies that can increase and retain customers who have high store loyalty. MSMEs need to design loyalty programs to influence customer perceptions of status, buying habits and relationships with companies. If a customer associates a high value with loyalty program membership, the customer is more likely to find the communication relevant and credible, leading to effective communication that can increase store loyalty. Social implications This study provides real strategies and opportunities for MSMEs to develop so that they can survive or compete with similar companies. It is hoped that MSMEs will be able to absorb more labor so that it can increase the contribution of MSMEs to the national economy. Originality/value This study addresses the inconsistency of various results from previous studies regarding the relationship between program loyalty, loyalty programs, communication effectiveness and store loyalty, both directly and indirectly. In addition, several studies have been carried out in large corporate contexts. However, according to the authors' knowledge, this research is for the first time being conducted in the context of MSMEs.</p>
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