The Effect of Customer Value on Customer Retention at Merdeka Toyota Dealers

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Abstract. The purpose of this study is to determine the effect of customer value on customer retention. This study used an explanatory research type with 43 respondents from vehicle maintenance customers at the Merdeka Motor Toyota as the population. The SPSS 25 regression was used as a tool to analyze the data. The results of this research showed that customer value had a significant and positive effect on customer retention. Customer value must always be improved, developed, and created according to customer needs and expectations for the development and growth of the company in the future.

Keywords: Customer Retention · Customer Value · Toyota Car Care Customers

1 Introduction

Customer retention is one of the important issues for the growth of the vehicle maintenance service business at Merdeka Toyota dealers. Existing customers who are given special treatment can trigger customers to return to using Toyota vehicle maintenance services. Customer return to service is defined as a continuous relationship for the company with the customer [1]. If attention to customer returns is low, it will result in lower profits in the future [2, 3].

Customers who retain vehicle maintenance services at Merdeka Toyota dealers in the last four years are still low at 11.7%, which means that out of 28,201 customers who performed vehicle maintenance, only 2,500 returned (MMT 2017-2020). This encourages service companies to find new ways to retain customers. An increase of 5% of customers who return for repair services can result in better profits of 25–95% in the corporate environment [4]. It is further stated by researchers that customer retention increases profitability by reducing costs incurred to acquire new customers [5, 6].

Profit is the hope of every business. Customer retention is one of the keys. Other advantages and benefits can result from good relationships between customers and companies for a long time [7].

Maintaining good relationships with customers is cheaper than getting new customers [8]. This is free advertising as a source of positive word of mouth [9]. Research on customer retention has been widely discussed in previous studies. Still, as far as it is known, customer retention in Toyota vehicle maintenance services has only been studied in this study and has not been found in other studies.

The purpose of this study is to close the differences between future research and return customers based on a good relationship with Toyota vehicle maintenance services at the Merdeka Motor Toyota dealership. The orientation of this research framework is to develop tangible services to create customer value. Service value is a value that distinguishes a product from other products. The value of service can be seen from the form or process of service received by customers, whether the service is appropriate and fast [10].

1.1 Retention

Customer retention is a variety of actions taken by companies to keep customers using their products or services. The surprising thing is that not all businesses prioritize customer retention. Based on data from Forbes, in 2012 many businesses prioritized driving sales, while customer loyalty was the last priority. As much as 25–40% of the total stable business revenue is obtained from returning customers. Repeat customers can multiply their income up to 3–7 times more than one-time buyers. New customers are important to get, but it is better to keep existing customers. The more customers return to perform repair services, the greater the company's profits. The higher the customer retention, the more profit the company can get. The cost of acquiring new customers is 6–15 times greater than the company's loyal customers [11]. Returning customers helps increase the company's profits and generate the best future customers [12].

Maintaining and keeping existing customers is much easier. Surprisingly many companies prefer to spend money and effort to acquire new customers to increase profits. It is easier for loyal customers to buy repair services than new customers who are not familiar with repair services. Customers who return to buy repair services reduce promotional costs incurred and increase profits compared to promotional costs incurred to acquire new customers [5, 6].

Businesses fail to build strong customer relationships, so there is a 20% chance that customers will leave the product and look at competitors. In some business industries, this percentage figure can be even higher. Customers who return to repair services can be seen from the slightest growth that can have a big impact. Maintaining and maintaining long-term customer relationships can increase profits and competitive advantages for repair maintenance service companies [12, 13].

1.2 Customer Value

The overall superiority of products, services and experiences according to customer awareness of the benefits received, sacrifices, and costs incurred is a comprehensive customer assessment of the market [14]. Service to service between the customer and the company is an opportunity to create value [15]. In this case, customer value is a form of consumer assessment of the capacity of a product to satisfy their need for retention.

Customer value proven through customization value and relational value to have achieved a higher level of customer loyalty is indicated through customer retention [16]. The results of other studies also state that customer value had a significant impact on loyalty behavior such as customer retention [17–20]. This is the basis of the hypothesis
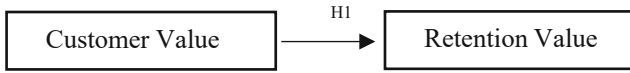
Fig. 1. Conceptual framework

which states that customer value has a significant influence on customer retention. The hypotheses in this study are:

H1: Customer Value affects Customer Retention. The research paradigm is shown in the following figure (Fig. 1),

2   Methods

This study used explanatory research to explain the influence and relationship between the variables of customer value and customer retention. The population in this study were vehicle maintenance customers at the Merdeka Toyota dealer with a total sample of 43 respondents.

The measurement scale used in this study was a Likert scale measurement technique. Data collection techniques were carried out by giving questionnaires to vehicle mainte-nance customers at the Toyota Merdeka Motor dealer. The data used were primary data and then analyzed using SPSS 25 linear regression analysis.

3   Result and Discussion

The results of the research are as follows. Table 1 shown the regression equation explains the correlation value (R) of 0.911. The output obtained by the coefficient of determination R Square 0.830, which means that the effect of the independent variable on the dependent variable is 83.0%.

Table 2 showed that the calculated F value is 200.310 with a significance of 0.000 < from 0.05 so that the regression model can be used to predict customer value variable and also customer retention, thus there is an effect of variable X and variable Y.

The value of the constant a is 0.362, the customer value is 0.932. The regression equation can be written as $Y = a + b X$, $Y = 0.362 + 0.932X$. The equation in the Table 3 is a constant 0.362. This shows that the consistency value of the retention variable is 0.362. The coefficient X is equal to 0.932 which means that for every 1% additional customer value, the participation value increases by 0.932. The regression coefficient is positive, so it can be said that the hypothesis of this research H1: Customer Value (X1) has an effect on Customer Retention (Y1) is accepted where the direction of the influence of the X variable on Y is positive and significant.

Table 1. Accuracy Test Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.911[a]	.830	.826	1.00479

Table 2. Accuracy test model ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	202.234	1	202.234	200.310	.000[b]
	Residual	41.394	41	1.010		
	Total	243.628	42			

Table 3. Coefficients of Accuracy Test

Unstandardized Coefficients				Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	.362	.774		.469	.642
	Customer Value	.932	.066	.911	14.153	.000

This research also proves the theory [16] and is in line with previous research [17–20]. From a total of 43 respondents, 25.6% stated that they were very satisfied, 26.6% said they were very satisfied and 48.9% said they were satisfied to carry out vehicle maintenance retention at Merdeka Toyota dealers, while 14.28% of customers stated that they were satisfied or still unsure. Hesitation to do maintenance retention of his vehicle shows the need of creating new customer value through online booking, payment by application, and information on the progress of this vehicle maintenance service. It is suggested for the next research to study the effect of customer delight on customer retention. Subsequent paragraphs, however, are indented.

4 Conclusions

The research findings showed that customer value had a positive and significant effect on customer retention, This study also proves the theory of "Creating customer loyalty through service" customization in European Journal of Marketing" [16] and in line with previous research [17–20].

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