The Effect of Customer Relationship Management on Customer Loyalty of Local Cosmetics in Indonesia

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ABSTRACT

This paper uses customer relationship management to asses customer loyalty toward local cosmetics. The data for this study was gathered from 200 particular cosmetic customers. Variance-based structural equation modeling was applied to assess the association between customer relationship management, customer satisfaction, and customer loyalty. This study reveals that for local cosmetics, customer relationship management drives customer satisfaction and results in customer loyalty. This study provides an opportunity for local cosmetics managers to increase customer loyalty through customer relationship management. Cosmetic managers should build strong customer relationship management and create customer satisfaction. This is an early empirical study attempting to examine the link between customer relationship management and customer loyalty in local cosmetics products.

Keywords: Customer Relationship Management, Customer Satisfaction, Customer Loyalty

1. INTRODUCTION

The national cosmetics sector grew by 7.36% in the first quarter of 2018 compared to the same period last year, according to the Ministry of sector (Kemenperin) (Kemenperin, 2018). The pharmaceutical industry, pharmaceutical ingredients, and cosmetics are among the mainstay sectors that receive development priority and are expected to play a significant role as the main driver of the economy in the future, according to the National Industrial Development Master Plan (2015–2035), which is being implemented by the Ministry of Industry based on this increase (Ministry of Industry, 2020). To enable the local or domestic cosmetics sector to use local natural resources as raw materials, the Ministry of sector supports and encourages this (Ministry of Industry, 2020). Based on 500 responses obtained using Populix, which Katadata published. According to the survey, 54% of respondents prefer local cosmetics brands. International brands received a value of 11% from respondents as their preferred cosmetics, and 35% of respondents said they had no preference at all. 500 respondents preferred local cosmetics with a trust value of more than 50% (Pahlevi, 2022). Luxcrime placed ninth with a total percentage of 10%, which is the same as the Mustika Ratu brand in 10th place as local cosmetics used in 2022, according to a follow-up study of 54% of respondents who selected

local cosmetics. As the top-selling cosmetic item in 2021, Luxcrime ranked first, with an 11% market share, according to Compass data. (Compas, 2021).

According to Gil-Gomez (2021), Customer Relationship Management (CRM) is something crucial for businesses to perform in centralizing and connecting all transactions to customer data to manage and identify the most devoted customers. CRM makes it easier for a business to communicate sustainably with clients and potential customers by giving it data on product transactions that are sold. Before obtaining transaction data, learn more about your devoted clients. Employing social media and other communication tools are just a couple of the many things businesses can do to develop and improve communication. Businesses may reach current and prospective customers with reliable information by using social media. similar to what Luxcrime posts on Instagram. On the Instagram bio as a brand identity, Instagram Luxcrime offers clear information. Starting with a description of the brand, company's sector or industry, tagline, hashtag, details regarding the product's safety and legality, and ending with the call center. Customers and potential customers can assure and trust a brand's legitimacy by reading the brand's clear exposure in the Instagram bio of Luxcrime. Customers can feel a sense of satisfaction after comparing a product's performance to their

expectations, according to Tjiptono & Diana (2019). Reviews and customer testimonials on the use of a product might reveal whether a customer is satisfied.

As seen by the data for 2021, the beauty brand Luxcrime has established a reputation with consumers and may take the top spot for best-selling makeup in that year. A year later, there was a drop in rank, nevertheless. According to the previously discussed phenomena, the author believes that Luxcrime has made some efforts, particularly in customer relationship management and paying attention to customer satisfaction with Local Cosmetic in Indonesia products, but it is necessary to measure the impact of customer relationship management on customer loyalty. Therefore, it is important to research these three variables.

2. LITERATURE OVERVIEW

The American marketing association states that "marketing is the activity set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large." according to the American marketing association, marketing is a set of activities used to develop, disseminate, deliver, and exchange offers that are valuable to stakeholders and end users. Marketing is the function that interacts with the outside world the most, even though businesses have little direct influence over it (Rizal, 2020). Large-scale interactions between marketing and its surroundings occur. The end consumption of customers or users will undoubtedly be the company's aim, but this activity is not straightforward. The company's actions in carrying out this marketing can impact and be influenced by several different parties.

To produce and provide value to target consumers and generate revenues, Customer Relationship Management (CRM) integrates internal processes, functions, and external networks (Buttle, 2009). Buttle also outlined the steps of the CRM process, which include identifying potential clients, luring in new clients, boosting client loyalty, upholding client connections, and analyzing and managing client data. The CRM variable Rozana Dirar Odeh (2022) proposed has the following dimensions: Social media, information sharing, long-term customer relationships, cooperative issue solving, and technology-based customer relationship management.

Customer loyalty, according to Kotler & Keller (2016), is a strong commitment to buy a certain product or subscribe to a certain service despite the influence of many circumstances and competitors' marketing initiatives that can alter customer behavior. According to Khadka and Maharjan (2017), "loyalty is more profitable". Maintaining current consumers is far less

expensive than acquiring new ones. Customers that are loyal to you recommend you to others and are more hesitant to switch to other providers of services. Customer loyalty is a result of thoughtful planning and purchase decisions rather than chance. Planning for client retention must be customer-centered and take into account the needs and preferences of the service user. With time and on many occasions, customer loyalty is developed.

The dimensions of customer loyalty include Repeat Purchases, Retention, and Referrals.
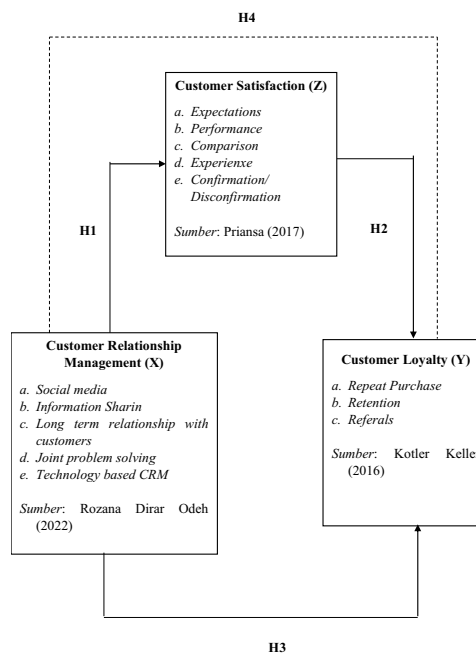

Figure 1. Framework

3. RESEARCH METHODS

Consumers who had purchased Local Cosmetic in Indonesia items were surveyed for a total of three months, from January to March. Quantitative research methods are used in this study. According to Sekaran and Bougie (2016), the quantitative research method is a business review that describes an analysis of a particular business problem and offers a methodical and well-organized solution to the issue. 200 respondents made up the study's population and samples. Purposive sampling will be used to sample this group. Purposive sampling is a sampling method with particular or unique considerations based on the goals of the research (Sugiyono, 2019). Researchers in this study set requirements for the sample, namely customers who had bought Local Cosmetic in Indonesia brand products.

With SPSS 25 as a measuring tool, it is possible to test the findings and identify any threats to the research results because this study relies on questionnaire responses, which are regarded as primary data. Therefore, before researching the research instruments to be used, it is also necessary to evaluate their validity. The hypotheses tested customer relationship management, customer satisfaction, and customer loyalty are the focus of this research.

4. RESULTS AND DISCUSSION

The total respondents in this study were 200 respondents who were distributed using an online questionnaire or Google form. Characteristics of respondents based on age in the range < 17 years to > 45 years, respondents aged 17-25 years were the most respondents 83%. The majority of respondents' jobs are students with a percentage of 67%. And 31% of respondents have an income of < Rrp1,000,000 every month. 200 respondents showed that customer relationship management at Local Cosmetic in Indonesia was in a Good category with a value of 77.21% regarding the Likert scale. The same thing with customer satisfaction is in a good position with a presentation of 76.19%. Customer loyalty has a value of 70.65% which is interpreted as Good according to the Likert scale reference.

Variable testing follows:

a. The coefficient between the independent variable customer relationship management and the intervening variable customer satisfaction (A)

Table 1 Coefficient of Customer Relationship Management on Customer Satisfaction

Model		Standardized Coefficient
		B
1	X	0,715

b. The coefficient of the intervening variable customer satisfaction and the dependent variable customer loyalty (B)

Table 2. Coefficient of Customer Relationship Management and Customer Satisfaction on Customer Loyalty

Model		Standardized Coefficient
		B
1	X	0,124
	Z	0,753

c. Standard error of A

Table 3 Standard Error of Customer Relationship Management to Customer Satisfaction
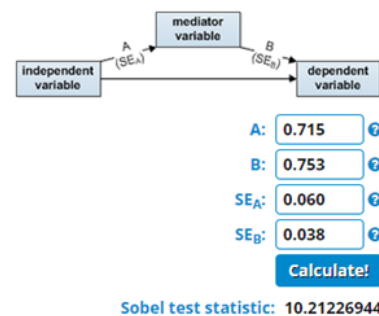
Model	Coefficient
Customer Relationship Management	0,060

d. Standard error of B

Table 4. Standard Error of Customer Satisfaction to Customer Loyalty

Model	Coefficient
Customer Satisfaction	0,038

e. Sobel Test

Figure 2. Sobel Test Calculation Results Customer Relationship Management to Customer Loyalty through Customer Satisfaction at Local Cosmetic in Indonesia.

Source: https://www.danielsoper.com/statcalc/calculator.aspx?id=31

The calculation results show how much the calculated value or t count of the intervening variable, namely customer satisfaction, affects customer relationship management on customer loyalty. The sobel test results show a value of 10.2122. Based on the t-test hypothesis testing requirements, the value of t count > t table with the equation 199,0711 ≥ 10,2122, so that the intervening variable customer satisfaction has an effect on customer relationship management on customer loyalty at Local Cosmetic in Indonesia.

Based on the test, the calculation of the effect can be seen as follows:

Table 5. Results of Calculation of Variable Influence

Influence	Direct	Indirect (through Z)	Total
X to Z	0,715	-	0,715
Z to Y	0,753	-	0,753
X to Y	0,124	0,538	0,662

Customer relationship management has a significant effect on customer satisfaction at Local Cosmetic in Indonesia. This is known from the results of the t-test which shows the value of t count> t table is 14.381> 1.97202 with a significance value of 0.000 <0.005 which has met the requirements of hypothesis testing with the results of customer relationship management variables having a significant effect on customer satisfaction at Local Cosmetic in Indonesia.

Customer relationship management has a significant effect on customer loyalty at Local Cosmetic in Indonesia. This is known from the results of the t-test which shows the value of t count> t table is 13.887> 1.97208 with a significance value of 0.023 <0.05 which has met the requirements for hypothesis acceptance, namely the customer relationship management variable has a significant effect on customer loyalty.

Customer satisfaction has a significant effect on customer loyalty at Local Cosmetic in Indonesia. This is known from the results of the t-test which shows the value of t count> t table is 2.290> 1.97208 with a significance value of 0.000 <0.05 which has met the requirements for acceptance of the hypothesis that the customer satisfaction variable has a significant effect on customer loyalty at Local Cosmetic in Indonesia.

Customer relationship management has a significant effect on customer loyalty through customer satisfaction as an intervening variable at Local Cosmetic in Indonesia getting a value of 0.662 based on the results of testing indirect effects using the sobel test.

These results are also supported by the results of previous research by Wasi Bagasworo (2017) which states that employees who maintain good relations with their consumers will bring a sense of satisfaction with the services provided and view the provider company as a good company. This can have a positive impact such as consumers will always look for the company as their first choice and recommend this company to relatives, friends, and others.

Customer relations management, according to Gil-Gomez, is an activity carried out by the business to gather data on customers, integrate it, and then utilize it as a guide to categorize repeat consumers. Kotler and Keller assert that customer happiness and enjoyment

with the things they receive are the sources of customers' loyalty. Customer relationship management and customer satisfaction are two factors that Local Cosmetic in Indonesia can utilize to increase client loyalty. The study's findings are consistent with those of Local Cosmetic in Indonesia, where the relationship between customer relationship management and customer loyalty is mediated by customer satisfaction. This relationship has an overall influence value of 66.2%, which is significantly higher than the 12.4% value of the direct relationship between CRM and customer loyalty. The large difference might serve as a guide for businesses looking to boost client loyalty. According to the results of this study, customers do not accept responses to suggestions and criticism of Local Cosmetic in Indonesia and Local Cosmetic in Indonesia items, which is one of the indicators with the lowest value on the customer relationship management variable. The lack of clear product information provided to clients before making purchases and the absence of offers or promotions from Local Cosmetic in Indonesia are the two factors that have the lowest value in the customer satisfaction variable. The unreliability of the client, which may tempt them to move to competitors selling local cosmetics in Indonesia, has the lowest value in the variable measuring customer loyalty. Therefore, by paying attention to the indicators of each of these elements, businesses can make adjustments and improvements.

5. CONCLUSION AND SUGGESTIONS

5.1. Conclusion

Based on what has been discussed by the author, until the end of writing, the results of this study indicate that customer relationship management has a positive and significant effect on customer satisfaction, customer satisfaction has a positive and significant effect on customer loyalty, customer relationship management has a positive and significant effect on customer loyalty, customer satisfaction as an intervening variable has a positive and significant effect customer relationship management on customer loyalty.

5.2 Suggestions

Based on the results of the study, it is hoped that it can become a reference base for Local cosmetics in Indonesia to pay more attention to what factors affect customer loyalty. It is intended that Local Cosmetic in Indonesia can implement the right strategies and policies for the company, especially to maintain customer loyalty with the factors studied, namely customer relationship management and customer satisfaction.

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