

Optimizing Customer Retention in Modern Retail: The Role of Customer Experience and Relationship Quality

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ABSTRACT

The customer's position is the spearhead of business, including modern retail, for this reason, this research aims to find ways to optimize customer retention in modern retail with the role of relationship quality, and customer experience in Ramayana department stores. The population in this study were customers of Ramayana department stores in the DKI Jakarta area. The sampling technique used proportional random sampling with a sample size of 400 customers of Ramayana department stores. The data analysis method used in this research is path analysis using JASP software. This research produces conclusions 1). Relationship quality is proven to have a positive and significant influence on Customer Experience at Ramayana Department Store. 2) Customer Experience is proven to have a positive and significant influence on Customer Retention at Ramayana Department Store. 3) Relationship quality has a positive effect on Customer Retention through Customer Experience as full mediation at Ramayana Department Store.

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1. INTRODUCTION

With the rapid growth of modern retail and highly competitive conditions, it is increasingly difficult for modern retailers to maintain their competitive advantage. This is due to rapid product imitation, short product life, and the large amount of information available to consumers, making it easy for consumers to move from one shop to another due to minimal barriers to moving.

This makes retailers have to be more careful and intelligent in organizing and managing their marketing strategies which

are due to the similarity of products or higher levels of service, in addition to increasingly easier access to information so that marketing strategies must be built as effectively and efficiently as possible, one way is to build better brands, skills in building loyalty, maintaining long-term relationships with consumers and skills in offering superiority [1], [2].

The growth of the Department Store business is not as fast as other retail businesses such as hypermarkets and minimarkets which sell food products, drinks, and other household necessities.

Department stores are retailers that sell fashion commodity products including clothing, bags, shoes, accessories, and household furniture which are organized into sections (departments) with a self-service purchasing system.

This industry first developed in Jakarta in 1962 under the name Sarinah. The emergence of Sarinah inspired shops which became the forerunners of several big local players such as Matahari and Ramayana. Following this, some foreign department stores entered Indonesia, such as Sogo, Metro, Seibu, and so on. Even though Indonesia is experiencing economic growth, the number of department stores is not increasing as much as hypermarkets, supermarkets, and minimarkets.

This research will be carried out at Ramayana Department Store, which is one of the modern retail store companies in Indonesia that specializes in selling quality products at affordable prices to the middle-income market segment. The development of this shop, which opened in 1978 on Jalan Sabang, has shown good results. With the increasingly rapid growth of stores. This simple shop business has transformed into a retail network that is growing rapidly nationally.

The COVID-19 pandemic has forced all sectors of society to immediately change and accelerate the digitalization process in all fields, including the shift from offline purchasing methods to online purchasing (e-commerce), which has suddenly become an unavoidable phenomenon as technology advances and digitalization continues to accelerate. The sophistication of digital technology currently allows the creation of a variety of technological systems designed to assist human work in producing information of the best quality [3].

The digital technology revolution has also changed consumer behavior towards marketing [4], [5]. Changes in consumer behavior can be seen in the way they search for, pay for, use, and even throw away the goods they buy after consumption.

Consumer habits in consuming media have also changed drastically, thus

encouraging marketers to adjust strategies and innovate to find alternative channels that are more effective in attracting consumers. At the same time, marketing strategies and activities have also developed to become more modern [6].

To strengthen data regarding Ramayana customer perceptions of factors that are also thought to influence Ramayana consumer retention levels, a pre-survey was conducted by the author on 30 Ramayana customer respondents with the following results: 70% of 30 Ramayana customers choose to visit and shop at Ramayana because of good customer relations. 80% of 30 Ramayana customers choose to visit and shop at Ramayana because of the ease of transactions.

2. LITERATURE REVIEW

The Grand Theory used in this research is Marketing Management Theory [7], [8]. The Middle Range Theory that will be used is Customer Behavior Theory [9], [10] as well as Customer Culture Theory [11].

2.1 *Customer Retention*

[12] define customer loyalty as customer preference, awareness, commitment, trust, willingness to recommend, and repurchase intention. [8] define customer loyalty as customer preference, commitment, trust, and willingness to recommend. According to [13], client retention refers to a company's capacity to maintain its current client base, which is demonstrated through customer loyalty and satisfaction. With dimensions: a. customer loyalty (purchase frequency, intensity of product use, and product recommendations), b. customer satisfaction (product quality, customer service, and price).

[14] state that Customer Retention is a company's ability to retain high-value customers and minimize customer churn with the dimensions: a. customer value (purchase frequency, number of products used, and total customer spending value), b. customer

churn rate (customer bounce rate and product/service churn time).

Furthermore, [15] defines customer loyalty as a company's ability to retain loyal customers and create long-term value for the company and its customers. With dimensions: a. customer loyalty (purchase frequency, intensity of product use, and product recommendations), b. long-term value (customer contribution to company revenue and profits as well as product development potential).

2.2 Customer Experience

Customer experience refers to the internal and subjective reaction of a customer as a result of their direct or indirect encounters with a firm [16]. [17] conceptualize the idea of "experience" as something different from goods and services, noting that consumers purchase an experience to spend time enjoying a series of unforgettable events uniquely presented by the company. very personal.

According to [18], the dimensions of customer experience are:

- a. product experience
- b. results focus
- c. moments of truth
- d. peace of mind

Product experience encompasses the significance of how customers perceive their options and their capacity to evaluate different offerings. This plays a crucial role in shaping consumer behavior and fostering loyalty towards a particular product or service. The focus on outcomes, related to reducing customer transaction costs, such as searching for and evaluating new suppliers, emphasizes the significance of purposeful experiences in shaping consumer behavior.

The concept of moments-of-truth highlights the significance of service recovery and adaptability in managing consumer issues that emerge. Peace of mind refers to a customer's assessment of all encounters with a service provider, encompassing the period before, during,

and after purchasing a service. This element encompasses comments that are intricately linked to the emotional dimension of service.

[19], Customer Experience is the collective term for all the interactions that occur at various points of contact, encompassing the cognitive, affective, emotional, social, and sensory aspects of the customer. at the convergence of the digital, physical, and social realms. [20], defines CE as the impression formed when people come into contact with products, services, and companies.

Research by [21] It was shown that clients who had a favorable experience had a tendency to persist in utilizing the product or service provided and made more purchases.

Thus, this shows that the Customer Experience variable is predicted to increase Customer Retention.

2.3 Relationship Quality

[22], defines Relationship Quality as a factor integrated into relationship marketing, which explains the company's efforts to establish deep and meaningful relationships to provide benefits to its customers.

[23] Relationship Quality is a framework in which buyers have faith in the seller's honesty and have assurance in the seller's future performance due to consistently good previous performance, as seen by the customers in the consumer market.

[24] Relationship Quality has been recognized as a key driver of sustainable competitive advantage. This is because the intangible elements of strong relationships that companies can establish with their customers are difficult for competitors to replicate, leading to increased customer loyalty. Additionally, Relationship Quality opens up opportunities for cross-selling, customer referrals, reduced exchange costs, higher market share, and improved business performance. [25] defines Relationship Quality as the relationship

between a company and its customers which is accompanied by the buyer's intention to continue the purchasing relationship, increase quantity influence customer loyalty, and repurchase based on past and future customer experiences. According to [26], Relationship Marketing encompasses all marketing strategies focused on establishing, cultivating, and sustaining prosperous relationship transactions.

According to [27], Relationship Quality for customers is the customer's overall evaluation of the quality of their interactions with the company, which includes the dimensions: a. trust, b. commitment, and c. satisfaction. Research by [21] titled The impact of relational structures on client referrals and the number of services acquired from a multiservice provider demonstrates that enhanced quality connections between consumers and organizations may significantly influence customer pleasure, customer trust, and customer loyalty. They also found that better relationship quality can create more positive customer experiences.

Previous research by [28] it is asserted that there is a correlation between Relationship Quality and Customer Retention. Relationship Quality refers to the intangible element of strong relationships that companies can establish with customers, which cannot be easily replicated by competitors. This leads to benefits such as increased customer retention, opportunities for cross-selling, customer referrals, reduced interchange costs, higher market share, and improved business performance.

Thus, this shows that the Relationship Quality variable is predicted to improve Customer Experience and Customer Retention.

3. METHODS

This research was conducted using a quantitative approach, the subject of this research was customers of the Ramayana department store and the object of the study was modern retail, the time of research was conducted from December 2023 to April 2024 and the location of the research was the DKI Jakarta area, the research instrument using a 1-5 Likert scale, the sampling method used is proportional random sampling [29], the process involves gathering data through the use of a questionnaire and analyzing the data using mediation analysis with JASP software. Mediation analysis examines the degree to which the relationship between variable X and variable Y is accounted for by another variable [30].

4. RESULTS AND DISCUSSION

Table 1 contains the coefficient values and their corresponding confidence ranges.

Based on the data shown in Table 1 and the accompanying figure, utilizing bootstrap confidence intervals, we may deduce that there is evidence of mediation in this model. The 95% confidence interval (CI) for the indirect impact is [0.154, 0.294], indicating that the range of possible values for the indirect effect is between 0.154 and 0.294. Importantly, the CI does not include the value of 0, suggesting that the indirect effect is statistically significant. It is worth noting that the Relationship Quality (RQ) variable has a favorable direct influence on Customer Retention (CR), and the overall effect is likewise good. This provides a valuable understanding of how patterns in Relationship Quality (RQ) promote optimal Customer Retention (CR) through Customer Experience (CE).

Table 1. Result of Mediating Analysis using JASP Software

Parameter estimates							
Direct effects					95% Confidence Interval		
	Estimate	Std. Error	z-value	p	Lower	Upper	
RQ → CR	0.294	0.055	5.316	< .001	0.185	0.402	
<i>Note.</i> Delta method standard errors, normal theory confidence intervals, ML estimator.							
Indirect effects					95% Confidence Interval		
	Estimate	Std. Error	z-value	p	Lower	Upper	
RQ → CE → CR	0.224	0.036	6.238	< .001	0.154	0.294	
<i>Note.</i> Delta method standard errors, normal theory confidence intervals, ML estimator.							
Total effects					95% Confidence Interval		
	Estimate	Std. Error	z-value	p	Lower	Upper	
RQ → CR	0.517	0.047	10.929	< .001	0.425	0.610	
<i>Note.</i> Delta method standard errors, normal theory confidence intervals, ML estimator.							
Path coefficients					95% Confidence Interval		
	Estimate	Std. Error	z-value	p	Lower	Upper	
CE → CR	0.361	0.052	6.914	< .001	0.259	0.464	
RQ → CR	0.294	0.055	5.316	< .001	0.185	0.402	
RQ → CE	0.620	0.043	14.469	< .001	0.536	0.704	
<i>Note.</i> Delta method standard errors, normal theory confidence intervals, ML estimator.							

Source: Processed primary data (2024)

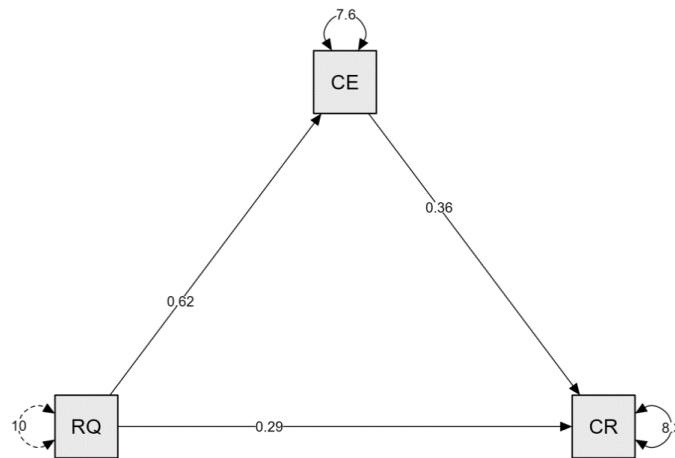


Figure 1. path plot the mediating model by JASP Software

5. CONCLUSION

This study establishes that Relationship quality has a positive and significant impact on Customer Experience at Ramayana Department Store. Additionally, Customer Experience is shown to have a positive and significant influence on Customer Retention at Ramayana Department Store. Furthermore, Relationship

quality indirectly affects Customer Retention through Customer Experience, acting as a complete mediator at Ramayana Department Store.

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