

## **FACTORS AFFECTING CUSTOMER RETENTION IN BATAM HARBOUR BAY CGV CINEMAS**

By

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### **ABSTRACT**

*This study aims to determine the factors that influence customer retention in CGV. Total of respondents were used in this study were 96 respondents by using purposive sampling technique. The data processing technique used descriptive analysis and multiple linear regression analysis which was processed by using SPSS program. The results showed that customer retention was proven to be positively and significantly influenced by service quality and location. The calculated t value for the service quality variable (X1) -0.747 with a significance value of 0.457 and the t count for the location variable (X2) 4.315 with a significance value of 0.000. The results of the Anova table show that the calculated F value is 14,780 with a significance value of 0.000. The conclusions of this study are (1) service quality has a negative and insignificant effect on customer retention, (2) location has a positive and significant effect on customer retention, and (3) service quality and location simultaneously have a positive and significant effect on customer retention.*

**Keywords:** Customer Retention, Service Quality, Location

### **INTRODUCTION**

The rapid growth of the service sector in Batam city will have an impact on the intense competition for customers. Service companies continue to strive to provide the best service to attract more customers. Service providers really understand that customers need good service, so satisfying customers is an obligation for the company. In addition to services, the location factor is very important for the business sector that offers products and services. With the ideal service and location, the company will achieve customer retention. With a location that is compatible with the business, of course, it can support efforts to generate profits for business owners. One of the businesses engaged in the service sector is CGV cinema that located Harbour Bay Batam. Based on the results of observations made, the quality of service felt by customers is not satisfactory and there are also complaints from several customers regarding the location of the CGV Harbour Bay Cinema in Batam city, namely the location of this company is considered far from the city center and the environment seems quiet, especially at night. This will also affect the decrease in customer retention, because the location factor will also be considered by consumers in choosing the services they will buy. As a result, it is difficult for companies to get new customers who can then create repeat purchases, that the majority of consumers will decide to return to make purchases if the company can provide good service and in accordance with consumer expectations (Syaqirah, 2014: 380).

The decrease in incoming customers and a significant decrease occurred from June to July, this can be an identification of the problem of decreasing customer retention (Customer Retention) at the CGV Harbour Bay Batam Cinema. The cause of the decline in the number of customers who come is due to the lack of services quality provided and the location of the business services that it is suspected to be the cause several new customers not returning to repurchase services. The companies in the service sector must continue to maintain their existence and continue to grow. So, it is very necessary to take a study that examines the effect of service quality and location on customer retention (maintaining customers). Based on the description of some of the problems mentioned above, researchers are interested in conducting research with the title Factors Affecting Customer Retention in Batam Harbour Bay CGV Cinema. The purpose of this research is to examine the effect of service quality on customer retention in Batam Harbour Bay CGV Cinema. Second purpose is to examine the effect of location on customer retention in Batam Harbour Bay CGV Cinema. Third is to examine the effect of service quality and location together on customer retention at Batam Harbour Bay CGV Cinema.

### **Service Quality**

Service quality is defined as the delivery of services that will exceed the level of customer interest, because services or services are visible, and service quality cannot always be evaluated accurately, customers try to assess service quality based on what they feel, namely through attributes that represent the process of service quality. Sukmadi (2010: 41), Service quality is defined as how far the difference between reality and customer expectations for the services received/obtained (Sukmadi, 2010: 41). Meanwhile, according to Wyckof in Tjiptono (2006: 59) Service quality (service) is the level of excellence expected and control over the level of excellence to meet customer desires. The definition of service quality (services) is also centered on efforts to fulfill customer needs and desires as well as the accuracy of delivery to balance customer expectations (Tjiptono, 2006: 59).

### **Service Quality Indicator**

According to Parasuraman and friends (in Tjiptono, 2008: 26), indicators of Service Quality are:

1. Direct evidence (Tangibles), namely in the form of physical appearance, equipment and a variety of visible matter which can be considered good.
2. Reliability (Reliability), the ability to provide immediate, accurate, consistent and satisfactory.
3. Responsiveness (Responsiveness), the willingness and ability of the employee to provide services quickly and responsiveness. The readiness of employees to fulfill consumer desires in a responsive and friendly manner.
4. Assurance (Assurance), which includes knowledge, competence, courtesy and trustworthiness owned by the staff of the promise given, free from danger, risk or doubt.
5. Empathy (Empathy), namely the willingness of employees to establish relationships, good communication, personal attention and understanding of the individual needs of customers.

### **Location**

According to Sudaryono (2015: 191) location is a place to carry out production activities by a company and for service companies it is better known as service *outlets*. According to Tjiptono (2008: 92) location is the place where the company operates or where the company carries out activities to produce goods and services that are concerned with the economic aspect. According

to Herjanto (2008: 25) location is one of the important factors for the company because it will affect the development and survival of the company.

### **Location Indicator**

There are many indicators in determining the location of a company, but the most commonly used are the factors that need to be considered carefully in choosing a location according to Tjiptono (2011: 42), including the following:

1. Access, for example a location that is easy to pass or easy to reach by public transportation
2. Visibility, for example the location of the business can be seen clearly from the side of the road or from a normal viewing distance.
3. Places parking space, comfortable, and safe, both for two-wheeled vehicles and four wheels.
4. Environment, the surrounding area that supports the services offered.
5. Competition, the location of competitors. For example, in determining the location of a business (clothing), it is necessary to consider whether on the same street or area there are many other similar businesses.

### **Customer Retention**

According to Sunyoto (2015: 72), Retention is the transfer of stimulus interpretation into long-term memory. Consumer researchers have become very interested in this field over the last decade and then when it is associated with the word customer (customers). according to Buttle (2009: 258), Customer retention is the maintenance of continuous trading relationships with customers over the long term. Customer retention is the mirror image of customer defection or churn. High retention is equivalent to low defection. Customer retention is maintaining an ongoing sales relationship with long-term customers. Customer retention is a picture of consumer immunity. High purchase retention equals immunity.

### **Customer Retention Indicator**

There are three indicators of *customer retention* in Tawinunt at al. (2016: 468), the indicators are:

1. Recommending to Others ( *Word-of-Mouth* )  
*Word-of-Mouth* talks to other customers or other people about their experiences using the products they buy, this reference is made by word of mouth, even though it is simple, but it is a surefire way to sell the product.
2. Hope to Make Repurchase ( *Retention* ).  
The use or purchase of products or services offered by the company that are in accordance with customer expectations causes customers to feel satisfied so that they are expected to make repeat purchases in the future.
3. Customer Loyalty ( *Customer Loyalty* )  
Customer loyalty is the result of consistently positive emotions of experience, satisfaction of physical-based attributes and the perceived value of the experience, which includes the product or service.

## **METHODS**

The method used is the method of causality. According to Sanusi (2014: 14), causality research design is a research design that is structured to examine the possibility of a causal relationship or influence between variables. The population of this study is customers who have used the services or watched at the CGV Harbour Bay Batam Cinema. The sampling technique using the Stratified Random Sampling Method is a sampling process through dividing the population into strata, selecting random samples from each stratum, and combining them to

estimate population parameters. Then, in assessing the answers of the questionnaire is used a Likert scales. according to Sugiyono (2014: 142), Questionnaires are data collection techniques that are carried out by giving a set of questions or written statements to respondents to be answered by being measured based on a Likert scale that uses 5 predicate numbers.

### **Instrument Quality Test**

The instrument quality test consists of a validity test and a reliability test. Validity test compares the value of  $r$  table calculated for  $\alpha = 0.05$  and degrees of freedom ( $dk = n-2$ ) with the following decision rules: 1) If  $r \text{ count} > r \text{ table}$ , it means that is valid. 2). If  $r \text{ count} < r \text{ table}$  means invalid. Reliability test with criteria determine a reliable data can be accepted or not if; alpha value  $>$  critical product moment value or  $r$  table value. It can also be seen by using the limiting value, which is 0.6.

### **Classic Assumption Test**

The classical assumption test consisted of the Normality Test, Multicollinearity Test and heteroscedasticity Test. The normality test in this study is the first to use a standardized regression histogram of residuals. In this histogram, residual values that are normally distributed will be described as bell shaped. Multikolinearitas is detected by analyzing the value of tolerance of Variance Inflation Factor (VIF). If there is correlation, then there is a problem called multikolinearitas. for detecting the presence or absence of multicollinearity in the regression model is to look at the value of significance (2- tailed ), if  $VIF > 10$  then there are symptoms of multicollinearity. Then to see whether or not heteroscedasticity occurs is to use the graphical method, namely by looking at the pattern of points on the regression scatterplot, if the points spread with an unclear pattern above and below the number 0 and the Y axis, then there is no heteroscedasticity.

### **Uji Pengaruh**

The multiple linear regression equation is as follows:

$$Y = a + b1.X1 + b2.X2 + e$$

Description:

Y = Dependent variable (Customer Retention)

a = Constant

b1, b2 = Coefficient of regression

X1, X2= Independent variable (Quality of Service, Location)

e = Error / confounding variable

The coefficient of determination ( $R^2$ ) essentially explains the proportion of variation in the dependent variable (Y) which is explained by the independent variables (more than one variable X) together.

### **Hypothesis Test**

The t test is a rule of decision making in the testing: 1) If the value of significant  $< 0.05$ ,  $H_0$  is rejected and  $H_a$  is accepted. 2) If the value significant  $> 0.05$ ,  $H_0$  is accepted and  $H_a$  is rejected. The F test is used to determine the significance level of influence independent variables together on dependent variable by using the results of the calculated F value, that are: 1) If Significant value  $< 0.05$ ,  $H_0$  is rejected and  $H_a$  is accepted. 2) If the value significantly  $> 0.05$ ,  $H_0$  is accepted and  $H_a$  is rejected.

## RESULTS AND DISCUSSION

Processing the data in the study using the SPSS (Statistical Product and Service Solution) software program with the following data presentations:

### Validity Test

**Table 1.** Validity test

Variable	Item	RCount	Rtable	Keterangan
Service Quality (X <sub>1</sub> )	X1.1	0,676	0.201	Valid
	X1.2	0,546	0.201	Valid
	X1.3	0,708	0.201	Valid
	X1.4	0,802	0.201	Valid
	X1.5	0,882	0.201	Valid
Location (X <sub>2</sub> )	X2.1	0,465	0.201	Valid
	X2.2	0,490	0.201	Valid
	X2.3	0,759	0.201	Valid
	X2.4	0,615	0.201	Valid
	X2.5	0,458	0.201	Valid
	X2.6	0,482	0.201	Valid
	X2.7	0,546	0.201	Valid
	X2.8	0,423	0.201	Valid
	X2.9	0,472	0.201	Valid
	X2.10	0,701	0.201	Valid
	X2.11	0,592	0.201	Valid
Customer Retention (Y)	Y.1	0,809	0.201	Valid
	Y.2	0,667	0.201	Valid
	Y.3	0,733	0.201	Valid
	Y.4	0,761	0.201	Valid

Source: Data processed, 2021

The table above shows that the calculated r value of all statement items is greater than 0.201 with  $r_{\text{arithmetik}} > r_{\text{table}}$  then the instrument in this study is declared valid.

### Reliability Test

**Tabel 2.** Result of Realibility Test

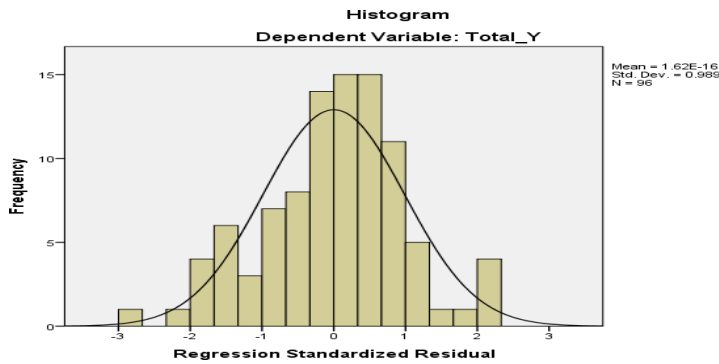
Variable	Cronbach's Alpha	Criteria	Description
Service Quality	0,782	>0,6	Reliable
Location	0,745	>0,6	Reliable
Customer Retention	0,718	>0,6	Reliable

Source: Data processed, 2021

From the reliability test above, it can be concluded that the statement on the Service Quality variable has a Croanbach value 0.782, Location of 0.745 and Customer Retention of 0.718 which means greater than 0.6 so it can be said that the instrument is reliable.

### Normality Test

The normality test in this study uses *histogram regression residual* which can be seen in the image below:



Source: Data processed, 2021

**Figure 1.** Histogram regression residual

From the picture above that forms a *bell shaped* pattern, it can be concluded that the data is distributed normally.

### Multicollinearity Test

**Table 3.** Multicollinearity Test

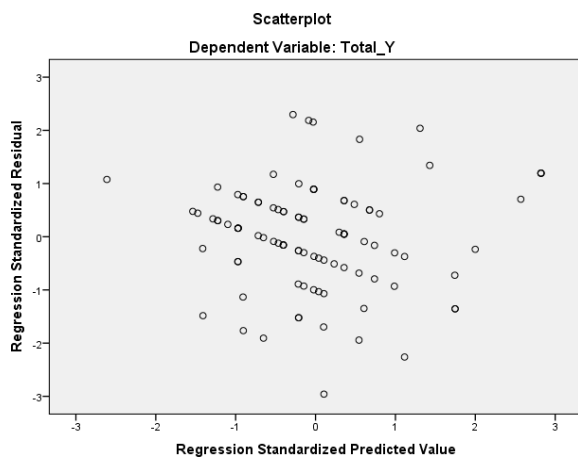
Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Service Quality	0,494	2.026
Location	0,494	2.026

Source: Data processed, 2021

From Table 3, it can be seen that Service Quality has a tolerance value of 0.494 and VIF 2.026 as well as Location has a tolerance value of 0.494 and VIF 2.026. The tolerance value is greater than 0.1 and has a VIF value of less than 10. It can be concluded that there is no multicollinearity.

### Heteroscedasticity Test

The second Heteroscedasticity test is carried out using the graphical method by looking at the points on the regression scatterplot in the following figure:



Source: Data processed, 2021

**Figure 1.** Scatterplot

Figure above shows that the regression model in this study did not experience symptoms of heteroscedasticity. The distribution of Standardized Predicted Value data on a scatterplot of points spreads with an unclear pattern above and below the number 0 and the Y axis.

### Multiple Linear Regression Test Results

Based on the description of table 4 shows the multiple linear regression equation as follows:

$$Y = 12,577 + 0.169X_1 - 0.289X_2 + e$$

**Table 4.** Multiple linear regression test results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	7.189	1.557		4.617	.000
1 Service Quality	-.055	.074	-.096	-.747	.457
Location	.224	.052	.555	4.315	.000

Source: Data processed, 2021

The explanation of the equation in Table 4 is: 1). If X1 (Quality of Service) and X2 (Location) have zero value, then Y (*Customer Retention*) has value as much 7,189. 2). Variable X1 (Service Quality) has a regression coefficient value of -0.055, this means that if the other independent variables have fixed value, then every 1 point or 1% of the X1 variable (Service Quality) will reduce *Customer Retention* as much 0.055. 3) Variable X2 (Location) has a regression coefficient value of 0.224, this means that if the other independent variables have a fixed value, every 1 point or 1% of the X2 (Location) variable will increase *Customer Retention* by 0.224.

### Coefficient of Determination Test

The following is the value of the coefficient of determination ( $R^2$ ):

**Table 5 .** Coefficient of determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.491 <sup>a</sup>	.241	.225	1.588	1.476

Source: Data processed, 2021

From the table above, the value of R Square is 0.241 which if presented becomes 24.1%. This shows that *Customer Retention* is influenced by Service Quality and Location by 24.1% and 75.9% is influenced by other variables that are not studied in this research.

### T Test

**Table 6.** Partial t test results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	7.189	1.557		4.617	.000
1 Service Quality	-.055	.074	-.096	-.747	.457
Location	.224	.052	.555	4.315	.000

Source: Data processed, 2021

The table above shows that: 1) The quality of service (X1) shows the results of the t count as -0.747 and significance value  $0.457 > 0.05$ , so that the decisions taken are  $H_0$  is accepted and  $H_a$  is rejected. This means that Service Quality (X1) has a negative and insignificant effect on *Customer Retention*. 2) The location variable (X2) shows the results of t count as 4.315 and a significant value is  $0.000 < 0.05$ , so that the decision taken is  $H_0$  is rejected and  $H_a$  is accepted. This means that Location (X2) has a positive and significant effect on *Customer Retention*.

## F Test

**Table 7.** F Test Results

ANOVA <sup>a</sup>						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	74.518	2	37.259	14.780	.000 <sup>b</sup>
	Residual	234.440	93	2.521		
	Total	308.958	95			

Source: Data processed, 2021

The Value of F test is positive which is 14,780 (F count)  $> 3.09$  (F table) and the significance probability value is  $0.000 < 0.05$  so that  $H_0$  is rejected and  $H_a$  is accepted.

## DISCUSSION

### The Influence of Service Quality on *Customer Retention*

Testing on the service quality variable (X1) obtained t value as much -0.747 and a significance of  $0.457 > 0.05$ , indicating that service quality (X1) has no significant effect on customer retention. This result is different from the research conducted by Tawinunt et al. (2015) and Syaquirah (2014) with the conclusion of research results stating that service quality has a positive and significant effect on customer retention. Based on the results of these studies on the hypotheses proposed in this study, it can be concluded that the first hypothesis (H1): There is a positive and significant effect on service quality on customer retention in Batam Harbour Bay CGV Cinema, declared rejected.

### The Effect of Location on *Customer Retention*

Testing on the location variable (X2) obtained t count value as much 4.315 and a significance of  $0.000 < 0.05$ , indicating that location (X2) has a significant effect on *customer retention*. These results are in line with research conducted by Lempoy and Mendey (2015) with the conclusion that location has a positive and significant effect on *customer retention*. Based on the results of these studies on the hypothesis proposed in this study, it can be concluded that the second hypothesis (H2): There is a positive and significant influence of location on *customer retention* in Batam Harbour Bay CGV Cinema, is declared accepted.

### The Influence of Service Quality and Location on *Customer Retention*

Through the results of the calculations that have been carried out, it shows that the calculated f value is 14,780 and the significance of the independent variables, namely the quality of service (X1) and location (X2) is  $0.000 < 0.05$ . These results indicate that the two independent variables, namely service quality (X1) and location (X2) together have a significant influence on *customer retention*. These results are in line with research conducted by Syaquirah (2014) and research conducted by Abd Razak et al. (2016) with the conclusion that service quality and location have a positive and significant effect on *customer retention*. Based on the results of these studies on the hypothesis proposed in this study, it can be concluded that the third hypothesis (H3): There is a positive and significant effect of service quality and location on *customer retention* in Batam Harbour Bay CGV Cinema, is declared accepted.



## CONCLUSION

From the research that has been done, it can be concluded:

1. There is a negative and insignificant effect of service quality on *customer retention* in Batam Harbour Bay CGV Cinema.
2. There is a positive and significant influence of location on *customer retention* in Batam Harbour Bay CGV Cinema.
3. There is a positive and significant effect of service quality and location together on *customer retention* in Batam Harbour Bay CGV Cinema.

## Suggestion

Suggestions that can be given are that this research is still limited to the variables of Service Quality and Location, when viewed from the R-square value is still small, it means that there are other factors that affect *Customer Retention*, so for further research it is necessary to examine other variables. Then further research is also expected to be carried out on different customers so that more samples are obtained. Further research should also be able to use the help of data processing programs other than SPSS such as *software* programs Amos, Minitab, S-plus, SAS, and others so that they can obtain processed results and data analysis with different methods.

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