



The Effect of Loyalty Program and Service Quality on Customer Loyalty in Telecommunications Services PT PLN Icon Plus

Miftahul Huda¹, Supriyono^{2*}

Universitas Pembangunan Nasional "Veteran" Jawa Timur

Corresponding Author: Supriyono supriyono.ma@upnjatim.ac.id

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ABSTRACT

The increase in people's need for access to information to connect with the outside world has triggered an increase in demand for telecommunications services, this has led to the relatively rapid growth of the digital telecommunications industry in Indonesia. This research aims to determine the impact of loyalty programs and service quality on customer loyalty. The research method used is a quantitative method using PLS in analyzing the results. There were 100 people as samples in this research obtained using a purposive sampling technique. This data was collected by distributing questionnaires to respondents via Google Form. The results of this research show that loyalty programs and service quality have a significant positive effect on customer loyalty in PT PLN ICON PLUS telecommunications services.

INTRODUCTION

The increasing public need for access to information to connect with the outside world has triggered an increase in demand for digital telecommunications services in Indonesia. This high demand for telecommunications services has caused the digital telecommunications industry in Indonesia to grow relatively quickly. This also reflects society's openness to technological and information developments. The COVID-19 pandemic is one of several factors that are changing people's behavior and needs for internet services and access. Even though the COVID-19 pandemic has had a major impact on the global economy, demand for the digital telecommunications industry continues to increase. This is an opportunity for business actors to increase capacity and quality telecommunications services so that they can meet market demand.

According to databoks.katadata.co.id reported by the Central Statistics Agency (2021), gross domestic product (GDP) in the information and communication business sector experienced growth of 10.61% when Indonesia's GDP growth decreased to -2.07% due to the pandemic COVID-19. In 2021, GDP from the information and communications business sector (ADHB) is IDR 748.75 trillion. Meanwhile, according to GDP (ADHK), the information and communications sector experienced growth of 6.81% from the previous year throughout 2021. Based on the data above, it can be seen that the telecommunications sector has made a large contribution to the growth of the Indonesian economy.

The Directorate of Telecommunications records that telecommunications operator statistics continue to increase every year. Based on reports, in 2023 there will be 288 telecommunications network provider permits, 1,077 telecommunications service providers, 125 telecommunications providers specifically for legal entities and 23 telecommunications providers specifically for government agencies. The increase in the number of telecommunications providers is in line with the government's aim of accelerating the provision of telecommunications services in frontier, underdeveloped and outermost (3T) areas.

One of the companies active in the telecommunications sector is PT PLN ICON PLUS, which is a company operating in the field of providing digital telecommunications services. PLN ICON PLUS continues to expand its network coverage to various regions in Indonesia, so that its network connectivity almost reaches various remote areas of Indonesia. The large number of competitors competing in the telecommunications industry has created a vulnerability to customer loyalty from PT PLN ICON PLUS. In an environment of intense competition between telecommunications network providers, loyalty programs are one of the strategic steps for companies to secure the company's position in the minds of customers (Bagaskara 2018). The Loyalty Program is a long-term marketing investment that can provide long-term returns for the company (Chaudhuri, Voorhees, and Beck 2019). Apart from that, service quality is also a factor in customer loyalty towards a brand (Danish et al. 2018). Furthermore, service quality is a competitive advantage for companies that differentiates them from competitors (Darmawan, Mardikaningsih, and Hadi 2017). Several opinions

above emphasize that loyalty programs and service quality are important factors in customer loyalty. Therefore, it is important for companies to develop loyalty programs and service quality sectors to maintain customer loyalty. Research was conducted to dig deeper into the influence of loyalty programs and service quality on telecommunications services.

THEORETICAL REVIEW

Bagaskara's (2018) research shows that loyalty programs and service quality have a positive and significant influence on customer trust and customer loyalty. This is in line with research by Khairawati (2019) which states that customer loyalty programs in the form of member cards and discount promo prices have a direct positive influence on customer loyalty. Andhika Surya Bagaskara's research (2018) is also strengthened by research from Fattah Al-Slehat (2021), which concludes that the quality of banking services in all its dimensions has a positive effect on customer loyalty.

Loyalty Program

According to Sharp, B. and Sharp, A (1997) in Trisnawati & Setyawati (2020) a loyalty program is an incentive that provides benefits to customers based on the customer's cumulative purchases. The Loyalty Program is a program that provides offers to customers to build emotional ties to the company or company brand (Khairawati, 2019). Meanwhile, according to Sharma & Bhardwaj (2015), a loyalty program is a strategy to provide attractive bonus offers that aim to make loyal customers become retailers. Customers tend not to stick to one store when they are offered various choices, and allow customers to change stores so that this affects customer loyalty (Sharma & Bhardwaj, 2015). Sharma & Bhardwaj (2015) also added that loyalty programs can minimize customer switching and make them committed to one manufacturer.

Service Quality

Service quality is often understood as a measure of how well the service provided can meet customer expectations (Santos J, 2003 in Hassanein Abd-Elrahman, 2018). Giovanis et al., (2015) define service quality as an assessment that arises from an evaluation process carried out by customers by comparing the expectations that customers imagine with the service experience that customers receive. Meanwhile, according to Besterfield, service quality is a strategy that produces significant output and is usually more difficult to implement in a service environment. Customer service is a series of activities an organization uses to win and maintain customer satisfaction (Besterfield et al., 2019).

Customer Loyalty

Customer Loyalty is a commitment from customers to repurchase one product in the future even though the influence of the market situation has the potential to cause customers to switch to other products (Kotler & Keller, 2009 in Khairawati 2019). According to Schiffman & Wisenblit (2019), customers who receive an experience below customer expectations will feel less satisfied. On the

other hand, customers who get an experience that matches their expectations will feel satisfied and those who get an experience that is better than their expectations will feel very satisfied or even "delighted". Customers who get a satisfying experience from a service will tend to continue their subscription to that service (Fattah Al-Slehat, 2021). Kotler & Keller (2016) state that loyal customers are customers who are committed to one brand. Maintaining loyal customers is much cheaper than getting new customers, therefore it is important for companies to maintain customer loyalty (Schiffman & Wisenblit, 2019).

The Influence of Loyalty Programs on Customer Loyalty

Loyalty programs are designed to reward customers who make purchases with high frequency and large amounts (Kotler & Keller, 2016). Kotler & Keller (2016) added that loyalty programs can build long-term loyalty with high customer lifetime value, creating cross-selling opportunities in the process. Loyalty programs are not only a tool to increase customer loyalty, but also a tool to collect information about customer preferences and habits so that companies can provide better service based on this information (Magatef et al., 2015).

Khairawati (2019) explains in her research that loyalty programs have a significant direct effect on loyalty programs. In her research, loyalty programs also have a significant effect on customer satisfaction, but customer satisfaction does not make any significant effect on customer loyalty (Khairawati, 2019). The relationship between customer satisfaction and customer loyalty is not proportional, where in the middle cluster customers who are satisfied will still easily turn away if they get a better offer (Kotler & Keller, 2016). Based on these opinions, it can be concluded that loyalty programs have a direct positive effect on customer loyalty.

The Influence of Loyalty Programs on Customer Loyalty

Currently, many international industries, including mobile communications, software, hospitality, insurance, call centers, health, retail and others, have overhauled their service quality to increase company revenues (Besterfield et al., 2019). Good service quality can build customer equity, attract the attention of potential customers and retain profitable customers (Darmawan et al., 2017).

Darmawan et al. (2017) in their study concluded that service quality has a significant positive effect on customer satisfaction and customer loyalty. This study is supported by the statement of Besterfield et al. (2019) that service quality that can meet or even exceed customer expectations can retain profitable customers. Based on the explanation above, it can be concluded that service quality has a positive and significant influence on customer loyalty.

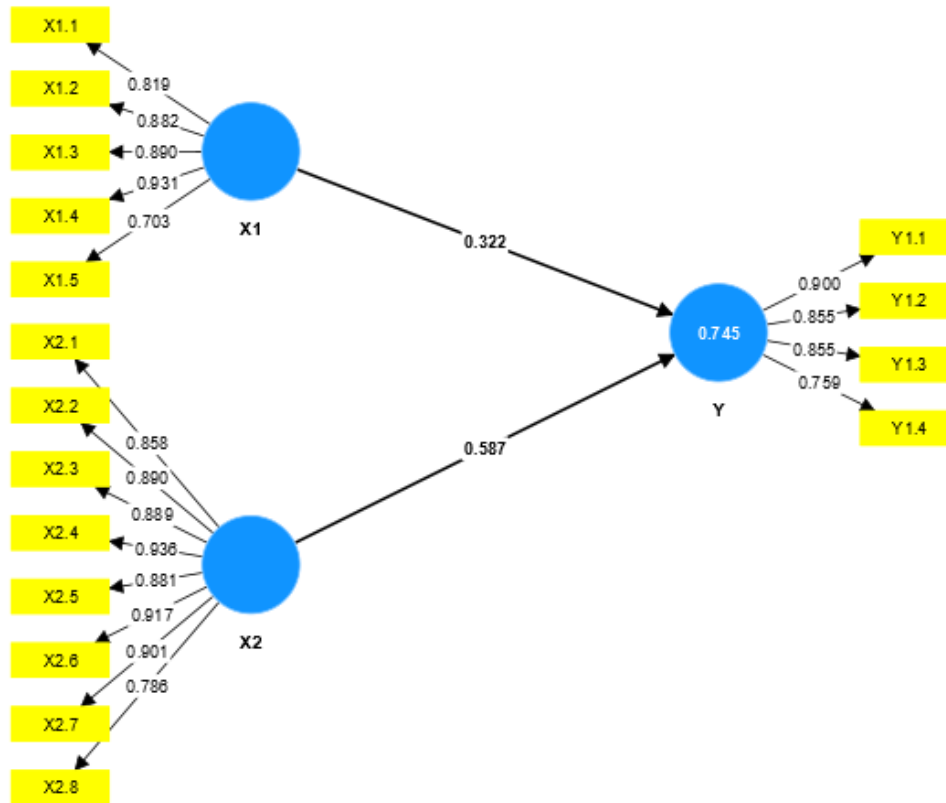


Figure 1 Conceptual Framework

METHODOLOGY

Researchers use quantitative methods. The subjects of this research are B2B customers of PT PLN ICON PLUS SBU Eastern Java. The research sample was determined using a purposive sampling method, because not all samples had criteria that matched the phenomenon being studied. The data used is primary and secondary data.

RESULT AND DISCUSSION

Convergent Validity

Tabel 1. Average Variance Extracted (AVE)

	<i>Average Variance Extracted (AVE)</i>
<i>Loyalty Program (X1)</i>	0,721
<i>Service Quality (X2)</i>	0,780
<i>Customer Loyalty (Y)</i>	0,712

Based on table 1, it can be seen that each variable has an AVE value > 0.5 . This shows that each variable in this research can be said to be valid.

Tabel 2 Outer Loading

	<i>Loyalty Program (X1)</i>	<i>Service Quality (X2)</i>	<i>Customer Loyalty (Y)</i>
X1.1	0,819		
X1.2	0,882		
X1.3	0,890		
X1.4	0,931		
X1.5	0,703		
X2.1		0,858	
X2.2		0,890	
X2.3		0,889	
X2.4		0,936	
X2.5		0,881	
X2.6		0,917	
X2.7		0,901	
X2.8		0,786	
Y1.1			0,900
Y1.2			0,855
Y1.3			0,855
Y1.4			0,759

Apart from that, the convergent validity test was also completed through the loading factor with a minimum limit of 0.70. Based on table 2, all values are > 0.70 for each indicator, so it can be concluded that the measurements have met the criteria for convergent validity (Chin).

Discriminant Validity

Tabel 3 Cross Loading

	<i>Loyalty Program (X1)</i>	<i>Service Quality (X2)</i>	<i>Customer Loyalty (Y)</i>
X1.1	0,819	0,641	0,690
X1.2	0,882	0,626	0,638
X1.3	0,890	0,602	0,615
X1.4	0,931	0,677	0,685
X1.5	0,703	0,765	0,673
X2.1	0,751	0,858	0,704
X2.2	0,741	0,890	0,689
X2.3	0,657	0,889	0,659
X2.4	0,692	0,936	0,718
X2.5	0,675	0,881	0,749
X2.6	0,740	0,917	0,702
X2.7	0,682	0,901	0,737
X2.8	0,613	0,786	0,900
Y1.1	0,674	0,777	0,900
Y1.2	0,648	0,763	0,855
Y1.3	0,684	0,701	0,855
Y1.4	0,643	0,579	0,759

Each indicator and variable in this study is more than 0.7. This shows that the indicators and variables to be studied in this research have good discriminant validity.

Composite Reliability

Tabel 4 Cronbach's Alpha dan Composite Reliability

	Cronbach's Alpha	Composite Reliability (ρ_a)	Composite Reliability (ρ_c)
<i>Loyalty Program (X1)</i>	0,900	0,900	0,927
<i>Service Quality (X2)</i>	0,959	0,962	0,966
<i>Customer Loyalty (Y)</i>	0,864	0,871	0,908

The Cronbach's Alpha and Composite Reliability values for each variable are more than 0.7, which indicates that each variable has met the r criteria.

Evaluation of structural models

R Square

Tabel 5 R-Square Test Results

	R-Square	R-Square Adjusted
<i>Customer Loyalty (Y)</i>	0,745	0,740

The R-Square value for Customer Loyalty (Y) in this study is 0.745, it can be said that the model is quite moderate. Based on this data, it can be concluded that 74.5% of customer loyalty is influenced by loyalty program and service quality variables. Meanwhile, the remaining 25.5% is influenced by other factors.

Hypothesis Testing

Direct Testing

Tabel 6 Hypothesis Test Results Direct Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
<i>Loyalty Program -> Customer Loyalty</i>	0,322	0,316	0,100	3,216	0,001
<i>Service Quality -> Customer Loyalty</i>	0,587	0,594	0,095	6,163	0,000

Based on the results of the direct effect hypothesis test or direct influence in table 1 above, the findings are described as follows:

1. The influence of the Loyalty Program variable (X1) on the Customer Loyalty variable (Y) produces a T-Statistics value of 3.216 and a P-Value value of 0.001. The T Statistics value is greater than the T-Table value (1.96). Apart from that, the P-Value value is less than 0.05 so it can be concluded that the Loyalty

Program variable (X1) has an effect on Customer Loyalty (Y). So the first hypothesis in this research can be declared **accepted**.

2. The influence of the Customer Service variable (X2) on the Customer Loyalty variable (Y) produces a T-Statistics value of 6.163 and a P-Value value of 0.000. The T Statistics value is greater than the T-Table value (1.96). In addition, the P-Value value is not more than the significance level (0.05). So from these results it can be concluded that the Customer Service variable (X2) has a significant influence on Customer Loyalty (Y). So the second hypothesis in this research can be declared accepted.

DISCUSSION

The Influence of Loyalty Programs on Customer Loyalty

The results of the hypothesis test above show that the loyalty program hypothesis has an influence on PT PLN ICON PLUS customer loyalty. In the test results above, it was found that the loyalty program disbursement process indicators tended to be difficult or long for customers. This is due to a lack of proper coordination between the marketing division and the finance division, causing the loyalty program disbursement process to take a long time. Indicators that have a high F-loading on the loyalty program variable make it easier to apply for a loyalty program. PT PLN ICON PLUS's commitment to making it easy to apply for loyalty programs to customers has proven to play an important role in creating customer loyalty. The loyalty program from PT PLN ICON PLUS is one of the factors that determines whether customers will remain loyal and not look for alternatives. In a competitive business environment, companies must consider various aspects that can influence customer loyalty and not just rely on loyalty programs.

The Influence of Service Quality on Customer Loyalty

Hypothesis test results prove that service has a significant impact on customer loyalty. The results of this research also indicate that the subscription process and replacement of upgrade or downgrade telecommunications services is difficult for customers due to the large number of requests for telecommunications service installations and the lack of technicians when service installation requests increase. The indicator that has the highest F-Loading of the service quality variable is the satisfactory response and explanation from PLN ICON PLUS employees when customers have questions. When customers have a good experience with a service, they are more likely to use the same product or service to avoid risks. These customers will also be more likely to leave good reviews and recommendations to those close to them which will help improve the company's reputation and business growth potential.

CONCLUSIONS AND RECOMMENDATIONS

The results of loyalty program and service quality research on customer quality in PT PLN ICON PLUS SBU East Java telecommunications services are as follows:

1. The loyalty program has the effect of increasing customer loyalty in PT PLN ICON PLUS SBU East Java telecommunications services.
2. Service quality has the effect of increasing customer loyalty in PT PLN ICON PLUS SBU East Java telecommunications services.

Based on the research results, the researcher provides several suggestions so that PT PLN ICON PLUS customer loyalty can be increased:

1. The ease of applying for a loyalty program that has been implemented already has a positive value in the eyes of customers. It is best to maintain or improve it by providing a website or platform for applying for customer loyalty to make it easier for customers.
2. The old customer loyalty disbursement process needs to be improved by providing better coordination with the finance division so that maintaining customer loyalty can be a priority in budgeting.
3. The responses and explanations given by PT PLN ICON PLUS employees are good and need to be maintained and even improved, because satisfactory responses and explanations are the basis for customer trust in the certainty of handling when a disturbance occurs.
4. The process of subscribing and changing services, upgrading or downgrading telecommunications services according to customers tends to be difficult and should be improved by empowering company partners and better time management so that customers do not change their minds and look for other alternatives.

FURTHER STUDY

This research has limitations; thus, researcher would like to gain any suggestions and critics as a new insight about phenomena raised in this study. The researcher expected the result of the research would increase knowledge about management especially telecommunication marketing.

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