Factors Affecting Customer Loyalty and Satisfaction on B2B Food and Beverage Sector

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ABSTRACT

This study aims to study the effect of customer experience and value on customer loyalty and satisfaction in B2B industry which researchers limitedly discussed. The organization needs to implement customer experience management to create value for customers’ purchase intention and win the market competition. One essential key to maintaining customer loyalty is good customer experience management. The elements of customer experience management consist of customer experience, customer value, and purchase intention. The research is cross-sectional quantitative research. An online survey using Google Form was carried out using the purposive sampling technique in 2021 and obtained 85 valid respondents who are corporate customers of a food and beverages manufacturing company located in Tangerang. Respondents were asked 23 closed-ended on five scales Likert: strongly disagree to strongly agree. Data were analyzed using PLS-SEM (Partial Least Square – Structural Equation Model. The result shows that customer experience significantly affects customer value, loyalty, and satisfaction. Customer value significantly affects customer loyalty but is not significant to customer satisfaction. Therefore, organizations need to focus on building customer experience management and long-term customer value.

Introduction

In recent years, managing customer experience seems to be a key area for most companies, especially in creating value for customer intention to purchase. Good customer experience will: (1) strengthen brand preference; (2) increase revenue from existing customers and new sales from new customers; (3) improve customer loyalty and create advocates through customer interaction; and (4) reduce cost by reducing customer fluctuation (Wereda & Grzybowska, 2016). Rahimian et al. (2020) added that customer experience evaluates an organization’s performance and leads to the market. Organizations must create a distinctive feature and deliver a great customer experience which is essential in developing customer loyalty.
According to Pekovic & Rolland (2020), customers these days not only buy the product or services, but they also look for a series of memorable experience which is personalized and contextualized that produce a personal consumption journey. Customer experience has become a critical success factor for most organizations, regardless of the field. Companies delivering superior customer experience will obtain revenue faster than those not. There is also a possibility of attracting greater brand preference where companies can charge more for the products, resulting in stock price growth and total returns. Customer loyalty is the primary customer experience outcome and may diminish customers’ propensity for switching brands.

Jain et al. (2017) mentioned that conventional value propositions are insufficient to reach customers and create differentiation. Organizations must focus on customer experience to create a seamless total experience and maintain customer loyalty. Ceesay (2020) added that some organizations have no clue about the importance of customer experience and often neglect it. However, this is the moment where organizations should maintain and keep a good relationship with customers rather than focus on boosting sales. Businesses agree that it is crucial to have high customer satisfaction since it is a prerequisite for a successful business. One dissatisfied customer will leave the company, and negative word of mouth will be generated.

On the other hand, one satisfied customer will generate positive word of mouth and bring new customers to the brand (Aichner & Gruber, 2017). Huang et al. (2019) added that having a dissatisfied customer will inflict a financial loss. A higher cost is needed to get a new customer than to maintain the existing one. The company can gain 25-85% profit with an increase of 5% in customer retention. Greus et al. (2019) argue that the definition of customer experience has evolved.

Despite the growing literature on managing customer experience in B2C, there is a lack of exploration in the Business to Business (B2B) sectors (Greus et al., 2019). One justification is due to the complex buying process in the B2B sector, which is more rational, while customer experience involves emotional concepts. According to Witell et al. (2020), B2B contexts follow rational and economic-based decision-making. The B2B interactions are more complex and complicated to understand since many parties involved, including suppliers, partners, and customer organization. The interaction can be collectives between functional units or individuals operating at different hierarchical levels. Most Customer Experience Management (CEM) research on B2C companies proposed that B2C organizations should identify the method for designing and managing the interaction between organization and customers. This research provides insights on how Customer Experience Management (CEM) in B2B market by leveraging some attributes such as customer experience, customer value, and purchase intention.

Literature Review
Customer Experience

Customer experience is the accumulation of perception gained when the customer learns, acquires, uses, maintains, and disposes of a product or service directly or indirectly. The experience can be encountered through sensory, cognitive, emotional, behavioral, and relational values. Thus, to bound a dynamic relationship with the customer, the organization needs to build a cohesive, authentic, and sensory-stimulating total customer experience (Jain et al., 2017).

The customer journey to the store and encounter with the company’s website are some examples of direct contact before purchasing a product or service. The company also provides physical contact as part of the customer journey, increasing service quality tangibility. On the other hand, indirect contact refers to when a customer consumes a product and determines whether or not the product or service purchased meets their needs (Lemke et al., 2011).

There are five categories of customer experience dimensions which are sensory dimension, emotional dimension, behavioral dimension, intellectual dimension, and relational dimension. The sensory dimension is related to how customers utilize a product or service by employing their senses. The emotional dimension is related to the ability of customers to build emotions and feelings for a brand or company based on their experience. The behavioral dimension relates to how a company’s environment will affect customer behavior. The intellectual dimension is related to the customer’s cognitive decision-making. The essential relational dimension since the organization needs to build a sustained, long-lasting customer (Greus et al., 2019).

![Customer Experience Management for B2B Model](source: Greus et al. (2019))

According to Waqas et al. (2020), customer experience has been widespread. It has become a crucial phenomenon in managerial practice that has substantial implications for building a relationship with customers. Interaction with the organization’s products or services results in customer experience, which defines how
the customers react to the organization in the future. A positive customer experience leads to customer engagement. This customer perspective is crucial in measuring customer experience and is related to the co-creation of the brand. Vivek et al. (2012) added that some components of customer engagement include customer value, trust, customer satisfaction, and customer loyalty.

Customer Value

Value creation is a part of the company’s vision and mission and contributes to the company’s sustainability. It is highly connected with customer purchase intention, recommended to others, and does not expect problems from the product itself (Harahap, 2018). According to Ramadonna et al. (2019), customer value is defined as a perceptual preference and customer evaluation of product features, performance, and consequences resulting from product usage that assists customers in achieving their goals and objectives in usage situations. If the product performance or service offered exceeds expectations, customers will give it a good evaluation. This positive sign will induce pleasure and an emotional and rational connection to the brand, resulting in high customer loyalty. Tsai et al. (2010) added that when a business that can fulfill the expectation of the customers is more likely to have high customer satisfaction and a greater chance of continued consumption.

Greus et al. (2019) stated that customer value has four dimensions: cost value, functional value, emotional value, and symbolic value. Cost value considers reducing the transaction costs of a product or service. Functional value is related to the performance of the products. Emotional value is related to the ability of the organization to provide sensory value that will induce an emotional response from the customer. The symbolic value is related to customers’ feelings when they own or buy a product for others.

Customer Loyalty

Customer loyalty is defined as regular purchasing of certain products and services, recommending them to others, and being immune from other brands or competitors’ promotions and products (Huang et al., 2019). Tsai et al. (2010) stated that there are two types of customer loyalty: long-term and short-term. Customers with short-term loyalty can easily change to different products or businesses. According to Leninkumar (2017), Customer loyalty is based on attitude and trust, which is critical for gaining competitive advantages in today’s market. Customer loyalty can also be defined as a customer’s promise to buy products or services regularly, ignoring a competitor’s innovation, and having no intention of switching—actions that result in developing a long-term relationship between the customer and the company. Customers will also recommend the company, leave a positive review, and purchase the products again.
Businesses must continuously provide customers with value, make improvements, or even change products or services to boost customer profits if they want to gain loyalty. In order to survive and encourage repeat purchases, referrals, and an increase in the proportion of spending, businesses must add value that can help customers get what they paid for or more (Putra et al., 2020).

**Customer Satisfaction**

According to Harahap (2018), customer satisfaction occurs when a high-quality product or service meets the customer’s needs and goals. Customer satisfaction can be measured after the product has been used. A satisfied customer will generally repurchase the product, whereas a dissatisfied customer will not use or even repurchase it. Customer satisfaction is one of the most critical factors in today’s globalized market.

Customer satisfaction is a determinant of a successful business from a marketing standpoint. It concerns what customers think and feels about the performance of services or products, whether a positive or negative experience. Customer satisfaction is critical because it provides information to business owners that they can use to improve and expand their operations (Hassan et al., 2020).

Customer satisfaction has been defined as an overall performance evaluation of the current offering. It represents a cumulative customer reaction to a product with varied attributes and will be the critical factor of a successful business in the future. Factors that affect customer satisfaction are price, service efficiency, personnel attitude, overall business performance, and ideal business service (Tsai et al., 2010).

Greus et al. (2019)’s research focuses on the analysis of customer experience and value in B2B industry, which is limitedly discussed, and the study by Harahap (2018) focuses on the analysis of customer experience and value in a motorbike community. Combining those two previous research and the literature above, this research develops five hypotheses illustrated in Figure 2.

H1: Customer experience has a significant effect on customer loyalty

H2: Customer experience has a significant effect on customer satisfaction

H3: Customer experience has a significant effect on customer value

H4: Customer value has a significant effect on customer loyalty

H5: Customer value has a significant effect on customer satisfaction
Method

The research is cross-sectional quantitative research to investigate the effect of customer experience and value on customer loyalty and satisfaction. The online survey using Google Form was carried out with a purposive sampling technique in 2021. The population of this research is all B2B customers from all industries. The sample will be the corporate customers of one food and beverages manufacturing company in Indonesia, represented by a syrup and powder drink manufacturing company located in Tangerang. There are 85 valid respondent responses to the survey used in the investigation and analysis. The respondents were asked closed-ended questions on five scales Likert: strongly agree to strongly disagree. The survey comprises 23 questions comprising demography information and the research model’s variable indicators.

According to Utomo & Budiastuti (2019), SEM analysis is a second generation multivariate analysis that allows some assessments including multiple independent and dependent construct, multi-step paths, and mediating and moderating effect. SEM can also observe a high complexity latent variables and examine a non-normally distributed data. The research used The Partial-Leased Square Structural Equation Model (PLS-SEM) approach to test the hypothesis. Two processes were conducted before the hypothesis testing: (1) The evaluation of the Measurement Model, where the latent variable and its indicators validity and reliability were validated. The convergent validity, Internal Consistency, and Discriminant validity are evaluated based on the previous studies. (2) The evolution of the Structural model comprises of coefficient of the determinant (R²), path coefficient, t-value, and p-value of the relationships between latent variables.

Result and Discussion
Measurement and Structural Model Evaluation

According to Kante et al. (2018) and Ab Hamid et al. (2017), measurement model analysis considers the nature of the relationship between construct and measures. The outer model analysis determines how well the indicators load on the hypothetical-defined construct. There are three assessment categories: internal consistency reliability, convergent validity, and discriminant validity; the results are shown in Table 1.

Table 1. Measurement Model Analysis

<table>
<thead>
<tr>
<th>Latent Variable</th>
<th>Indicators</th>
<th>Convergent Validity</th>
<th>Internal Consistency Reliability</th>
<th>Discriminant Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Loadings</td>
<td>Indicator Reliability</td>
<td>AVE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; 0.70</td>
<td>&gt; 0.50</td>
<td>&gt; 0.50</td>
</tr>
<tr>
<td>Customer Experience (CX)</td>
<td>CX2</td>
<td>0.825</td>
<td>0.908</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CX3</td>
<td>0.857</td>
<td>0.926</td>
<td>0.678</td>
</tr>
<tr>
<td></td>
<td>CX4</td>
<td>0.771</td>
<td>0.878</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CX5</td>
<td>0.837</td>
<td>0.915</td>
<td></td>
</tr>
<tr>
<td>Customer Value (CV)</td>
<td>CV1</td>
<td>0.583</td>
<td>0.764</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CV2</td>
<td>0.838</td>
<td>0.915</td>
<td>0.533</td>
</tr>
<tr>
<td></td>
<td>CV3</td>
<td>0.837</td>
<td>0.915</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CV4</td>
<td>0.623</td>
<td>0.789</td>
<td></td>
</tr>
<tr>
<td>Customer Loyalty (CL)</td>
<td>CL1</td>
<td>0.734</td>
<td>0.857</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CL2</td>
<td>0.840</td>
<td>0.917</td>
<td>0.658</td>
</tr>
<tr>
<td></td>
<td>CL3</td>
<td>0.822</td>
<td>0.907</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CL4</td>
<td>0.845</td>
<td>0.919</td>
<td></td>
</tr>
<tr>
<td>Customer Satisfaction (CS)</td>
<td>CS1</td>
<td>0.717</td>
<td>0.847</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CS2</td>
<td>0.793</td>
<td>0.891</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CS3</td>
<td>0.699</td>
<td>0.836</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CS4</td>
<td>0.794</td>
<td>0.891</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CS5</td>
<td>0.869</td>
<td>0.932</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CS6</td>
<td>0.861</td>
<td>0.928</td>
<td></td>
</tr>
</tbody>
</table>

Before conducting structural model analysis, bootstrapping should obtain a more detailed overview of the result. Some of the data shows relatively low values, for example, path coefficient result. The bootstrap procedure is done with 5000 bootstrap samples and complete bootstrapping. R² Value and Path Coefficient analysis are included in structural model analysis.

The coefficient of Determination (R² Value) measures the predictive power of the research model. It is calculated as the squared correlation between a specific
endogenous variable’s actual and predicted value. Zhang (2016) added that R² was used to measure the variation proportion in a dependent variable explained by the predictors in the model. The values range between 0 to 1, and higher values indicate a higher predictive accuracy. It is difficult to provide the rule of thumb for an acceptable R² Value because it depends on the model’s complexity and the research’s discipline. Some scholarly studies on marketing mentioned an R² value of 0.75 as substantial accuracy, 0.50 as moderate accuracy, and 0.25 as weak accuracy (Hair et al., 2014). The result of the R² value analysis can be seen in Table 2.

Table 2. Structural Model Analysis: R² Value

<table>
<thead>
<tr>
<th>Variable</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loyalty</td>
<td>0.542</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.602</td>
</tr>
<tr>
<td>Customer Value</td>
<td>0.427</td>
</tr>
</tbody>
</table>

From Table 2, the dependent variables of this study which are customer loyalty and customer satisfaction, have moderate accuracy of 0.542 and 0.602, respectively. It means that the variation in customer loyalty is explained by 54.2% by customer experience and value, while the other 45.8% might be affected by other variables. In the same way, customer satisfaction is explained by 60.2% by customer experience and value, while the additional 39.8% might be affected by other variables.

Hair et al. (2014) state that path coefficients represent the hypothesized relationship between the constructs. The value is ranged from -1 (strong negative relationship) to +1 (strong positive relationship). The coefficient is statistically significant when the t-value is higher than the critical value. Kante et al. (2018) stated that the crucial standard values for the two-tailed test are 1.65, 1.96, and 2.58 for significance values at 10%, 5%, and 1%, respectively. A 5% significance level is the most commonly assumed in the marketing field of study.

On the other hand, the p-value is used mainly by researchers to assess the significance level. P-value is the probability of obtaining a t-value at least as extreme as observed. The p-value is the probability of error in rejecting a true null hypothesis. When deciding on a 5% significance level, the p-value should be lower than 0.05 to conclude a significant relationship. In Table, the t-values of all path coefficients are higher than the critical value of 1.96, while the p-value is lower than 0.05. The result of the path coefficient analysis can be seen in Table 3.
Table 3. Structural Model Analysis: Path Coefficient

<table>
<thead>
<tr>
<th>Variable</th>
<th>Path Coefficient</th>
<th>t-value (&gt; 1.96)</th>
<th>p-value (&lt;0.05)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CX → CL</td>
<td>3.738</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>CX → CS</td>
<td>6.070</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>CX → CV</td>
<td>8.067</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>CV → CL</td>
<td>2.147</td>
<td>0.032</td>
<td></td>
</tr>
<tr>
<td>CV → CS</td>
<td>0.251</td>
<td>0.802</td>
<td></td>
</tr>
</tbody>
</table>

Table 4 shows that the t-value for both mediating effect analyses is below the standard 1.96, which is 1.917 for customer loyalty and 0.235 for customer satisfaction, respectively. The p-value is also greater than 0.05, which indicates a non-significant relationship. Therefore, it can be concluded that the effect of customer experience on customer satisfaction and loyalty through the mediation of customer value is insignificant.

Table 4. Mediating Effect Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Path Coefficient</th>
<th>t-value (&gt; 1.96)</th>
<th>p-value (&lt;0.05)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CX → CV → CL</td>
<td>1.917</td>
<td>0.055</td>
<td></td>
</tr>
<tr>
<td>CX → CV → CS</td>
<td>0.235</td>
<td>0.814</td>
<td></td>
</tr>
</tbody>
</table>

**Effect of Customer Experience on Customer Loyalty**

Table 3 shows that the t-value of the relationship between customer experience and customer loyalty is 3.738, which is more than the standard 1.96, and the p-value is below 0.05. Therefore, it can be concluded that customer experience significantly affects customer loyalty. Customer trust is one variable that significantly affects customer loyalty in Indonesian gas factories (Putra et al., 2020). According to Karunaratna & Kumara (2018), switching costs also affect customer loyalty.

**Effect of Customer Experience on Customer Satisfaction**
Table 3 shows that the t-value of the relationship between customer experience and customer satisfaction is 6.070, which is more than the standard 1.96, and the p-value is below 0.05. Therefore, it can be concluded that customer experience significantly affects customer satisfaction. Customer experience has a significant effect on customer satisfaction and loyalty. It is proven in the research by Harahap (2018) on the motorbike community in North Sumatra, Indonesia. More cost, including marketing cost, is needed to attract more customers.

Mustikasari et al. (2021) believed that customer experience helps the company to win customer satisfaction. It is a challenge for the organization to maintain customer experience. They compete to provide excellent customer service to be loyal and repurchase their goods or services. To get a high customer satisfaction level, a better purchasing experience is needed. Thus, making an extra effort to satisfy the customer is recommended. Mustikasari et al. (2021) added that customer satisfaction has become a significant concern for a business because customer satisfaction is affected by previous customer experience. If customers don’t get what they expect from their last purchase, it will reduce their repurchase intention, and they will not be loyal to the brand.

Effect of Customer Experience on Customer Value

Table 3 shows that the t-value of the relationship between customer experience and customer value is 8.067, which is more than the standard 1.96, and the p-value is below 0.05. Therefore, it can be concluded that customer experience significantly affects customer value. Greus et al. (2019) stated that customer experience is based on the individual buyer’s subjective view of his experience with the organization. Therefore, companies should consider building a customer experience that meets the expectations of people who make purchasing decisions. If this principle is correctly implemented, companies can offer more value not only to the direct customers but to the customers.

Effect of Customer Value on Customer Loyalty

Table 3 shows that the t-value of the relationship between customer experience and customer loyalty is 2.147, which is more than the standard 1.96, and the p-value is below 0.05. Therefore, it can be concluded that customer value significantly affects customer loyalty. Customer perceptions and consumption-related experiences will lead to increased customer value. A higher level of customer value will lead to a solid customer connection and greater customer loyalty (Tsai et al., 2010).

Putra et al. (2020) agree that there is a close relationship between customer value and customer loyalty. Creating superior customer value will give a positive response.
and more loyal customers. A business will be successful and grow depending on the value-creating, profits, and customer loyalty. Customers and companies will develop strong emotional ties and positive reactions from creating high customer value. When relationships are built without emotion, they turn into mechanical tasks that give customers little reason to stick around. The business must raise each customer’s level of satisfaction and sustain it over time if it wants to increase loyalty.

**Effect of Customer Value on Customer Satisfaction**

From Table 3, it can be seen that the t-value of the relationship between customer experience and customer loyalty is 0.251, which is less than the standard 1.96, and the p-value is above 0.05. Therefore, it can be concluded that customer value has no significant effect on customer satisfaction. Karunaratna & Kumara (2018) mentioned that trust, corporate image, service quality, and loyalty programs impact customer satisfaction. Gil-Saura et al. (2018) noted that service quality affects customer satisfaction in the freight forwarding industry. Therefore, the organization should differentiate and gain more knowledge on customer behavior to generate a great customer experience resulting in high customer satisfaction and customer loyalty.

**Conclusion**

This chapter will conclude the study by summarizing the key finding of research objectives as well as the value and it contribution. It also review the limitation of the study and propose opportunity for further research. The study aimed to analyze the effect of customer experience and customer value to customer satisfaction and loyalty in B2B market. Result show customer experience significantly affects customer value, loyalty, and satisfaction. However, customer value only significantly affects customer loyalty, not customer satisfaction.

This research contributes on providing insight regarding the relationship between customer experience and customer value on customer loyalty and satisfaction in one food and beverages manufacturing industry in Indonesia especially B2B market which previously has not been explored by researcher. The practical implication showing that business need to make superior customer experience where they need to develop value, profit, and customer loyalty.

From the study, it can be concluded that customer experience significantly affects customer value, loyalty, and satisfaction. However, customer value only significantly affects customer loyalty, not customer satisfaction. Thus, to increase the customer purchase intention, organization need to manage a superior customer experience to increase the customer value, satisfaction, and loyalty.
This research has some limitations. First, the data was taken during the pandemic, so there was a lack of responses. Second, the data was only taken from one food and beverages industry, so it less represented the overall B2B market in Indonesia and only focus on one sector. Further research can be done to analyze and compare more B2B food beverages industries or expand to another sector of B2B organizations. Also some other attributes relating to customer experience, value, satisfaction, and loyalty can be explored such as purchase intention, service quality, and more.

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References


