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## Determination of Customer Loyalty in the International Cargo Company

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**Abstract:** The purpose of this research is to understand the Factors Influencing Customer Loyalty: This study probably aims to investigate the factors that most influence customer loyalty in the freight forwarding sector. This can include aspects such as the relationship between the company and customers, service quality, customer satisfaction, price, and other relevant factors and measure the level of customer loyalty to freight forwarding companies in East Jakarta. This can be done through surveys, interviews, or analysis of historical data. The study used quantitative methods, which used random sampling for respondents to find data, the population is a user of freight forwarders in the East Jakarta Area by disseminating online and directly. Data analysis was processed using SEM PLS series 4 to find a definite answer from the results of the questionnaire distribution that lasted for two months. In this study, only the relationship between relationship and customer loyalty showed statistical significance, but the direction of the relationship did not match initial predictions. The relationship between Customer Satisfaction and Customer Loyalty has not been shown to be statistically significant. Recommendations in the freight forwarding sector, increasing customer loyalty can be achieved through improved customer relationships, consistent service quality, and ensuring customer satisfaction. By focusing on these aspects, companies can strengthen long-term relationships with customers and improve their performance in the freight forwarding industry

**Keywords:** Relationship, Service Quality, Customer Satisfaction, Customer Loyalty, Freight Forwarding

### INTRODUCTION

In the era of growing globalization, the logistics and freight forwarding industry is experiencing rapid growth. Freight forwarding, or the organization of freight forwarding, is becoming an important element in modern supply chains. The phenomenon of Customer Loyalty is an important focus for logistics service provider companies, customer loyalty not only reflects how often customers use the company's services, but also the extent to which they are willing to maintain a long-term relationship with the service provider (Gizaw, 2017). In the freight forwarding industry, where competition is fierce and service quality is key, understanding the factors that influence customer loyalty is crucial (Gil-Saura et al., 2018).

The factors affecting customer loyalty in the freight forwarding sector are very diverse. Among them are a good relationship between the company and customers, the quality of services provided, and customer satisfaction with the services received (Nair, 2022). Therefore, research on the relationship between Relationship, Service Quality, and Customer Satisfaction is important in this context. A good relationship between freight forwarding companies and customers is an important foundation in building customer loyalty (Chairuddin et al., 2022; Rajesh et al., 2023). Strong relationships not only create a sense of trust, but also allow companies to understand customer needs and preferences better (Craciun, 2023). This can increase customer loyalty because they feel valued and heard by the company.

The quality of service provided by freight forwarding companies has a direct impact on customers' perception of the value they receive. Fast, accurate, and reliable service will increase customer satisfaction and strengthen their loyalty to the company. Conversely, dissatisfaction with service quality can cause customers to switch to another service provider. Customer satisfaction is the end result of the interaction between freight forwarding companies and customers (Alfi & Soliha, 2023). When customers are satisfied with the services provided, they tend to be more loyal and tend to use the company's services repeatedly (Nair, 2022). Therefore, ensuring high levels of customer satisfaction remain high is the main goal for companies in maintaining customer loyalty.

The phenomenon of Customer Loyalty is becoming increasingly important along with increasingly fierce competition and high customer expectations of service quality (Christian et al., 2021). Companies in this sector are increasingly realizing that retaining existing customers is far more advantageous than finding new ones. Therefore, strategies to build and maintain customer loyalty are becoming a key focus for freight forwarding companies (Rajesh et al., 2023). On the other hand, there is a gap between theoretical understanding and practical implementation in the field. While there are many studies highlighting the importance of Relationship, Service Quality, and Customer Satisfaction in influencing customer loyalty, there are still challenges in effectively implementing these findings in the context of the freight forwarding industry. Some gaps found are that although service quality is considered a key factor in influencing customer loyalty, measuring service quality precisely and objectively in the context of freight forwarding may be difficult (Kilibarda et al., 2016). Complex logistics processes and the sheer number of variables involved make it difficult for companies to identify the aspects of service quality that are most important to customers (Mancera & Weidmann, 2017).

Building strong relationships with customers requires a significant investment of time and resources. However, in the freight forwarding industry where customers may have varying and sometimes changing needs, maintaining a sustainable relationship can be a challenge (Boateng-Manu, 2015). Although customer satisfaction is often considered an important indicator of customer loyalty, in some cases, customers may still switch to another service provider even though they are satisfied with the service received (Christian et al., 2021). This can be caused by external factors such as price changes or changing business needs. The freight forwarding industry often involves various parties involved in the supply chain, from the manufacturer to the final recipient. Therefore, the interaction between freight forwarding companies and their customers can be influenced by many external factors that are difficult to control.

The novelty of this study that emerges is a different finding or contrasts with previous research, or if the study brings a new understanding of the factors that influence customer loyalty in the specific context of freight forwarding, this can also be considered a novelty, emphasizing certain aspects that have not been studied much before in the context of customer loyalty in the freight forwarding sector, such as the impact of the latest technology or regulatory changes on customer behavior and their loyalty (Mancera & Weidmann, 2017), it

can be considered a novelty (Kilibarda et al., 2016), and a new methodology that has not been widely used before in the study of customer loyalty in the freight forwarding sector, this can be considered a novelty.

The purpose of this research is Understanding the Factors Influencing Customer Loyalty: This study probably aims to investigate the factors that most influence customer loyalty in the freight forwarding sector. This can include aspects such as the relationship between the company and customers, service quality, customer satisfaction, price, and other relevant factors and measure the level of customer loyalty to freight forwarding companies in East Jakarta. This can be done through surveys, interviews, or analysis of historical data.

## LITERATURE REVIEW

### Relationship

According to (Morissan, 2015) relationships are marketers strive to cultivate relationships that extend beyond just a single transaction with customers, in other words, not merely transactional relationships. Companies that are market and customer-oriented, or customer-centric, will endeavor to maintain relationships with customers for as long as possible. Relational marketing or relationship marketing was initially defined as a form of marketing campaign development that emphasizes customer satisfaction and retention, Relationship Marketing explains that to enhance the close relationship between customers and the company, it can be achieved by turning initially indifferent customers into loyal ones Kotler & Keller in Nuraryo (2019).

The history of the emergence of relationship marketing is supported by several factors. The first factor is that companies realize that customers are becoming increasingly demanding. This is because maximum service, which includes quality products at competitive prices, timely delivery, easy accessibility, and supported by good customer service, is what customers want (Morissan, 2015). Some previous research related to relationship with customer loyalty from the results of proprietary studies (Saadat et al., 2018) stated Customer loyalty is a multifaceted concept encompassing trust, commitment, and customer relationship. It aligns with the characteristics of the product and relates to various types of loyalty, including hand loyalty, head loyalty, and heart loyalty.

Furthermore, the results of the study stated Customer Relationship Management (CRM) has the potential to enhance customer satisfaction and impact customer loyalty through attending to customer needs and enhancing understanding of customer preferences (Dwivedi et al., 2024). Service quality, Customer Relationship Management, and brand image have been shown to positively impact customer loyalty, with customer satisfaction serving as a mediating variable (Imron & Ariyanti, 2023). Thus giving rise to the following hypothesis

H1: It is suspected that there is a positive and significant influence between relationship and customer loyalty in the Freight Forwarding Sector

### Service Quality

Service quality denotes the degree of excellence in service provision offered by a company to its clientele. It encompasses diverse facets of service, including service proficiency, provider responsiveness, and overall customer encounter. Service quality can be measured using various methods, such as the SERVQUAL model, which assesses the gap between customer expectations and perceptions of service quality (Kilibarda et al., 2016).

Service quality plays a pivotal role in shaping customer loyalty and is affected by service excellence, perceived pricing, and corporate reputation. Grasping the needs, desires, and expectations of customers is crucial for crafting marketing approaches that foster customer contentment, thereby influencing customer loyalty (Alfi & Soliha, 2023). Overall service quality in the freight forwarding industry is a multifaceted concept that encompasses various

aspects of service delivery, including the quality of the service itself, responsiveness, and overall customer experience. It is influenced by factors such as the quality of service, price perception, and company image, and it plays a significant role in customer loyalty (Mancera & Weidmann, 2017; Üvenç & Kulluk, 2020).

Previous research related to service quality variables with customer loyalty from the results of the proprietary study (Imron & Ariyanti, 2023) stated CRM has the potential to enhance customer satisfaction and impact customer loyalty by meeting customer needs and enhancing customer understanding. Service quality, CRM, and brand image have been identified as positively affecting customer loyalty, with customer satisfaction serving as a mediator. In the freight forwarding sector, the quality of service is a crucial determinant affecting customer loyalty, closely tied to customer satisfaction, which is mediated by customer relationship management (CRM). Service quality, CRM, and brand image collectively contribute to customer loyalty, with customer satisfaction serving as a connecting variable (Saadat et al., 2018). So that the hypothesis is compiled as follows:

H2 : It is suspected that there is a positive and significant influence between service quality and customer loyalty deep Freight Forwarding Sector

### **Customer Satisfaction**

Customer satisfaction refers to the degree to which a customer's expectations and perceptions of a product or service are met or exceeded. It is a critical factor in determining customer loyalty and is influenced by various aspects of the customer experience, such as service quality, price perception, and company image (MaminaiAimee, 2019). In the freight forwarding industry, customer satisfaction is a key indicator of customer loyalty. It is influenced by the quality of service, price perception, and company image, and it plays a significant role in customer loyalty (Zamry & Nayan, 2020).

Customer satisfaction in the freight forwarding industry is a critical factor that influences customer loyalty (Leninkumar, 2017). It is related to customer expectations and perceptions of service quality, price perception, and company image. Customer satisfaction plays a significant role in customer loyalty, with customer satisfaction acting as an intermediary variable (Jaya Sakti et al., 2021). Some of the above understandings make the basis related to the topics in this variable. Previous studies that support this research include starting from studies that state Customer satisfaction is positively correlated with customer loyalty, which suggests that satisfied customers are more likely to be loyal customers (Khan et al., 2020; Osman & Sentosa, 2013).

The results of the next study stated the customer satisfaction plays a crucial role in influencing customer loyalty in the freight forwarding industry. It is related to customer expectations and perceptions of service quality, price perception, and company image. Customer satisfaction, customer trust, and customer loyalty are interconnected, with customer satisfaction being a significant driver of customer loyalty (Biesok, 2020). So the hypothesis in this study is as follows

H<sub>3</sub> : It is suspected that there is a positive and significant influence between customer satisfaction and customer loyalty.

The frame of mind in this study is illustrated as follows:

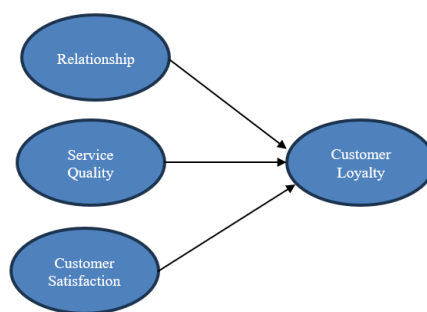


Figure 1. Thinking Framework

**RESEARCH**

The study used quantitative methods, which used random sampling for respondents to find data, the population is a user of freight forwarders in the East Jakarta Area by disseminating online and directly. Data analysis was processed using SEM PLS series 4 to find a definite answer from the results of the questionnaire distribution that lasted for two months.

**RESULT AND DISCUSSION**

The distribution of questionnaires to respondents to consumers who use freight forwarder services in East Jakarta, after calculating the data back from filling out the questionnaire with a total of 67 respondents filling out, then this data is processed with the help of using SEM PLS software to get results in accordance with existing hypotheses. Then the results of processing with SEM PLS are obtained as follows

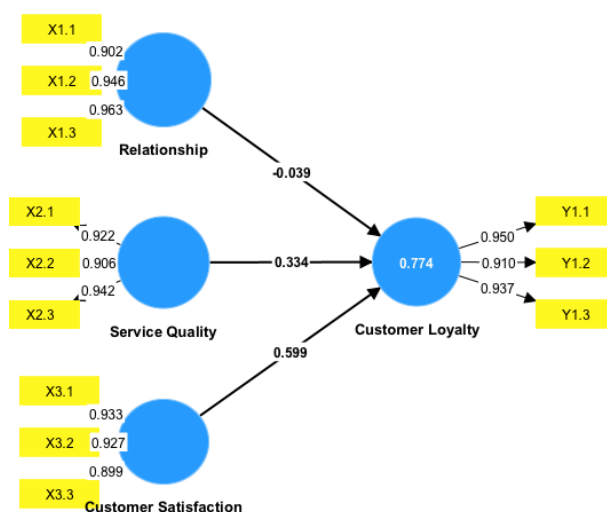


Figure 2. Smart PLS Results (Loading Factor)

The load factor value for the loading factor has met the criteria, where the load factor value is greater than 0.5. A reflective indicator is considered valid if it has a loading factor above 0.5 on the construct in question, based on its substantial content and considering the weight of significance (t = 1.96). The loading factor values for the Relationship variable, Service Quality variable, Customer Satisfaction variable, and Customer Loyalty variable have a higher loading factor compared to other construct loading factors because their values based on the evaluation of discriminant validity are greater than 0.5.

**Average Variance Extrated Test (AVE)**

**Table 1. AVE Test**

	Average Variance Extracted (AVE)	Result
Customer Loyalty	0.869	Valid
Customer Satisfaction	0.846	Valid
Relationship	0.879	Valid
Service Quality	0.853	Valid

Source : Processed Data, 2024

From the data listed in Table 1, the AVE values of all variables are > 0.5. These findings suggest that each variable has a good degree of discriminant validity.

**Reliability Test**

Reliability tests are carried out to show the level of accuracy, consistency, and accuracy of the tool in measuring constructs. When using Smart PLS 4.0 tools, to assess the reliability of a construct, it is recommended to use indicators such as Composite Reliability and Cronbach's Alpha

**Table 2. Cronbach Alpha**

	Cronbach's Alpha	Result
Customer Loyalty	0.925	Reliable
Customer Satisfaction	0.909	Reliable
Relationship	0.931	Reliable
Service Quality	0.914	Reliable

Source : Processed Data, 2024

Based on Table 2. The Alpha Cronbach value of all variables is > 0.6. These results show that all research variables have met the requirements. Therefore, it can be stated that each variable has a high degree of reliability.

**Composite Reability**

A variable is considered reliable if its Composite Reliability is >0.7 in confirmatory studies, while values between 0.6 to 0.7 are still acceptable in exploratory research (Ghozali, 2021)

**Table 3. Composite Reability**

	Composite Reability	Result
Customer Loyalty	0.926	Reliable
Customer Satisfaction	0.911	Reliable
Relationship	0.938	Reliable
Service Quality	0.914	Reliable

Source : Processed Data, 2024

From Table 3, it can be observed that the Composite Reliability value for each variable in this study is 0.6. This value indicates that all variables meet the Composite Reliability standard, and the conclusion is that all variables have a good level of reliability.

### Analysis Inner Model Test

#### R-Square

According to Ghozali (2014), R-Square with values of  $< 0.70$ ,  $< 0.50$ ,  $< 0.25$  indicates strong, medium, and weak models respectively. The higher the value, the better the model's predictions in explaining variations.

**Table 4. R-Square**

	R-Square
Customer Loyalty	0.774

Source : Processed Data, 2024

In this study, researchers used four variables, namely relationship, Service Quality, Customer Satisfaction, and Customer Loyalty Variables. Based on Table 4, it can be seen that the R-Square value is 0.774 (strong influence). This shows that 77.4% of the variation in the Customer Loyalty Variable can be explained by other variables in the model.

#### Hypothesis Test

The hypothesis uses an alpha value of 5%, with the t-statistic using a value of 1.96 as the threshold. The criterion for accepting or rejecting a hypothesis is if the t-statistic  $> 1.96$ , with a P-Value value  $< 0.05$ . Here are the results of hypothesis testing in this study.

**Table 5. Hypothesis Testing**

Hipotesis	P-Value	Result
Customer Satisfaction $\rightarrow$ Customer Loyalty	0.599	Not Significant
Relationship $\rightarrow$ Customer Loyalty	-0.039	Significant
Service Quality $\rightarrow$ Customer Loyalty	0.334	Not Significant

Source : Processed Data, 2024

#### Relationship Effect with Customer Loyalty

The hypothesis between Customer Satisfaction and Customer Loyalty has a P-Value of 0.599. Because the P-Value is greater than 0.05, the result is not statistically significant. This means there was no significant relationship between Customer Satisfaction and Customer Loyalty in this study.

In accordance with the above results, the results of previous research from (Widodo & Gumilang, 2019) menyatakan while the Employee to Customer Relationship does not have a direct impact on customer loyalty, but through the mediating role of customer satisfaction variable, ECR has an indirect impact on customer loyalty.

#### The Effect of Service Quality with Customer Loyalty

The hypothesis between Customer Satisfaction and Customer Loyalty (in the same line as the first) has a P-Value of 0.334. Because the P-Value is greater than 0.05, the result is not statistically significant. It also showed that there was no significant relationship between Customer Satisfaction and Customer Loyalty in the study.

In accordance with the results of the data processing above, the supporting previous research states in the research results. The corporate image mediator is fully operational as there is no direct link between service quality and customer satisfaction. This indicates that customer satisfaction is not directly influenced by service quality, but rather, superior service quality contributes to a positive corporate image, which subsequently enhances customer satisfaction, ultimately impacting loyalty (Hariyanto & Anandya, 2021).

## The Effect of Customer Satisfaction with Customer Loyalty

The hypothesis between Customer Satisfaction and Customer Loyalty (in the same line as the first) has a P-Value of 0.334. Because the P-Value is greater than 0.05, the result is not statistically significant. It also showed that there was no significant relationship between Customer Satisfaction and Customer Loyalty in the study.

Supporting previous research states Confirming that the Shopping Partners' Program, Gift Redemptions, Insurance Coverage, and Special Price have a significant impact on customer satisfaction, and the Shopping Partners' Program, Member's Day, Rebate Gift Voucher, and Special Price significantly influence customer loyalty. However, Rebate Gift Vouchers, Member's Day, and Magazine do not have a significant impact on customer satisfaction, and Gift Redemption, Insurance Coverage, and Magazine do not significantly influence customer loyalty (Zakaria et al., 2014).

## CONCLUSION

In this study, only the relationship between relationship and customer loyalty showed statistical significance, but the direction of the relationship did not match initial predictions. The relationship between Customer Satisfaction and Customer Loyalty has not been shown to be statistically significant. Recommendations in the freight forwarding sector, increasing customer loyalty can be achieved through improved customer relationships, consistent service quality, and ensuring customer satisfaction. By focusing on these aspects, companies can strengthen long-term relationships with customers and improve their performance in the freight forwarding industry

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