Managing Customers’ Loyalty in Fashion Branded: Experience from Indonesia

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ABSTRACT
The growth of the clothing industry in the Indonesian market and the global market is very rapid. The Uniqlo brand is classified as a fast fashion brand that is quite successful in managing product quality and image well. Analysis of the research can be seen that there are several challenges for Uniqlo in terms of service quality, and the value of customer perceptions of customer loyalty. This research was conducted to analyse the problems at Uniqlo Indonesia. The econometrics model in this study is the effect of service quality and customer perceived value on customer loyalty in fashion store namely Uniqlo. This study uses primary data cross section as many as 234 respondents. The analytical method in this study is Robust Least Squared Model. The results of the analysis of this study conclude that an increase in service quality and customer perceived value can significantly increase on customer loyalty. Every unit scale increase in service quality will increase the customer loyalty by 0.54-unit Likert scale, then every unit Likert scale increase in customer perceived value will increase customer loyalty by 0.29-unit Likert scale. This study suggests that the policy of service quality and customer perceived value is crucial to increase customer loyalty.

Keywords
Service Quality, Customer Perceived Value, Customer Loyalty, Uniqlo Indonesia

1. Introduction
In Indonesia, consumptive behavior is supported by increasing purchasing power and people's lifestyles which lead to modernization and the development of brand-mindedness (S Budiono, Evanson, & Purba, n.d.); (Hikaru, Purba, Budiono, Rajagukguk, & ..., n.d.). The fashion industry has shown that Indonesians are following developments in the fashion sector. In today's global era, fast fashion trends have become a promising market (Adirinekso, Purba, Budiono, & Rajaguguk, n.d.). Fast fashion itself is a fashion industry process that imitates the fashion styles of very famous designers. The fast fashion industry is able to produce different collections every year with double standard or more so it is known as a fashion house (Suchánek, Richter, & Králová, 2014); (Adirinekso et al., n.d.). Fast growing fashion dominate consumer mindset about more effective and efficient use to fashion products.

Uniqlo was first founded by Tadashi Yanai. He is the 22nd generation heir of a clothing store called Ogori Shohi in Ube. Uniqlo stands for Unique Clothing that already familiar in urban society (J T Purba, 2017b). Uniqlo's retail store is the largest in Asia with a total of nearly 800 retail outlets. Uniqlo has 3 market segments, namely women, men and
children. Today, Uniqlo produces several types of clothing based on their types and needs, such as outerwear, tops, bottoms, underwear, and home wear and accessories. Uniqlo is also famous for its casual clothes, namely clothes with very comfortable and innovative materials (Indramawan, Tan, & Purba, 2018). Making his clothes by creating Airism clothing products that can be used in summer and HeatTech, which can be used in winter.

A number of fashion brands have sprung up that make fashion companies compete to gain a larger market share, one of which is by implementing various strategies to create a competitive advantage. One of the strategies developed by the company is to maintain the consistency of product quality and quality, as well as carry out a process of product innovation and development to improve products and maintain the quality of the product itself (Yu, 2003); (Hikaru et al., n.d.).

In Indonesia, Uniqlo has competed with other world-class brands such as H&M. One of the advantages of uniqlo in making each product is that uniqlo is not only concerned with appearance, but they also apply advanced technology in every process (Adirinekso et al., n.d.); (Mitchell & Orwig, 2002). Hettich technology is a technology that can bind heat from the body so that it still feels warm in the cold air around it. There is also AIRism Line technology, with this technology, allowing the skin to breathe and absorb moisture. So that it will not feel too hot if we use the AIRism Line. The secret to AIRism Line's technology is the use of advanced Cupro fiber fabrics. Uniqlo also guarantees guaranteed quality and durability. This attention arises from the anxiety and problems of the millennial generation, who always struggle with wardrobe problems. Even though there are many clothes in the closet that are piled up they are not used at all.

Uniqlo attracts more buyers by not only focusing on clothes, outerwear and pants, but they also pay close attention to other products such as socks and underwear. Uniqlo also brings refreshment to clothing products by collaborating with many brands. Collaborations with Marvel, Snoopy, and Disney have been going well and mutually beneficial. Customer Loyalty is one of the most important aspects for Uniqlo companies. Therefore, Uniqlo strives to foster loyalty for consumers so that they can be financially profitable (John Tampil Purba, Samuel, & Budiono, 2021); (Kallmuenzer & Peters, 2018). Consumers usually become loyal to one or two brands because the brand is a product identity. Brand loyalty refers to the customer's commitment and concern for brand. For example, consumer loyalty to the Apple brand, thus they will use all laptops, computers, phones, even keyboards and mice with the Apple brand in them. Loyalty can be understood through two approaches, namely the behavioral approach and the attitude approach. The behavioral approach teaches us about the consumer buying process, and the attitude approach teaches us about the consumer's commitment to a particular brand.

The quality of service that provides perfection for consumers in meeting the needs and desires of customers and the accuracy of delivery are the expectations of consumers (J T Purba, Budiono, Rajagukguk, Samosir, & ..., 2020). Service quality is an important thing that must be considered and maximized to survive and remain the customer's choice. Service quality should not be much different between service expectations and for the service they receive (S Budiono, Purba, Adirinekso, et al., n.d.). Therefore, this research was conducted to analyze the problems that Uniqlo Indonesia namely the influence of Service Quality and Perceived Value on Customer Loyalty

2. Literature Review
The literature review in this research is in the form of a theoretical basis. The theoretical basis can be the results of previous studies that have the same topic or researcher's opinion.

2.1.1. Service Quality
Service Quality is designed to measure service quality as perceived by customers and relies on information from interviews (J T Purba, n.d.); (Andriopoulou, Dagiuklas, & ..., 2017). It can identify the basic dimensions and can reflect the services used by consumers in assessing service quality (Surjana et al., n.d.); (Fu & Akter, 2016). Service is an activity offered by others and tends to be intangible (J.T. Purba, 2015). There are five different dimensions of service quality, namely:

a. **Tangible.** The ability expressed by the client to determine the view of existence. Reliable company physical infrastructure and facilities capabilities for enterprise services. These all include physical facilities for example; (Buildings, equipment, warehouses, etc.)
b. Reliability. The ability to provide services in accordance with the promised services accurately and reliably. Companies must pay attention to customer expectations which include; the time the product or service arrives, all services are the same as all customers, and the price.

c. Responsiveness. Ability to help provide fast service or service that is responsive and precise to the customer. Responsiveness also emphasizes attention to accuracy in dealing with customers. requests, questions, complaints, etc.

d. Guarantee. Guarantee is trust and certainty. Guarantee is something that employees must have the knowledge, courtesy, and ability to cultivate customer trust. It also includes several communications components; credibility, security, competence, and courtesy.

e. Empathy. It intends to give genuine and individual consideration given to clients by trying to understand what customers want that an organization can rely on for understand information about the client, see the client's specific needs, and have a great time as an advantage for the client.

All the above dimensions must be followed properly, if not fulfilled there will be a gap between the customer and the company due to differences in perceptions of service quality.

2.1.2. Customer Perceived Value

The customer's perceived value is the difference between the prospect's evaluation of all the benefits and costs offered and the alternatives considered. Customer perceived value is defined as the difference between the benefits and sacrifices customers perceive the expected needs and wants (Steenkamp, Batra, & Alden, 2003); (Sidik Budiono, Purba, & Purba, 2021). Perceived value is the benefit received by the customer and is related to the total costs incurred, both price and costs associated with the buying process. With all the above theory it can be said that the customer's perceived value is the benefit that a buyer can get or receive from the company they subscribe to monthly or even annually but have many benefits from that subscription rather than spending a lot of money on a subscription that has no benefit for the consumer.

2.1.3. Customer Loyalty

Customer loyalty is a customer who is loyal to a brand unconditionally; and will buy products from that brand again and again even though there are other brand alternatives better quality. Loyalty is also defined as a deep loyal commitment to repurchase for products or services of the same brand, regardless of the situation. In this case we can agree that customer loyalty is a behavior that shows a tendency for customers to remain loyal to one brand even though there are other brand alternatives. Every company tries to maintain its loyalty to its customers because it can provide long-term benefits for the company (Wang & Wang, 2015); (Adirinekso et al., n.d.). Because of that there must be a pattern of purchases that have been made by customers, so things it can create a relationship between the company and the customer. This relationship will also affect company's financial performance. Loyal customers will always repurchase the same brand and only consider the same brand without looking for or finding other different brands (Pappu & Quester, 2016); (S Budiono, Purba, & Adirinekso, n.d.).

Customer loyalty is a reliable measure to predict sales growth and consistent buying behavior (Hikaru et al., n.d.). These are the characteristics of customer loyalty as follows:

a. Consumers make regular purchases of the same brand. Loyal customers will always repurchase the same brand they use even though the price fluctuates.

b. Consumers buy outside the product line. Faithfulness customers not only buy one type of product from their favorite company or brand but also buy additional products or services from the company.

c. Consumers recommend products to others. Loyal customers will always recommend the brand the product he likes to his friends or relatives (Pappu & Quester, 2016).

d. Consumers are not easily influenced by other products or services. Loyal customers are not easily influenced by other products because consumers will always refuse when offered different products from other companies.

In this study the researcher are going to examine the influence between service quality, and customer perceived value on customer loyalty.
3. Methods
Based on causality between independent variables and dependent variable in literature review, authors build the research model as the figure 1.

So, authors analyse the model with least square model. The least-squares method is generally used for estimation purposes in the multiple-regression model (Sakata & White, 2001); (Coad, 2018). Once regression coefficients are obtained, a prediction equation can then be used to predict the value of a continuous output (target) as a linear function of one or more independent inputs. Regression models may be attributed to the interpretability of model parameters and ease of use. However, the major conceptual limitation of all regression techniques is that one can only ascertain relationship but can never be sure about underlying causal mechanism (Greene, 2018).

The analysis tools used are the econometrics and statistical methods to test the model and their respective parameters (Greene, 2018). The unknown parameters of the stochastic relation \( y_i = x_i' \beta + \epsilon_i \) are the objects of estimation. It is necessary to distinguish between population quantities, such as \( \beta \) and \( \epsilon \), and sample estimates of them, denoted \( b \) and \( e \). The population regression is \( E[y_i|x_i] = x_i' \beta \), whereas authors estimate of \( E[y_i|x_i] \) denoted.

\[
\hat{y}_i = x_i' \beta
\]  

(1)

The disturbance associated with the \( i \)-th data point is

\[
\epsilon_i = y_i - x_i' \beta
\]  

(2)

For any value of \( b \), we shall estimate \( \epsilon_i \) with the residual.

\[
e_i = y_i - x_i' \beta
\]  

(3)

From the definitions, so The basic framework for analyzing cross section data is a regression model of the form (Greene, 2018)

\[
y_i = x_i' \beta + \epsilon_i = x_i' \beta + e_i
\]  

(4)

The purpose of this study is to analyze impact service quality (SQ) and customer perceived value (CPV) on customer loyalty (CL). A multiple regression model with more than one explanatory variable may be written as the applied regression model for this study is.

\[
CL = \beta_0 + \beta_1 SQ + \beta_2 CPV
\]  

(5)

Subsequently a calculation is made by estimating the suitability of the econometric model that is the magnitude of the R-squared and F-test with a significance level of 5%.
Based on the theoretical estimates for each parameter to achieve the desired model conditions in mathematical equations are as follows.

\[ \beta_1 = \frac{\partial CL}{\partial SQ} > 0 \quad \text{and} \quad \beta_2 = \frac{\partial CL}{\partial CPV} > 0 \]  

(6)

Based on the calculus equation, the partial test of each independent variable is one way. Service quality (SQ) influences customer loyalty (CL) in the same direction, and customer perceived value (CPV) influences customer loyalty (CL) in the same direction. Thus, the value of each parameter \( \beta \) is expected to be positive. While the partial testing of each independent variable on the dependent variable is carried out by t-test with a significance level in this study amounting to 5%.

By using the null hypothesis \( (H_0) \) and alternative hypothesis \( (H_1) \) for partial testing on the \( \beta_1 \) parameter as follows:
- \( H_0 : \beta_1 = 0 \), service quality (SQ) does not affect customer loyalty (CL)
- \( H_1 : \beta_1 > 0 \), service quality (SQ) affects customer loyalty (CL) in the same direction

The null hypothesis \( (H_0) \) and the alternative hypothesis \( (H_1) \) for partial testing on the \( \beta_2 \) parameter are as follows
- \( H_0 : \beta_2 = 0 \), customer perceived value (CPV) does not affect customer loyalty (CL)
- \( H_1 : \beta_2 > 0 \), customer perceived value (CPV) influences customer loyalty (CL) in the same direction.

Thus, it is clear in practical econometrics there is always outlier data which means the data do not follow general patterns. This problem becomes very serious and complex. A model is considered robust if it meets the requirements of basic assumptions (Long, Gan, Chen, Wang, & Li, 2020). In regression analysis, a method for estimating parameters is needed to meet the best linear unbiased estimator (BLUE). One popular method used is Ordinary Least Square (OLS). The classic assumption that must be fulfilled in OLS so that the estimation results are robust is homoscedasticity. Violation of the assumption of homoscedasticity is called heteroscedasticity, which means that the error is not constant. The consequence of heteroscedasticity can result in the OLS estimator obtained still meets the requirements of unbiased, but the resulting variant becomes inefficient which means the variant tends to enlarge so that it is no longer the smallest variant. Therefore, the best traits will not be fulfilled (Greene, 2018).

This assumption is very important in the regression analysis because it relates to the estimated standard error of the regression coefficient. Standard error regression has a role in the formation of t-counts and F-counts will be underestimated which may subsequently produce conclusions that appear to be significant or not significant. Therefore, if the assumption of homoscedasticity is not fulfilled the results of the t-test are uncertain (Greene, 2018). According to Greene (2018) suggests the regression method is done by weighting the data with an appropriate multiplier factor. By using the Stata Software, automatically the selected weighting is the right weighting so that robustness is met the requirements (Adkins & Hill, 2011).

4. Data Collection
Collecting data in this study is to obtain primary data. There are several types of primary data collection methods, namely; interview, observation, questionnaire, physical measurement, etc. In this study the authors used a questionnaire method or survey research. This means that the author can collect primary data using questionnaire, which is a tool for collecting data (Sekaran & Bougie, 2016). The questionnaire is a set of questions that can be filled out by the respondent. Questionnaires can be sent or distributed privately, sent to respondents' addresses, placed in public places, and disseminated using internet technology. Because the subject can be filtered by filtering the questions so that the subject has met the set criteria. Questions can be used to determine the subject's perception. Questionnaires can be distributed quickly and efficiently (Kinnunen, Andronicou, & ..., 2019); (Pertuz, Pérez, Geizzelez, & Vega, 2019). Questionnaires can also be distributed via Google forms to everyone or respondents who have shopped at Uniqlo Stores. The last, data collection through questionnaires, and 234 respondents who live in the Jakarta area and outside, in Indonesia.

5. Results and Discussion
After obtaining primary data in this research, the data will be processed for its validity and reliability by using Stata Software.
Decision making in the reliability test is the Cronbach's Alpha value of 0.92 > 0.60, so the questionnaire is declared reliable. The validity testing based on Stata software shown in table 1. The values of item-test correlation is more than item-rest correlation on the table 1 is also showing valid.

Based on the proposed econometrics model, we do the data processing in 234 observations. By using linear regression and robustness feasibility, the output of data processing is as follows in table 2.

### Table 1 Validity and Reliability Test

<table>
<thead>
<tr>
<th>Item</th>
<th>Obs</th>
<th>sign</th>
<th>item-test correlation</th>
<th>item-rest correlation</th>
<th>average interitem correlation</th>
<th>average alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>sq1</td>
<td>234</td>
<td>+</td>
<td>0.5211</td>
<td>0.4535</td>
<td>0.3853</td>
<td>0.9142</td>
</tr>
<tr>
<td>sq2</td>
<td>234</td>
<td>+</td>
<td>0.6310</td>
<td>0.5743</td>
<td>0.3759</td>
<td>0.9110</td>
</tr>
<tr>
<td>sq3</td>
<td>234</td>
<td>+</td>
<td>0.6589</td>
<td>0.6054</td>
<td>0.3736</td>
<td>0.9102</td>
</tr>
<tr>
<td>sq4</td>
<td>234</td>
<td>+</td>
<td>0.7514</td>
<td>0.7096</td>
<td>0.3657</td>
<td>0.9074</td>
</tr>
<tr>
<td>sq5</td>
<td>234</td>
<td>+</td>
<td>0.7190</td>
<td>0.6729</td>
<td>0.3685</td>
<td>0.9084</td>
</tr>
<tr>
<td>sq6</td>
<td>234</td>
<td>+</td>
<td>0.6018</td>
<td>0.5419</td>
<td>0.3784</td>
<td>0.9119</td>
</tr>
<tr>
<td>sq7</td>
<td>234</td>
<td>+</td>
<td>0.6602</td>
<td>0.6069</td>
<td>0.3735</td>
<td>0.9102</td>
</tr>
<tr>
<td>sq8</td>
<td>234</td>
<td>+</td>
<td>0.5870</td>
<td>0.5257</td>
<td>0.3797</td>
<td>0.9123</td>
</tr>
<tr>
<td>sq9</td>
<td>234</td>
<td>+</td>
<td>0.6703</td>
<td>0.6181</td>
<td>0.3726</td>
<td>0.9099</td>
</tr>
<tr>
<td>sq10</td>
<td>234</td>
<td>+</td>
<td>0.6593</td>
<td>0.6058</td>
<td>0.3735</td>
<td>0.9102</td>
</tr>
<tr>
<td>cpv1</td>
<td>234</td>
<td>+</td>
<td>0.6942</td>
<td>0.6450</td>
<td>0.3706</td>
<td>0.9092</td>
</tr>
<tr>
<td>cpv2</td>
<td>234</td>
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<td>0.6802</td>
<td>0.6292</td>
<td>0.3718</td>
<td>0.9096</td>
</tr>
<tr>
<td>cpv3</td>
<td>234</td>
<td>+</td>
<td>0.6612</td>
<td>0.6080</td>
<td>0.3734</td>
<td>0.9101</td>
</tr>
<tr>
<td>cl1</td>
<td>234</td>
<td>+</td>
<td>0.5913</td>
<td>0.5303</td>
<td>0.3793</td>
<td>0.9122</td>
</tr>
<tr>
<td>cl2</td>
<td>234</td>
<td>+</td>
<td>0.6265</td>
<td>0.5692</td>
<td>0.3763</td>
<td>0.9112</td>
</tr>
<tr>
<td>cl3</td>
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<td>0.6176</td>
<td>0.5594</td>
<td>0.3771</td>
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<tr>
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<td>0.6015</td>
<td>0.5417</td>
<td>0.3784</td>
<td>0.9119</td>
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<tr>
<td>cl5</td>
<td>234</td>
<td>+</td>
<td>0.5913</td>
<td>0.5304</td>
<td>0.3793</td>
<td>0.9122</td>
</tr>
</tbody>
</table>

**Test scale**

<table>
<thead>
<tr>
<th>item-test correlation</th>
<th>item-rest correlation</th>
<th>average interitem correlation</th>
<th>average alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.3752</td>
<td>0.9153</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data processing, 2022

### Table 2 Result of Linear Regression for Customer Loyalty

| Item | Coef. | Std. Err. | t    | P>|t| | [95% Conf. Interval] |
|------|-------|-----------|------|--------|----------------------|
| CL   |        |           |      |        |                      |
| SQ   | .5461067 | .0680452 | 8.03 | 0.000 | .412038 - 0.6801753 |
| CPV  | .2961941 | .057487  | 5.15 | 0.000 | .1829282 - 0.40946  |
| _cons| .5841141 | .1505943 | 3.88 | 0.000 | .2874001 - 0.8808281 |

Source: Data processing, 2022
Based on the running data in customer loyalty (CL) are influenced by independent variables in the model. The test results for the proposed model that the results of the value of F-test = 303.65 and probability F = 0.00 smaller than the significance level of 5%, we reject the null hypothesis. The independent variable service quality (SQ) and perceived value (CPV) simultaneously influence the customer loyalty (CL). Therefore, authors can arrange the econometric equation.

\[ CL = 0.584 + 0.54 \text{ SQ} + 0.29 \text{ CPV} \] (7)

The partial analysis shows that the results of the t-test on the variable service quality (SQ) and customer perceived value (CPV) reject the null hypothesis and the direction of the positive coefficient. The value of this positive coefficient parameters supports to the theory. Every 1 unit increase in service quality (SQ) will increase the customer loyalty (CL) by 0.54 level in level Likert scale 5. Every 1 level increase in customer perceived value (CPV) will increase the customer loyalty (CL) by 0.29 level in 5 level Likert scale.

6. Conclusion

It turns out that the combination of increasing service quality and customer perceived value proves to increase customer loyalty strongly. Between service quality and customer perceived value to each other and in the same direction to increase customer loyalty. The marketing strategy for these two variables is the key to Uniqlo's success in the fashion business. Policies that support the improvement of service quality and customer perceived value for each other for consumers are absolute. This is important because this policy strategy has a dual effect not only to increase customer loyalty but also to increase sales of Uniqlo products.

Efforts to improve service quality can be done through improvement of facilities and infrastructure including buildings, equipment, nice places, and services including the friendliness of shop assistants. Efforts to increase loyalty for consumers are needed. The number to which a consumer can still get a positive impression, which will trigger their commitment to continue to be loyal in using the product. So, with the same brand, accompanied by feelings of satisfaction and pleasure after consuming it repeatedly.

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