

# ENHANCING COOPERATIVE MEMBER LOYALTY: THE NEXUS OF SERVICE QUALITY, INSTITUTIONAL IMAGE, AND GOVERNANCE

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**ABSTRACT** - Cooperatives play a crucial role in driving economic development in Indonesia. However, increasing competition from financial institutions has made member loyalty a key factor in ensuring cooperative sustainability. Baitul Qiradh Baburrrayan Cooperative, a leading coffee-exporting cooperative in Aceh Tengah Regency, Indonesia, faces these challenges while striving to maintain strong member engagement. This study explores the strategies implemented by KBQ Baburrrayan to sustain member loyalty using a qualitative approach with descriptive analysis. The findings reveal that the cooperative enhances service quality through improved coordination and collaboration between management and members. Additionally, strong governance and member-oriented business practices empower members by addressing their economic needs. The cooperative also maintains a positive institutional image, fostering trust among members and stakeholders. This study highlights that service quality, governance, and institutional reputation are essential factors in sustaining long-term member loyalty in cooperatives.

**Keywords:** Member Loyalty, Service Quality, Governance, Cooperative Image

**ABSTRAK** - *Meningkatkan Loyalitas Anggota Koperasi: Hubungan antara Kualitas Pelayanan, Citra Organisasi, dan Tatakelola.* Koperasi memiliki peran penting dalam mendorong perkembangan ekonomi di Indonesia. Dalam menghadapi persaingan dengan lembaga keuangan lainnya, mempertahankan loyalitas anggota menjadi faktor kunci dalam menjaga keberlanjutan koperasi. Koperasi Baitul Qiradh (KPQ) Baburrrayan, sebagai koperasi eksportir kopi terkemuka di Kabupaten Aceh Tengah, juga menghadapi tantangan untuk mempertahankan loyalitas anggotanya. Penelitian ini mengeksplorasi strategi yang diterapkan KBQ Baburrrayan dalam mempertahankan loyalitas anggota dengan menggunakan pendekatan kualitatif dan analisis deskriptif. Hasil penelitian menemukan bahwa dalam mempertahankan loyalitas anggota, KBQ Baburrrayan melakukan beberapa strategi, yaitu menjaga kualitas pelayanan dengan meningkatkan koordinasi dan kerjasama yang baik antar pengurus dan anggota. Selain itu, koperasi juga menjalankan tata kelola dan bisnis yang berorientasi pada pemberdayaan anggota, sehingga anggota dapat memenuhi kebutuhan hidup mereka dengan baik. Koperasi juga berupaya menjaga citra sehingga senantiasa dipandang baik oleh anggota dan stakeholder lainnya. Hasil penelitian ini menunjukkan bahwa untuk menjaga loyalitas anggota, koperasi harus senantiasa menjaga kualitas pelayanan, tata kelola dan citra dengan baik.

**Kata Kunci:** Loyalitas Anggota, Kualitas Pelayanan, Tata Kelola, Citra Koperasi

## INTRODUCTION

The cooperative movement in Indonesia occupies a central role in the national economy, serving as a vital mechanism for promoting equitable welfare and fostering community empowerment (Agusalim et al., 2019). Cooperatives are not merely supplementary entities within the economic system; rather, they are foundational institutions that underpin the national economic framework, embodying the principles of mutual cooperation and solidarity that are deeply ingrained in Indonesian culture (Kumaratih & Sartono, 2020). Acknowledging their strategic importance, the Indonesian government has consistently prioritized cooperatives as key drivers of the people's economy, emphasizing their role in advancing community independence and reducing unemployment (Fikriah & Hartono, 2023; Kasih, 2022; Afifudin, 2020). Furthermore, cooperatives contribute significantly to the improvement of societal welfare, particularly for their members (Arifandy et al., 2020).

Nevertheless, in the context of globalization and the rapid expansion of business sectors, cooperatives are increasingly confronted with challenges arising from heightened competition, particularly within financial and real-sector institutions (Farida & Setiawan, 2022; Jung et al., 2020). While cooperatives are traditionally rooted in the values of cooperation and kinship, these principles are being tested as they strive to maintain member loyalty in an increasingly competitive economic environment (Azryan et al., 2023). Member loyalty, defined as adherence to and commitment toward the cooperative's objectives and regulations, is widely recognized as a critical determinant of organizational sustainability (Suryani et al., 2020; Purba, 2017; Purnamasari & Sintaasih, 2019).

The cooperative sector in Indonesia has experienced significant growth in recent years (Sulaemana et al., 2023). According to DataIndonesia.id (2023), the number of cooperatives increased from 126,343 in 2018 to 130,354 in 2022. In Aceh Province alone, there are 5,978 cooperatives, a figure that continues to grow. Despite this expansion, issues related to member loyalty persist. Previous studies have identified various determinants of loyalty, including service quality, satisfaction, institutional image, Sharia governance, and member participation (Krismonicha & Prasetyo, 2021; Ferreira et al., 2021; Rehman & Awan, 2023; Safittri & Riyaldi, 2022). However, these studies have primarily focused on cooperatives operating in financial sectors, leaving a significant gap in understanding the dynamics of loyalty within real-sector cooperatives, where



members often assume dual roles, such as serving as suppliers of essential raw materials.

This research centers on KBQ Baburrayyan, a cooperative located in Central Aceh, a region renowned for its high-quality coffee production. Since its establishment in 2002, KBQ Baburrayyan has evolved from a savings and loans cooperative into a prominent entity engaged in coffee processing and trading (Kamari et al., 2023). Despite its growth and regional significance, KBQ Baburrayyan operates in an intensely competitive market, where sustaining member loyalty is imperative for ensuring business continuity and long-term success.

The existing literature on cooperative member loyalty has predominantly emphasized service quality enhancements through technological innovations (Umini & Lestari, 2022) or participatory programs (Ferreira et al., 2021). International studies have also examined loyalty dynamics, albeit within distinct economic and cultural contexts (Rehman & Awan, 2023; Yacob et al., 2016; Dogarawa, 2010). However, limited attention has been devoted to cooperatives operating in the real sector, particularly those like KBQ Baburrayyan, where members' dual roles as stakeholders and resource providers introduce additional complexities to loyalty dynamics.

This study seeks to address this research gap by investigating the factors influencing member loyalty within the real-sector operations of KBQ Baburrayyan. By focusing on a cooperative operating in a highly competitive environment, this research aims to elucidate the unique dynamics of member loyalty and provide actionable insights for cooperative sustainability. The findings are anticipated to contribute to the broader discourse on cooperative management, offering practical implications for policymakers, cooperative managers, and other stakeholders striving to enhance member engagement and loyalty in similarly competitive contexts.

In addressing these issues, this study aspires to advance the theoretical understanding of cooperative member loyalty while also offering strategic recommendations for strengthening the resilience and adaptability of real-sector cooperatives. By bridging existing gaps in the literature, this research seeks to support the development of cooperative systems that are better aligned with the evolving needs of their members and the broader economic landscape.



This study is structured into five sections. The introduction outlines the context, highlights challenges in maintaining member loyalty, and emphasizes the study's significance. The second section reviews relevant literature, identifying gaps specific to cooperatives in Aceh Tengah Regency. The third section explains the methodology, detailing research design, data collection, and analysis methods. The fourth section presents the results and critically discusses them in relation to prior studies. Finally, the conclusion summarizes key findings, highlights contributions, acknowledges limitations, and suggests future research directions.

## LITERATURE REVIEW

### The Concept of Cooperatives

Cooperatives are unique business entities that operate based on the principles of mutual cooperation and kinship, serving as a driving force in economic and social development (Arizal & Seswandi, 2019). Unlike conventional businesses, cooperatives emphasize democratic management, shared ownership, and equitable distribution of benefits among members (Hasbullah & Bareduan, 2021). As a people's economic movement, cooperatives strive to achieve economic welfare and social empowerment while fostering a more inclusive national economic system (Dunggio & Yasa, 2016). Sartono and Respati (2021) define cooperatives as autonomous associations where individuals voluntarily unite to meet their shared economic, social, and cultural aspirations through jointly owned and democratically controlled enterprises.

A key variation of cooperatives is the Sharia Cooperative, which represents a specific type of cooperative that adheres to Sharia principles, emphasizing kinship and mutual assistance (Sobarna (2021). These cooperatives aim to promote *falah* (prosperity) among their members by adhering to *alta'awun al al-birri* (mutual assistance in goodness) (Rizki et al., 2022). The operational framework of Sharia cooperatives ensures that business practices, financial transactions, and governance comply with Islamic law, thereby fostering ethical and interest-free economic activities (Nugraha et al., 2021; Munawir et al., 2024). Unlike conventional financial institutions, Sharia cooperatives emphasize social justice, risk-sharing, and moral integrity in their business operations, making them accessible to all socio-economic groups, including marginalized communities.



From a functional perspective, cooperatives play both economic and social roles. The economic function involves business activities that alleviate financial burdens on members, improve access to markets, and enhance economic resilience (Kader, 2018). On the other hand, the social function manifests through community engagement, social contributions, and profit-sharing mechanisms designed to support collective well-being (Sungkawati, 2018). These dual roles position cooperatives as key players in sustainable economic development by integrating profit-making activities with social responsibility.

### **The Concept of Loyalty**

Loyalty is a multidimensional concept that encompasses commitment, trust, and consistent engagement with an organization (Zhang et al., 2022; Lovelock, 2010). In a cooperative context, loyalty refers to the extent to which members remain actively involved, utilize cooperative services, and contribute to its long-term success (Awoke, 2021). This commitment is essential for the sustainability of cooperatives, as loyal members foster stability, drive growth, and enhance organizational resilience (Mahayasa & Martayanti, 2020; Morfi et al., 2015). According to Novianingsih et al. (2019), strong member loyalty ensures that cooperatives can sustain their operations and thrive despite external competition.

The legal framework for cooperatives in Indonesia underscores the importance of member loyalty. Indonesian Law No. 25 of 1992, Article 19, states that cooperative membership is based on shared economic interests, emphasizing the role of loyalty in sustaining cooperative enterprises. This regulatory recognition highlights how loyalty is intertwined with cooperative success and underscores the need for cooperative management to prioritize member retention and engagement strategies.

### *Loyalty in Real-Sector Cooperatives*

Unlike service-based cooperatives, real-sector cooperatives primarily operate in production and trade, where members often act as suppliers of raw materials (Alho, 2015). These cooperatives play a crucial role in agricultural, manufacturing, and other production-oriented industries. For instance, coffee farmer cooperatives in Indonesia organize their members to produce, process, and distribute coffee collectively, enabling them to access broader markets and secure better prices (Kumar et al., 2015). Beyond economic benefits, real-sector



cooperatives provide financial and technical support to their members, including working capital loans and capacity-building programs.

Member loyalty in real-sector cooperatives is particularly critical for several reasons:

1. **Ensuring a Stable Supply Chain.** Loyal members provide a consistent supply of raw materials, ensuring uninterrupted production processes.
2. **Enhancing Economic Stability.** Active and committed members contribute to cooperative growth by engaging in cooperative-led initiatives and maintaining long-term partnerships.
3. **Maximizing Utilization of Cooperative Services.** Cooperatives often provide training, financial aid, and technical assistance, and loyal members tend to utilize these resources effectively, enhancing both individual and collective productivity.
4. **Fostering Trust and Cohesion.** A strong sense of belonging among members strengthens trust in the cooperative, ensuring long-term sustainability and reducing turnover (Van Dijk et al., 2019).

#### *Determinants of Member Loyalty in Cooperatives*

Several factors influence member loyalty in cooperatives, particularly in competitive industries:

1. **Service Quality.** High-quality services, including efficient management, transparent financial operations, and reliable support mechanisms, enhance member satisfaction and strengthen loyalty (Umuri et al., 2023).
2. **Member Satisfaction.** Satisfaction with cooperative benefits, such as fair pricing, access to markets, and financial incentives, directly correlates with loyalty (Ferreira et al., 2021).
3. **Participation in Decision-Making.** Involving members in governance and decision-making fosters a sense of ownership and responsibility, increasing their long-term commitment (Han et al., 2010).
4. **External Competition.** Cooperatives face competition from alternative buyers or financial institutions that may offer more attractive terms. To retain members, cooperatives must implement competitive pricing strategies and foster personalized relationships with members (Ibrahim, 2024).



Given these challenges, cooperatives must implement proactive strategies to maintain and enhance loyalty. This includes improving service quality, engaging members in decision-making, and offering tailored financial incentives. Member-centric approaches not only enhance loyalty but also contribute to the overall sustainability of cooperatives in dynamic market environments (Bortoleto et al., 2012).

Loyalty is a key determinant of cooperative success, particularly in real-sector cooperatives where members play dual roles as producers and stakeholders. To thrive in competitive environments, cooperatives must prioritize strategies that foster long-term commitment, such as enhancing service quality, increasing transparency, and actively involving members in decision-making processes. Strengthening member loyalty ensures cooperatives remain resilient, competitive, and capable of delivering both economic and social value to their communities (Silintowe & Pasharibu, 2020).

## **METHODOLOGY**

### **Research Approach**

This study employs a qualitative research approach with a descriptive analysis method to explore strategies for optimizing member loyalty at Baitul Qiradh Baburrayyan Cooperative (KBQ Baburrayyan). A qualitative approach is appropriate for this study as it allows for a deep understanding of social dynamics, perceptions, and organizational strategies within the cooperative (Creswell, 2014). Through in-depth exploration, this research aims to capture the complexity of member loyalty, which is shaped by cooperative policies, social interactions, and economic factors.

### **Data Collection Methods**

#### *Primary Data Collection*

Primary data is obtained through in-depth, semi-structured interviews with key stakeholders within the cooperative. The selection of informants is conducted using a purposive sampling technique, ensuring that only individuals with deep knowledge and relevant experience are included (Patton, 2015). The interviewees consist of cooperative administrators and operational managers who play a direct role in decision-making, strategy formulation, and member engagement. The semi-structured interviews focus on:



- a. Current strategies for maintaining and improving member loyalty.
- b. Challenges and opportunities in fostering long-term member commitment.
- c. Perceptions of cooperative leaders regarding factors influencing member retention.
- d. Comparative insights on loyalty trends over recent years.

Interviews are conducted face-to-face whenever possible, supplemented by virtual meetings where necessary. Each interview lasts between 40–60 minutes, and all responses are audio-recorded (with consent) and transcribed for analysis. The primary informants for this research are listed in Table 1:

Table 1. Research Informants

No	Name	Position
1	Rizwan Husin	Chairman of KBQ Baburrayyan
2	Muhammad Haris	Operational Manager of KBQ Baburrayyan

These informants were selected due to their strategic roles in cooperative operations and policy-making. Their insights are crucial in understanding how KBQ Baburrayyan fosters and sustains member loyalty.

#### *Secondary Data Collection*

To strengthen and complement primary data, secondary data is collected from internal cooperative records, including:

- a. Annual reports outlining membership growth and retention trends.
- b. Meeting minutes documenting discussions on cooperative policies and member engagement.
- c. Financial and operational reports providing insights into cooperative performance.
- d. Historical documents related to cooperative membership and participation trends.

These documents serve as objective sources that allow researchers to cross-check interview findings, ensuring greater validity and reliability in the data analysis process.





## Data Analysis Procedures

The collected data undergoes a systematic and structured analysis based on the framework of Miles & Huberman (1994) and Sugiyono (2016), following these key steps:

### *Data Reduction*

- a. The raw data from interviews and documents is reviewed, and irrelevant or redundant information is removed.
- b. Key statements, themes, and concepts related to member loyalty strategies are extracted.
- c. Data is coded using manual and software-assisted qualitative coding techniques.

### *Data Display*

- a. The processed data is organized into thematic matrices, tables, and narrative summaries, allowing for clearer pattern recognition and interpretation.
- b. Findings are categorized into core themes, such as service quality, cooperative governance, and member engagement strategies.

### *Data Verification and Triangulation*

To ensure the validity and reliability of findings, a triangulation strategy is employed (Denzin, 2012):

- a. Source Triangulation. Comparing interview data with secondary sources (e.g., annual reports).
- b. Method Triangulation. Using multiple qualitative techniques (e.g., document analysis, interviews, focus group discussions).
- c. Investigator Triangulation. Conducting peer debriefing sessions to validate interpretations.

Additionally, focus group discussions (FGDs) are conducted with cooperative members to refine and validate the identified themes. These discussions provide collective insights and help in cross-verifying perspectives from cooperative leadership.



### *Conclusion Drawing and Interpretation*

The final step involves synthesizing findings into meaningful insights and conclusions. Key takeaways are linked to existing theories on cooperative management and member loyalty. Recommendations are formulated based on identified best practices and areas for improvement.

## **RESULTS AND DISCUSSIONS**

### **An Insight of KBQ Baburrayyan**

KBQ Baburrayyan is one of the largest cooperatives in Central Aceh Regency, Indonesia, with a significant role in the Gayo Arabica coffee industry. Established in 1995, the cooperative initially faced challenges, including the Aceh conflict, which led to its temporary closure in 2000. However, in 2002, Rizwan Husin and his colleagues revived the cooperative, laying the foundation for its growth. What started as a small savings and loan cooperative with 12 members has now evolved into an internationally recognized cooperative with over 6,000 registered members who are certified coffee farmers and general members. KBQ Baburrayyan exports Gayo Arabica coffee beans to several global markets, including the USA, Australia, the UK, Singapore, Canada, Mexico, and New Zealand.

Despite its success, KBQ Baburrayyan operates in a highly competitive financial and agricultural market. Other coffee cooperatives and financial institutions (both banks and non-banks) also compete for member engagement. Given this competitive landscape, member loyalty becomes a crucial factor in ensuring business continuity and cooperative sustainability. Research suggests that loyal members tend to engage in repeat transactions and recommend cooperative services to others, which directly contributes to cooperative growth (Närvänen et al., 2020). To sustain and enhance member loyalty, KBQ Baburrayyan has adopted several strategic approaches, including improving service quality, maintaining institutional image, and implementing strong cooperative governance.

### **Improving Service Quality**

One of the key strategies employed by KBQ Baburrayyan to enhance member loyalty is providing high-quality, convenient services. According to Rehman and Awan (2023), service quality is defined as an organization's ability to meet



customer needs, expectations, and standards. In the cooperative context, convenient and fair business transactions play a crucial role in retaining members.

KBQ Baburrayyan has implemented a direct purchasing system from coffee farmers to facilitate member transactions. Rather than requiring farmers to transport their coffee harvests to the cooperative, KBQ Baburrayyan collects coffee directly from farmer groups. As stated by Informant 1:

“We formed a farmer group, which is a cooperative member and is led by a group leader. The task of the farmer group leader is to collect coffee from its members and then distribute it to KBQ Baburrayyan.”

The farmer group structure allows for efficient coordination and monitoring. Farmer group leaders not only aggregate the coffee harvests but also serve as KBQ Baburrayyan’s delegates, overseeing farming practices and ensuring quality control.

#### *Incentives for Members and Performance-Based Rewards*

To encourage active participation and supply stability, KBQ Baburrayyan sets a weekly coffee supply target of one ton per farmer group. Farmers who meet this target are eligible for cash incentives and sponsored trips, fully covered by the cooperative. These incentives enhance member satisfaction and motivation, leading to greater commitment and long-term loyalty.

#### *Personalized and Competitive Services*

To differentiate itself from competitors, KBQ Baburrayyan offers personalized services and continuous member support, including:

- a. Member training programs on coffee processing, financial management, and sustainable farming.
- b. Consultation services to help farmers improve crop yields and coffee quality.
- c. Competitive pricing policies that ensure farmers receive fair compensation for their produce.

These strategies align with Parasuraman et al. (2005), who state that high-quality service leads to stronger customer loyalty. Several studies also support



the claim that service quality directly influences cooperative member retention (Safittri & Riyaldi, 2022; Safari & Turmudhi, 2022; Arizal & Seswandi, 2019). The positive correlation between service quality and member loyalty at KBQ Baburrayyan underscores the importance of continuous service improvements. Enhancing responsiveness, fairness, and personalized support not only retains members but also attracts new ones. This finding aligns with the theory that loyal members are more likely to engage in repeat transactions and recommend the cooperative to others, fostering long-term sustainability.

### **Maintaining Institutional Image**

#### *International Market Expansion and Reputation Development*

The global achievements of KBQ Baburrayyan in the coffee trade have significantly enhanced its institutional reputation. As a premier supplier of Gayo Arabica coffee, the cooperative collaborates with internationally recognized brands such as Starbucks, exporting premium-quality coffee beans to key markets including Japan, China, the United States, Germany, Singapore, Australia, and various countries across Europe. With an annual export volume of approximately 110 containers, each valued at IDR 1.5 billion, the cooperative generates an estimated annual revenue of IDR 165 billion.

This notable market presence is largely attributed to KBQ Baburrayyan's steadfast commitment to quality and conformity with international standards. Informant 2 highlighted the cooperative's dedication to maintaining excellence, stating:

“KBQ Baburrayyan is very serious about maintaining coffee quality. We use advanced equipment and establish strict quality control measures. We even formed farmer groups that oversee coffee production from harvesting to packaging. To incentivize farmers, we offer premium prices for coffee that meets export standards.”

#### *The Role of Institutional Image in Fostering Member Loyalty*

A robust institutional image is integral to cultivating trust and loyalty among cooperative members. Empirical research demonstrates that cooperatives with positive reputations tend to achieve higher rates of member retention (Wahab, 2020; Agustina, 2018; Araújo et al., 2023). Members often experience a sense of pride and security in affiliating with a cooperative that is both internationally



recognized and financially stable. This relationship between institutional reputation and member satisfaction underscores the strategic importance of image-building within cooperative organizations.

### *Sustaining Institutional Image through Transparency and Community Engagement*

To uphold its favorable institutional image, KBQ Baburrayyan has implemented a range of initiatives focused on transparency, equity, and community engagement. These measures include:

- a. Ensuring transparency in financial management and profit distribution. Providing members with clear and accurate information regarding the cooperative's financial operations to foster trust.
- b. Establishing fair pricing mechanisms. Protecting farmers against market volatility by offering stable and equitable pricing structures.
- c. Facilitating community engagement activities. Organizing events such as bazaars and door prize distributions to strengthen social bonds and encourage member participation.

Through the implementation of these strategies, KBQ Baburrayyan has been successful in strengthening trust, enhancing member engagement, and fostering long-term loyalty. These efforts not only contribute to the cooperative's internal stability but also solidify its external reputation as a sustainable and member-oriented organization.

## **Cooperative Governance**

Effective governance is essential for the sustainability and operational efficiency of cooperatives. KBQ Baburrayyan has adeptly overcome numerous challenges over the years. After its closure in 2000, the cooperative was revitalized in 2002 by Rizwan Husin and a team of committed associates. Since then, KBQ Baburrayyan has focused on robust management practices, particularly through the adoption of Customer Relationship Management (CRM) systems.

### *Customer Relationship Management in KBQ Baburrayyan*

Customer Relationship Management (CRM) is a strategic framework designed to manage relationships with members, thereby enhancing the cooperative's



value from their perspective (Zainal et al., 2017). Effective CRM implementation can facilitate personalized marketing, stimulate innovative product development, and enable customized services (Kumar & Misra, 2021; Ledro et al., 2022). At KBQ Baburrayyan, CRM is integral to establishing and maintaining profitable relationships by delivering superior value and satisfaction to members (Wicaksono, 2021).

The CRM strategy at KBQ Baburrayyan is grounded in Islamic principles, emphasizing values such as *Fathonah* (wisdom), *Amanah* (trustworthiness), *Tabliq* (communication), and *Siddiq* (honesty). The cooperative has developed programs aimed at raising awareness among managers and staff regarding the significance of providing Islamic-based services to members. Activities include fostering cordial relations with members to better understand their evolving needs and challenges. One informant articulated:

"The relationship built by KBQ Baburrayyan is solid and familial. The cooperative maintains harmonious relationships between members and management to cultivate trust and loyalty."

#### *Governance and Member Engagement*

The governance structure of KBQ Baburrayyan is carefully crafted to foster member loyalty and satisfaction. The cooperative is dedicated to addressing the economic challenges its members face. For example, it offers support to members experiencing financial hardships, such as lacking funds for purchasing fertilizers or covering essential family expenses. Initially, these issues were managed centrally; however, the cooperative later formed farmer groups to tackle challenges more effectively at the local level. These groups are tasked with maintaining coffee quality and promptly resolving members' issues. As one informant noted:

"Cooperatives care about the problems faced by their members. Initially, all issues were handled centrally, but the formation of farmer groups has enabled timely and effective problem resolution at the local level."

#### *Innovation and Capacity Building*

KBQ Baburrayyan demonstrates a commitment to innovation in its management processes. The cooperative actively promotes and markets its coffee beans at both national and international levels. Furthermore, it conducts training programs for members aimed at enhancing their knowledge, skills, and



attitudes, particularly in harvest and post-harvest processing. These programs emphasize the importance of adhering to Organic and Uzt Certified standards, as well as the value of cooperation and communication in partnerships. As another informant stated:

"A mutually beneficial cooperative relationship is built between the two partnering parties to create a strong partnership. Professional cooperation empowers farmers through an economic togetherness system, resulting in smart, professional, organized, and independent farmers."

### *Collaborative Partnerships*

KBQ Baburrayyan has successfully established strategic partnerships with organizations such as the Indonesian Chamber of Commerce and Industry (KADIN), the Indonesian Coffee Exporters and Industry Association (AEKI), the Indonesian Specialty Coffee Association (AKSI), the Gayo Coffee Protection Community (MPKG), and the Aceh Coffee Forum (FKA). These collaborations have significantly contributed to the cooperative's growth and success.

The implementation of sound governance practices, including CRM, has positively influenced member loyalty at KBQ Baburrayyan. Research conducted by Ahmadi (2020), Moosa and Kashiramka (2023), and Safira et al. (2021) supports the assertion that CRM plays a critical role in enhancing member loyalty. CRM is an essential strategy for maintaining robust relationships with members, clients, and customers (Ibrahim, 2023).

The findings underscores the importance of effective governance in cooperatives, as exemplified by KBQ Baburrayyan. The cooperative's focus on service quality, institutional image, and effective governance has not only strengthened member loyalty but also established a solid foundation for sustainability. Key practices such as transparency, accountability, and member participation in decision-making have been instrumental in building trust and loyalty. The findings suggest that other cooperatives can adopt similar governance practices to enhance member satisfaction and achieve long-term success in competitive markets.



## Implication of Study

### *Theoretical Implications and Novelty*

This study contributes to cooperative literature by showcasing how real-sector entities like KBQ Baburrayyan balance market demands with socio-cultural needs. Unlike previous research that emphasizes financial cooperatives (Ferreira et al., 2021), this case highlights that loyalty in agricultural cooperatives is influenced by three interconnected factors. Firstly, spatial proximity in service delivery is achieved through farmer groups that reduce geographic and informational barriers, thereby minimizing transactional friction. Secondly, ethical image differentiation is maintained through premium pricing and certifications, which convey quality and fairness, aligning with members' economic and moral expectations. Thirdly, culturally embedded governance is practiced through Islamic CRM principles that resonate with local values, fostering trust beyond contractual obligations. The combination of these factors addresses a significant gap in loyalty studies, which often overlook context-specific strategies in agrarian settings. Additionally, the cooperative's post-conflict resurgence—growing membership from 12 to 6,000 despite Aceh's instability—provides insights into resilience-building in post-crisis economies.

### *Practical and Policy Implications*

For policymakers, KBQ Baburrayyan's model highlights the need for subsidized certification programs to help cooperatives meet international standards, decentralized training infrastructure with mobile units to replicate KBQ Baburrayyan's farmer education initiatives, and Sharia-compliant funding mechanisms such as government-backed qard al-hasan schemes to support agricultural cooperatives. Cooperative managers should focus on transparency in profit-sharing and incorporate cultural narratives into branding to enhance member identification.

KBQ Baburrayyan's loyalty strategy—combining service innovation, ethical branding, and culturally rooted governance—provides a replicable model for cooperatives navigating globalization. The cooperative transforms members into stakeholders rather than mere suppliers and demonstrates how localized, value-driven approaches can ensure resilience in competitive markets.





## CONCLUSIONS

This study highlights the crucial role of service quality, institutional image, and cooperative governance in fostering member loyalty at KBQ Baburrayyan. The cooperative's direct purchase system, performance-based incentives, and training programs have significantly enhanced member satisfaction and engagement. Additionally, KBQ Baburrayyan's strong reputation in the international coffee market and commitment to ethical business practices and financial transparency have strengthened trust and long-term loyalty among members. These findings align with previous research, emphasizing that high-quality service and transparent governance contribute to cooperative sustainability and competitiveness.

Despite its contributions, this study has limitations, particularly in terms of generalizability due to its qualitative approach and small sample size. The reliance on interviews and document analysis may introduce subjectivity, and the absence of comparative analysis with other cooperatives limits broader applicability. Future research should adopt a quantitative approach with a larger sample size, include multiple cooperatives across different industries, and explore longitudinal trends to better understand the evolving dynamics of member loyalty.

The findings provide valuable insights for cooperative managers, policymakers, and entrepreneurs. Cooperatives should continue to invest in service innovation, maintain transparency, and strengthen member relationships to remain competitive. Policymakers should support cooperative-friendly regulations that promote financial accountability and fair trade practices. Future studies could compare conventional and Sharia-based cooperatives to examine how ethical and religious principles influence member loyalty. The cooperative adopts strategic governance and member-centric approaches to ensure its long-term sustainability and success in an increasingly competitive market.

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