

CUSTOMER RELATIONSHIP MANAGEMENT INFLUENCE ON CUSTOMER VALUE, PRODUCT QUALITY AND SERVICE QUALITY IN IMPROVING CUSTOMER SATISFACTION AND ITS IMPLICATION ON THE CUSTOMER LOYALTY

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Abstract

The purpose of this research is to determine the influence of Customer Relationship Management (CRM) on the Customer Value (CV), Product Quality (PQ) and Service Quality (SQ) in improving Customer Satisfaction (CS) that will have implications on the Customer Loyalty (CL). The research focuses on corporate banking, where customers serve as the research sample. The data in this research using the primary data and secondary data. Source primary data used questionnaire and source the secondary data obtained from variety resources that have been published. By using a likert scale questionnaire with the respondent obtained as much as 360 customers. The analytical tool used in this research is Structural Equation Modelling (SEM) with AMOS version 6 program for testing hypotheses and software SPSS 18 for construct validity and reliability test. Based on the testing, all hypothesis can be accepted. This indicates that a good CRM will increase the CV, PQ and SQ, then the increasing of CV, PQ and SQ will increase the level of satisfaction felt by the customer. Thus, Customer Loyalty is affected by Customer Relationship Management with intervention by Customer Value, Product Quality, Service Quality and Customer Satisfaction.

Keywords: *Customer Loyalty, Customer Satisfaction, Customer Relationship Management, Customer Value, Product Quality, Service Quality*

INTRODUCTION

CRM is the strategic application of people, processes and technology to improve and sustain profitable relationships with customers and partners. CRM refers to all business activities directed towards initiating, establishing, maintaining, and developing successful long-term relational exchanges. Consistent with Kotler and Armstrong (2004) and Parvatiyar and Sheth (2001) define CRM as “the overall process of building and maintaining the profitable relationships with customers, delivery of superior value and satisfaction for the user”. Building the firm relationships with the users is a prerequisite for creating the competitive advantage of the organization (Stojkovic, Djordjevic and Sajfert, 2012). In other words,

CRM can be defined as an interactive process achieving the optimum balance between corporate investments and the satisfaction of customer needs to generate the maximum profit.

Customer value is the value that a customer can bring to a company from the company's perspective. One direct value is the profit contributed to the company by the customer. Customer value is a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations.

Conceptually, the subjective understanding of the products is the manufacturer of 'something' that could be offered

as an attempt to achieve the objectives of the organization through the fulfillment of the needs and desires of consumers, in accordance with the competence and capacity of the organization as well as the purchasing power of the market. In addition the product can also be defined as the perception of consumers who elaborated by producers through the production results.

Parasuraman, Valerie, and Berry (1988) conceived that service quality is the difference between customers' expectation and their perceived performance of a service. Based on this concept, the five dimensions defined by Parasuraman, Valerie, and Berry, (1988) have the foremost role in establishing customers' judgment of perceived service quality: tangibles, reliability, responsiveness, assurance, and empathy.

Customer satisfaction has long been considered a fundamental determinant of long-term customer behavior ((Oliver, 1980),(Yi, 1990), (Ryu, Haesup, and Kim, 2007)), so service firms increasingly dedicate substantial energies to tracking customer satisfaction. Hunt (1977) in Ryu(2007) defined satisfaction as "an evaluation rendered that the (product) experience was at least as good as it was supposed to be". Similarly, based on the theoretical empirical evidence to date, Oliver (1997) described it as "the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided a pleasurable level of consum-

ption-related fulfillment, including levels of under or over fulfillment".

The use of a product is optimal, so that consumers are satisfied. The satisfactions felt by consumers have the consequences of behavior and consumer loyalty either or complain. Consumer loyalty is seen as strength of the relationship between individual's relative attitude and repeat patronage (Isnadi, 2005). In addition, customer loyalty is seen as one of the major facilitators of service quality that emerged from the literature. Customer loyalty happens when there is repeated purchasing by the same customers and their willingness to recommend the product to other customers without any outright benefits, and eventually the repeated usages would generate positive and quantifiable financial results.

Customer relationship management in the study can give benefits to the customer and allows for competition barriers make it difficult for a competitor, thereby enabling the company to improve customer satisfaction. So this research is directed to find relationships between variables that have an impact on customer loyalty, customer relationship management as the company's marketing strategy to maintain and increase customer loyalty through customer satisfaction, customer value, product quality and service quality. From the description, the framework of theoretical thought in this research is as shown in Figure 1.

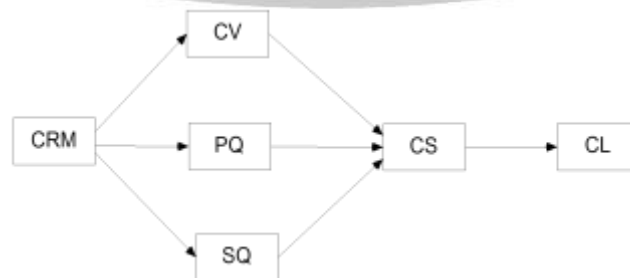


Figure 1. Research Framework

RESEARCH METHOD

The Independent variable in this research is Customer Relationship Management (CRM). The Intervening variables in this study are Customer Value (CV), Product Quality (PQ), Service Quality (SQ) and Customer Satisfaction (CS). The dependent variable in this research is Customer Loyalty (CL). The Sample in this research amount 360 Questionnaire sent to customer banks. Hypothesis in this research are:

- H₁: Customer Value is affected by the high and low Customer Relationship Management
- H₂: Product Quality is affected by the high and low Customer Relationship Management
- H₃: Service Quality is affected by the high and low Customer Relationship Management
- H₄: Customer Satisfaction is affected by the high and low Customer Value
- H₅: Customer Satisfaction is affected by the high and low Product Quality
- H₆: Customer Satisfaction is affected by the high and low Service Quality
- H₇: Customer Loyalty is affected by the high and low Customer Satisfaction

The analytical tool for hypothesis testing used in this research is the path analysis in the division of Structural

Equation Modeling (SEM) with AMOS version 6 program for testing hypotheses and SPSS 18 for testing classical assumptions. By using SEM, researchers can study the structural relationships that are expressed by a set of equations, similar to a set of multiple regression equations. This equation describes the relationship between the constructs (consisting of dependent and independent variables) involved in the analysis. Until now, multivariable techniques are classified as techniques interdependency or dependency.

RESULT AND DISCUSSION

By using AMOS Ver. 6.0 software, the goodness of fit results reflected in Table 1. Testing of hypothesis performed with Path Analysis using the software AMOS version 6.0. Limit of significance (p) which is used in decision making admissibility hypothesis that is equal to 0,05 or 5%. In another words, hypothesis will be accepted if the significance value (p) obtained less than or equal to 0,05 or 5% ($p \leq 5\%$) (Hair et al., 1998), (Sekaran, 2000), (Nur'Ainy, 2010)).

Based on the results of testing hypothesis 1 to hypothesis 7, Table 2 summarizes the results of hypothesis tests.

Table 1. Goodness of Fit

Good of fit index	Cut-off value	Model result	Explanation
X ² - Chi-Square		5,547	Expected small value
X ² -Significance Probability	≥ 0,05	0,236	Good
RMSEA	≤ 0,08	0,033	Good
GFI	≥ 0,90	0,995	Good
AGFI	≥ 0,90	0,974	Good
CMIN/DF	≤ 3,00	1,387	Good
TLI	≥ 0,95	0,995	Good
CFI	≥ 0,95	0,999	Good

Source: AMOS Primary Data Processed

Table 2. Summary of Hypothesis Examination Results

Hypothesis	Variable	Estimate	p	Results
1	CRM → CV	0,491	***	H ₁ accepted
2	CRM → PQ	0,521	***	H ₂ accepted
3	CRM → SQ	0,424	***	H ₃ accepted
4	CV → CS	0,116	0,008	H ₄ accepted
5	PQ → CS	0,354	***	H ₅ accepted
6	SQ → CS	0,473	***	H ₆ accepted
7	CS → CL	0,876	***	H ₇ accepted

Source: AMOS Primary Data Processed (2014)

The Table 2 shows that the hypothesis 1 until hypothesis 7 are accepted. Acceptance or rejection of this hypothesis based on a significance value generated by each path. The hypothesis is accepted if the significance exceeds the limit of 0,05 or 5%, otherwise hypothesis is rejected if the significance is less than the limit of 0,05 or 5%.

Figure 2 shows a path analysis diagram which illustrates the results of hypothesis examination in this study. The figure listed in the diagram shows the regression coefficients (standardized regression weight) which show the influence within the variable in the research.

Hypothesis is a accepted with high value is Customer Satisfaction (CS) is affect to Customer Loyalty (CL) with standardized regression weight value is 0,88. The second higher value is Customer Relationship Management (CRM) is affect to Product Quality (PQ) with

standardized regression weight value is 0,52. The third higher value is Customer Relationship Management (CRM) is affect to Customer Value (CV) with standardized regression weight value is 0,49. The fourth higher value is Service Quality (SQ) is affect to Customer Satisfaction (CS) with standardized regression weight value is 0,47. The fifth higher value is Customer Relationship Management (CRM) is affect to Service Quality (SQ) with standardized regression weight value is 0,42. The sixth higher value is Product Quality (PQ) is affect to Customer Satisfaction (CS) with standardized regression weight value is 0,35. Meanwhile Customer Value (CV) is affect to Customer Satisfaction (CS) with standardized regression weight value is 0,12 less than compared with standardized regression weight value all variable.

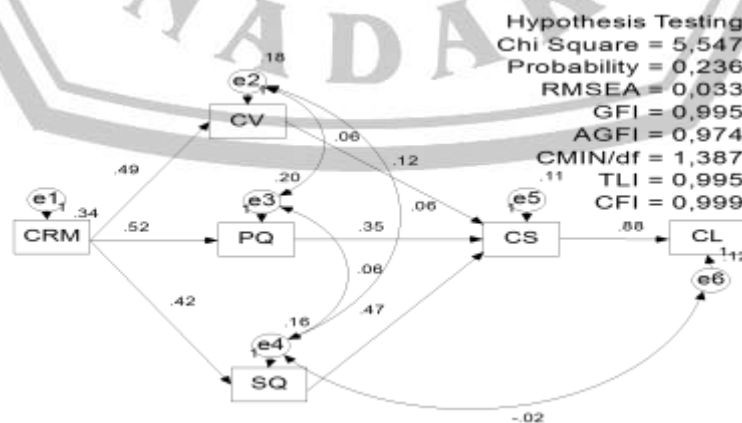


Figure 2. Path Analysis of the Effect Customer Relationship Management on Customer Loyalty with intervening by Customer Value, Product Quality, Service Quality and Customer Satisfaction.

CONCLUSION AND IMPLICATION

In conditions of intense competition, the company should be able to create competitive advantage especially in defending consumers. One of the ways that can be done in order to maintain consumers is making consumers feel satisfied. Consumer satisfaction obtained through the fulfillment of the needs and desires of consumers. In order to know what is needed and desired by consumers, companies should establish customer relationship. So customer relationship management (CRM) is a strategy that required the company to optimize profits by increasing customer satisfaction. If the customer is satisfied then the customer will possess loyalty to the bank. The success of CRM strategy implementation will improve customer satisfaction and customer loyalty.

The implications will be derived from this research is increasingly viewed as a source of customer benefits from the company, so that the customer will be better cared for and given comfort, ease of transaction in the bank. The company realized that new customer get more difficult than retaining an existing customer. Therefore the existence of good customer relationship management (CRM) company, employee and client itself will benefit, so will the creation of loyalty towards the company.

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