ANALYSIS OF CUSTOMER LOYALTY BASED ON MULTINATIONAL RELATIONSHIP MARKETING

(A Study on Customers at National Private Commercial Banks in Pontianak)

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Abstract

The purpose of this study was to investigate the effect of*relationship marketing* consists of communication, conflict management, satisfaction, and trust to customer loyalty mediated by customer commitment. The population of the study was taken from privilege customers (have minimum daily balance of five hundred million rupiahs and fulfil other terms/ conditions as the banks concerned). The samples were 240 people selected by using *proportionate stratified random sampling*.Data analysis technique with WarpPLS was carried out with validity and reliability test, model fit, and quality indices, and hypothesis test. The hypothesis test indicated that there were positive and significant effect of communication variable and trust to commitment, and communication variable and satisfaction to loyalty, and also commitment to loyalty while the conflict management and satisfaction were insignificant to commitment as well as conflict management and satisfaction to loyalty.

BACKGROUND

Customer loyalty is one of the urgent problems faced by business people in terms of winning business competition. Likewise in the banking industry, each bank has to make every effort maximally to maintain and increase the number of its customers due to the tight competition. This can be done by implementing short term and long term marketing strategies. One short term marketing strategy commonly done is by offering a higher deposit rates from other banks. This strategy is categorized as high risky strategy with a tendency of disloyal customers. On the other hand, the example of long term goal is offering competitive deposit rates which relies on the customer's loyalty. This kind of strategy demands a long period of process to obtain loyal customers, but it is assumed as cheaper and superior in competition. Research by Ndubisi (2007) in banking industry in Malaysia, and Alrubaiee& Al-Nazer (2010) in Jordan have shown that the construct dimension that forms relationship marketing can be used to build, maintain, and increase customer loyalty.

Mckenna (1991) in Tjiptono (2006) said that *relationship marketing* is a strategy where there is a continuous and sustainable exchange of transaction between seller and buyer; it is continued after sales completed. There is a mutual partnership with the customers continuously (Jackson, 1985 dalamSchnaars, 1991), and as a result it can initiate customer loyalty (*repeat business*).

According to Gronroos (1994) in Ndubisi (2007), the purpose of *relationship marketing* is to build, maintain, and improve relationships with customers and other partners, to the advantageous stage so that the objectives of the parties involved can be fulfilled. Additionally, Arnett and Badrinarayanan (2005) in Alrubaiee and Al-Nazer (2010) state that the concept of *relationship marketing* competence is as a company's ability to identify, develop, and manage cooperative relationships with key customers characterized by trust, relationship commitment, and communication.

RESEARCH PROBLEMS

1. Is there any effect of communication, conflict management, satisfaction, and trust to the commitment of National Private Commercial Banks customer in Pontianak?

2. Is there any effect of communication, conflict management, satisfaction, and trust to customer's loyalty at National Private Commercial Banks in Pontianak?

3. Is there any effect of customer's commitment to loyalty at National Private Commercial Banks in Pontianak?

LITERATURE REVIEW

Loyalty

Customer loyalty based on behavioral size is defined as repurchase, proportion of purchase, series of purchases, and probability of purchase (Cunningham, 1966; Khan et al., 1986; Massey et al., 1970 in Dick and Basu, 1994). Customer loyalty is a psychological condition that can be learned through attitudinal and behavioral approaches. From the attitudinal approach, loyalty requires the consistency of the three psychological structures, namely the*cognitive, affective*, and *conative*aspects (Tjahyadi, 2010*). Cognitive* aspect associated with informational determinants (i.e. brand beliefs) means that the brand information held should refer to superior focal brand. In this phase, loyalty is based on prior *customer knowledge* and information based on *experience* to a particular brand (Yi dan La, 2004 in Tjahyadi, 2010). Meanwhile, *affective* aspect associated with the feeling of the brand, namely the level of brand preference must be higher than the competitor's brand so that

there is a clear affective preference for focal brands.The *conative* aspect is related to the disposition of behavior towards the brand.The conative aspect shows the intention to buy a focal brand when the purchase decision is made (Dharmmesta, 1999 in Tjahyadi, 2010). The conative aspect has experienced development, which is converted into action

Commitment

Commitment is commonly defined as an exchange partner that conceives continuous relationships with other partners as important as an effort to ensure maximum effort in maintaining it (Morgan and Hunt, 1994 in Tjahyadi, 2010). According to Udorn et al. (1998) in Irawati (2006), customer commitment is defined as affective bond and affectionate, and intention to establish and maintain relationships for a long period of time.Sheth and Mittal (2004) in Tjiptono (2006) also say that customer loyalty is a customer commitment to a brand, store, or supplier based on a very positive attitude and it is reflected in consistent repeat purchases. Meanwhile, customer loyalty in the context of marketing services is defined by Bendapudi and Berry (1997) in Tjiptono (2006) as a response closely related to pledges or promises to uphold the commitments that underlie community relations. This is usually reflected in the on-going purchase of service providers on the basis of dedication and pragmatic obstacles.

Relationship Marketing

Relationship marketing is a strong and effective marketing strategy to obtain, maintain and increase customer loyalty (Payne et al., 1995; Calgate& Danaher, 2000; Lacey & Morgan, 2009; Ekiyor et al., 2010 in Abdullah and Kanyan, 2013). The success of relationship marketing activities can be translated into the quality of good relationships between customers and service providers, which leads to customer loyalty (Hennig-Thurau et al., 2002 in Abdullah and Kanyan, 2013). Theron and Terblanche (2010: 384) emphasize that "the creation of long-term relationships with customers requires knowledge of dimensions that contributes to the formation and maintenance of relationships" whereas from a managerial perspective, understanding the dimensions of relationship marketing is very important because the dimension will ultimately support the power of developing relationships between service providers and customers (Ward & Dagger, 2007).

Communication

According to Abdullah and Kanyan (2013), communication plays a central role in providing an understanding of the exchange of partners' abilities and intentions so that it

becomes the basis for building trust among exchange partners. Additionally, Sin et al. (2002: 660) defines communication as "Formal and informal exchanging and sharing meaningful information and timely information between buyers and sellers". It is in accordance with Ndubisiwho states that (2007) that effective, reliable and timely communication is very important in creating and increasing customer loyalty.

Conflict Management

Dwyer et al. (1987) in Ndubisi (2007) define conflict management as the ability of service providers to avoid potential conflicts, resolve real conflicts before they become problems, and discuss their solutions openly when they arise into problems. How well the conflict handling is done by the service provider will affect the customer's commitment to loyal. The ability of service providers in handling conflict properly will also directly influence customer loyalty.

Satisfaction

The customer assesses satisfaction or dissatisfaction of a product by comparing the performance of the product to the level of its expectation. In this sense, satisfaction is defined as the overall customer evaluation of the performance of an offer (Gustafsson et al., 2005 in Tjahyadi, 2010). According to Tjahyadi (2010), satisfaction is also defined as the result of subjective evaluation of the customer that means the selected alternative entity has fulfilled or exceeded expectations (Bloemer& Kasper, 1995 in Lau & Lee, 1999).

Trust

According to Indarjo (2002), trust is a major determinant of commitment to relationships (Morgan and Hunt, 1994). It means that the greater the trust, the greater the intention to make a long-term relationship commitment (Gundlach and Mentzer, 1995). Similarly, Singh and Sirdeshmukh (2000) state that the role of trust as an adhesive leads to long-term relationships.Alrubaiee and Al-Nazer (2010) argue that trust exists when one party has confidence in the reliability and integrity of an exchange partner; it is a component center in all exchange relationships (Morgan and Hunt, 1994). Furthermore, trust is also defined as the belief of one party that the needs will be fulfilled in the future by other parties' action (Anderson and Weitz, 1989).Apparently if partners in a relationship has put trust in each other, they are more emotionally involved and put aside the profit and loss of the relationship (Wetzls et al., 1998). These ideas are supported by Mishra (1996) who state

that there are four dimensions of trust namely reliability, openness, competence, and concern. Communication is very important to show all aspects of trust (Mishra et al., 2008).

Research Hypothesis

Based on the literature review, empirical data, and background of the study, the formulated hypotheses can be seen as follow:

1. H_{1-5} : Communication, Conflict Management, Satisfaction, Trust have positive and significant effect to customer's commitment.

2. H_{6-8}: Communication, Conflict Management, Satisfaction, Trust have positive and significant effect to customer's loyalty.

3. H_9: Customer's commitment has positive and significant effect to customer's loyalty.

RESEARCH METHOD

This study employed causality research which means that the research intends to find explanations in the form of *cause-effect* relationships between several concepts or several variables or some strategies developed in management.The population in this study consisted of all privileged customers (having a minimum daily balance of five hundred million rupiahs, and fulfilling other terms/ conditions from the bank related) which is National Private Commercial Bank in Pontianak Branches with 601 customers. The number of the samples is determined by using the Yamane formula approach (1993) in Ferdinand (2007: 226), namely:

$$n = \frac{601}{1+601(0,05)^2} = 240 \text{ samples}$$

The method of analysis is analysis with structural equation modeling (SEM) with WarpPLS approach. The result of testing the instrument showed that all items are categorized valid with the result of the validity test on combined loadings outputs and cross loading. The result showed that the load value of each factor is greater than 0.30 and p <0.001. The test results on output composite reliability and Cronbach's alpha of all variables have fulfilled the composite reliability.

FINDINGS AND DISCUSSION

The Characteristics of Respondents

The highest number of respondents are male (57.50%). Based on the age of respondents, the ages are over 40 years old to 70 years old. Most jobs are entrepreneurs (60%). Their

work includes as merchants (shops/ similar), and business owners (companies or similar). The last level of education of respondents is partly high school/ equivalent (49.58%). Income of respondents per month is above IDR 50,000,000 (70.42%). Based on the period of time of the respondents as customers, some of them were between 2 years - 4 years (47.08%); the rest was over 4 years.

Fit and Quality Indices Models

The test results of the fit and quality indices model concluded that all models fit and quality indices were good, large and ideal.

Hypothesis Testing Results

The results of testing hypotheses can be explained as follows:

1. The direct effect of X1 to Y1, X4 to Y1, X1 to Y2, X3 to Y2, and Y1 to Y2 is significant, while X2 to Y1, X3 to Y1, X2 to Y2, and X4 to Y2 is insignificant.

2. The indirect effect of X1 to Y2 through Y1 and X4 to Y2 through Y1 is significant, while X2 to Y2 through Y1 and X3 to Y2 through Y1 is insignificant.

3. The total effect of X1 to Y2, X3 to Y2, and X4 to Y2 is significant, while X2 to Y2 is insignificant.

Discussion

1. The Effect of Communication to Customer's Commitment

    The findings indicated that there was an effect of communication to customer's commitment at National Private Commercial Bank in Pontianak. The hypothesis testingshowed that communication has positive and significant effect to customer's commitment which means that the increase of communication will increase the customer's commitment. This study concluded that increasing customer's commitment can be done by increasing the communication performance at National Private Commercial Bank in Pontianak. These findings are in line with researches conducted by Indarjo (2002), Ndubisi (2007), Alrubaiee and Al-Nazer (2010), and Abdullah and Kanyan (2013).

2. The Effect of Conflict Management to Customer's Commitment

    The findings revealed that there was no effect of conflict management to customer's commitment at National Private Commercial Bank in Pontianak. The hypothesis testing showed that conflict management did not significantly affect the

customer's commitment. It means that the increase of conflict management did not increase customer's commitment. These findings are not in accordance with Ndubisi's research findings.

3. The Effect of Satisfaction to Customer's Commitment

The findings indicated that there was no effect of satisfaction to customer's commitment at National Private Commercial Bank in Pontianak. The hypothesis testing showed that satisfaction did not significantly affect customer's commitment. It means that the increase of satisfaction did not increase customer's commitment. The findings are not in line with research conducted by Tjahyadi (2010).

4. The Effect of Trust to Customer's Commitment

The findings indicated that there was an effect of trust to customer's commitment at National Private Commercial Bank in Pontianak. The hypothesis testing showed that trust has positive and significant effect to customer's commitment. It means that the increase of trust will increase the customer's commitment. This study concluded that increasing customer's commitment can be done by increasing the performance of trust National Private Commercial Bank in Pontianak. These findings are in accordance with the research findings by Indarjo (2002), Ndubisi (2007), Alrubaiee and Al-Nazeer (2010), and Abdullah and Kanyan (2013).

5. The Effect of Communication to Customer's Loyalty

The findings indicated that there was an effect of communication to customer's loyalty

at National Private Commercial Bank in Pontianak. The hypothesis testing revealed that communication has positive and significant effect to customer's loyalty. It means that the increase of communication will increase the customer's loyalty. The calculation of indirect effect of communication to customer's loyalty was significant, and it has become an additional value for the overall effect. As a result, it can strengthen the overall effect of communication to customer's loyalty. This study concluded that increasing customer's loyalty can be done by increasing the performance of communication at National Private Commercial Bank in Pontianak. The findings are in line with the research findings by Ndubisi (2007), Alrubaiee and Al-Nazeer (2010), and Abdullah and Kanyan (2013). This study corroborates the collaborative communication concept by Mohr *et.al* (1996) which consists of

communication frequency, bi-directionality, formality, and influence activities. With comparable-mutual main discussion of interest and aim, collaborative communication can produce effort to fulfill willingness between partners so that it can encourage the performance of relationship (Mohr *et.al.*, 1996, Farrelly& Quester, 2003 in Alrubaiee& Al-Nazeer, 2010).

6. The Effect of Conflict Management to Customer's Loyalty

    The findings indicated that there was no effect of conflict management to customer's loyalty at National Private Commercial Bank in Pontianak. The hypothesis testing showed that the conflict management did not significantly affect the customer's loyalty. It means that the increase of conflict management did not increase the customer's loyalty. The calculation of the indirect effect of conflict management to customer's loyalty through customer's commitment was insignificant. The findings are not in accordance with the research findings by Ndubisi (2007).

7. The Effect of Satisfaction to Customer's Loyalty

    The findings indicated that there was no effect of satisfaction to customer's loyalty at National Private Commercial Bank in Pontianak. The hypothesis testing showed that satisfaction did not significantly affect the customer's loyalty. It means that the increase of satisfaction did not increase the customer's loyalty. These findings are in line with Alrubaiee& Al-Nazeer, 2010).

    This study corroborates previous opinion that stated customer's satisfaction is a crucial concept used as a means to create competitive advantage and customer's loyalty.Customer's asses satisfaction from dissatisfaction of a product by comparing the performance of product to its level of expectation. Customers' behavior reflecting an overall evaluation of a certain object tend to direct customers' behavior to the object (Fullerton, 2005a in Tjahyadi, 2010). This behavior is reflected in affective response formed by customers to ownership, utility, and consumption toward an entity (Tjahyadi, 2010).

8. The Effect of Trust to Customer's Loyalty

The findings indicated that there was no effect of trust to customer's loyalty at National Private Commercial Bank in Pontianak. The hypothesis testing showed that trust did not significantly affect the customer's loyalty. The calculation of the indirect effect of trust to customer's loyalty through commitment produce a positive (unidirectional) path coefficient, and become an additional value for the overall effect. It can strengthen the overall effect of trust to customer's loyalty. This study concluded that increasing customer's loyalty can be done by increasing the performance of trust at National Private Commercial Bank in Pontianak.

9. The Effect of Customer's Commitment to Customer's Loyalty.

The findings indicated that there was an effect of commitment to customer's loyalty at National Private Commercial Bank in Pontianak. The hypothesis testing showed that customer's commitment has positive and significant effect to customer's loyalty. It means that the increase of customer's commitment will increase the customer's loyalty. This study concluded that increasing customer's loyalty can be done by increasing customer's commitment and the performance of communication, conflict management, satisfaction, and trust at National Private Commercial Bank in Pontianak. These findings are in line with research findings by Irawati (2006). This study corroborates an opinion by Allen and Meyer (2006) in Tjahyadi (2010) that stated commitment is a constructive multidimensional consisting of three main components such as *affective, continuance*, and *normative*. The power as the basis of customers' affective commitment to service providers is caused by willingness while *continuance* commitment is based on perceived cost. Commitment on a particular partnership appears when customers face a concrete switching cost or when the accepted usability cannot be replaced by other partners (Dwyers*et.al.*, 1987). Normative commitment describes the power that bonds customers to service provider because of perceived obligation (Bansal, *et.al.,* 2004)

CONCLUSION AND RECOMMENDATION

Conclusion

1. Communication and trust have positive and significant effect to customer's commitment at National Private Commercial Bank in Pontianak which mean that the increase of communication and trust will increase the customer's commitment at National Private Commercial Bank in Pontianak.

2. Conflict management, and satisfaction did not contribute significant effect to the customer's commitment at National Private Commercial Bank in Pontianak which means that the increase of the conflict management, and satisfaction will not increase the customer's commitment at National Private Commercial Bank in Pontianak.

3. Communication and satisfaction contribute positive and significant effect to the customer's loyalty at National Private Commercial Bank in Pontianak which mean that the increase of communication and satisfaction will increase the customer's loyalty at National Private Commercial Bank in Pontianak.

4. Conflict management, and trust did not contribute significant effect to the customer's loyalty at National Private Commercial Bank in Pontianak which mean that the increase of conflict management and trust did not increase the customer's loyalty at National Private Commercial Bank in Pontianak.

5. Customer's commitment contributes positive and significant effect to the customer's loyalty at National Private Commercial Bank in Pontianak which means that the increase of customer's commitment will increase the customer's loyalty at National Private Commercial Bank in Pontianak.

Recommendation

1. In terms of improving the performance of communication at National Private Commercial Bank in Pontianak, it is recommended to the management of the Bank to focus on the improvement of delivering timely and reliable information, informing brand new service, being commitment to the promises, and providing accurate information. This can be done by implementing consistent collaborative communication accompanied by informal communication to the customers.

2. In terms of improving the performance of conflict management, it is advisable for the management of the Bank to focus on the improvement effort to avoid the potential conflict, overcoming the real conflict, and providing solutions of the problems with revolutionary and wise action. Improving public speaking and the same perception of the staffs toward some policies are seen beneficial to improve the performance of conflict management.

3. In terms of improving the performance of satisfaction, it is suggested that the management of the bank should focus on the improvement effort to fulfill the customer's expectations, maximizing the commitment, seriousness, and sincerity toward customers complain. Staff's professionalism and perseverance must be taken into consideration by doing periodic and continuous evaluation to maintain the service quality. The management of the bank should also focus on finding out the strength of the competitors that can be adapted, and give debriefing to all of the staffs.

4. In terms of improving the performance of trust, it is recommended to the management of the bank to focus on the improvement of bank integrity, bank good reputation, eligibility of trust, and transaction confidentiality, consistency in service quality, and reliability in priority service. These can be achieved by improving the skill of the staff as the team work from professional bank.

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TABEL 1

COMBINED LOADINGS AND CROSS LOADING

Indikator	X1	X2	X3	X4	Y1	Y2	P-value
X1.1	0,758	0,168	-0,350	0,244	0,117	-0,135	<0,001
X1.2	0,705	-0,049	-0,297	-0,575	1,591	-0,136	<0,001
X1.3	0,711	-0,381	0,277	-0,435	-0,337	0,882	<0,001
X1.4	0,728	0,245	0,381	0,728	-1,333	-0,588	<0,001
X2.1	-0,081	0,752	-0,063	-0,020	0,290	0,019	<0,001
X2.2	-0.739	0,729	-0,196	-0,534	0,616	0,629	<0,001
X2.3	0,840	0,714	0,267	0,566	-0,934	-0,663	<0,001
X3.1	0,363	0,087	0,776	0,564	-0,445	-0,828	<0,001
X3.2	-0,306	0,227	0,699	-0,403	1,182	-0,925	<0,001
X3.3	-0,771	0,243	0,612	-0,605	1,011	0,613	<0,001
X3.4	-0,072	-0,503	0,752	-0,253	-0,345	1,026	<0,001
X3.5	0,568	0,002	0,807	0,501	-1,042	-0,369	<0,001
X4.1	0,580	0,081	0,014	0,777	-0,946	-0,387	<0,001
X4.2	0,015	0,088	-0,264	0,776	-0,081	-0,106	<0,001
X4.3	-0,813	0,201	-0,458	0,718	1,433	0,333	<0,001
X4.4	0,850	-0,098	-0,116	0,612	1,434	0,564	<0,001
X4.5	-0,034	-0,441	0,365	0,702	-0,378	0,536	<0,001
X4.6	0,877	0,124	0,445	0,760	-1,112	-0,761	<0,001
Y1.1	0,712	0,094	0,196	0,982	0,748	-0,701	<0,001
Y1.2	-0,472	0,173	-0,307	-0,484	0,785	-0,809	<0,001
Y1.3	-0,221	-0,281	0,129	-0,483	0,734	-0,810	<0,001
Y2.1	0,851	0,109	-0,080	0,952	-1,265	0,746	<0,001
Y2.2	-0,945	0,365	-0,281	-0,670	1,738	0,717	<0,001
Y2.3	0,058	-0,465	0,354	0,311	-0,410	0,736	<0,001

TABEL 4

HASIL PENGUJIAN HIPOTESIS (PENGARUH LANGSUNG)

No	Hubungan antar variabel (Variabel Penjelas → Variabel Respon)		Koefisien Jalur	p-value	Keterangan
1	X1	Y1	0,389	<0,001	Highly significant
2	X2	Y1	0,051	0,212	Weakly significant
3	X3	Y1	0,142	0,012	Weakly significant
4	X4	Y1	0,425	<0,001	Highly significant
5	X1	Y2	0,200	<0,001	Highly significant
6	X2	Y2	0,159	0,006	Weakly significant
7	X3	Y2	0,280	<0,001	Highly significant
8	X4	Y2	0,102	0,055	Weakly significant
9	Y1	Y2	0,275	<0,001	Highly significant

TABEL 5

HASIL PENGUJIAN HIPOTESIS (PENGARUH TIDAK LANGSUNG)

No	Hubungan antar variabel (Variabel Penjelas → Variabel Respon)			Koefisien Jalur	p-value	Keterangan
	Pengujian Variabel Mediasi 2 Segmen					
	Variabel Penjelas	Variabel Mediasi	Variabel Respon			
1	X1	Y1	Y2	0,107	0,009	Highly significant
2	X2	Y1	Y2	0,014	0,378	Weakly significant
3	X3	Y1	Y2	0,039	0,194	Weakly significant
4	X4	Y1	Y2	0,117	0,005	Highly significant

TABEL 6

KOEFISIEN JALUR PENGARUH TOTAL

No	Hubungan antar variabel (Variabel Penjelas → Variabel Respon)		Koefisien Jalur	p-value	Keterangan
1	X1	Y2	0,307	<0,001	Highly significant
2	X2	Y2	0,174	0,003	Weakly significant
3	X3	Y2	0,319	<0,001	Highly significant
4	X4	Y2	0,219	<0,001	Highly significant

RESEARCH MODEL

X1
(R)4i

X2
(R)3i

X3
(R)5i

X4
(R)6i

β=0.39
(P<.01)

β=0.05
(P=0.21)

β=0.14
(P=0.01)

β=0.43
(P<.01)

β=0.20
(P<.01)

β=0.16
(P<.01)

β=0.28
(P<.01)

β=0.10
(P=0.06)

Y1
(R)3i

R^2=0.82

β=0.28
(P<.01)

Y2
(R)3i

R^2=0.80