

# Customer Relationship Management, Customer Satisfaction and Its Impact on Customer Loyalty

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**Keywords:** Customer Relationship Management, Satisfaction, Customer Loyalty.

**Abstract:** This study aims to determine the effect of Customer Relationship Management (CRM) on Customer Satisfaction and its impact on Customer Loyalty of Islamic Bank in Aceh's Province. The study population is all customers in the Islamic Bank. This study uses convenience random sampling with a sample size of 250 respondents. The analytical method used is structural equation modeling (SEM). The results showed that the Customer Relationship Management significantly influences both on satisfaction and its customer loyalty. Furthermore, satisfaction also affects its customer loyalty. Customer satisfaction plays a role as partially mediator between the influences of Customer Relationship Management on its Customer Loyalty. The implications of this research, the management of Islamic Bank needs to improve its Customer Relationship Management program that can increase its customer loyalty.

## 1 INTRODUCTION

### 1.1 Background

The phenomenon underlying this study is the low customer satisfaction toward Islamic Bank, possibly also caused by other factors such as they are less concerned for the bank to build a mutual relationship with its customers in terms of customer relationship management (CRM), which is one of the businesses based approach to manage relationships with its customers.

Customer Relationship Management (CRM) focuses on what value will customer get rather than to the products or services to be sold by the company. Through the application of Customer Relationship Management (CRM), companies are expected to be able to establish communication and a good relationship with its customers. This condition is also expected that the company will not only sell and market a product and service with good quality or competitive prices but also it is able to answer customers' desires and needs as described by Indah and Dewi (Indah and Dewi, 2013), which can lead to satisfaction and customer loyalty.

Does the formation of loyalty as a result of achievement of customer satisfaction of Islamic Bank is still not currently identified, this is caused by a

small number of studies on customer loyalty in the bank, as a result of understanding about the loyalty and satisfaction of Islamic bank's customers is still confusing, and there is a very limited clarification about Customer Relationship Management (CRM) as a good influence on customer satisfaction and its loyalty as a result of a few empirical study about it.

Based on the above point of view, the authors are interested to conduct an empirical study entitled: "Customer Relationship Management, Customer Satisfaction and Its Impact on Customer Loyalty of Islamic Bank".

### 1.2 Objective of This Study

The purpose of this study is as follows:

1. To determine the effect of *Customer Relationship Management (CRM)* on satisfaction and its impact on customer loyalty of the Islamic bank.
2. To determine the indirect effect of *Customer Relationship Management (CRM)* on customer loyalty of the Islamic bank through its customer satisfaction.

## 2 LITERATURE REVIEW

### 2.1 Customer Loyalty

According to Kotler and Armstrong (Kotler and Armstrong, 2011, p. 271), consumer loyalty in general can be interpreted fidelity someone on a product, goods and services. Consumer loyalty is a manifestation and continuation of consumer satisfaction to use the facilities and services provided by company, as well as to be a repeated buyer of the company.

### 2.2 Customer Satisfaction

According to Kotler (Kotler, 2011, p. 42) satisfaction is feeling happy or disappointed someone who emerged after comparing anatar perception / impression of the performance (yield) of a product and expectations.

Additionally, Tjiptono (Tjiptono, 2011, p. 349) defines customer satisfaction as an emotional response to the evaluation of the consumption experience of a product or service. Then, Oliver (Oliver, 2011) mentions that the product features play an important role in the creation of customer satisfaction.

Based on some of the above definition, consumer satisfaction can be formulated as postpurchase evaluation relulted from the selection of specific purchasing where the perception of the performance of products selected meet or exceed expectations before buying decision.

### 2.3 Customer Relationship Management

Customer Relationship Management is defined as an integrated function that consists of the sale strategy, marketing and service aiming to increase revenue from customer satisfaction (Kalakota and Robinson, 2010, p. 172).

Customer Relationship Management is the concept of building a strong relationship between the companies, in this case the management with customers (Sutedjo, 2011, p. 65). So, Customer Relationship Management is a customer service approach that focuses on building and maintaining long-term relationships (Ardiyhanto, 2011). Based on the above point of view, the organization can focus on the development of an important asset in the long term, a more progressive in relationships with valued customers. CRM program is making a vision for how to transform their companies to

develop important attributes, so that they can be bonded by the organization, products and intend to make a purchase (Gordon, 2002: 2).

According to the above viewpoint, it can be concluded that the Customer Relationship Management can affect the level of customer satisfaction. Furthermore, customer satisfaction can have an impact on customer loyalty.

For more details, how the Customer Relationship Management variable affect customer satisfaction and its impact on customer loyalty will be explained in the following section.

### 2.4 Effect of Customer Relationship Management on Customer Satisfaction

Customer Relationship Management (CRM) is a method to attract, to maintain and to improve customer satisfaction and strengthen relationships with customer (Tung, 1997).

Furthermore, Customer Relationships Management (CRM) provides data and information relating to customers, such as in shopping behavior, habits in consuming products, and others (Agrawal, 2004). These data and information are used to improve understanding how to communicate with customers in order to create value and customer satisfaction (Agrawal, 2004).

From the above description, it can be concluded that customer relationship management influence customer satisfaction. In other words, the better customer relationship management, the higher the level of customer satisfaction is.

### 2.5 Effect of Customer Relationship Management on Customer Loyalty

Customer relationships Management (CRM) is a strategy focusing on creating customer satisfaction and long-term relationships by integrating several functional areas of the company to achieve competitive advantage (Payne and Frow, 2005; Indah and Dewi, 2013; Chang, 2007; Nguyen, Sherif, and Newby, 2007).

Findings of researches conducted by Ardiyhanto (Ardiyhanto, 2011) and Ariyanti (Ariyanti, 2006) show that there are significantly customer relationship management on customer loyalty. This means that the better implementation of CRM in a business unit, it had a positive impact on customer loyalty. Therefore, CRM's applications allow companies to leverage information from all points of the box with the customer, whether it is via web, call

center, or through marketing and servicing staff in the field.

Based on the above description, it can be concluded that the better customer relationship management program implemented by the company, the more customers to be loyal to the products/ services produced by the company.

## 2.6 Effect of Satisfaction on Customer Loyalty

Parasuraman in Lupiyoadi (Lupiyoadi, 2011, p. 182) states that it is the feeling of satisfaction after evaluating the product experience. Lupiyoadi also added that in the banking industry, customers satisfy has great potential to become loyal, so it will be a loyal customer who will use all bank products.

The higher Customer confidence will increase the love of the bank's customers, and of course, customers will be more like the product of the bank. Complacency customers to guarantee the service will also make customers believe that these brands are the best, and it maybe even customers would recommend bank products to the general public. The higher the level of customer satisfaction, the more it will increase customer loyalty.

## 2.7 Indirect effect of Customer Relationship Management on Customer Loyalty through Customer Satisfaction

Basically, sense of satisfaction and dissatisfaction of customers is the difference between expectations and perceived performance. Thus, understanding the customer satisfaction means that the performance of the goods or services received by consumers is at least equal to their expected.

To create customer satisfaction, the companies that engaged in the service should be able to offer a value to gain more customers and also have the ability to maintain customer loyalty. Then through a customer relationship management program that is good and right, it is expected customers will be loyal; of course, when customers quite satisfied. In other words, customer relationship management will have an effect on customer loyalty is only when such customers can be satisfied. Therefore, customer relationship management program indirect effect on loyalitas through customer satisfaction.

## 2.8 Theoretical Framework of Studi

Based on the background of the problem, literature review and hypothesis described above, a conceptual model or theoretical framework can be developed in this research, ie as shown in the following diagram:

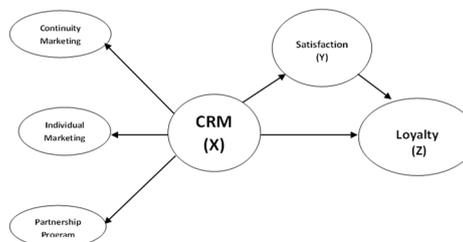


Figure 1: Model of Study theoretical Framework.

## 2.9 Hypothesis

### 2.9.1 Direct Effect

- H1: Customer Relationship Management programs effect positively and significantly on customer satisfaction of Islamic Bank.
- H2: Customer Relationship Management Program effect positively and significantly on customer loyalty of Islamic Bank.
- H3: Customer satisfaction effect positively and significantly on customer loyalty of Islamic Bank.

### 2.9.2 Indirect Effect

- H4: There is an indirect effect of customer relationship management program positively and significantly on customer loyalty mediated by customer satisfaction of Islamic Bank.

## 3 RESEARCH METHOD

### 3.1 Location, Object and Limitation of Study

This research was conducted at Islamic Bank in Aceh's Province. The variables of this research consisted of customer loyalty (Z), customer satisfaction (Y) and customer relationship management.. The limitation of this study is lack of repondents of Islamic Bank.

### 3.2 Population and Sample

The study population is all customers of Islamic Bank operated in Aceh’s Province. This study uses convenience random sampling. Sample of this study that have been gathered are 250 respondents.

### 3.3 Questionnaire Design

The research questionnaire is divided into three parts. The first part is the question of customer relationship management. The second part contains questions about customer satisfaction. The third part is a question of customer loyalty. The number of indicators of each variable can be found in the appendix.

## 4 FINDING AND DISCUSSION

### 4.1 Validity and Reliability Test

Before conducting the main study, it is necessary to test the validity and reliability of the questionnaire to carry out the "Pilot Project" involving 50 respondents were selected randomly.

#### 4.1.1 Validity

Based on the results of testing the validity of the research instrument in terms of item-total statistics of the 50 respondents indicated that all of the items statement for independent variables consist of customer relationship management, where dependent variable consists of satisfaction and customer loyalty at the Islamic Bank have a correlation value of r greater than 0.2012. Thus the statement means that all item are valid for all variables.

#### 4.1.2 Reliability

The test results of the research instrument in terms of reliability of the item-total statistics of the 50 respondents as indicated in the following table:

Table 1: Output of Reliability Testing.

Variable/Sub Variable	Cronbach Alpha	Reliability
X Customer relationship management	0.933	<i>Reliable</i>
Y Customer satisfaction	0.956	<i>Reliable</i>
Z Customer loyalty	0.880	<i>Reliable</i>

Source: Output of SPSS, 2018

Based on the results as the above table, all expressed a reliable research instrument.

### 4.2 Step-one Approach by Measurement Model

All constructs (customer relationship management, satisfaction and customer loyalty) will be incorporated in the phase of measurement model. This phase in line with Anderson and Gerbing (Anderson and Gerbing, 1988), which conducted the first steps.

The latest results of the measurement model (measurement model) can be seen in the following figure.

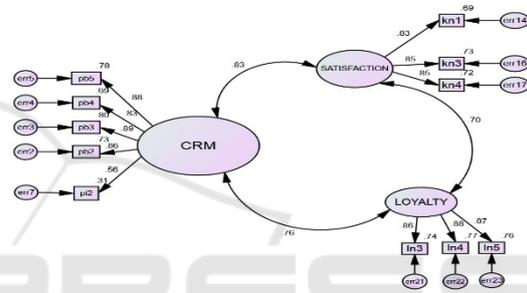


Figure 2: Analysis of Measurement Model.

Table 2: Fit Indices of Measurement Model Analysis.

Fit Indices	X <sup>2</sup>	X <sup>2</sup> /df	GFI	TLI	CFI	RMSEA
	94.833 (p<.000)	2.31 3	.93 6	.96 6	.97 5	.073

The results of the above analysis indicates that the value of Chi-square = 94.833 (p <.000) with X2/df = 2.313. GFI value of 0.936, TLI of 0.966 and CFI of 0.975 > 0.90 showed good fit results. RMSEA value of 0.073 indicates a satisfactory value, which is in between 0.05 to 0.08 (requirements).

### 4.3 Structural Equation Modeling (SEM) (Step-Two Approach)

According to Garver and Mentzer (Garver and Mentzer, 1999), the way to achieve predictive validity can be met by connecting an construct to the others to

predict the relationship or influence, in which the correlation should be enough value (ie, known as the coefficient of structural or weight of standardized regression in AMOS), and should statistically significant.

A clearer picture of the structural equation model can be shown as follows:

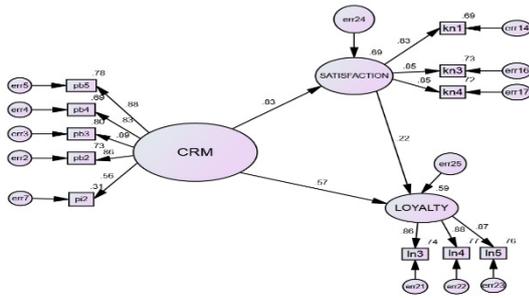


Figure 3: Analysis of Structural Equation Modeling.

Table 3: Fit Indices of Structural Equation Modeling.

Fit Indices	X <sup>2</sup>	X <sup>2</sup> /df	GF I	TL I	CF I	RMSEA
	94.833 (p<.000)	2.313	.936	.966	.975	.073

Based on the above picture of a structural equation model, it shows that the regression coefficient of structural or all of the lines are significant at p <.05. In detail, coefficient of customer relationship management is 0.83\* and are able to explain 69.3% of the variance (Squared Multiple Correlation) to the satisfaction of the customer. In detail, it is estimated that the predictor (customer relationship management) could explain 69.3% of variance on customer satisfaction, which means the error variance to predict customer satisfaction is about 30.7% customer satisfaction explained by other factors.

Furthermore, output also shows that the correlation coefficient of customer relationship management (0.57\*) and customer satisfaction (0.22\*) and they are able to explain 58.5% of the variance (Squared Multiple Correlations) on customer loyalty of Islamic Bank in Aceh Province. The results showed that the customer relationship management (correlation coefficient equal to 0.57 on structural) has a significant impact as compared to

customer satisfaction factors. From these results can be explained also that there is a variance of 41.5% error for predicting customer loyalty. In other words, it can be explained by other factors.

#### 4.4 Testing Hypothesis of Direct Effect

The following table will describe result explaining relationships among constructs.

Table 4: Relationships among Constructs.

		Estimate	S.E.	C.R.	P	Label
Customer Satisfaction	<-- Customer_Relationship_Management	.811	.061	13.398	***	par_9
Customer Loyalty	<-- Customer_Relationship_Management	.648	.124	5.240	***	par_10
Customer Loyalty	<-- Customer Satisfaction	.252	.126	1.999	.046	par_11

Source: Data Analysis, 2016

The above table with the result of a structural equation model is able to explain the purpose of this study. Output of the structural equation model also simultaneously explains the direct effect of the factors of customer relationship management, customer satisfaction and customer loyalty, where both directions have a significant effect as having been hypothesized. Thus, these results are also able to prove the hypothesis 1, 2, and 3 of this study.

#### 4.5 Hypothesis Testing of Indirect Effect

Testing the hypothesis by incorporating the role of mediating variables as suggested by Kelloway (1995) (satisfaction) that will explain the indirect effect where it can be seen in the following table.

Table 5: Indirect Effect by Structural Equation Modeling.

Constructs	Customer relationship management
Customer Satisfaction	0.000
Customer Loyalty	0.181

Source: Output of Standardized Indirect Effect

Regarding the previous results indicate that the direct effect of the significant predictors (customer relationship management) on customer satisfaction (p > 0.05), and it appears that there is a direct relationship between the significant and positive customer relationship management and customer loyalty (p < 0.01). Thus, there is an indirect effect of customer relationship management on customer loyalty is positively and significantly with customer satisfaction by correlation coefficient at 0.181. Thus, hypothesis 4 is not rejected.

The summary of the accepted or rejected the hypothesis in this study can be seen as in the following table.

Table 6: Summary of the Hypothesis Testing.

	Hypothesis	Summary
H <sub>1</sub>	Customer Relationship Management programs effects positively and significantly on customer satisfaction of Islamic Bank.	√
H <sub>2</sub>	Customer Relationship Management Program effects positively and significantly on customer loyalty of Islamic Bank.	√
H <sub>3</sub>	Customer satisfaction effects positively and significantly on customer loyalty of Islamic Bank.	√
H <sub>4</sub>	There is an indirect effect of customer relationship management program positively and significantly on customer loyalty mediated by customer satisfaction of Islamic Bank.	√

Note: √ = hypothesis not rejected  
X = hypothesis not accepted

Picture of the relationship of direct and indirect effect among constructs in this research model can be seen clearly as in the following figure.

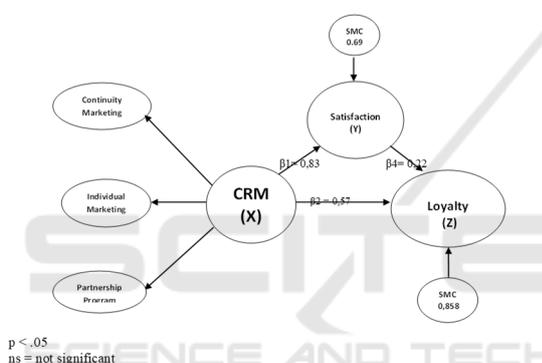


Figure 4: Significantly Relationship among Constructs in the Model.

## 5 CONCLUSION AND FUTURE RESEARCH PLANNING

The results of this research have contributed empirically that the factor of customer relationship management are built in this research model affects both customer satisfaction and customer loyalty of Islamic Bank. The finding is consistent with Ardiyhanto (2011) and Ariyanti (2006) who discovered there is a positif and significant relationship between CRM and Loyalty. Additionally, this factor proved significantly affect customer satisfaction, and it also have a significant influence on customer loyalty. Customer satisfaction factor plays a role as a partial mediating variable between customer relationship management and customer loyalty.

## RECOMMENDATION

Recommendations that can be explained is in order to create more customer loyalty of Islamic Bank in Aceh's Province, Managers should be able to increase customer relationship management.

## FUTURE RESEARCH PLANNING

Additionally, recommendations that can be explained, especially for planning future research is there are various limitations of the study. Thus, research needs to be replicated by developing other factors, so it will produce a better model.

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Table 8: Characteristic of Respondent.

No	Characteristic of Demography (n = 49)	Total		
		Respondent	%	
1.	Gender	1. Male	185	74.0
		2. Female	65	26.0
2.	Age	1. < 20 years	10	4.0
		2. 21 - 30 years	66	26.4
		3. 31 - 40 years	98	39.2
		4. 41 - 50 years	66	26.4
		5. > 50 years	10	4.0
3.	Status Perkawinan	1. Not marriage	24	9.6
		2. Marriage	219	87.6
		3. Widow	7	2.8
4.	Educational Background	1. Junior High School	75	30.0
		2. Senior High School	144	57.6
		3. Academic Diploma (D-3)	19	7.6
		4. Undergraduate (S-1)	11	4.4
		5. Post Graduate (S-2)	1	0.4
5.	Kind of Job	1. Farmer	5	2.0
		2. Farmer of Plantation	169	67.6
		3. Breeder	46	18.4
		4. Trader	10	4.0
		5. Company's Staff	14	5.6
		6. Civil Servant	6	2.4
6.	Income per Month	1. < Rp. 2.000.000	28	11.2
		2. Rp. 2.000.000 - 3.999.999	70	28.0
		3. Rp. 4.000.000 - 5.999.999	116	46.4
		4. Rp. 6.000.000 - 7.999.999	26	10.4
		5. Rp. 8.000.000 - 9.999.999	8	3.2
		6. > Rp. 10.000.000	2	0.8
Total		250	100.0	

Source: Output of Data Analysis, 2016

Table 9: Validitas Indikator.

Variable	Nomor of Item	r <sub>hitung</sub>	r <sub>tabel 95% (N = 50)</sub>	Validity
Independent				
<b>Customer relationship management (X)</b>				
Continuity Marketing (pb)	Pb1	0.841	0.2012	Valid
	Pb2	0.815	0.2012	Valid
	Pb3	0.895	0.2012	Valid
	Pb4	0.745	0.2012	Valid
	Pb5	0.920	0.2012	Valid
Individual Marketing (pi)	pi1	0.615	0.2012	Valid
	pi2	0.564	0.2012	Valid
	pi3	0.579	0.2012	Valid
	pi4	0.789	0.2012	Valid
Partnership Program (pk)	pk1	0.550	0.2012	Valid
	pk4	0.774	0.2012	Valid
	pk2	0.886	0.2012	Valid
	pk3	0.879	0.2012	Valid
Mediation				
Customer Satisfaction (Y)	Ks1	0.767	0.2012	Valid
	Ks2	0.932	0.2012	Valid
	Ks3	0.876	0.2012	Valid
	Ks4	0.888	0.2012	Valid
	Ks5	0.914	0.2012	Valid
Dependent				
Customer Loyalty (Z)	Lz1	0.534	0.2012	Valid
	Lz2	0.663	0.2012	Valid
	Lz3	0.785	0.2012	Valid
	Lz4	0.810	0.2012	Valid
	Lz5	0.833	0.2012	Valid
	Lz6	0.699	0.2012	Valid

Source: Output of Data Analysis, 2016

## APPENDICES

Table 7: Operational Variable of Study.

No	Variable	Definition	Dimension	Indicator	Measure	Scale	Item
1	Customer Relationship Management (X <sub>1</sub> )	Customer Relationship Management is a customer service approach that focuses on development and maintenance of long term relationships with customers that can provide added value for both of them, both for customers and companies. Ardianto (2011)	Continuity Marketing	<ul style="list-style-type: none"> <li>Member Card;</li> <li>Discount;</li> <li>Voucher;</li> <li>Special Fasilitas;</li> <li>Point Reward System;</li> </ul>	1-5	Interval	PB1-PB5
			Individual Marketing	<ul style="list-style-type: none"> <li>Be friendly and polite;</li> <li>The service is fast and precise;</li> <li>Ability to handle complaints;</li> <li>special greeting cards;</li> <li>Greetings by employees;</li> </ul>			PI1-PI5
			Partnership Program	<ul style="list-style-type: none"> <li>The relationship with the customer;</li> <li>Cultivate and maintain relationships;</li> <li>relationships create loyalty;</li> <li>Ardianto (2011)</li> </ul>			PK1-PK5
2	Customer Satisfaction (Y)	Satisfaction is a feeling that arises after evaluating the product user experience. Nibbe r., Woodruff dan Jenkins dalam Tjiptono, (2011:169)		<ul style="list-style-type: none"> <li>Confidence customers</li> <li>Rasa customer intimacy</li> <li>Satisfied customers for service assurance</li> <li>No complaints from customers</li> <li>performance of the bank as expected Woodruff and Jenkins in Tjiptono, (2011:169)</li> </ul>	1-5	interval	KN1-KN5
3	Customer Loyalty (Z)	Customer loyalty can also be called a positive purchase behavior of customer. Tjiptono, (2011:173)		<ul style="list-style-type: none"> <li>Repurchasing to the brand</li> <li>Habitual consume the brand</li> <li>Always like the brand</li> <li>Keep choosing the brand</li> <li>Tetap memilih merek tersebut.</li> <li>Being sure brand is the best</li> <li>Recommend the brand for others</li> </ul>	1-5	interval	LN1-LN6

Source: Result of the Previous Study