

The Effect of Costumer Relationship Management to Costumer Loyalty: A Study Case in Indonesia

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Abstract : COMPANY Z in Indonesia is a market leader in industrial chemicals that has implemented CRM program. The CRM model that has been run has never been evaluated at all to ascertain whether this marketing strategy can help improve corporate profits and customer loyalty. The research will be conducted by distributing questionnaires to 120 active customers from COMPANY Z who are engaged in electricity related industries then analyzed using partial least square method with the help of SmartPLS 2.0 program. The results of statistical analysis show that the overall of CRM variables ie process, technology, and human resources have a significant influence on customer satisfaction. Meanwhile, if seen the influence between CRM to customer loyalty then only technology variables alone have a significant influence, while the process variable and human resources are not significant. Customer satisfaction is also found to have a significant relationship to customer loyalty. Managerial implications and improvement suggestions for COMPANY Z have also been described at the end of this section of the study.

Keywords - Customer Relationship Management (CRM), Customer satisfaction, Customer Loyalty

Date of Submission: 14-07-2018

Date of acceptance: 31-07-2018

I. Introduction

Based on data on financial reports from COMPANY Z in Indonesia in the last 3 years currently COMPANY Z is facing a decline in profit margin in the last 2 years from 30.13% in 2015 continued to fall to 19.45% in 2017. This is due to the number of orders COMPANY Z has increased but the price selling cannot be as high again as it used to be because nowadays many new competitors are emerging and offering cheaper price, so COMPANY Z also can not apply the *premium price* as before anymore because the price must be adjusted with current competitor's offer.

Facing the increasingly fierce market competition situation at this time and tend to lead to price war make COMPANY Z have to apply other strategy in competition. CRM programs that have been implemented since 2012 need to be improved and re-effectiveness, because the implementation of CRM can have several benefits for the company, among others; cost savings, increased sales, increased operating profit margins, increased customer satisfaction, reduced general and administrative costs, increased market share, reduced promotional and marketing costs, and others (Naveen and Venkataramana, 2014). In this case COMPANY Z has a competitive advantage in the competition of the chemicals industry because as a leader of the market share that has been previously known COMPANY Z has a wide customer base in Indonesia.

Kincaid (2008) discloses that in the midst of an efficient market competition situation where every company can provide similar prices, products, promotions and services, CRM can be a solution to win the market competition. Some companies have proven that not always those who are able to provide the best product and the cheapest price are always the ones who will win the market competition. In the case of COMPANY Z where the majority of offerings to customers have to go through a tender process then COMPANY Z has proved that the customer will not always choose the vendor with the cheapest price. Facts in the field of prices set by COMPANY Z are always above the other competitors but there are still some new tenders that can be won and repurchases from old customers. This shows that customers not only look at the price factor alone but also the service, product quality, company commitment, and the *relationship* that has been established (CRM).

There is an interest to conduct research in COMPANY Z to determine the effectiveness of the implementation of CRM programs so far and how the level of customer satisfaction and loyalty so far against Company Z so that this can impact on the company's performance in the long term. Based on the description of the background then this research will take the following title, "**Influence Customer Relationship Management Against Customer Satisfaction and Customer Loyalty at COMPANY Z in Indonesia**".

Based on the background of research that has been described previously, the formulation of the problem that will try to be answered through this research is as follows:

- a. What aspects of the process in *customer relationship management* has a significant influence on customer satisfaction?
- b. Does the technological aspect in *customer relationship management* have a significant influence on customer satisfaction?

II. Literature Review

2.1 Customer Relationship Management (CRM)

CRM is a type of management that specifically addresses the theory of handling relationships between companies and their customers, which aims to improve and maintain relationships with each customer and optimize profits for the company. Maintaining good relationships to customers through understanding the company's shortcomings and service improvements will build customer loyalty to the company. CRM's goal in the end is to achieve healthy corporate growth.

2.2 Customer Satisfaction

According to Kotler and Keller (2016), customer satisfaction is a feeling of pleasure or disappointment resulting from comparing the product or perceived service performance (or outcome) with expectations. Meanwhile, according to Tjiptono (2008) customer satisfaction includes the difference between customer expectations with company performance and perceived results. According to Buttle (2007) that customer satisfaction is a customer response in the form of feelings arising from the experience of consuming a product be it goods or services, or a small part of the experience. From the above opinion concluded that customer satisfaction is a form of evaluation and customer ratings of the company's performance with customer expectations after using or consuming products offered by the company either the goods or services.

2.3 Customer Loyalty Customer

loyalty in general can be interpreted as a person's loyalty to a certain product, goods or services. Customer loyalty is a manifestation and continuation of customer satisfaction in using the facilities or services provided by the company, and to remain a customer of the company. Each customer has a different loyalty base, depending on their objectivity. Kotler and Armstrong (2005) argue that loyalty comes from fulfilling the expectations or expectations of customers, while the expectations themselves derive from previous customer buying experiences, opinions from friends or relatives, and promises or information from marketers or competitors.

Loyal customers are an important asset for the company, according to Gaffar (2007) customers who have high loyalty level can be defined based on the following characteristics:

1. Re-purchase of products either goods / services that have become his choice.
2. Not easily affected or interested in the offer of other products / services
3. Attract new customers to the company (the creation of prospects for companies) by recommending to others buying outside the product line or services

III. Methodology

In this study carried out data collection by distributing questionnaires to 120 customers with the aim of providing appropriate responses felt and got during the customer of COMPANY Z. In the questionnaire given the value of 1 to 5 with a meaning of 1 to at least agree and the number 5 which means most agree. Before distributing questionnaires in this study, the researcher conducted an *expert opinion* that was consulted on the questions of indicators in this study and asked for advice from experts. This is done to gain direction and input on the question of whether the questionnaire has been appropriate can be used to measure the research variables in question. *Expert opinion* was made to two professors expert in marketing and management field. The result of the *expert opinion* stated that the item of question indicator in the questionnaire made was valid and deserve to be continued for the process of distributing the questionnaire. This research uses method *structural equation modeling* (SEM) and analysis tool used in this method is *software* SmartPLS 2.0 (PLS). PLS is an analysis tool that allows researchers to get the value of latent variables for prediction purposes. The orientation of PLS analysis shifts from testing the causality / theory model to the *component based predictive model*. The latent variable is defined as the sum of the indicators. The PLS algorithm wants to get *the best weight estimate* for each indicator block of each latent variable. The result of the score component for each latent variable is based on the *estimated indicator weight* that maximizes the *variance explained* for the dependent variable (latent, observe, or both). *Partial Least Square* (PLS) is a powerful method of analysis because it is not based on many assumptions. Although PLS can also be used to confirm the theory, it can also be used to explain the presence or absence of relationships among latent variables.

IV. Analysis Result

Discussion of research results conducted to obtain a scientific argument on the results of hypothesis testing and also comparison with the results of previous research. Here is a discussion of the results of research:

c. Hypothesis 1, 2, and 3 (*Customer Relationship Management Influence on Customer Satisfaction*)

From hypothesis testing shows that the relationship between latent variable process (P) and technology (T) on customer satisfaction (KP) has a significant t value statistic with t value of 8.237012 and 5.770256 ($t > 1.96$), which means that overall process and technology variables significantly affect customer satisfaction. While the human resource variable has a statistical t value of 1.142386 ($t < 1.96$) which means it has no significant effect on customer satisfaction.

The results of hypothesis testing above in accordance with the explanation of the theory of the relationship between *customer relationship management* and customer satisfaction. Companies that successfully implement CRM appropriately will result in increased customer satisfaction. The implementation of CRM so far conducted by COMPANY Z is considered positive by some customers have been in line with expectations. Aspects of process and technology that become the mainstay gets very good judgment through the media questionnaire filled by the customer. This shows that the CRM implemented has been able to help achieve the company's goal of customer satisfaction. Through the CRM companies can obtain new information from customers that can be used for the benefit of improvement and improvement of the company in the future, so from there if every aspiration or expectations of customers can be accommodated then customer satisfaction can be maintained continuously.

For human resource variables that do not have a significant relationship to customer satisfaction this is because during this SDM owned by COMPANY Z perceived equal to the other competitors. The quality of human resources can be easily duplicated among competitors by recruiting employees from competing companies. The frequency of direct encounters between sales with customers is very rare because it is hampered by distance makes the HR factor less influential to determine customer satisfaction. So far, the majority of customers have long enough to buy products in COMPANY Z, so that communication and consultation is done through the phone only as long as the aspects of the process and the technology is adequate.

b. Hypothesis 4, 5, and 6 (*Customer Relationship Management Influence on Customer Loyalty*)

From hypothesis testing shows that the relationship between latent variable process (P), technology (T), and human resources (HR) to customer loyalty (LP) has value t statistics of 0.037152, 4.455631 and 1.594815, respectively, which means only technological variables that have a significant influence on customer loyalty, while process and HR variables do not have a significant influence on customer loyalty.

The result of data analysis shows that only technological variables only have a significant influence on customer loyalty means that the process and human resources given by COMPANY Z so far to the customer can only help to form a customer satisfaction but not to the customer become loyal. To make a customer loyal then needed a strong reason for the customer why should remain loyal to a company. In the case of COMPANY Z, the process and the human resources are perceived to be equal to other competitors, where other competitors can also have standard process of speed and quality of human resources trained and trained personnel equal to that of COMPANY Z. It means that the advantages of CRM aspect in terms of process and human resources can easily imitated by other competitors, so the two variables although the implementation has been good enough but cannot be a reason strong enough for customers to remain loyal or loyal to COMPANY Z.

Technology is the only variable that significantly affects customer loyalty, because the technology applied by COMPANY Z has been quite prominent in terms of quality and very different from other competitors. This technology requires very expensive investments worth up to hundreds of billions so it is not easily imitated by other competitors. At COMPANY Z there is a *platform* where each customer has their own *user id* and *password* that can be used to access the customer management menu *online*. The menu enables every customer to place an order and control over the use of products that can be accessed from any location at any time. This convenience is a positive impression because other competitors cannot have a *platform* sophisticated technology owned by COMPANY Z at this time.

Hypothesis 3 (*Customer Satisfaction Influence on Customer Loyalty*)

From hypothesis testing shows that the relationship between customer satisfaction (KP) variable on customer loyalty (LP) has a significant t statistic value with t value of 5.000066 ($t > 1.96$) which meaning that customer satisfaction variable significantly influences customer loyalty.

One manifestation of satisfied customers is to make a purchase continuously. To achieve a customer loyalty must first all customer expectations can be met. The customer satisfaction aspect gets a very positive rating from the customer through the questionnaire media which has been filled and recapitulated. This means that customers have felt that there are many expectations that can be met through the purchase of products in COMPANY Z. Satisfaction is created primarily in terms of technology to make customers continue to make a

continuous purchase to COMPANY Z. Proven from a total of 120 people respondents almost more of the 50% are customers who have been in contact with COMPANY Z for more than 5 years, some even more than 10 years have been routinely taking goods from COMPANY Z.

Managerial implications that can be drawn from the conclusion of the above research result is that to win a competition is not just enough to make customers become satisfied, but also the customer must be loyal to the company. In the process to create customer satisfaction and loyalty many companies take some strategies, one of which is *customer relationship management*. Application of CRM has been widely applied by several companies with a method that is almost the same field. Process variables and human resources that have been applied by COMPANY Z is good enough but the implementation is only able to make customers become satisfied but not to become loyal customers, this is because many other companies are easy to imitate the quality of human resources and process standards that have been applied by COMPANY Z.

To be able to maintain its superiority as *market leader* then COMPANY Z must develop an excess differentiation that is not easily imitated by other competitors that is in terms of technology. Application of technology in CRM in COMPANY Z has become a very prominent advantages compared to other competitors besides because it is not easily imitated also the technology has long been developed with the cost of investment is quite expensive. The results showed that only the only technological variables that have a significant influence on customer loyalty. Through the existence of these technologies the customer becomes feel can be served well even though some customer location is spread all over Indonesia. *The existing platforms* technology in COMPANY Z can continue to be developed in the future with new menu features and management information system more complete so that technology can be used as weapon for COMPANY Z to reach new customers and retain existing customers.

V. Conclusion

From the results of statistical tests that have been done in the previous chapter it can be concluded this research as follows:

1. Aspects of the process in *customer relationship management* has a significant effect on customer satisfaction so H1 accepted.
2. Aspects of technology in *customer relationship management* has a significant effect on customer satisfaction so that H2 accepted.
3. Human resource aspects in *customer relationship management* have a significant effect on customer satisfaction so that H3 accepted.
4. Aspects of the process in *customer relationship management* have no significant effect on customer loyalty so H4 rejected.
5. Aspects of technology in *customer relationship management* has a significant effect on customer loyalty so that H5 accepted.
6. The human resources aspect in *customer relationship management* has no significant effect on customer loyalty so H6 is rejected.
7. Customer satisfaction has a significant effect on customer loyalty so that H7 is accepted.

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Inamullah Alfian Nugraha "The Effect of Costumer Relationship Management to Costumer Loyalty: A Study Case in Indonesia "R *Journal of Business and Management (IOSR-JBM)* 20.7 (2018): 27-31