

The Influence of Relationship Marketing and Service Quality with Customer Satisfaction Mediation Variables on Customer Loyalty

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Abstract

Customer loyalty is so important for a company to retain customers. Customer loyalty is worth to reduce competition between competitors. Customer loyalty can be influenced by relationship marketing, service quality, and customer satisfaction. So this study aims to see the effect of relationship marketing, service quality, customer satisfaction, and customer loyalty. The population of this study focuses on Indonesian Islamic Bank (BSI) customers, using purposive sampling. The sample is Indonesian Sharia Bank (BSI) customers in the Tangerang area as many as 230. This type of research is quantitative, with data collection by distributing questionnaires. The analytical method used is the Structural Equation Model (SEM-PLS) with the SMART PLS software program. This study aims to see the effect of relationship marketing, service quality, customer satisfaction, and customer loyalty. The results of the study conclude that relationship marketing and service quality have a positive effect on customer satisfaction and customer loyalty. Customer satisfaction as a mediating variable has a positive effect on customer loyalty. The implication of this research is the company order to increases customer loyalty by making customers feel satisfied through relationship marketing and the quality of services provided.

Keywords: relationship marketing, service quality, customer satisfaction, customer loyalty.

1. Introduction

The development of society today makes customers more critical in choosing the type of banking service. Customers can choose between Conventional or Commercial Banks and Islamic Banks. In facing competition, banks must be able to make strategies that used to adapt to customers who are constantly changing (Tjahjaningsih et al., 2020). Customer loyalty is becoming more crucial in the financial sector after deregulation has given customers more flexibility to choose their financial services (Mohammad, 2015). Customer loyalty is considered the largest strategy and asset of each bank that can guarantee success and increase the level of profitability. (Abtin & Pouramiri, 2016). Loyal customers will be highly committed to re-transaction in the future, in addition to the influence of the situation and the bank's efforts to change customer behavior. Customers will be loyal to the bank by conducting continuous and repeated transactions.

One of the efforts banks can do is using Relationship Marketing. Relationship marketing focuses on building and maintaining mutually beneficial relationships with pre-existing customers (Aka et al., 2016). Banks try to keep existing customers from moving to other banks and continue to make transactions continuously. Customers prefer to establish a relationship with a bank that can provide quality services. Not only relationship marketing, but banks must also provide quality services to customers so that later customers can provide an assessment of the bank.

Good service quality starts from the customer's perception of the bank. The customer's perception of the quality of bank services is given out by giving a total assessment of the superiority of a product or service provided. Service quality recreates an important role in the sustainability of the bank in the future. High service quality will put the bank in a favorable position, low quality will put the banks at a disadvantage because when customers become dissatisfied with a service provided, they can switch to competitors (Putra & Putri, 2019). The consistency of product and service quality can contribute to the company's success in terms of customer satisfaction (Iqbal, 2020).

Customer satisfaction and dissatisfaction become an assessment of success or failure in meeting customer expectations. When expectations are fulfilled, the customer will be satisfied, but on the contrary, if expectations not fulfilled it causes

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dissatisfaction. The attitude of customer satisfaction results from what they believe will happen (anticipate) compared to a situation when what they believe will doesn't happen (perceived performance) (Al-Azzam, 2015). If performance does not meet expectations, consumers will feel dissatisfied. The company's success in providing satisfaction to customers is determined by the relationship created between the bank and its customers (Toriman & Asnawati, 2016).

This study aims to examine the effect of relationship marketing, service quality, customer satisfaction, and customer loyalty to customers at Indonesian Islamic Banks (BSI) in the Tangerang area, supported by previous studies, which are still rarely found related research conducted in the time of the merger transition. 3 Islamic Private Banks in Indonesia become Indonesian Islamic Banks (BSI) with these four variables in the Tangerang area.

2. Literature Review

2.1. Relationship marketing

The concept of relationship marketing emerged as opposed to traditional marketing theory in the early 1990s, when the paradigm shifted from transactional to relational marketing. At that time, marketers began realize that long-term relationships are more profitable than one-time transactions (Bojei & Abu, 2014). Relationship Marketing is an effort to develop, maintain and enhance the goals of all parties involved. So, relational marketing is an important tool for business owners. Relationship Marketing aims to increase the company's profitability by changing the company's view of marketing and emphasizing attracting new customers by implementing effective customer relationship management (Abtin & Pouramiri, 2016). In other words, it is more beneficial to have as many profitable long-term customer relationships as possible (Woo & Leelapanyalert, 2014). A good relationship will make customers continue to establish sustainable cooperation in future.

According to (Husnain & Akhtar, 2015) relationship marketing is measured based on four dimensions, namely trust, commitment, communication, and conflict handling. Trust as trust in other parties and commitment will increase between customers and the company if they believe that they will receive more value and benefits from a relationship. Communication is sharing information that is intense, meaningful, and timely between customers can increase the perception of both parties being close to each other. Handling conflicts not only occurs when there are problems in relational exchanges but can minimize gaps that can affect customer complaints. (Amoako, 2019).

2.2. Service Quality

Service quality is the result of an evaluation process, in which customers compare their expectations with the services they receive. Service quality is a form of attitude that represents a long-term overall evaluation (Adil, 2013). Service quality is see the extent to which a service meets customer expectations. It usually determines the impression will have of a product or service (Abd Ghani et al., 2017). Providing good service quality will give the impression that is embedded in the customer's mind for the company. Service quality is considered a prospect to achieve strategic benefits such as increasing customer levels and gaining a company's competitive advantage over others (Khamis & AbRashid, 2018).

Customer perceptions of quality are assumed to occur at various levels in a service setting. Customers initially evaluate the quality of interactions with service providers at the level of individual attributes. Service quality, has sub-indicators of cost-effectiveness, user-friendliness, and technical support (Li et al., 2021). According to (Boonlertvanich, 2019) Service quality is measured based on five dimensions, namely Reliability, Assurance, Tangibles, Empathy, and Responsiveness. The five dimensions will provide customer responses to various aspects of service quality provided by the company.

2.3. Customer Satisfaction

Customer satisfaction is a business philosophy that demonstrates the responsibility and ability to meet customer needs, manage and forecast their expectations and highlight the importance of creating value for them (Branch et al., 2018). Customer satisfaction is a feeling that buyers feel from company performance that meets their expectations (Hadi & Indradewa, 2019). Satisfaction is a post-purchase consumer's state of mind that reflects how much consumers like or dislike the service after getting the experience, if the performance does not meet the consumer will feel dissatisfied (Fadlilah et al., 2019). Customer response to the fulfillment of all requirements or services provided by customer expectations. The resulting satisfaction will have a positive impact on the company's ability to fulfill the wishes of its customers, which will give a good impression on the company's performance. Once they are satisfied, they would repeat choosing and buying it in other times (Afriani et al., 2019).

In the existing literature, there are two conceptualizations of customer satisfaction, namely transaction-specific satisfaction and cumulative satisfaction. Initially, it relates to those resulting from a single purchase of a product or service its use the latter relates to overall satisfaction with products or services after multiple purchases and their experiences over time (Meesala & Paul, 2018). According to (Rusmahafi & Wulandari, 2020) explaining there are six statement indicators in measuring customer satisfaction, namely product quality satisfaction, service satisfaction provided, service speed satisfaction, satisfaction with trusted services, satisfaction with affordable service costs, and satisfaction with ease of service.

2.4. Customer Loyalty

Loyalty is the current customer's commitment for a high commitment to the service provider when there are various alternatives that the customer can choose from (Osman et al., 2015). Customer attitudes represent ideas such as the intention to repurchase or buy additional products or services from the same company, and willingness to recommend the company to others, which is a form of demonstration of customer commitment to the company by showing a refusal to switch to other competitors (Saravanakumar & JothiJayakrishnan, 2014). Loyal customers not only come to make repeat purchases but will also speak positively about a company's service to their family and friends (Yang & Chao, 2017). The existence of loyal customers by buy continuously will increase the profitability of the company.

According to (Kartika et al., 2020) Customer Loyalty is measured based on four dimensions, namely Saying positive things, Recommended friends, Continued purchasing, and Advice. when a customer says something positive about a product or service in the form of a review, story, or experience description. A friend's recommendation to get a product similar to the one used leads to inviting others to share the provider's services as the result of the perceived positive experience. Continuous buying is when the customer makes more purchases of the next product or service where the attitude of constantly repurchasing the service results in a repeating cycle. Provide advice to others to use the service or buy a product.

Based on the explanation above, this study aims to examine the effect of relationship marketing and service quality on customer loyalty with customer satisfaction as a mediating variable. The formulation of the problem that will be tested further in this study includes:

- 1) Does relationship marketing affect positive customer satisfaction?
- 2) Does service quality affect positive customer satisfaction?
- 3) Does relationship marketing affect positive customer loyalty?
- 4) Does service quality affect positive customer loyalty?
- 5) Does customer satisfaction affect positive customer loyalty?

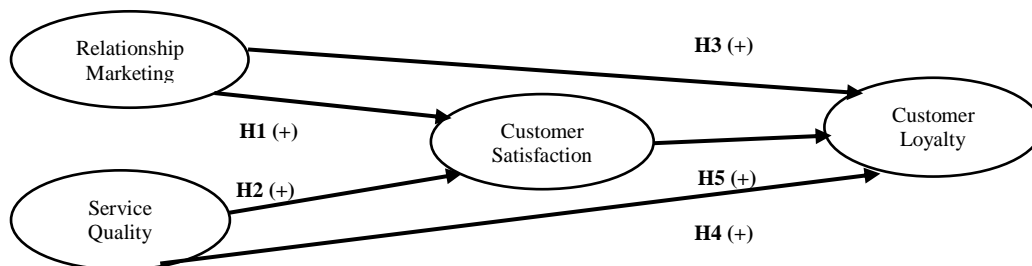


Figure 1. Conceptual Framework

- H1: Relationship marketing affect positive customer satisfaction
- H2: Service quality affect positive customer satisfaction
- H3: Relationship marketing affect positive customer loyalty
- H4: Service quality affect positive customer loyalty
- H5: Customer satisfaction affect positive customer loyalty

3. Research Methodology

The respondents in this study were customer Indonesia Islamic Bank (BSI), namely 230 respondents. The sampling technique used was purposive sampling using a questionnaire instrument distributed directly to the respondents. In this

study, data analysis used the Structural Equation Modeling (SEM) technique using SmartPLS. The analytical procedure in this study includes testing the inner and outer models and ends with a hypothesis test

4. Result and Discussions

Discussions This study's first step is testing the outer model, which includes validity and reliability tests. This testing step aims to determine the relationship between the latent variable and the indicator that measure the latent variable

Table 1. Reliability Test Result & Latent Variable Validity Test Result

Latent Variable	Cronbach' Alpha	Composite Reliability	AVE
Relationship Marketing	0.934	0.941	0.501
Service Quality	0.929	0.938	0.501
Customer Satisfaction	0.862	0.897	0.592
Customer Loyalty	0.916	0.931	0.601

The analysis results indicate that all constructs in the research model (relationship marketing, service quality, customer satisfaction, customer loyalty) have a Cronbach alpha value exceeding 0.70. Judging from the average variance extracted (AVE) results, all constructs have obtained a value exceeding 0.50 and a composite reliability value above 0.70. Based on these results, it can be concluded all constructs in this research model are valid and reliable.

Table 2. R-Square

Latent Variable	R-Square
Customer Satisfaction	0.531
Customer Loyalty	0.654

The R-Square value obtained shows the magnitude of the contribution of the influence of the explanatory variable to the dependent variable. This value also measures the predictive ability of the research model. The results obtained are the ability of the variable of relationship marketing and service quality to explain the customer satisfaction of 53.1%. In contrast, the ability of all explanatory variables to explain the construct of customer loyalty is 65.4%. Based on these results, it can be concluded that the predictive power in the research model is quite strong

Table 3. Hypothesis Test Result (Direct & Indirect Effect)

Latent Variable	Original Sample	T-Statistics	P-Value	Conclusion
Relationship Marketing Customer satisfaction	0.249	3.334	0.001	H1 Accepted
Service Quality Customer Satisfaction	0.529	7.483	0.000	H2 Accepted
Relationship Marketing Customer Loyalty	0.237	3.668	0.000	H3 Accepted
Service Quality Customer Loyalty	0.470	7.362	0.000	H4 Accepted
Customer Satisfaction Customer Loyalty	0.189	3.181	0.002	H5 Accepted

Analysis the evaluation of the path coefficient structural model can be seen from the effects of each relationship between variables and is declared significant if the T-statistic > 1,96 and the P-value is < 0.05. Using a hypothesis test on the PLS-SEM model using bootstrapping, the results can be seen in Table 3 below. Based on the results of the t-statistical analysis as listed in the table 3, the hypothesis test on the dependent variable can be stated as follow

- a) Hypothesis 1: Relationship marketing significantly affects positive customer satisfaction. The results of the t statistic $3.334 > 1,96$ with a P-value $0.001 < 0.05$. Thus, hypothesis 1 in this study is accepted
- b) Hypothesis 2: Service quality significantly affects positive customer satisfaction. The results of the t statistic $7.483 > 1,96$ with a P-value $0.000 < 0.05$. Thus, hypothesis 2 in this study is accepted

- c) Hypothesis 3: Relationship marketing significantly affects positive customer loyalty. The results of the t statistic $3.668 > 1,96$ with a P-value $0.000 < 0.05$. Thus, hypothesis 3 in this study is accepted
- d) Hypothesis 4: Service quality significantly affects positive customer loyalty. The results of the t statistic $7.362 > 1,96$ with a P-value $0.000 < 0.05$. Thus, hypothesis 4 in this study is accepted
- e) Hypothesis 5: Customer satisfaction significantly affects positive customer loyalty. The results of the t statistic $3.181 > 1,96$ with a P-value $0.002 < 0.05$. Thus, hypothesis 5 in this study is accepted.

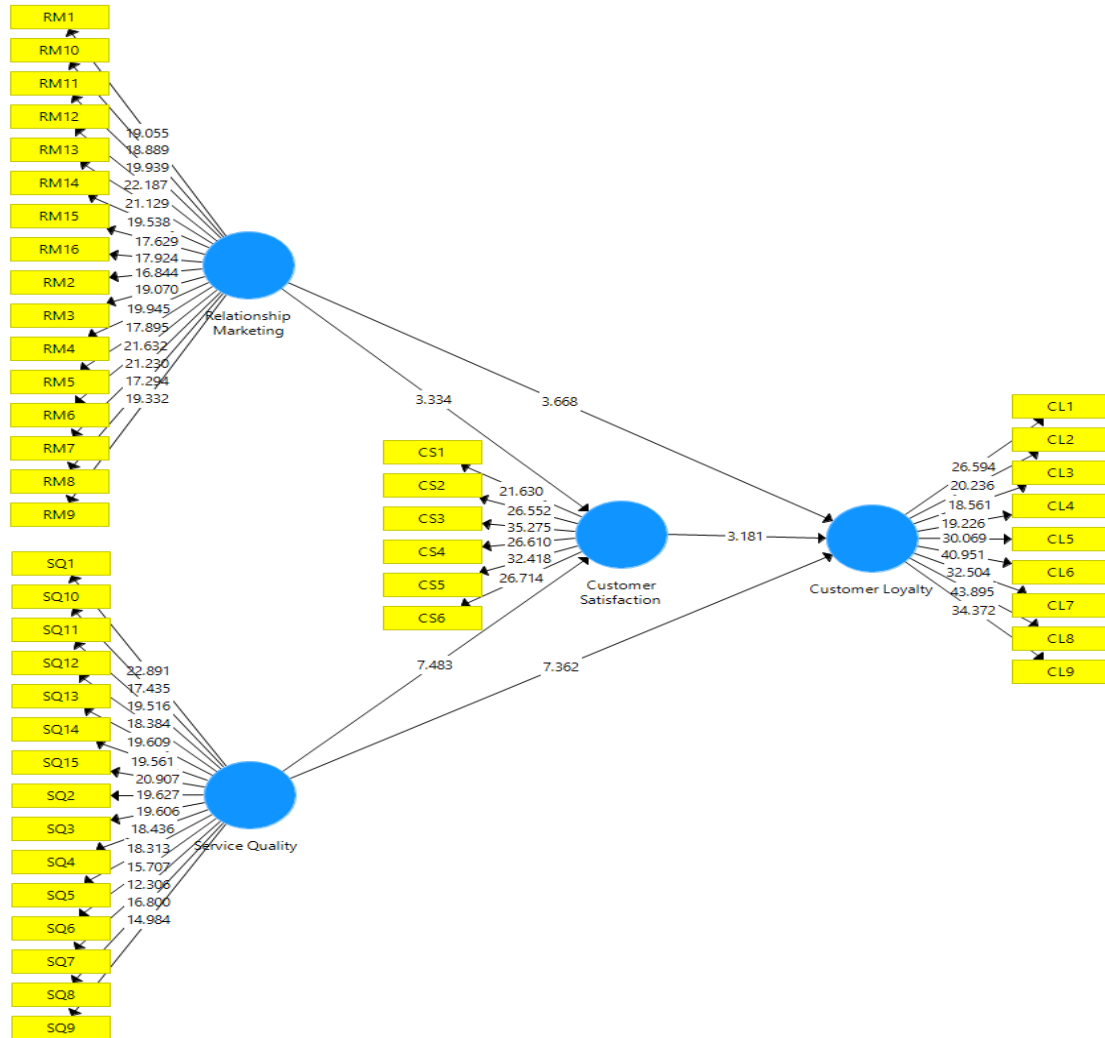


Figure 2. Research Model Construct

5. Conclusions

This study examines the effect of relationship marketing and service quality on customer loyalty with customer satisfaction as a mediating variable. Based on the five problems that have been formulated previously, the following results are obtained.

- a) Relationship marketing affects positive customer satisfaction. A well-established relationship will make customers satisfied, where the bank can adjust their needs quickly and responsive, and fulfill promises for what has offered for the product or a service.
- b) Service quality affects positive customer satisfaction. The quality of service that can be assessed by bank employees, including the ability of employees to serve all kinds of customer requests, is the hallmark of Islamic banking

- services. Good employee response will create a comfortable atmosphere in conducting transactions. From this aspect, it can make customers satisfied
- c) Relationship marketing affects positive customer loyalty. The bank's ability to improve good relationships at any time, makes customers like to make transactions continuously. When the bank has implemented relationship marketing, the customer will be loyal to the bank.
 - d) Service quality affects positive customer loyalty. The perception of customers who expect a high-quality service is one of the factors to keep making repeated purchases in the future. When the bank has provided the best quality service to customers, it will increase loyalty.
 - e) Customer satisfaction affects positive customer loyalty. Satisfaction is a consideration for customers to be loyal or not to the bank. When they are satisfied with what is expected, they will continue to make transactions repeatedly and continuously willing to recommend to anyone to choose a bank as the main choice

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