Customer Loyalty the Effects of Service Quality and The Mediating Role of Customer Relationship Marketing TelKom Speedy in Jember Area

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ABSTRACT

The research is to exam the influence of service quality on customer loyalty via customer relationship marketing amongst users of Telkom Speedy. SPEEDY is a Telkom's product of End to End Internet Access Service with a basis of Asymmetric Digital Subscriber Line (ADSL) technology which is able to transmit data and voice simultaneously through one ordinary telephone line with the guaranteed speed according to the service package launched from modem to BRAS (Broadband Remote Access Server). Appropriate measures were identified and a postal survey was undertaken among 220 distributed randomly to personal users of Telkom Speedy in Jember Area East Java. The measurement of service quality items are based on Parasuraman, Zeithaml and Berry that consisted of five items plus six items of customer loyalty based on the work of Roberts, Varki and Brodie. Customer relationship marketing (CRM) was measured using four items based on Morgan and Hunt (1994). This research used structural equation model (SEM) and the result show that customer relationship marketing does play a mediating role in the effect of service quality on customer loyalty. The findings provide usable model for assurance item to enhance service quality, which contributes to high customer relationship marketing and loyalty.

Keywords : Service Quality, Customer Relationship Marketing, Customer Loyalty, Telecommunication Industry.

1. INTRODUCTIONS

Indonesia have good market, we are the fifth in the world. Indonesia have had 5 providers which service internet connection (broadband acces internet), they are Telkom Speedy, Telkomsel Flash, Indosat, First Media (Fastnet) dan XL (Exelcomindo). PT. Telkom wants to get the market in Jember Area. It is mean PT.Telkom must have good customer who loyal to use one of the product. In this case, Service Quality advantage will make customer loyal, then fulfilment need and want of service quality can be build CRM. CRM is the process of create, maintain, and enhance strong relationship customer and other stakeholder. . Thus, CRM as a mediating role in

the effect of service quality on customer loyalty in Telkom Speedy should continuously monitored and improve. They must be monitored to give the best service. Then this research is part of the process to develop of a conceptual framework that integrates service quality, customer loyalty and CRM.

2. LITERATURE REVIEW

2.1. Service Quality (SERVQUAL)

The literature has suggested that service quality is determined by the differences between customer's expectations of service provider's performance and their evaluation of the services they received (Lehtinen and Lehtinen, 1982; Lewis and Booms, 1983; Gronroos, 1984, 1990, 1998, 2001; Parasuraman *et al,* 1985, 1988, 1994). Lehtinen and Lehtinen (1982) give a three dimentional view of service quality: interaction, physical and corporate quality. The other side, essentially from a customer's perspective consisting quality as being two dimentional: output and process quality. Lewis and Booms (1983) defined service quality as measure service provider with customer expectation's. Thus, the influence of service quality: expected service factor and perceived service factor. In the perceived service quality model developed by Gronroos are functional and technical quality dimensions. Technical quality dimensions are WHAT customer gets (outcome) while functional service related variable refers to HOW customer gets (Process). In operational the service quality construct, Parasuraman et al. have conducted well-known studies to uncover key service quality attribute that significantly influence the customer's perceptions of overall service quality. They initially identified ten determinants of service quality based on a series of focus group interview. These attributes were tangibles, reliability, responsiveness, competency, courtesy, communication, credibility, security, access and understanding the customer. Later, they distilled ten dimensions into five by using a factor analysis. These five dimensions were tangibles, reliability, responsiveness, assurance and empathy.

The contention by the developers of ServQual that the instrument can be applied to determine the service quality offering of any service firm has led to its extensive adoption. They show empirically that the perception items in servqual exhibit a stronger correlation with service quality, than the difference score computations. Finally, the authors have recognized the existence of five dimensions as attributes servqual.

2.2. Customer Relationship Marketing (CRM)

CRM is the biggest paradigmatic shift in marketing theory and practice in recent decades. It has been well known that customer perceived service quality and customer loyalty have been the most important success factors of business competition for service providers (Zeithaml, 1996). CRM is a strong which an intangible asset. CRM cannot be easily duplicated by competitors. In the CRM paradigm, one of the key goals is to determine different resource allocations for different tiers of customer. CRM is becoming a necessity in order to survive. The first researchers who defined relationship marketing as all marketing activities directed toward establishing, developing, and maintaining successful relationship (Morgan & Hunt, 1994). The focus of relationship marketing is on building long-term arrangement in which both, the seller and the buyer participate in interest in providing a more satisfying exchange.

CRM is to identify establish, maintain, enhance, and when necessary, terminate relationship with customers and other stakeholders. Relationship marketing aims to establish, maintain, and enhance relationships with customers, so that the objectives of the parties are met (Gronroos, 1994). Customer relationship marketing concerns attracting, developing and retaining customer relationship (Berry and Parasuraman 1991). CRM goal is to provide increased value to the customer and results in a lifetime value for the service provider (Liu, 2000). Relationship marketing generates positive seller outcomes by enhancing relationship quality or the overall strength of the relationship, as indicated by increased trust, commitment, and satisfaction (De Wulf, Odekerken-Schröder, & Iacobucci, 2001). Trust has been defined as "a willingness to rely on an exchange partner in whom one has confidence" (Moorman 1993). Hartline and Ferrell (1996) defined management commitment to service quality as "the manager's affective desire to improve his or her unit's service quality". Then, Satisfaction of customers with products and services of a company is considered as most important factor leading toward competitiveness and success (Hennig-Thurau and Klee, 1997). Customer satisfaction is very important in today's business world as according to Deng et al., (2009) the ability of a service provider to create high degree of satisfaction is crucial for product differentiation and developing strong relationship with customers.

Thus, customer relationship marketing is building long term relationship with customer aim achieve business survive and sustainability over time. Indicators were used to measure CRM (De Wulf, Odekerken-Schröder, & Iacobucci, 2001): trust, commitment and satisfaction.

2.3. Customer Loyalty

Much of the work on loyalty in the 1970s-1980s has used this conceptualization. In the early days the focus of loyalty was brand loyalty and respect to tangible goods. Jacoby and Chestnut (1978) argued that the behavioral and attitudinal aspects of loyalty are reflected in the conceptual definition of brand loyalty. This is the same statement by Griffin (1995). Behavior loyalty focuses on the long term choice probability for a brand, for example, repeat purchase probability. Attitudinal loyalty focuses on brand recommendations, resistance to superior products, repurchase intention etc. Dick and Basu (1994) suggest an attitudinal theoretical framework that also envisages the loyalty construct as relative attitude and patronage behavior. A further aspect of loyalty is cognitive loyalty. Gremler and Brown (1996) extend the concept of loyalty to intangible products and their definition of incorporates the three specific components of loyalty are considered: the purchase, attitude and cognition. However, few studies have looked at customer loyalty of services. Customer loyalty can be classified into proactive loyalty and situational loyalty (Oliver, 1997). Proactive loyalty is a moment consumer often bought the brand and settles for no other substitute, while situational loyalty is when the buyer purchases a brand for a special occasion.
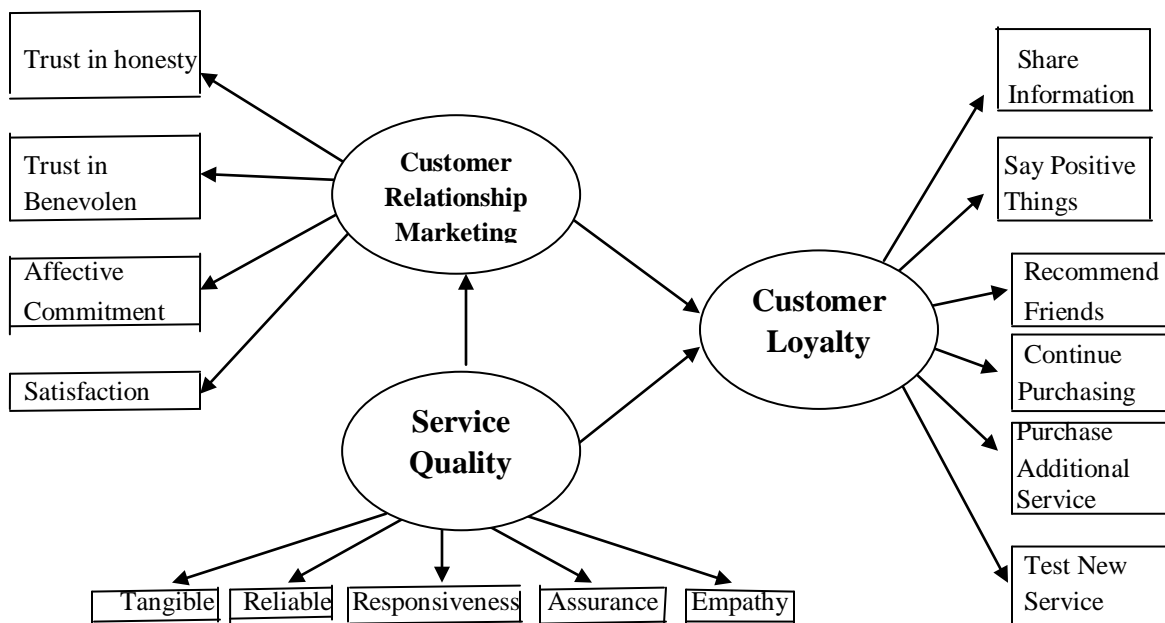
Customer loyalty is related to a service provider's ability to maintain its customers' loyalty and persuade them to recommend its services to potential customers (Zeithaml, 1996). Six indicators were use to measure customer loyalty (Roberts, K., et al, 2003) : share information, say positive things, recommend friend, continue purchasing, purchase additional service and test new service. Customer loyalty is a result of customer retention programs that always gives encouragement to remain active choosing their brand as exclusive brand. Customer loyalty is a strategy that creates mutual rewards to benefit firms and customers (Reichhed & Detrick, 2003). With loyalty customers, companies can maximize their profit because loyal

customers are willing to purchase more frequently, spend money on trying new products or services, recommend products and services to others, and give companies sincere suggestions (Reichheld & Sasser, 1990)

2.3.   Research Model

Customer loyalty is considered to be a key factor in order to achieve company success and sustainability over time. In an era of increasing competition, firms have resorted to using relationship marketing as a strategy to attract, maintain and enhance customer relationships and build loyalty. In customer point of view, trust, commitment, mutuality and long- term relationship with customer which are very essential factors to satisfy their customer needs and wants. In addition trust provides the basis for loyalty, relationship enhancement (decreased perception of risk), and yet is mediated by customer perceived value of the relationship (i.e., perceived net benefits) (Morgan & Hunt, 1994; Selnes, 1998; Sirdeshmukh, 2002). Delivering more effective service quality than other is one of the ways that a firm can be a successful in achieving today business and sustainability over time.

In investigation we use some procedure the mediating effect depicted in figure 1. This involved the computation of four equations: (1). Customer relationship marketing must affect service quality, (2). Customer loyalty must affect service quality, (3). Customer loyalty must affected on customer relationship marketing, (4). Customer loyalty must affected on service quality on both service quality and on the mediator (customer relationship marketing).

Figure 1. The influence service quality on customer loyalty via customer relationship marketing

3.   METHODOLOGY

3.1. Instrument Development and Sampling Procedure

Service quality is the customer's overall perceived assessment of service performance. Five indicators were used to measure the overall service quality of this provider. These indicators were adapted from Parasuraman (1994): tangible, reliability, responsiveness, assurance and empathy.

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CRM (Morgan and Hunt, 1994) as all marketing activities directed toward establishing, developing, and maintaining successful relationship. Relationship marketing has been operational by using the model of trust (honesty and benevolence), commitment and satisfaction.

Questionnaires were distributed to the Telkom speedy user in Jember, East Java. The questionnaire used consisted 42 items. To measure service quality the 20-item SERVQUAL instruments was used. To measure customer relationship marketing and to measure customer loyalty the 12-items instruments was used. Thus, all measured on a five-point scale ranking from very agree, to not very agree. The data were collected by surveys. This study employed structural equation model.

The number of samples should be 220 (Sekaran, 2003) and it take in purposive random sampling way for user that have 3 month as customer.

4. FINDINGS

4.1. Validity and Reliability Tests

This research indicate that the questionnaires identified take to measure service quality, customer relationship marketing and customer loyalty exhibit acceptable in terms of both reliability and validity. The validity was evaluated compare correlation (r) Pearson Product Moment with r table, and result shows that all items r counted > r table (0.4). Thus, all items are valid (See: Appendix). The reliability was evaluated by assessing the internal consistency of the items representing each construct of service quality, customer relationship marketing and customer loyalty using Cronbach's alpha. The reliability of each construct of service quality 0.821. For customer relationship marketing was 0,742 and 0,905 for customer loyalty. It's more than 0.6. Thus, items of the three variables observed are reliable.

4.2. Profile of Respondents

A total of 220 sets of questionnaires were collected. Profile of respondents of this research indicated that:
● 47.7 % Customer personal Speedy were between the age 21-30 years; 25,9% were between 31-40 year; 18,2% respondents more than the age 40 years and the rest 8,2% were between 17-20 year.
● 38.2% have been using the Speedy for the duration of 6-12 month; 33,6% respondents the Speedy in more than 12 month, and the rest 28,2% between 3-6 month

- 42,3 % Speedy customer SLTA grade; 51,4% bachelor grade; 11,4% diploma grade and 3,2 % SLTP undergrade.
- Product choose decide: 74,1% by self, 13,6% friend opinion and 12,3% parent opinion.

4.3. Service Quality, Customer Relationship Marketing and Customer Loyalty of the Telkom speedy

Service quality consists of tangible, reliability, responsiveness, assurance, and empathy. The five indicators service quality contribution based on standardized regression weights: 0.56; 0.63; 0.73; 0.83 and 0.80. Thus, Assurance is highly contribution (0.83) of service quality and tangible is lower contribution (0.56). So, this is depend on customer opinion service quality (Appendix 1), result show that highly mean of assurance (4.03) and tangible is lower mean (3.82). This means that customers are comfortable with transactions with Telkom Speedy officer, good service level guaranteed, modem speedy on time connection and continuous connection.

CRM consist of trust in partner's honesty, trust in partner's benevolence, affective commitment, and satisfaction. The four indicators CRM contribution based on standardized regression weights: 0.65; 0.55; 0.79; and 0.60. Thus, affective commitment is highly contribution (0.79) of CRM and trust in partner's benevolence is lower contribution (0.55). This accord to CRM (Appendix 1), result show that highly mean of affective communications (3.89) and trust in partner's benevolence is lower mean (3.62). This means that we must commit to customer complaint, then customer care speedy and give solution, and easy in application to get Telkom speedy service. So, its effective and efficient service

Customer loyalty consists of share information, say positive things, recommended friends, continue purchasing, purchase additional service, and test new service. The six indicators customer loyalty contribution based on standardized regression weights: 0.82; 0.80; 0.80; 0.78; 0.79 and 0.74. Thus, share information is highly contribution (0.82) of customer loyalty and test new service is lower contribution (0.74). This accord to customer opinion customer loyalty (Appendix 1), result shows that highly mean of Share information (3.94) and test new service is lower mean (3.74). This mean that share information item: Customer care speedy make interactive relation. Then to know customer response they have to do test new service.

Based on appendix 1, mean indicators can be concluded that respondent agreed wtih indicators from the three variables observed.

4.4. The influence service quality on service loyalty via customer relationship marketing

The result on the influenced of service quality on service loyalty via customer relationship marketing is presented in table 1 and 2. Based on table 1 and 2, it can be concluded that: (1) Service quality direct effect on customer relationship marketing as strong as 0.774 and CR = 6.563 on P value = 0.00 (2) Customer relationship marketing direct effect on customer loyalty as strong as 0.427 and CR = 3.818 on P value = 0.00 (3) Service quality direct effect on customer loyalty as strong as 0.485 and CR = 4.340 on P value = 0.00. While Service quality indirect effect on customer loyalty via customer relationship marketing as strong as 0.33. This research accepted *significance probability* is 0,062, GFI=0,942 and CFI=0,988. Thus, the

conclusion is that customer relationship marketing is a mediating role in the effect of service quality on service loyalty. It shows that assurance, being a service quality indicator, can be developing customer relationship and so that create customer loyalty.

Tabel 1
Direct and Indirect Effect Variable

Variable	Direct Effect	Indirect Effect	Total Effect
Servqual→ CRM	0.774	0	0.774
CRM→ Cust Loyal	0.427	0	0.427
Servqual→ Cust Loyal via CRM	0.485	0.33	0.815

Tabel 2
Result test

HYPOTHESIS	Result	Description
Service quality direct effect on CRM	CR =6.563 P= 0.000	Accepted
Service quality direct effect on Customer Loyalty	CR =4.340 P= 0.000	Accepted
CRM direct effect on Customer Loyalty	CR=3.818 P= 0.000	Accepted
Service quality indirect effect on Customer Loyalty via CRM	Direct effect=0.485; Indirect effect=0.33	Accepted

5. DISCUSSION

The results confirm the research model, service quality is found to act on service loyalty via customer relationship marketing. The results also show a major customer speedy is bachelor, 21-30 years with speedy 6-12 month as user. This type of analysis can help identify segments that have the highest potential of defection and where best to target limited marketing resources.

The research contributes to our knowledge by support that CRM performs a mediating role in the link between service quality and service loyalty. However, the main focus of management attention must be on CRM, of which service quality is an important antecedent on service firms Moreover, such monitoring can be extended to include a comparison of the firms performance on three construct (service quality, CRM and customer loyalty) to those of its competitors.

This study provides a number of directions for future research. Work can focus on identifying and possibly developing items tangible measure of service quality. It is also

possible to look at developing a richer model that incorporates other constructs beyond the three used in this study and to consider their interactive effects. Similarly, the role of brand image is worthy of further elaboration. Does service quality have an effect on CRM and brand image and then implications for customer loyalty.

APPENDIX

1. Mean Indicators Variable

Variable	Indicator	Mean
Service quality	Tangible	3.82
	Reliability	3.88
	Responsiveness	3.97
	Empathy	4.00
	Assurance	4.03
CRM	Trust in partner's honesty	3.83
	Trust in partner's benevolence	3.62
	Affective commitment	3.89
	Satisfaction	3.88
Customer Loyalty	Share information	3.94
	Say positive things	3.91
	Recommended friends	3.90
	Continue purchasing	3.86
	Purchase additional	3.89
	Test new service	3.74

2. Validity Indicator of Service Quality

Indicator	Item	r	
Tangible (X1.1)	Good officer service (X111)	0,673	Valid
	Nice view and comfortable (X112)	0,413	Valid
	Comfort room service (X113)	0,746	Valid
	Easy to get service post(X114)	0,651	Valid
Reliability (X1.2)	On time installing(X121)	0,630	Valid
	On time response (X122)	0,608	Valid
	Speed / bandwidth constant (X123)	0,768	Valid

	Right bill counting(X124)	0,481	Valid
Responsiveness (X1.3)	Ontime reopen block line (X131)	0,883	Valid
	Good response to give usefull information (X132)	0,762	Valid
	Good respon for complaint(X133)	0.883	Valid
	Easy to pay in any way (Loket/Bank/ATM) (X134)	0,625	Valid
Assurance (X1.4)	Safe in transaction Speedy (X141)	0,741	Valid
	Service level guarantee accord to write (X142	0,737	Valid
	On time connection (X143)	0,697	Valid
	Continue connection (X144)	0,598	Valid
Emphaty (X1.5)	Comfortable service (X151)	0,617	Valid
	Good information for any changes (X152)	0,841	Valid
	Good service for customer (X153)	0,716	Valid
	Good relation between officer and customer (X154)	0,778	Valid

3. Validity Indicator of Customer Relationship Management

Indicator	Item	r	Discription
Trust in partner's honesty (X2.1)	Usefull Quota (X211)	0,790	Valid
	Quota up to date (X212)	0,792	Valid
	Free modem and installation(X213)	0,701	Valid
Trust in partner's benevolence (X2.2)	Easy terminate (X221)	0,683	Valid
	Easy application (X222)	0,739	Valid
	Effective service(X223)	0,425	Valid
Affective commitment (X2.3)	On time response complaint(X231)	0,857	Valid
	Good Administration service (X232)	0,859	Valid
	Response to customer information(X233)	0,894	Valid
Satisfactustomerion (X2.4)	Usefull program for product(X241)	0,671	Valid
	Customer care profesional (X242)	0,815	Valid

	Comfortable speedy program (X243)	0,861	Valid

4. Validiy Indicator of Customer Loyalty

Indicator	Item	r	Description
Share Information(Y1.1)	Customer care speedy give information (Y111)	0,767	Valid
	Good communication among customer(Y112)	0,877	Valid
Say Positive Things (Y1.2)	Good modem tools (Y121)	0,849	Valid
	I tell speedy to another (Y122)	0,787	Valid
Recommanded Friend (Y1.3.)	I ask friend to use speedy service(Y131)	0,88	Valid
	I recommend friends to use speedy(Y132	0,758	Valid
Continue Purchasing (Y1.4)	I will still use speedy (Y141)	0.839	Valid
	I will acces any new service(Y142)	0,768	Valid
Purchase Additional Service (Y1.5)	I will pay for new service program(Y151)	0.894	Valid
	I have home connection(Y152)	0.674	Valid
Test new Service (Y1.6)	Telkom speedy understand customer need(Y161)	0.873	Valid
	Telkom speedy know the way to get customer intention(Y162)	0.648	Valid

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