THE EFFECT OF COMMUNICATION AND CONFLICT HANDLING ON BANK CUSTOMER LOYALTY THROUGH SATISFACTION AS MEDIATING VARIABLE IN RIAU ISLAND PROVINCE INDONESIA

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Abstract

This study aims to investigate the mediating role of customers’ satisfaction on the effect of communication and conflict handling on long-term customers’ loyalty in the banking sector in Riau Island Province. As part of the implementation of Customer Relationship Management (CRM), this study supports that there is a significant role between communication and conflict handling, satisfaction, and customer loyalty. The model developed in this study to measure customer loyalty through the implementation of customer relationship management (CRM) strategy of the banking services industry in Riau Island Province. The conclusion could be recommended for bank management in implementing the proper CRM strategy and maintaining the longtime relationship with the prime customers.

Keywords: Customer Relationship Management, Communication, Conflict Handling, Customer Satisfaction, Customer Loyalty, Riau Island Province

Introduction

Anticipating the rapid and dynamic changes in the financial services market, banking companies are encouraged to further strengthen their strategy base on concepts such as customer focused or market-oriented culture to continue the access of their profitable market and ensure sustainable growth.

Banking service companies are encouraged to be more concerned to the customer satisfaction and loyalty, the rapid technology adaptation and the challenges of global competition which is requiring the effectiveness of marketing strategies for maintaining and developing a company’s competitive advantage.

Financial institutions must develop customer focus and service-oriented strategies to ensure customers achieve optimal satisfaction with high retention (Ahmad Mohammad Azzam, 2014). Maintaining relationships with customers and offering them absolute satisfaction has become the main agenda of industry players today (Khedkar, 2015).

The concept of customer relationship management (CRM) offers more strategies and solutions to keep customers smiling satisfied and to connect them to the company for a long time. Some studies concluded that CRM is a concept to managing interactions with customers, clients, and sales prospects that can achieve customer satisfaction and loyalty (Hassan, Nawaz, Lashari, & Zafar, 2015) (Karsalari, Saberi, & Kalimandast, 2017).

The purpose of CRM is to increase profit, income, and customer satisfaction. In order to implement the CRM strategy, many organizations use several methods, technologies, and procedures to support the relationship between the company and its consumers to increase sales. However, CRM is a strategic business process rather than a technical policy (Long, Khalafinezhad, Ismail, & Rasid, 2013).

Presently, competition in the banking industry is sharply increasing. Customer satisfaction is a target that must be achieved by the company because it will be very easy for other banks to embrace disappointed customers. To increase customer satisfaction to the highest level and to maintain it, banking does CRM. The advantage for banks by implementing CRM is to get clear customers in the long run. It also helps to build more effective relationships and encourage bank management implementing customer-based strategies (D. Kocoglu & Kirmaci, 2012)(Ejaz, Ahmed, & Ahmad, 2013)(Omoge & Donaldson, 2016).

There are many studies that have been conducted to examine the relationship between CRM, satisfaction, and customer loyalty, especially in the banking sector, mainly the relationship between CRM forming factors e.g. trust, commitment, and satisfaction (Ashtiani, Ashtiani, & Ashtiani, 2017)(Al-Queed, ALSadi, & Al-Azzam, 2017)(I. Kocoglu, Imamoglu, Ince, & Keskin, 2012)(Roy, Padmavathy, Balaji, & Sivakumar, 2012)

Some studies also found that the influence of commitment, communication, and conflict handling on loyalty (Karsalari et al., 2017) (Ibrahim et al., 2015)(Husnain & Akhtar, 2016).

Loyalty is an important factor that must be considered by bank leaders, especially focusing on how to establish communication and conflict management. It really needs if they want to increase customer loyalty. Thus, the competitiveness of the organization will also increase in line with the customer market share increasing (Ibrahim et al., 2015).
CRM practices have proven significantly influenced on achieving loyalty levels in Tehran. The evidence shows that the organizations practicing CRM are able to build trust the customers, provide commitment and establish effective communication in solving problems arising between banks and customers (Husnain & Akhtar, 2016).

The study result indicates that the effectiveness of CRM has a positive impact on satisfaction and loyalty. Satisfaction has a positive effect on loyalty (Ashtiani et al., 2017)(M. Kamrul Islam Shaon & Hasebur Rahman, 2015)(Bilton, 2016).

This study was conducted to investigate the relationship between communication and conflict handling variables and the achievement of customer loyalty through satisfaction. Also to fill the gap emerged from the previous research to explore the relationship between these factors.


The formulation of the problem and research questions are based on previous research, whether there is an effect of the application of Customer Relationship Management (CRM) on the loyalty of banking customers in Batam through satisfaction as mediating variables?

This study is expected to implicate in improving the performance of the banking industry in Batam as the way to achieve competitive advantage in interbank competition. In addition, this research can be used as a basis for compiling and evaluating programs towards customer relations that are targeted, especially in maintaining a stronger relationship to maintain existing customers.

Research Hypothesis. According to the previous study conducted by several researchers, this research hypothesis can be formulated as follow:

H1. Customer Relationship Management has a positive effect on satisfaction.
H2. Customer satisfaction has a positive effect on customer loyalty.
H3. Customer Relationship Management has a direct positive effect on Customer Loyalty.
H4. Customer satisfaction mediates the relationship between CRM and customer loyalty.

Sources: Developed for this study (2018)

Figure 1. Research Model

Methods

This study includes causal-comparative research which aims to see the characteristics of the problem in the form of causality between two variables or more, there are three variables examined in this study including Customer Relationship Management (CRM), satisfaction, and customer loyalty.

The populations used in this study were debtors in 39 commercial banks with 155 offices spread in Batam. The total populations are 2,011,250 accounts. Data was collected from Indonesia Central Bank in 2016. Measurement of the sample is using the Slovin formula with 5 percent inaccuracy tolerance of 500 samples.

The data collected in this study were analyzed using the Statistical Package for the Social Sciences (SPSS) 21st version for Windows. It includes the outlier test, validity test, reliability test, multicollinearity test, normality test, and heteroscedasticity test. Hypothesis testing is carried out using ordinal data can be seen from the information on the results of the regression test: F test, t-test, and R2 test.

Result and Discussions

Respondent Demographic Analysis

The results of the descriptive analysis of respondents show the age of respondents ranged from 16 to more than 60 years. Most respondents are the range of 16-30 years with a percentage of 55.29%, followed by respondents range of 31 - 40 years at 33.90%. The number of male and female respondents are 239 (51.62%) male and 221 (47.73%) female.

The sample size was also reviewed from the level of education. Most respondents came from the elementary-junior-high school level of education were 203 people (43.84%). Then followed by respondents from bachelor level 156 people (33.69%) and diplomas as many as 92 people (19.87%). The rest are from undergraduate and postgraduate levels.
Based on the profession, the respondents indicate that the majority of respondents were 225 private employees (48.60%) and 120 entrepreneurs (25.92%). While the majority of respondents who deals with banks every month are 267 respond (57.67%).

**Variable Characteristics**

The highest average value in Communication variable indicates in Question 9. The point is 3.740 which the customer believe that the bank always provides accurate information. Also, the Conflict Handling variable has the highest average value of 3.698 in question 11, that is the customers believe that the bank is trying to resolve the conflict before it becomes a problem.

Customer Satisfaction Variable has the minimum value of 1 and a maximum 5 with the highest average value in question 16 is 3.718. That is the respondent assesses the bank provides quality banking services at competitive costs.

Banking customer loyalty variables in Riau Island Province also tend to be high with an average value of 3.736 in question 23, respondents will advise others to save in the Riau Island Province banking. The lowest average value in this variable is in question 16 of 3.333, which is difficult for respondents to replace another bank. The examining result didn't show any outliers. It also found that all variables in this study were reliable.

**Hypothesis Test**

The effect of Customer Relationship Management (CRM) variables which consist of three supporting variables communication and conflict handling on customer satisfaction in this study was examined using multiple regression analysis.

The F-test results show the regression model of CRM variables can be used to predict customer satisfaction. The results of the t-test from multiple regressions between CRM variables to satisfaction are presented in table 1 below.

The test results show that the relationship between CRM through communication and conflict handling on customer satisfaction has a coefficient value of 0.173 and 0.557, respectively at a significance level of 0.000.

These results indicate the influence between CRM and banking customer satisfaction (H1 accepted). The results of this study are consistent with previous research which concluded that CRM policies affect the satisfaction of banking customers (Ahmad Mohammad Azzam, 2014) (D. Kocoglu & Kirmaci, 2012) (Ashtiani et al., 2017) (Roy et al., 2012) (Salimon, Yusoff, & Abdullateef, 2014).

### Table 1. T-Test: The Effect of Commitment, Communication, and Conflict Handling on Satisfaction

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Sig.</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>0.173</td>
<td>0.050</td>
<td>0.173</td>
<td>0.000</td>
</tr>
<tr>
<td>Conflict Handling</td>
<td>0.557</td>
<td>0.059</td>
<td>0.446</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Satisfaction

Sources: Primary data (2018)

The results of the coefficient of determination presented in Table 2 show that R2 has a value of 0.452, which means that customer satisfaction can be explained by CRM variables consisting of communication, and conflict handling by 45.2% while the remaining 54.8% is influenced by other factors.

### Table 2. Coefficient Determination Result: The Effect of Communication, and Conflict Handling on Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>R² Adjusted</th>
<th>Estimate Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.672*</td>
<td>0.452</td>
<td>0.448</td>
<td>1.73423</td>
</tr>
</tbody>
</table>

Sources: Primary data (2018)

This study also examines the effect of customer satisfaction on banking customer loyalty in Riau Island Province. The F test results show that the regression model of satisfaction variables can be used to predict customer loyalty. The results of the t-test between satisfaction variables and loyalty are presented in table 5 below.

The t-test results in Table 3 indicated the relationship between satisfaction and customer loyalty has a coefficient of 1.235 at a significance level of 0.000. These results show the strong influence of satisfaction and loyalty of banking customers (H2 accepted). The study is consistent with research that proved the satisfaction is

Table 3. T-Test Result: The Effect of Satisfaction on Loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients B</th>
<th>Std.Error</th>
<th>Standardized Coefficients Beta</th>
<th>Sig.</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>1.235</td>
<td>0.049</td>
<td>0.761</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Dependent Variable: Loyalty
Sources: Primary data (2018)

The results of the coefficient of determination presented in Table 4 show that R2 has a value of 0.452, which means that customer loyalty can be explained by CRM variables consisting of communication, and conflict handling by 45.2% while the remaining 54.8% is influenced by other factors.

Table 4. Coefficient Determination Result: The Effect of Satisfaction on Loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>R² Adjusted</th>
<th>Estimate Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.761</td>
<td>0.580</td>
<td>0.579</td>
<td>2.45769</td>
</tr>
</tbody>
</table>

Sources: Primary data (2018)

The test results of the coefficient of determination presented in Table 4 shows that the R2 has a value of 0.580, which means customer loyalty can be explained by the satisfaction variable about 58% while the remaining 42% is influenced by other factors.

This study finds out the signification of customer relationship management (CRM) variables which consist of commitment, communication, and conflict handling on customer loyalty.

The test results in table 5 show the relationship between communication and handling of conflicts on customer loyalty has a coefficient value of 0.601, and 0.627, respectively at a significance level of 0.000 (H3 accepted). It can be explained in the table below.

Table 5. T-Test: The Effect of Communication, and Conflict Handling on Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients B</th>
<th>Std.Error</th>
<th>Standardized Coefficients Beta</th>
<th>Sig.</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>0.601</td>
<td>0.062</td>
<td>0.369</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Conflict Handling</td>
<td>0.627</td>
<td>0.075</td>
<td>0.310</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Dependent Variable: Loyalty
Sources: Primary data (2018)

The results of this study are consistent with some of the previous research which states that CRM policies affect the loyalty of banking customers (Kheder, 2015)(Karsalari et al., 2017)(Ibrahim et al., 2015)(Husnain & Akhtar, 2016) (Al Arif & Nurasia, 2015). The t-test results of the coefficient of determination show that the coefficient of determination (R2) has a value of 0.533, which means the variation in customer loyalty can be explained by the CRM variable consisting of communication and conflict handling by 53.3% while the remaining 46.7% is influenced by other factors.

Table 6. Coefficient Determination Result: The Effect of Communication and Conflict Handling on Loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>R² Adjusted</th>
<th>Estimate Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.730</td>
<td>0.533</td>
<td>0.530</td>
<td>2.59516</td>
</tr>
</tbody>
</table>

Sources: Primary data (2018)

The results of regression examine the effect of CRM on loyalty through satisfaction as a mediator as suggested by (Baron & Kenny, 1986), presented in the following table 7.
This table shows that all regressions are a fit and have a significant relationship between variables in accordance with the requirements of (Baron & Kenny, 1986). However, it can be concluded that customer satisfaction can play a mediating role between CRM and loyalty.

This study supports the previous research which found that CRM variables are the determining factors for increasing loyalty and through achieving banking customer satisfaction as a mediating variable (H4 accepted) (Omoge & Donaldson, 2016) (Panjaitan & Laely, 2017) (Mahmoud, Hinson, & Adika, 2018) (Supriaddin, Palilati, Bua, Jusuf, & AlidaPalilati, 2015).

However, any other study found the different result that no role for customer satisfaction as mediating in enhancing the impact of CRM on long-term customer loyalty in Palestinian local bank (Iriqat & Abu Daqar, 2018).

Conclusions

The purpose of this study is to find the answers to problems proposed in the research. The result of this research finds and concluded that the Customer Relationship Management (CRM) which consist of communication and conflict handling has the relationship on the loyalty of banking customers in Riau Island Province through customer satisfaction as mediation.

Based on the results of this study, it can be concluded that CRM is the most important element for improving customer satisfaction which predominantly affects the realization of customer loyalty through customer satisfaction. Bank commitment, established communication, and speed in conflict handling in the banking industry underlie the reasons for customers to be satisfied and then more loyal to the bank.

In this study, the influence of CRM on banking customer loyalty in Riau Island Province through satisfaction variables as mediation can be realized with priority on improving communication, and speed of conflict handling, and customer satisfaction.

Future research should include other variables that will be tested for their effect on customer loyalty. In addition, this study is also expanded by looking at the influence of loyalty to competitive advantage and changes in behavior patterns of banking customers in the Riau Islands.

Currently, the concept of loyalty is a very important issue and can be examined in a variety of different aspects in various situations. This study tries to investigate more factors that have a relationship with customer loyalty in the banking industry by comparing it with previous research.

Suggestions that can be given to improving the quality of CRM research in the future should be adds other variables. Those can be tested for the effects on customer loyalty, as follow, quality of service, trust, and company performance (Panjaitan & Laely, 2017) (Mahmoud et al., 2018) (Leninkumar, 2016) (Khan & Fasih, 2014) (Madjid, 2013) (Liu & Wang, 2017).

References


Authors Bibliography
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