

The Influence Of Relationship Marketing On Switching Barrier, Customer Satisfaction, Customer Trust, And Customer Retention

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ABSTRACT: *This study was aimed at testing and analyzing influence of relationship marketing on switching barrier, customer satisfaction, customer trust, and customer retention. The study was conducted with respondents of 141 Emerald BNI BANK customers in Indonesia. Data were collected by using instruments of questionnaires. The test on the model was done using structural equation model analysis with GSCA approach. Switching barrier significantly influenced on customer satisfaction and customer trust. Furthermore, customer satisfaction and customer trust significantly influenced on customer retention. Partially, it was identified that variable of customer trust was the most dominant variable influencing on the customer retention.*

Keywords: *Relationship Marketing, Switching Barrier, Customer Satisfaction, Customer Trust, Customer Retention*

I. INTRODUCTION

Companies can be said to be successful if it is able to establish a good relationship with the customer. Customer relations have been good for a long time can be interpreted that the customer has a high loyalty to the company that will lead to high levels of retention to keep in touch with the company associated with the satisfaction of fulfilling the wishes and needs of the customer. Relationship marketing emphasis on efforts to retain existing customers and acquire new customers.

The customer is a key element in the relationship marketing. Studies include attention to the wishes of customers, providing the best service through the addition of value (McIlroy and Barnett, 2000). Related to relationship marketing, marketers are always trying to learn more about the needs and expectations of customers because it is very necessary to develop a relationship marketing strategy.

The implementation of relationship marketing strategy not only for the creation of a high customer retention, but also be used to improve customer satisfaction. Traditionally, consumer behavior in the long term is determined by customer satisfaction so companies need to continuously improve the level of customer satisfaction (Oliver, 1980; Yi, 1990).

Ranaweera (2003) in his study claimed that customer satisfaction is one of the important factors that could lead to customer retention, trust, and a switching barrier. Besides trust and switching barrier has a significant influence on customer retention. Another study conducted by Lee et al. (2001) also showed that switching barrier has a significant influence on customer retention.

It can be said when switching barrier is high, the company will be able to retain customers even if customers are not satisfied. The company can maintain its viability in the long term, it is necessary to consider the factors associated with switching barrier, trust and relationship marketing.

In Indonesia, the competition among the banks are very strict. This competition eventually forcing them to find ways to compete effectively. Customer behavior tends to change at any time due to internal and external influences. This makes the bank should be able to develop a marketing concept that can adapt to the dynamic market. The concept of marketing-mix discuss how businesses create customer satisfaction through good service quality. This concept evolved because customer satisfaction is not enough to make customers loyal. The new marketing concept changed the focus of the marketing-mix towards relationship marketing.

The application of relationship marketing at the bank supported the research of Ndubisi (2007) that the results showed that there was a significant effect of relationship marketing strategy on customer loyalty. Further, the relationship marketing that focuses on long-term customer is indispensable in enhancing customer value.

This study refers to ECSI MODEL (European Customer Satisfaction Index) conducted by Ball (2004). Communication has similarities to relationship marketing. Communication with the customer to obtain information about the needs and expectations of customers.

The purpose of ECSI Model is to improve customer loyalty and create customer retention. Creating customer relationships in order to increase customer loyalty. Some researchers argue that some constructs important in marketing activities include Relationship Marketing, Customer Satisfaction, Customer Trust, Switching Barrier and Customer Retention (Yi, 1990; McIlroy and Barnett, 2000; Lee and Feick, 2001; Varey, 2002; Ranaweera,

2003; Ball, 2004). The construct is still very relevant to be studied more deeply to reinforce the results of previous studies and also maintains the existence of the theory associated with some of these constructs.

II. THEORETICAL FRAMEWORK

Relationship Marketing- New Perspectives in Marketing

As a science and an art, marketing has developed rapidly and dramatically. Various transformation will continue. Marketing is everything and everything is marketing. It means that marketing is a managerial function within an organization. Marketing is a business strategy that is oriented towards satisfying needs and wants of your customers effectively, efficiently and ethically. Being part of a company's competitiveness so superior to its competitors.

Basically relational marketing is an alternative strategy in running the marketing mix. Relational marketing is how to gain a sustainable competitive advantage and become the best way to retain customers in the long term (Little and Marandi, 2003). Ndubisi (2007) noted that the concept of relationship marketing more extensively studied in the field of marketing both services and industry (Gummesson, 1999).

Relationship marketing aims to build long-term relationships with customers is an effective strategy. Relationship marketing is a dynamic concept. Customer behavior is a major component in determining the policy direction of relationship marketing has changed over time. Ultimately, long-term relationships with customers built to recognize customer needs and expectations consistently. There are six dimensions include trust, bonding, communication, share value, empathy and reciprocity. Ndubisi (2007) in his research revealed there are four dimensions to build a relationship marketing is trust, commitment, communication and conflict handling. Wong (2002) reveals the dimensions of relationship marketing include trust and commitment.

Conceptual Model

The research model to be tested is the development of some previous research relevant to the purpose of this study include: Ball (2004), Ranaweera (2003), Vatanasombut et al. (2008) and Chung et al. (2011). Latest issues show that Relationship marketing is still relevant for discussion in marketing services. A marketing approach that is oriented on transactional (transactional marketing) with high sales targets in the short term can no longer be used as the main strategy. For that reason relationship marketing emphasis on acquiring and retaining customers through an increase in the company's relationship with its customers.

Generally, there are five main drivers of change that plays an important role in influencing the development of the market, including customers, company, competition, collaborators, and change. Factors customers who become the emphasis of this research is based on the consumers who are increasingly demanding, intelligent and sophisticated. While collaborators factors associated with long-term partnership that is mutually beneficial and based on mutual trust (trust).

Kotler (2009) emphasize the long-term oriented relationship marketing to deliver long-term value to customers. The success of relationship marketing is a long-term customer satisfaction. Furthermore, Ndubisi (2007) noted that the concept of relationship marketing more widely studied in the field of marketing and marketing services industry (Christopher et al, 1991; Gummesson, 1991). Berry (1983) viewed relationship marketing as a strategy to attract, retain and improve customer relations. Today companies adopt marketing concept focuses on customer satisfaction. The company offers superior services for customers. This superior service will attract customers and keep customers satisfied after purchase. The success in providing excellent services customers will establish customer retention that is essential in building long-term relationships with customers.

Several strategic constructs in the research model is a relationship marketing, and switching barrier that plays an important role in creating customer retention. Hollensen (2010) and Payne (1995) states that relationship marketing is the marketing activities related to all parts of the organization that aims to create a market through customer retention and customer lifetime value. Company also emphasizes that efforts to maintain customer can be done by the company by providing superior services that is an attraction for the customer so that the customer can be satisfied.

Ahmad (2001) states that marketing activity is best to retain existing customers than acquire new customers. It is based on the assumption that existing customers can benefit, therefore the company should be aware that the profitability is not only derived from its products but also from its customers. To create customer retention, the products or services offered must be consistent with quality comparable to competitors. This study was conducted to examine and analyze the relationship between variables relationship marketing, switching barrier, customer satisfaction, customer trust and customer retention.

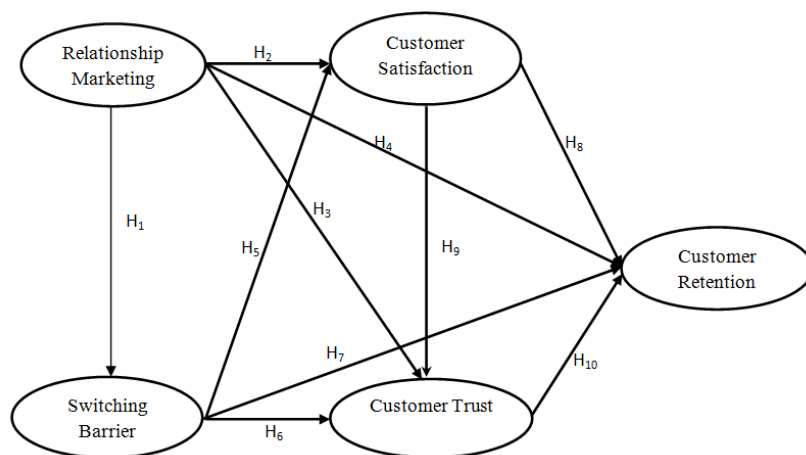


Figure 1. Conceptual Framework

III. METHODOLOGY

The study was conducted corporate banking services with a total sample of 141 customers premium category of Bank BNI in Indonesia. The data collection used questionnaire. The research variables and indicators are shown in Table 1.

Table 1 Variables and Indicators

| No | Variabel | Indikator | Rujukan teori |
|----|-------------------------------|---|---|
| 1 | <i>Relationship Marketing</i> | RM1. Proximity Relationship RM2. The effectiveness of communication RM3. More attention RM4. Ease of Interaction RM5. Level Cooperative RM6. Appreciation RM7. Socialization capabilities | Berry (1983); Ndubisi (2007), (Gronroos, 1994), Kotler (2009), Ford <i>et al.</i> (2003), Zeithaml (1996) |
| 2 | <i>Switching Barrier</i> | SW1. Cost considerations SW2. Losing Benefits SW3. Personal recognition SW4. Personal service SW5. Technical aspects | Lovelock <i>et al.</i> , (2004), Jones <i>et al.</i> (2000), Berry (1991), Ahmad (2005), Ranawera (2003) |
| 3 | Customer Satisfaction | CS1. Service satisfaction CS2. Pleasant experience CS3. Transaction services CS4. Leisure facilities | Cronin <i>et al.</i> (2000), ranawera (2003),Kotler (2009), Ndubisi (2007) |
| 4 | Customer Trust | CT1. Security CT2. Promises Reliable CT3. Consistent with Service CT4. Level of confidence CT5. Transparency | Ndubisi (2007), Ranaweera (2003), Green (2006) |
| 5 | Customer Retention | CR1. Commitment into customers CR2. Willingness to cooperate CR3. Increased transaction volumes CR4. Emotional ties | Ranaweera (2003), Hansemark (2004), Kotler (2009), Ahmad (2001) |

Data were analyzed using Structural Equation Model approach based variant or component. Generalized Structured Component Analysis (GSCA) can be seen as a combination of confirmatory factor analysis and path analysis. In addition to the validity and reliability of the model, SEM analysis also aims to make a goodness of fit test.

IV. RESULTS

Outer Model

Outer models confirm the relationship between the latent variables with indicators. Outer model defines how each indicator relates to the latent variables. Outer models are presented in Table 2 below.

Table 2. Outer model

| Variable | Indicator | Loading | Loading (SE) | Composite Reliability |
|------------------------|-----------|---------|--------------|-----------------------|
| Relationship Marketing | RM1 | 0,934 | 0,016 | |
| | RM2 | 0,871 | 0,02 | |
| | RM3 | 0,949 | 0,01 | |
| | RM4 | 0,886 | 0,027 | |
| | RM5 | 0,932 | 0,016 | |
| | RM6 | 0,852 | 0,033 | |
| | RM7 | 0,784 | 0,04 | |
| | | | | 0,963 |
| Switching Barrier | SW1 | 0,901 | | |
| | SW2 | 0,883 | | |
| | SW3 | 0,755 | | |
| | SW4 | 0,852 | | |
| | SW5 | 0,847 | | |
| | | | | 0,927 |
| Customer Satisfaction | CS1 | 0.868 | 0.023 | |
| | CS2 | 0.894 | 0.022 | |
| | CS3 | 0.887 | 0.032 | |
| | CS4 | 0.852 | 0.027 | |
| | | | | 0.929 |
| Customer Trust | CT1 | 0,807 | 0,032 | |
| | CT2 | 0,799 | 0,033 | |
| | CT3 | 0,737 | 0,054 | |
| | CT4 | 0,824 | 0,023 | |
| | CT5 | 0,692 | 0,072 | |
| | | | | 0,927 |
| Customer Retention | CR1 | 0,873 | 0,027 | |
| | CR2 | 0,845 | 0,03 | |
| | CR3 | 0,893 | 0,023 | |
| | CR4 | 0,81 | 0,035 | |
| | | | | 0,881 |

All indicators give a good convergent validity. It is seen from the loading factor above 0.5 so that all research indicators have a high degree of validity. Value composite reliability also has a high value above 0.7 so that it can be concluded research indicators have a high level of reliability.

Goodness of Fit Model

Overall model fit (FIT) provides considerable value 0.729 so that the variance of the data can be explained by 72.9 percent. Two additional sizes are standardized root mean square residual (SRMR) was low and the value of good fit (GFI) of 0.996. Thus we can conclude that the model has a good feasibility level.

Inner Model

Structural model was evaluated by assessing coefficient parameter and T statistics and the level of significance of the coefficient parameters. Hypothesis test results obtained by using GSCA each path coefficients as follows in Table 3.

Table 3. Path coefficients

| Hypothesis | The relationship between variables | Coefficients | Std. error | T stat | Sig* |
|------------|--|--------------|------------|--------|------|
| 1 | Relationship Marketing – Switching barrier | 0.807 | 0.034 | 23.735 | 0.00 |

| | | | | | |
|----|--|-------|-------|-------|------|
| 2 | Relationship Marketing – Customer Satisfaction | 0.455 | 0.081 | 5.617 | 0.00 |
| 3 | Relationship Marketing – Customer Trust | 0.559 | 0.06 | 9.316 | 0.00 |
| 4 | Relationship Marketing – Customer Retention | 0.085 | 0.073 | 1.164 | 0.12 |
| 5 | Switching barrier – Customer Satisfaction | 0.47 | 0.077 | 6.103 | 0.00 |
| 6 | Switching barrier – Customer Trust | 0.559 | 0.06 | 9.316 | 0.00 |
| 7 | Switching barrier – Customer Retention | 0.06 | 0.075 | 0.8 | 0.21 |
| 8 | Customer Satisfaction – Customer Trust | 0.329 | 0.061 | 5.393 | 0.00 |
| 9 | Customer Satisfaction – Customer Retention | 0.178 | 0.092 | 1.934 | 0.03 |
| 10 | Customer Trust – Customer Retention | 0.637 | 0.129 | 4.937 | 0.00 |

*alpha 5%

Research findings

Marketing viewpoint shift from internal orientation (inward looking) towards the orientation of the external (outward-looking) became the foundation to conduct a study on the concept of relationship marketing. The concept of relationship marketing is now more widely studied in the field of marketing services and industry because of its role is very strategic. Thus the research studies concerning the relationship marketing is still urgent to be done in order to confirm the results of previous research results that are relevant in the field of marketing.

The research finding confirms that the marketing effort is best to retain existing customers than acquire new customers. The basic idea of relationship marketing is a paradigm change from the perspective of transactional marketing towards long-term partnerships with its customers.

Several previous studies similar to this study as Ball (2004); Ranaweera (2003); Vatanasombut (2008) has confirmed that customer satisfaction is an important variable in building customer loyalty and retention. This study provides a review of the expansion by adding relational marketing as antecedent variables that influence customer satisfaction and customer retention.

The results of previous research in marketing has conducted a study on the strategic value of the quality of service as the main variables that contribute to the profit of the company. This study actually have different viewpoints, that the company needs to protect its long-term earnings depend on the ability of the company creates a good relationship with customers. Therefore, relationship marketing as the main exogenous variables. Relationship marketing is associated with the efforts of creating switching barrier, customer satisfaction, customer trust and customer retention. The finding similiar with Yanamandram, V. and White, L. (2006).

Other novelty is reviewing the switching barrier as an important factor in building loyalty and customer retention. Switching barrier as the company's strategy to protect its market mainly service sector is very important in situations hypercompetitive. Providing quality services is not enough, create switching barriers to be done.

In some features, allowing service quality can be duplicated by competitors. Therefore, efforts to create barriers to switch to the customers is very important as a form of new strategies to retain customers. In a situation of product differentiation is very difficult to do, create barriers to switching can become a strategy.

The findings also noted that the relationship marketing and switching barrier proved not purely exogenous variables. The existence of these two variables will appear role by involving variable customer trust and customer satisfaction.

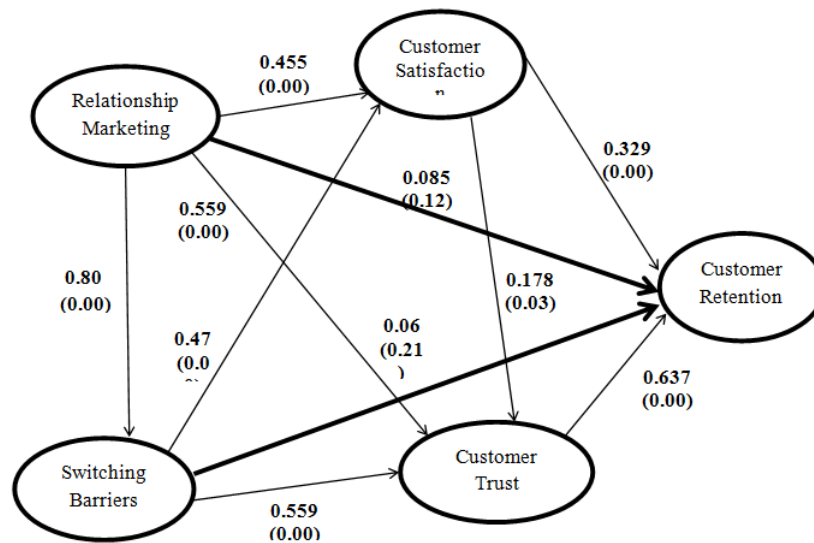


Figure 2. Overall Model

V. CONCLUSION

This study is theoretically contribute to the development of relationship marketing concepts initiated by Payne (1995), Gummesson (1999) and Berry (1983), which gives an insight into that relationship marketing is not just the company's strategy but become a business philosophy that is supposed to be part of the vision of the company sustainable.

This study also contributes to the advancement of the concept of switching barrier that remains unstudied by researchers. Study switching barrier to be part of this study could add insight that switching barrier is antecedent to customer loyalty, which is still rarely tested.

Customer retention is deemed more important than just building customer loyalty if not followed by behaviors such as cross selling which will increase the volume of transactions. The findings in this study also emphasizes that in the service industry, especially banking, trust more important variable than the satisfaction.

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