

# Service Quality, Customer Relationship Marketing, and Institutional Trust to Engender Customer Loyalty

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**Abstract.** The objective of this study is to analyze the influence of service quality and the customer relationship marketing (CRM) to the institutional trust as well as its impact on the customer loyalty in PT Bank Rakyat Indonesia (BRI). The result of this study shows that the service quality and the customer relationship marketing has influence on institutional trust and loyalty. In conclusions, the institutional trust is an intervening variables that can mediate the effect of variable service quality and the customer relationship marketing on the customer loyalty.

**Keywords:** *service quality, CRM, institutional trust, and loyalty*

## INTRODUCTION

In the era of global competition and the increasingly sophisticated digital era, banking is needed to be more professional. Banking profit opportunities, whether substantial or in difficult conditions, should be achieved. It is emphasized to achieve these objectives by increasing the customer loyalty. The success of banks is mostly used to achieve the service to the customers. The Bank must know the characteristic of the customer to increase the customer's loyalty [1].

The customer's loyalty follows what the customer's want. It is how the banks improve their communication skills for all employees about the target results. Loyalty is formed from the existence of the customer satisfaction [2], [3]. The customer's satisfaction will provide a double positive effect. For example, a loyal customer will provide references to other prospective customers. Loyalty is defined as a non-random purchase expressed over time by some decision-making units [4].

According to Hurriyati (2005), loyalty illustrates the intention of behaving consumers for products and services. Furthermore, behavior results in repeat purchases in the future. [5] revealed that loyalty is formed because of favorable wording, repetitive purchase, and intention. Whereas [6] describes loyalty with the best choice, the desire to spend money, the order of shopping choices, has a character where visitors are served quickly.

The customer's satisfaction can be created by the maintained quality of service to the customers [7], [8]. Service quality is often reflected as a comparison between the customer expectations and perceived performance of the company [9]. Service quality is generally described as a global attitude or assessment of the merits of services. Although, the scope of these attitudes reaps a variety of opinions [10]. Similarly, [11] conceptualizes service quality as a comparison of expectations with the perception of the actual performance of services. According to [10] "quality is the expectations and/or ideal standard". This means that quality is an expectation and or minimum standard that must be given to service to customers. The results of the study [7], [12]–[15] state that there is a significant effect between service quality on customer's loyalty.

A good's Customer Relationship Marketing (CRM) can lead to trust and satisfaction. Therefore, it forms a loyal group of consumers. This is in line with the results of the study [3], [16], [17]. According to [19] the factors that form CRM include trust, commitment, communication, handling complaints, and competence. Whereas, [20] argues that there are several measures of CRM. They are a) long-term customer focus, b) communication with customers, c) involving organizational members in marketing activities, d) implementation of interactive marketing processes, e) developing service culture for customers, and f) obtain and use customer information.

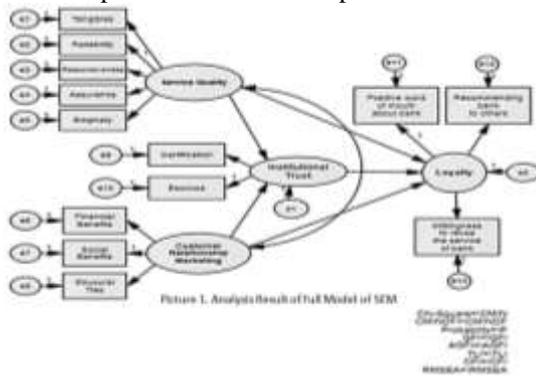
An institutional trust is a form of excellent institutional guarantee on the side of the customers. The carrying capacity can be in the form of qualifications of reliable capital ownership assets. The challenge towards commitment is that a banking institution provides a comfortable protection for all financial transactions with the Bank (Institutional Trust) [21]. Banking commitment in maintaining the comfort of the customer transactions on all forms can create customer loyalty [22], [23]. The bank's institutional trust supports various rationalization program decisions, stemming various shocks, including a very sensitive problem in the occurrence of a program to reduce the number of employees [21]. Institutional trust describes people's expectations about how the institution

serves and fulfills what must be given based on the goals and principles of an institution[24], [25].

METHOD

This research is explanatory research. Explanatory research is intended to obtain clarity or explain a phenomenon, explain relationships, test the influence of variables (including the cause of the relationship) (Ulfatin, 2014: 10). This research uses four variables: service quality, customer relationship marketing, institutional trust, and customer's loyalty. The researchers employ a survey by expressing opinions on several statement items (indicators that answered by customers of Bank Rakyat Indonesia (BRI) in Surakarta.

The data analysis technique, the researcher uses Structural Equation Model (SEM). The following picture is the conceptual framework that describes the relationship series based on the specified variables.



RESULT

Based on the results of SEM analysis, the model images are obtained as follows:

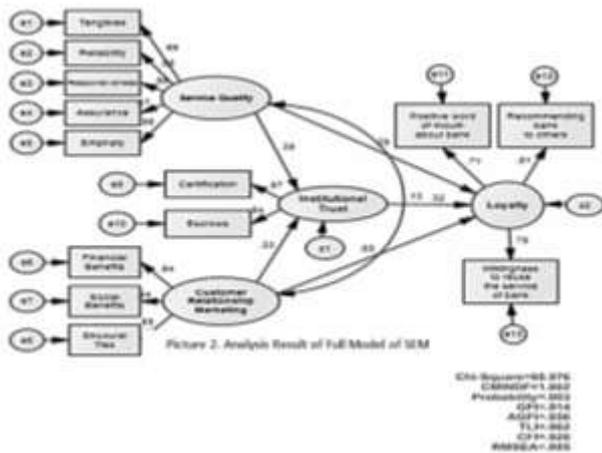


Table 1. Results of the Goodness of Fit Indices Model Modification

Indeks fit	Value	Recommended value	Model Evaluation
Chi-Square	68.976	The smaller, the better	-
Probabilitas	0,003	≥ 0,05	-
CMIN/DF	1.862	≤ 2	Good Fit
GFI	0,914	≥ 0,90	Good Fit
RMSEA	0,085	≤ 0,08	Marginal Fit
TLI	0,962	≥ 0,95	Good Fit
CFI	0,928	≥ 0,95	Marginal Fit

From table 1, it was clear that the evaluation of the overall model has been fulfilled. Therefore, the model can be accepted and can be interpreted for further discussion.

The influence between variables, according to the relationship described in the conceptual framework, revealed that the value of CR was more than 2 (two). This proved that the relationship between the independent variables depended on each other. The better the independent variable service quality and customer's relationship marketing, the better institutional trust and loyalty to customer's loyalty at Bank Rakyat Indonesia (BRI) in Surakarta.

Based on the test results, the hypothesis proved that institutional trust is directly affected by the quality of service [22], [26]. The assessment of Bank Rakyat Indonesia (BRI) in Surakarta was increased by obtaining guarantees. Furthermore, it was certified if the quality of service provided to customers was getting better [22], [27]. The empathy showed towards the needs and desires of customers helped increase the value of the bank's service. The employees of Bank Rakyat Indonesia (BRI) in Surakarta showed their empathy by starting a warm greeting and responding to a complaint well to provide the right solution for the customers of Bank Rakyat Indonesia (BRI) in Surakarta.

There were other side effects by practicing empathy, for example CRM [16], [18]. Bank Rakyat Indonesia (BRI) in Surakarta had good closeness to the customers. The results indicated that the approach of social relationships with the customers was able to improve the assessment of third parties toward the Bank Rakyat Indonesia (BRI) in Surakarta. The existence of internet banking services made the transactions easier. The bank's closeness to micro and medium-sized businesses through a variety of banking products were useful to build the customers' self-sufficiency and well-being. It implicated the assessment of the Bank Rakyat Indonesia (BRI) in Surakarta to foster confidence among the public, especially the customers.

The customer loyalty of Bank Rakyat Indonesia (BRI) in Surakarta was directly influenced by the Service Quality and CRM. This illustrated that the customers would use recurring banking products [4] if the Bank can build long-term relationships with the customers while maintaining empathy for the customers' wants and needs. Furthermore, Bank should provide an easy access to services for the customers to support the customers' social life [12], [14], [28]. Fulfilling the needs and desires of the customers is a determinant for Bank Rakyat Indonesia (BRI) in Surakarta. When they are fulfilled well, the customers will not hesitate to use services or products from banks repeatedly.

Institutional trust directly affected the customer loyalty of Bank Rakyat Indonesia (BRI) in Surakarta City. This meant the customers will be willing to use services or products from Bank Rakyat Indonesia (BRI) in Surakarta. The customers should realize that Bank Rakyat Indonesia (BRI) in Surakarta had been certified in terms of service to customers. The certification received by Bank Rakyat Indonesia (BRI) in Surakarta

indicated that there were advantages that are owned both in terms of service to customers or other fields. This result is in line with research [22], [23], [29].

Based on the results of inferential statistical analysis, it was found the evidence that institutional trust was able to mediate the influence between service quality and the customer relationship marketing on the customer loyalty of Bank Rakyat Indonesia (BRI) in Surakarta [3], [13], [14], [22], [28], [30]. This result meant that the customer trust in Bank Rakyat Indonesia (BRI) in Surakarta has been certified [21]. It was influenced by the service quality indicated by empathy in fulfilling the needs and desires of customers. Furthermore, they were supported by services that provide convenience to the customers such as internet banking. Thus, the customers can carry out other work and social activities. It could increase the customers confidence to use services or products from Bank Rakyat Indonesia (BRI) in Surakarta repeatedly [2], [4], [31].

#### CONCLUSION

The customer loyalty of Bank Rakyat Indonesia (BRI) in Surakarta increases with the existence of excellent service quality from Bank Rakyat Indonesia (BRI) in Surakarta. The customer's needs and empathy shown by Bank Rakyat Indonesia (Indonesia) employees in Surakarta in fulfilling customer desires and needs makes the customers are encouraged to use banking services and products from Bank Rakyat Indonesia (BRI) in Surakarta. Furthermore, Bank Rakyat Indonesia (BRI) in Surakarta had been guaranteed (certification) from a third party makes customers more confident and increases loyalty to Bank Rakyat Indonesia (BRI) in Surakarta.

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