

THE IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT TO CUSTOMER LOYALTY THROUGH CUSTOMER SATISFACTION IN CABAL DINING MANADO

by:

Randy Wattilete¹
Sifrid S. Pangemanan²
Merinda Pandowo³

^{1,2,3} Faculty of Economics and Business,
International Business Administration (IBA) Program
University of Sam Ratulangi Manado

email: ¹ r_wattilete@yahoo.com

² sifridp_s@unsrat.ac.id

³ iinpan@yahoo.com

ABSTRACT

Customer relationship management is the one influencing customer loyalty, but to get customer loyalty we should know how to make customer satisfaction. This research is purposed to analyze the impact of customer relationship management to customer loyalty through customer satisfaction in Cabal Dining Manado. This research used the Path analysis as the method of this research. Population in this research is mainly in this research is people in Manado. The sample of this research is 100 respondents of random sampling. The interpretation shows that every variable have strong relationship and are supported by significance level. Customers Relationship Management has a significant relationship with customer satisfaction so does customer satisfaction has a significant relationship with customer loyalty. Based on the result done, variable customer relationship management has a significant value to the customer satisfaction variable. Which means Cabal Dining should really pay more attention about how they built a relationship with their customers. Customer satisfaction is important in determine customer loyalty. By feeling satisfy there is a possibility that people would come again to the places that give them the experience they looking for.

Keywords: *customer relationship management, customer loyalty, customer satisfaction*

INTRODUCTION

Research Background

Needs and wants of the people in everyday life are increasing. As the development of economic growth in a motivating factor for individuals and companies to continue to seek opportunities to open a business in which provide what is needed and wanted by the community. There are so many demands that makes the business man to be more creative on prepare what people wants and needs while there's so many competitors. People in this era are more transparent. This behavior became an opportunity for businessman for open their new business. Activity at night, west culture life style, hang out with friends and fancy or prestige place became a trend and characteristic for people life style in this era.

Solomon (2009:33) said that the field of consumer behavior covers a lot of ground: it is the study of the processes involved when individuals or groups select purchase use, or dispose of products, services, ideas, or experiences to satisfy needs and desires. Based on theory by Solomon (2011:33), the consumer behavior theory could be an opportunity for those people who want to open a new business to fulfill what people want and need by restaurant, cafe, nightclub, resto and bar and lounge.

Restaurant, cafe, nightclub, resto and bar and lounge offering product and support with service. According to Kotler and Keller (2006:433) one of five categories offering which is hybrid, that is the offering consists of equal parts goods and services. For example, people patronize restaurants for both the food and its

preparation. Based on this theory there are so many choices offer from businessman or entrepreneurs engaged in the field of hospitality. The point now is how the entrepreneurs fulfill what people needs and wants.

The growing of Manado also an opportunities for the entrepreneurs, just like at the Kawasan Megamas Manado which in this area is developing. There are so many kinds of entrepreneurs open their business to adapt with the customer behavior like restaurant, mall, nightclub, sports fields and others. These things became reasons for the entrepreneurs in this area to compete with other competitors to fulfill what people wants and needs.

One of the entrepreneur or businessman who dare take the risk in compete at Kawasan Megamas Manado is Cabal Dining. There is another entrepreneur or businessman who ran the business like Dining which is The Sense, D'Terrace and D'Club. The thing that makes Cabal Dining different than the other restaurant, cafe, nightclub, resto and bar and lounge is the comfy place restaurant with classic retro modern European concept. There is some of Cabal Dining's way to increase their business potential and their quality which is manage their customer relationship. Kotler and Keller (2006:18) assert that CRM is cultivating the right kind of relationship with right constituent groups. Based on the theory Customer Relationship Management is really important in build strong loyalty.

Research Objective

There are specific objectives for this research to analyze the influence of:

1. To analyze the impact of Consumer Relationship Management on Customer Satisfaction in Cabal Dining Manado.
2. To analyze the impact of Customer Satisfaction on Consumer Loyalty in Cabal Dining Manado.

THEORETICAL FRAMEWORK

Theories

Customer Relationship Management

Kotler, et al (2005:325) define that CRM as consisting of sophisticated software and analytical tools that integrate customer information from all sources, analyze it in depth, and apply the results to build stronger customer relationship. According to them, CRM integrates everything that a company's sales service and marketing teams know about individual customers to provide a 360 degrees view of the customer relationship. Sarlak and Fard (2009), defined that customer relationship management is considered to be one of the above-mentioned tools, which as a business strategy, has tendency to select and manage the most valuable relationships with the customers. Cunningham and Meachael (2002:12), noted that CRM is part of a strategy to identify and satisfy their customers and become a permanent customer. Gilaninia (2011), there are three main components of CRM:

- The first layer of CRM is Operational CRM, which aims to manage all customer contact points (Service, sales and marketing).
- The second layer is a corporate CRM that to Customers give visual of organization and them with receive update information through organization operating channel, enable to do some affairs of communication with organization.
- The third layer is analytical CRM. Analytical CRM is created on operational CRM.

Customer Satisfaction

Kotler and Armstrong (1996:311), defined that customer satisfaction as "the level of a person's felt state resulting from comparing a products perceived performance or outcome in violation to his/her own expectations". So, customer satisfaction could be considered a comparative behavior between inputs beforehand and post obtainment. As the study focused investigating user satisfaction of libraries, customer satisfaction is defined as "the levels of service quality performance that meet user's expectation." Johnson and Fornell (1991), conducted that customer satisfaction means that a customer or the user of service is well contended with the performance. Khan (2012), satisfaction is defined by different studies in different ways. Satisfaction can be obtained because of what was expected. If the supply of a firm were according to expectations of customers, they would be satisfied. Jamal and Nasser, (2003) conducted that customer satisfaction as the feeling or attitude of a customer toward a product or service after using them.

Customer Loyalty

Kim and Yoon, (2004) noted that customer loyalty has been defined early that .It is normally the willingness of customer to maintain their relations with a particular firm or service/product. Zeithaml, et al (1996) conducted that customer loyalty is special kind of customer behavior towards the organization. It is kind of future prediction about the intentions of the customer to do business with the firm.

Relationship Between Variable

Customer Relationship Management and Customer Satisfaction

Turban, et al (2002:12) argue that CRM is part of a strategy to identify and satisfy their customers and become a permanent customer. Also toward customer relationship management assists with the company and in order to maximize the value of each customer. Customer satisfaction results from the conception of the customer within a value-based relation or transaction, so that price equals the proportion of the quality of offered services to the prices and expenses paid by the customer (Hallowell, 1996: 28).

Customer Satisfaction and Customer Loyalty

Heskett, et al (1994) argue that impact of satisfaction on loyalty is researched in broad terms. Many findings show that if satisfaction is there than customers are loyal and if customers are dissatisfied their loyalty is not guaranteed. It is used to explain loyalty as behavioral intents. Customer Loyalty and satisfaction are significantly affected by cooperate brand image, and customer loyalty and satisfaction are dependent on each other. If customer is satisfied, his loyalty increases. Fornell (1992), defined that as a general rule, customer satisfaction and customer loyalty are very closely related. Customer satisfaction functions as an antecedent of customer loyalty. It prevents customer churn and consolidates retention, thereby constituting an important cause of customer loyalty.



Figure 1. Conceptual Framework

Source: Theoretical Review, 2013

Research Hypothesis

The hypotheses of this research are:

- H₁ : There is significant influence of Customer Relationship Management of Customer Satisfaction of Cabal Dining Manado
- H₂ : There is significant influence of Customer Satisfaction of Customer Loyalty of Cabal Dining Manado

RESEARCH METHOD

Types of Research

This research uses quantitative method of research where it is designed to determine whether one or more variables (e.g., a program or treatment variable) causes or affects one or more outcome variables. In this research will investigate the influence of consumer relationship management, service quality, on customer loyalty through customer satisfaction.

Place and Time Research

This research is done in Manado between two months September – November 2013.

Population and Sample

Population is generalized to the object/subject which have a certain quantity and characteristic that is required by researcher to studying and to gain conclusion (Sekaran and Bougie, 2009:262). The population in this research is mainly in this research is people in Manado. The sample of this research is 100 respondents by using random sampling. The sampling design is a saturated sample that is considered as the best way of getting some basic information effective and more accurate (Sekaran and Bougie, 2009:263).

Data Collection Method

There are two types of data that are used to make an appropriate result, which is primary and secondary data. For this research will be used the primary data and secondary data. The primary data get from respondent. The secondary data is taken from books, journals, and relevant literature from library and internet. These secondary data were used in the background, literature review, research method, analysis and discussions.

Operational Definitions and Measurement of Research Variables

1. Customer Relationship Management (X1) is Part of a strategy to identify and satisfy their customers and become a permanent customer (Cunningham, 2002:12)
2. Customer Loyalty (Y2) is special kind of customer behavior towards the organization. It is kind of future prediction about the intentions of the customer to do business with the firm (Zeithaml et al., 1996).
3. Customer Satisfaction (Y1) is customer satisfaction as the feeling or attitude of a customer toward a product or service after using them (Jamal and Naser, 2003).

RESULT AND DISCUSSION

Result

Table 1. Model Regression 1

| Model | Coefficients ^a | | | | |
|-------|--------------------------------|-------|--------|------|--|
| | Standardized Coefficients | | | | |
| | Beta | t | Sig. | | |
| 1 | (Constant) | 4,016 | 6,074 | ,000 | |
| | CustomerRelationshipManagement | ,878 | 18,125 | ,000 | |

Source: SPSS Data Analysis, 2013

Regression coefficient for the variable service quality shows a positive value that is equal to 0.878 and 0.000 significance, means that if the quality of services provided by the bank increased, the level of customer satisfaction will increase as much as 0.878. Based on the results of the regression coefficients, the most influential factor to customer satisfaction is the customer relationship management. This was indicated by the regression coefficient is large when compared to other variable, that is equal to 0.878 with a significance of $0.000 < 0.05$. Dependent Variable is Customer satisfaction (Y1).

Table 2. Model Regression 2

| Model | Coefficients ^a | | | | |
|-------|--------------------------------|------|-------|------|--|
| | Standardized Coefficients | | | | |
| | Beta | t | Sig. | | |
| 1 | (Constant) | | 5,195 | ,000 | |
| | CustomerRelationshipManagement | ,463 | 6,252 | ,000 | |
| | CustomerSatisfaction | ,504 | 6,808 | ,000 | |

a. Dependent Variable: CustomerLoyalty

Source: SPSS Data Analysis, 2013

Regression equation in model II shows that the regression coefficient for the variable Customer Relationship Management shows a positive and significant value that is equal to 0.463. The explanation can be interpreted that if the quality of those services increases, customer satisfaction will increase. So it impact on the increasing customer satisfaction as much as 0.504.

Table 3. Coefficient of Determination

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|--------------------|----------|-------------------|----------------------------|
| 1 | 0,937 ^a | 0,878 | 0,875 | 0,61814 |

a. Predictors: (Constant), CustomerSatisfaction, CustomerRelationshipManagement

Source: SPSS Data Analysis, 2013

Table 3 shows that the amount of the percentage of variable capable of consumer loyalty is explained by the variable customer relationship management and customer satisfaction is indicated by the value of Adjusted R Square (R) is equal to 0875. In this case means that consumer loyalty is able to be explained by the variable customer relationship management and customer satisfaction with a score of 34%, while the remaining 66% (100% - 34%) is explained by other variables not examined in this study.

Discussion

Customer Relationship Management to Customer Satisfaction

The influences of customer relationship management on customer satisfaction and customer satisfaction to customer loyalty are proven by the interpreting data analysis given by the SPSS. The interpretation shows that every variables have strong relationship and are supported by significance level. Based on the result done using regression, variable customer relationship management has a significant value to the customer satisfaction variable. Which means Cabal Dining should really pay more attention about how they built a relationship with their customers. It could be by giving them some special offer or discount in some occasion and of course Cabal Dining should consider about the quality of the product that their offer as well. Will the product satisfied the customers or not and what customers want and need them to offer. Just like the theory by Solomon that the consumer behavior theory could be an opportunity for those people who want to open a new business to fulfill what people want and need by restaurant, cafe, nightclub, resto and bar and lounge. In addition, it is the study of the processes involved when individuals or groups select purchase use, or dispose of products, services, ideas, or experiences to satisfy needs and desires. That is why Cabal Dining need to see all the possibilities to make their customers feel satisfy.

This research finding is similar with the result of some previous studies conducted by Sarlak and Fard (2009). The result of the research found that there was positive relationship between customer relationship management and customer satisfaction in Agricultural Bank. This result also supported a research by Mithas (2005) which stated that there are positive effects between customer relationship management on customer satisfaction.

Customer Satisfaction to Customer Loyalty

Just like the study shows that Customers Relationship Management has a significant relationship with customer satisfaction so does customer satisfaction has a significant relationship with customer loyalty. And it is also prove by the data analysis result from SPSS. Customer satisfaction is important in determine customer loyalty. Since the customer will loyal to some brand or product when the brand or product give its best to the customers and make them satisfy. Many researchers have proven that customer satisfaction has a significant relationship with customer loyalty. By feeling satisfy there is a possibility that people would come again to the place that gives them the experience they looking for.

The similar result shown in the previous research like Olajide and Israel (2012). The study revealed that there is a significant relationship between customer satisfaction and customer loyalty. Another research from Khan (2012) shows that customer satisfaction has significant impact on customer loyalty. The implications of the study are that a company should better manage their relationships with the customers as a competitive policy in mobile telephone marketplace. Just like the result of that previous research that recommended the company should better manage their relationships with the customers as a competitive policy in mobile telephone

marketplace the Cabal Dining also need to manage their relationship in order to satisfy their customer to make them loyal and become regular customers.

All the previous research shows that there is a significant relationship among all variables so the general conclusion in this research indicates that the variables of customer relationship management are capable in influencing customer satisfaction and customer satisfaction also significantly influence customer loyalty in Cabal Dining.

CONCLUSION AND RECOMMENDATION

Conclusion

This research's findings are concluded as follows:

1. Proven customer relationship management have an influence on consumer satisfaction Cabal Dining customer relationship management, meaning that if the customer relationship management increased it will be increased the customer satisfaction levels. It concluded that the first hypothesis which states alleged the influence of customer relationship management on customer satisfaction is acceptable.
2. Customer satisfaction can be an intervening variable between service quality on customer loyalty, meaning that if the customer relationship management increases, customer satisfaction is also high so that will affect customer loyalty. Results of path analysis showed that customer relationship management can directly affect customer loyalty. It can be concluded that the allegations of the influence of customer relationship management on customer loyalty through customer satisfaction as an intervening variable is acceptable.
3. Based on the test results showed that the variables of customer satisfaction to customer loyalty is significant, it means if the customer satisfaction increases customer loyalty will increase. It can be concluded that the allegations of influence between customer satisfaction to customer loyalty can be accepted.

Recommendation

1. Customer relationship management has a very strong influence on customer satisfaction, and therefore to ensure subscriber satisfaction in Cabal Dining, Cabal Dining should have to pay attention to the service that they offer such as communication with the customers, the knowledge about the menu, and also the service to the customers.
2. Awareness, responsiveness, understanding as well as special attention to the problems from the customers is also an important factor to consider in an effort to increase customer satisfaction and loyalty in Cabal Dining.
3. One factor that makes consumers continue to come and come again to the cafe is how the customers feeling satisfy with the service of the employees and they feel comfort when they in Cabal Dining.

REFERENCES

- Cunningham, J. & Meachael. 2002. *Customer Relationship Management*. Wiley Company, Oxford, United Kingdom.
- Fornell, C. 1992. *A National Customer Satisfaction Barometer: The Swedish Experience*. American Marketing Association. From <http://www.jstor.org/stable/1252129> Retrieved, Dec 9, 2013. Vol. 56, No. 1, Pp. 6-21.
- Gilaninia, S., Alipour, H., Khoososi, E. Z., & Mousavian, S. J. 2011. *CRM Application Impact on Customer Satisfaction in Financial and Credit Institutions*. Journal of Basic and Applied Scientific Research. ISSN 2090-424X. Vol. 1, No.8, Pp. 956-963.
- Hallowell, R. 1996. *The Relationships of Customer Satisfaction, Customer Loyalty and Profitability: an Empirical Study*. International Journal of service Industry Management. ISSN: 0956-4233. Vol. 7, Issue 4, Pp. 27-42.

- Heskett, J. L., Jones, T. O., Lovemann, G. W., Sasser, W. E., Schlesinger, L. A. 1994. *Putting the service-profit chain to work*. Harvard Business Review. From <http://www.hbs.edu/faculty/Pages/item.aspx?num=9149>. Retrieved, Dec 9, 2013. Vol. 72, No.2, Pp. 164-174.
- Jamal, Ahmad & Nasser, K. 2003. *Factors Influencing Customer Satisfaction in the Retail Banking Sector in Pakistan*. International Journal of Commerce and Management. ISSN 1056-9219. Vol. 13, No. 2, Pp. 29-53.
- Johnson, M. D. & Fornell, C. 1991. *A Framework for Comparing Customer Satisfaction Across Individuals and Product Categories*. Journal of Economic Psychology. ISSN 0167-4870. Vol. 12, No. 2, Pp. 267-286.
- Khan, I. 2012. *Impact of Customers Satisfaction and Customers Retention on Customer Loyalty*. International Journal of Scientific & Technology Research. ISSN 2277-8616. Volume 1, Issue 2, Pp. 106-110.
- Kim, H. S. & Yoon, C.H. 2004. *Determinants of Subscriber Churn and Customer Loyalty in The Korean Mobile Telephony Market*. Telecommunications Policy. From <http://www.elsevierbusinessandmanagement.com>. Retrieved, Dec 9, 2013. Vol. 28, Issue 9-10, Pp. 751-765.
- Kotler, P. & Keller, K. 2006. *Marketing Management*. Twelfth Edition. Pearson Prentice Hall, New York.
- Kotler, P., Saunders, J. & Armstrong, G. 2005. *Principles of Marketing*. Fourth Edition. Harlow: Pearson, New York.
- Kotler, P. & Armstrong, G. 1996. *Principles of Marketing*. Prentice-Hall, New Jersey.
- Mithas, S. 2005. *Why Do Customer Relationship Management Applications Affect Customer Satisfaction?*. American Marketing Association Journals. From <http://www.journal.ama.org>. Retrieved, Dec 9, 2013. Vol. 69 issue 4, Pp. 201-209.
- Olajide, O & Israel, A. 2012. *Effect of Customer Satisfaction on Customer Loyalty among Selected Bank Customers in Ado-Ekiti Metropolis, Nigeria*. Interdisciplinary Journal of Contemporary Research in Business. From <http://www.ijcrb.webs.com>. Retrieved, Dec 9, 2013. Vol. 3, No. 11. Pp. 228-236.
- Sarlak, M. A. & Fard, R. S. 2009. *The Impact of CRM on the Customer Satisfaction in Agricultural Bank*. American Journal of Economics and Business Administration. ISSN 1945-5488. Vol. 1, Issue 2, Pp. 167-172.
- Sekaran, U. & Bougie, R. 2009. *Research Methods for Business, A skill building approach*. Fifth Edition. Wiley: United Kingdom.
- Solomon. 2011. *Consumer Behavior (Buying, Having, and Being)*. Ninth Edition. Pearson Education.Inc. New Jersey.
- Turban, E., Mclean, E. & Wetherber, J. 2002. *Information Technology for Management: Making Connections for Strategic Advantage*, Second Edition. New York: Wiley.
- Zeithaml, V. A., Berry, L. L. & Parasuraman, A. 1996. *The Behavioral Consequences of Service Quality*. Journal of Marketing. from <http://www.jstor.org/stable>. Retrieved, Dec 9, 2013. Vol. 60, No. 2. Pp. 31-46.