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Research paper

The Impact of Employee to Customer Relationship on Customer Loyalty

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Abstract

Many previous studies have discussed the role of customer relationship management (CRM), unfortunately there are limited research that reveals relationship between CRM dimensions and performance in internet service provider industry. This study provides a conceptual framework of the antecedent of customer loyalty involving CRM dimensions, particulary employee to customer relationship (ECR) and customer to customer relationship (CCR), and the role of customer satisfaction construct in mediating the effect of those dimensions to customer loyalty Data were collected through an online survey to get a sample of 250 internet users Indihome Telkom Bandung for three months starting from the beginning of year 2016. The result is that while the ECR does not have a direct impact on customer loyalty, but through the mediating role of customer satisfaction variable, ECR has an indirect impact on customer loyalty. This research recomands to practicies that in order to increase customer loyalty to the firm, to focus on ECR rather then on CCR

Keywords: *Customer relationship management, employee to customer relationship, customer to customer relationship , customer satisfaction and customer loyalty*

1. Introduction

Customer loyalty is a topic that is very classic but it remains a major concern for both the business world and academia and will never stop as long as a company wants to continue to record profits from sales in order to maintain its existence. Plenty of researches have investigated the antecedent of customer loyalty including customer satisfaction, quality of product, image, trust and switching cost.

However, it still left a research gap because of differences in the level of analysis, the characteristics of the industry, and the focus of study. Variations in the framework of customer satisfaction (Dimyati, 2015) and customer loyalty (Abdul-Rahman & Kamarulzaman, 2012) concept created the fact that the implementation of those concepts in the business world often didn't show consistency in results. Although many companies have created programs to increase customer satisfaction and successfully to increase customer satisfaction index, in fact remains they were left by their customers (Chueh, 2011).

Recall to customer relationship management (CRM) concept (Moezzi, Nawaser, Shakhsian, & Khani, 2012), this research emphasizes the important of employee to customer relationship as a source of customer satisfaction, and customer satisfaction will effect customer loyalty at the end (Abdul-Rahman & Kamarulzaman, 2012; Dimyati, 2015; Genzi & Pelloni, 2004).

Companies in the digital industry generally offer products with similar quality as normally uses the same technology platform, even from the same manufacturer's technology. The officers have the same certification of competence that could have come from the same training center. Then the closeness of the companies services officers with their customer most probably differentiate among the service providers in order to win the hearts of customers. This is inline with the fact that the emotional interaction between a company and its customers is critical and that such exchange is difficult for competitors to imitate, makes understanding the drivers of positive emotion very important (Barnes & Howlett, 1998).

2. Literature Review and Hypothesis

Customer relationship management in a broad sense, simply means handling all communications with the customer satisfaction and retention of customers for the organization much simpler and cheaper new customers. The best approach is to preserve the customer, the customer's satisfaction in creating so many of today's organizations for goods and services provided by every one of the customers has been defined (Noorpoor, Motlaghi, & Jafari, 2014). CRM has the potential for achieving success and growth for organizations in the nowadays environment of extensive competition and rapid technological development. CRM enables organizations to know their customers better and to build sustainable relationships with them (Rababah, Mohd, & Ibrahim, 2011). Eventhough CRM has a growing popularity and is becoming one of the hottest academic and practical topics in the business field, but because of the competitive environment, CRM has become a niche for firm performance. (Mohammed & Rashid, 2012).

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Customer expectations have changed rapidly over the past two decades. Feeded by new technology and the growing availability of advanced product features and services, customers, expectations are changing almost on a daily basis. Consumer are less willing to make compromises when it comes to product and service quality. In the world of ever-rising customer expectations, cooperative and collaborative relationships with customers loyalty to be the most prudent way to keep track of and appropriately influence those expectations (Kumar, 2014)

Customer relationship to the company is very interesting study because it could potentially increase customer satisfaction and loyalty. However, in previous studies are still few that incorporate interpersonal factors as important variables which can influence the relationship. In addition, studies also indicate that the customer relationship to its employees and customers to other customers do not contribute significantly and consistently on customer loyalty. This study intends to investigate interpersonal relationships variable (either with company employees and other customers) on customer satisfaction and loyalty. Interpersonal relationships will be examined through the closeness of the relationship between personal to personal involved.

It's necessary to investigate futher the role played by interpersonal-related factors in gaining and developing customer loyalty. Study about the impact of interpersonal relationships on customer satisfaction and loyalty towards the firm may involve the role of relationship between employee with customer and between customer with customer. The previous research concluded that customer-to-employee and customer-to-customer relationships contribute differently to the development of customer loyalty (Genzi & Pelloni, 2004). The interaction between the services providers and their customers has impact on the degree which the customer feels close to and has a strong relationship with the provider, and is satisfied with that relationship (Barnes & Howlett, 1998).

When employees are happy and satisfied with their jobs, they will treat customers well, which will lead to higher customer satisfaction and repeat purchase; communication had the most significant impact on customer satisfaction; Communication helps organizations and managers get a real-time view to better understand employee and customer experiences and needs, rapidly resolve issues and reduce service impact on employees and customers. By improving communication across all levels of the value chain, they can help improve overall service quality and customer satisfaction; the employee-customer link is one of the most important determinants of customers' perceptions of service quality in the face of competitive challenges. Those notions are formulated by hypothesis below:

Hypothesis-1: Employee to customer relationship effets the customer satisfation.

Hyphotesis-2: Employee to customer relationship effets the customer loyalty.

CRM in a broad sense, means handling all communications with the customer satisfaction and retention of customers for the organization much simpler and cheaper new customers (Noorpoor et al., 2014). The closeness between employee to customers helps the company knows the customer well. It will aid the company to develope customer data base. By profiling the customer database allows companies to segment their customer and then allows the companies to marketize a certain product to a certain segment . The closer relationship between company's employee to the customers, the easier of the company to complate the customer data base. The better customer data base company belongs to, the easier company to know the need, wants and expectation of the customers.

Companies usually develop a community as a channel distribution for their product and maintain the relationship among their customer in the segment in order to maintain customer satisfaction and loyalty. Marketing events for the certain segment most probably increase emotional bonds among customers in the segment, in other word it may increase customer to customer relationship. The newest research concluded that marketing communication had a significantly positive effect on customer satisfaction on customer loyalty (Dimyati, 2015).

Companies will serve their customer better whenever they know well their customer. The relationship among customers in the same segment which is managed by company's employees may effect the customer satisfaction and loyalty. Customer to customer interactions (CCI) has attracted more attention among marketers and they believe that positive interactions are one of the most effective ways to create loyal customers. The preveous research concluded that CCI has a significant impact on firm satisfaction and firm word of mouth (Imankhan, Fakharyan, & Feyzabadi, 2012). Those relationships and their impact are hyopthesized below:

Hypothesis-3: Employee to customer relationship effets customer to customer relationship.

Hypothesis-4: Customer to customer relationship effets customer satisfaction.

Hypothesis-5: Customer to customer relationship effets customer loyalty.
The conceptual model is then illustrated below:

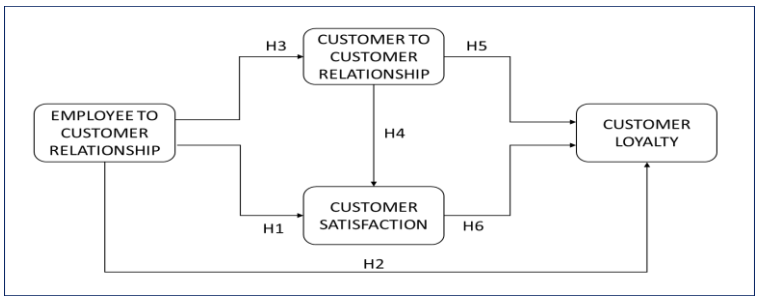


Fig 1: The Conceptual Model and Hypothesis.

3. Methodology

This causality research tests the conceptual model about impact of employee to customer relationship and customers to customers relationship to customer satisfaction and customer loyalty. Samples are taken from the customers of internet service provider "IndiHome"

Bandung. IndiHome is one of the main PT. Telkom's products. As many as 200 customers were asked to rate their perception of each question or statement available in questenair by on line clicking. The questions or statements in the list of questionair are developed from indicators in Table -1 below .

Table 1: Variables and Indicators

No	Variable Names	Indicators
1	Employee Customer Relationship (ECR)	1. Interaction between the service provider with customers (ECR1) 2. The closeness between the service provider with customers (ECR2) 3. The relationship between the service provider with customers (ECR3) 4. Convenience between the service provider with customers (ECR4)
2	Customer Customer Relationship (CCR)	1. Interaction among customers (CCR1) 2. Closeness among customers (CCR2) 3. Relationship among customers (CCR3) 4. Convenience among customers (CCR4)
3	Customer Satisfaction (SAT)	1. Service (SAT1) 2. The performance of officers (SAT2) 3. Consumer expectations (SAT3)
4	Loyalty (LOY)	1. Repeatation of Purchase (LOY1) 2. Recommendation product to potential users (LOY2) 3. Intensity of use (LOY3)

Because of data used in this research is still treated as ordinal data and ordinal data is only contained in the raw data, then it uses poly-choric correlation (Polychoric Correlations Matrix, PCM). Furthermore, the data processed using the method of Maximum Likelyhood (ML). Processing data using SEM method, then according to Hair et al., (2006: 735-759) necessary to test the validity and reliability. Data is collected by using questenair

The relationship between latent variables to their indicators are tested by using Confirmatory Factor Analisys techniques (CFA). Indicators is valid if it has a loading factor of □ ≥ 0.5 (Ferdinand, 2006: 23, Hair; 2006: 753-759) with t-value> 1,96. Reliability in this study uses the concept of construct reliability (CR) were also significant as the coefficient alpha. Constructs said to be reliable if CR> 0.6 (Hair et al., 2006: 777). R¬² value shown on each measurement equation is interpreted as a reliability indicator (Jorekog and Sorbon, 1993). While the estimated value (loading) is used as a validity coefficient. Reliability in this study also uses the construct reliability (CR) and variance extracted (VE) concept. CR is calculated by the formula:

$$CR = \frac{\left[\sum_{i=1}^{n} \lambda_i\right]^2}{\left[\sum_{i=1}^{n} \lambda_i\right]^2 + \left[\sum_{i=1}^{n} \delta_i\right]}$$

While Variance Extracted (VE) is calculated based on the folowing formula:

$$VE = \frac{\sum_{i=1}^{n} \lambda i^2}{\sum_{i=1}^{n} \lambda i^2 + \sum_{i=1}^{n} \delta i}$$

where CR is Construct Reliability, VE is Variance Extracted, □ :is Loading factor of each latent variables, and □ : Measurement error in indicators of exogenous latent variables.

By using LISREL 8.80 application, data taken from survey then be processed to solve the equations and to produce many kinds of tests .

Table 2: Validity & Realibility Test Result

Indicators	Std. Loading Factor (λ)	T - Value	Std. Loading Factors(λ)^2	Std. Errors (δ)	Construct Reliability	Variance Extracted	REMARKS
ECR1	0,76	16,03	0,58	0,05			
ECR2	0,82	19,23	0,67	0,04	0,99	0,95	Valid & Reliable
ECR3	0,83	31,69	0,69	0,03			
ECR4	0,89	46,44	0,79	0,02			
TOTAL	3,3		2,73	0,14			
CCR1	0,9		0,81				
CCR2	0,89	13,21	0,79	0,07	0,98	0,95	Valid and Reliable
CCR3	0,91	35,52	0,83	0,03			
CCR4	0,86	29,37	0,74	0,03			
TOTAL	2,66		2,3598	0,13			
SAT1	0,89		0,79				
SAT2	0,86	19	0,74	0,05	0,98	0,96	Valid and Reliable
SAT3	0,91	36,4	0,83	0,02			
TOTAL	1,77		1,5677	0,07			
LOY1	0,88		0,77				
LOY2	0,85	25,82	0,72	0,03	0,97	0,94	Valid & Reliable
LOY3	0,76	12,87	0,58	0,06			
TOTAL	1,61		1,3001	0,09			

Constructs are valid and reliable because each indicator has a factor loading □ ≥ 0.5 (Hair; 2006: 753-759) with t-value> 1.96 , while CR> 0.6 and VE>0.5 .

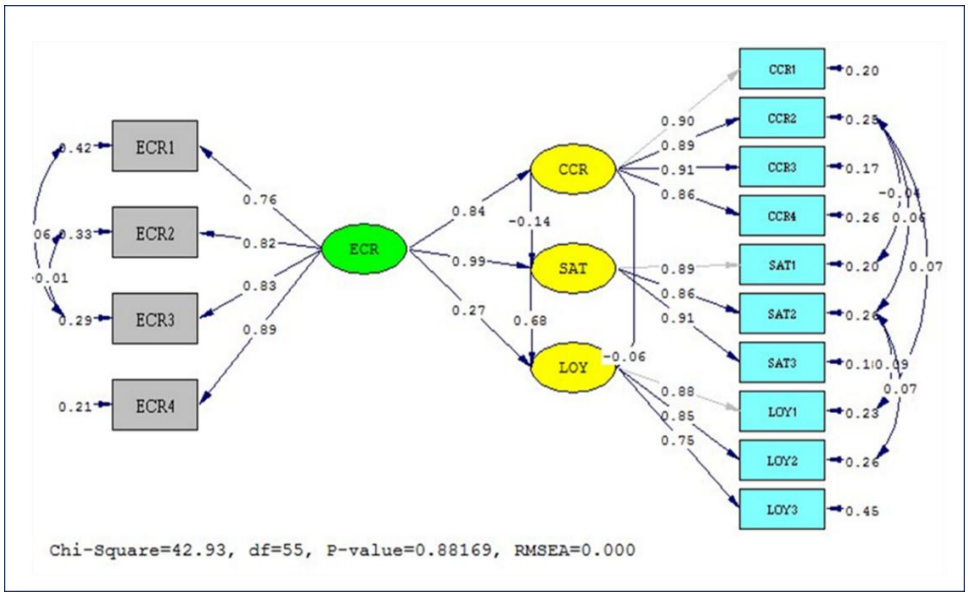


Fig 2: Path Diagram of The Impact of CRM on Customer Loyalty

The analysis of path diagram is based on the significancy of the relationship between variables in the path. The path between variables will be accepted if the relationship of these variables have a value of $t \geq 1{,}96$. Figure-2 is discribing the path diagram of all relationships in the SEM.

LISREL 8.8 also provide a set of measurement to test goodness of fit indices of the model. This measurement can be classified into tree groups of test – absolut fit indices, incremental fit indeces and parsimony fit indeces (Hair, 2006). The result of the measurements are summerized at the Table-3 below.

Table 3: Goodness of Fit Indices

GOODNESS OF FIT INDICES	CUT-OFF VALUE	RESULT	REMARKS
Absolute Fit Indices			
$\chi 2$ Significance Probability	≥ 0.05	0.88	Fit
GFI	≥ 0.90	0,95	Fit
RMSEA	≤0.07	0.00	Fit
RMR	≤0.08	0.029	Fit
SRMR	≤0.08	0.029	Fit
$\chi 2$: *df*	<3	0,78	Fit
Incremental Fit Indices			
NFI	≥ 0.95	0.99	Fit
TLI (NNFI)	≥ 0.95	1.00	Fit
CFI (RNI)	≥ 0.90	0,99	Fit
Parsimony Fit Indices			
AGFI	≥ 0.90	0,91	Fit
PNFI	≥ 0.50	0,6	Fit
PGFI	≥ 0.50	0,5	Fit

The absolute fit indices do not use an alternative model as a base for comparison, consist of $\chi 2$, GFI, RMSEA, RMR, SRMR and $\chi 2$/df test. They are simply derived from the fit of the obtained and implied covariance matrices and the ML minimization function. The incremental of fit indices consist of NFI TLI (NNFI) and CFI (RNI) test. These measurements compare a chi-square for the model tested to one from a so-called null model (also called a "baseline" model or "independence" model). The null model is a model tested that specifies that all measured variables are uncorrelated (there are no latent variables). The null model should always have a very large chi-square (poor fit). Whereas AGFI, PNFI and PGFI are to measure of parsimony fit test. The Parsimony test to measure the simplicity of the model, the simpler, the more favorable. The result of those measurements show that all of goodness of fit indices are fit.

4. Discussion and Conclusion

All equations describing the causality of variables, forming structural equation model (SEM), are solved by statistic application. Informations about loading factors and measurement error produced by Lisrel 8.88 confirm that all indicators are valid and reliable based on T-value 1,96. Construct Reliability (CR) and Variance Extrected (VE) calculation strenghtens those conclusion as well. Effect of the antecedent construct on its consequent can be indicated by its path coefficient either direct effect, indirect effect and total effects. This path coeficient is used to accept or reject the hypothesis based on the T-value 1,96. Each equation is complated by the ditermination paramameter (R^2). The application also measures all aspect of goodness of fit indices.

According to the measurement of loading factor for each indicator, interaction between the service provider with customers (ECR1), the closeness between the service provider with customers (ECR2), the relationship between the service provider with customers (ECR3), and convenience between the service provider with customers (ECR4) are strong indicators for employee to customer relationship construct (ECR). Interaction among customers (CCR1), closeness among customers (CCR2), relationship among customers (CCR3) and convenience among customers (CCR4) are good indicators for customer to customer construct (CCR). Customer satisfaction construct

(SAT) can be reflected properly by the service (SAT1), the performance of officers (SAT2), and consumer expectations (SAT3). While customer loyalty construct is well measured by repeatation of purchase (LOY1), recommendation product to potential users (LOY2), intensity of use (LOY3). Those are also confirmed by the measurement of variance extracted and construct reliability.

Based on the path analysis, the construct of employee to customer relationship has direct impact on customer to customer relationship and customer satisfaction strongly. Eventhough the employee to customer relation doesn't have direct effect on customer loyalty, but it has a total effect on customer loyalty through customer satisfaction. Whereas customer to customer relationship doen't have direct effect on customer satisfaction and customer loyalty. This result doesn't support the previous researches finding (Genzi & Pelloni, 2004; Imankhan et al., 2012). This contradiction most probably caused by the different type of study object; Genzi & Pelloni et al., (2004) toke sample from feetness center industry and Imankhan et all., (2012) toke sample from airline industry as sample, whereas this study toke sample from digital industry.

In the context of customer to customer interaction, those industries have a different characteristics. Customers in airline industry have an opportunity to meet physically and share each aother about their past experience consuming services given by the airline company. Airline company has opportunity to design the moment of true for passangers who deal with the company and provide room allowing social interaction among passangers. While in the waiting room they informaly value the quality of service of the airlaine they used.

This is also hapened in the fitness center industry (Genzi & Pelloni, 2004), that there are opportunity for their customer to meet and share their past experiences with the service provider. In contrary in digital industry that there is no reason for users to get together and discuss about quality of service given by service provider. Although employee's service provider is able to build a good relationship with customers and then able to increase the customer to customer relationship, but it doen't mean emotional interpersonal interactions are automatically formed.

The relationship between employee's internet service provider (Telkom IndiHome) doesn't have direct effect to customer loyalty to Telkom Indihome, but it has a total effect through mediating variable of customer satisfaction. This result confirms the previous research finding (Chun, Shin, Choi, & Kim, 2011; Dimyati, 2015); the more employee's service provider close to customer, the more customers are satisfied, and the more customer satisfied due to the closeness the more customers are loyal to service provider. Hence, this research recomands that internet service provider must focus on developing the close relationship customer rather then develop the closeness among customers.

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