THE SERVICE PROVISION PERFORMANCE AND CUSTOMER RELATION MANAGEMENT IN INCREASING THE CUSTOMER VALUE

Dorothy Rouly Haratua Pandjaitan - Ir. Hotniar Siringoringo

ABSTRACT

Banking services cannot be separated from customer in which it is used as a common yardstick to evaluate the service performance provision and how well the customer relation is managed by the bank. Bank is required to deliver its service properly in order to maintain its customer loyalty and to increase customer value. The objective of this research is to analyze the influence of service provision performance and customer relation management toward customer value. For this purpose this was used questionnaire as instrument and customers of “Siger Mas” and the “Simpeda” savings of Bank of Lampung as respondents.

Three sub variables consisting of the level supporting physical availability, the supporting conveniences facilities, and personal contacts were employed to measure the service performance. Three sub variables consisting of the process of creating the customer value, responsibility, and process product in another hand are used to measure customer relation management. Customer value was measured by the benefit indicators and sacrifice burden of the customers. It was succeeded to collect data from a total of 431 respondents consisting of the “Sigermas” and the “Simpeda” customer from five branches and the headquarter of Lampung Bank.

Result shows that SPPs and customer relation management influence customer value. However, service provision performance has stronger influence than the customer relation management.

Keywords

performance, service provision, customer relation management, customer value, customer loyalty.

1.1. Introduction

The owner of Lampung Bank is the state government of Lampung Province. As government bank, it is succeeded drag all civil servants to become customer. However this success could be understood as pseudo success considering all civil servants in Lampung Province are obliged to become customers. Civil servants salaries are debited to Lampung Bank so that everybody should create an account.

Based on the regulation of Bank Indonesia, Lampung Bank in 2007 has achieved a significant increase relative to previous periods in terms of total assets, capital acquired profit and issued credit, financial ratio. Credit ratio to saving, capital adequacy ratio, asset return, equity returned, Net Interest Margin (NIM), and operational cost are 103.97 %, 21.52%, 2.90%, 23.50%, 9.95%, and 78.26% respectively. Behind those good indicators, non-performing loan shows bad indicator as it increases significantly from 0.76% to 1.56% in the same year.

Main product of Lampung Bank is “Siger Mas.” Siger Mas which has motto “saving for prosperous future generation” consists of automatic banking that facilitates money transfer between banks, cash drawing and account checking, daily interest, automatic transfer and automatic payment for money credit (eg. Water, telephone, and credit installment). There are 44,102 saving customers in 2009 (Data Bank Lampung 2010).

Another superior product is “Simpeda.” Simpeda is a saving account with life insurance protection. There are 14,960 customers in 2009 (Data Bank Lampung 2010). It includes “Simpeda G2000” which is saving account for which all civil servants in regional of Lampung are obliged to open. “Simpeda” saving system allows customer to perform easier transaction providing it has a new computer system which connects Lampung Bank to all departments in Lampung province.

It is apparently that Lampung Bank has ample of customers and will retain as customers regardless of services. But certainly Lampung Bank management needs to be aware. Customers might be passive and disloyal customers. As common practice, customer might withdraw their money shortly as salary transferred. Providing bad services government image in Indonesia including bank, it will be not surprisingly to find Lampung Bank customers doing this presumption.

Because the main customer of Lampung Bank is civil servant who are required to has saving account, it is necessary to retain customer to loyalty development (Griffin, 2003; Hawkins, Dell, Best, Roger, Kenneth and Conney, 2001; Hughes and Middleton, 2003. It is not necessary the management to work hard to look for a new
customer, instead they can retain their available customers. The management should make customer use Lampung Bank in all their transactions. Thus create perfect CL (Palmer, 2001; Barners and James, 2001; Rust and Zahorik et al., 2000; Garbarino, Ellen, Johnson, 1999; Riza, 2005; Sugiono, 2008; Davis and Scott, 2000).

Lampung Bank has plenty of competitors operated in Lampung Province area. There are 47 banks operated in 2007, as listed in Table 1.

<table>
<thead>
<tr>
<th>No.</th>
<th>Ownership</th>
<th>Bank Quantity</th>
<th>Office Quantity*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>Conventional Bank</td>
<td>45</td>
<td>190</td>
</tr>
<tr>
<td>A.</td>
<td>Commercial Bank</td>
<td>20</td>
<td>163</td>
</tr>
<tr>
<td>1.</td>
<td>Foreign Exchange Bank:</td>
<td>16</td>
<td>140</td>
</tr>
<tr>
<td></td>
<td>Government Bank</td>
<td>3</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Regional Development Bank</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>National Private Bank</td>
<td>13</td>
<td>45</td>
</tr>
<tr>
<td>2.</td>
<td>Foreign/Joint Venture Bank</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3.</td>
<td>Non Foreign Exchange Bank</td>
<td>4</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Government Bank</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Regional Development Bank</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>National Private Bank</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>B.</td>
<td>Rural Banks</td>
<td>25</td>
<td>27</td>
</tr>
<tr>
<td>II.</td>
<td>Syariah Bank</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>a.</td>
<td>Commercial Bank</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>b.</td>
<td>Rural Bank</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Grand total</td>
<td>47</td>
<td>192</td>
<td></td>
</tr>
</tbody>
</table>


In regards with CL, Lampung Bank management needs to pay attention to its Service Performance Provision (SPP), Customer Relation Management (CRM), and Customer Value (CV). In essence, SPP and CRM explain business management attention and use them as basis for establishing sustainable relation in the future. Through special relation with customer, CRM indirectly develop CL (Brown, 2000; Rigby, Reicheld, Dawson, 2003; Calhoun, 2001. Many previous researches have shown that CL is influenced by CV (Treacy and Wiersema, 2003; Hoffman, 1995; Mahdani, 2008; Ratih, 2000; Paolo, 2004; and Nikolaos, 2004; Huber, 2001. Subsequently, it is shown that CV is influenced by SPP (Kotler and Keller, 1996; Ziehtaml and Bitner, 2003; Barnes, 2001; Halbrook, 1999; Marry and Hubert, 2002; Olsen, 2002; and CRM (Brandy, 1999; Kotler and Keller, 1996; Ziehtaml and Bitner, 2003; Wulf and Gabi, 1999; Brown, 2000; Rigby, Reicheld, and Dawson, 2003; Calhoun, 2001;)

In addition to SPP, CRM, CV, CL is also shown influenced by brand equity (David A. Aaker, 1998; Darmadi Durianto, Sugiarito, Sitinjak Tony, 2001; Kotler, 2000; William J. Stanton, 1996. In regards with Lampung Bank, “Sigermas" product particularly, Pandjaitan (2003) has shown that the CL is influenced by brand equity through brand preferences. The stronger brand equity the more new customers and the stronger preserving customers. In this research, Pandjaitan (2003) use four dimensions of brand equity involved awareness, brand association, quality effect, and brand loyalty (Bennet and Sharyn Rundle-Thiele, 2002; Kanuk 2004; Dick and Kunal, 1994; Geok Theng Lau and Sook Han Lee, 2000;
1.3 Research Method

Variables of this research are SPP, CRM, CV and CL. SPP can be measured through three main dimensions, such as availability of physical support and personal contact, convenience of physical support and personal contact, as well as the attraction of physical support and personal contact (Lovelock, Christopher and Right, 2002; Berry, Leonard and Parasuraman, 1992; Gronroos, 2001; Cravens, David and Nigel, 2003; Goncalves and Karen, 1998. CRM also consists of three dimensions, i.e. the process of creating the CV responsibility and process product in line with the theory of Kalakota, Rafi and Robinson, 2001; Laudon, David, Albert and Bita, 2003; Kotler and Keller, 2009; where these two variables can be increase through customer as intervening variables (in line with the theory of Kotler and Kellar, 2009; Zeithaml and Bittler, 2010; Barnes and James, 2001; Batteson and John, 2001; Brady and Michael, 1990.

Questionnaire was developed to measure all variables. In this regards, Lampung Bank customers play as research respondents. Questionnaires were distributed among five branches and headquarter offices Lampung Bank located in Lampung Province and Jakarta. The five branches are located in Metro Lampung, Kotabumi, Kalianda, Bandarjaya, and Jakarta. First four are located in Lampung Province and the last one is capital of Indonesia located in Java Island. Headquarter office is located in Metro Lampung as capital of Lampung province. Total number of respondents from each branches and headquarter respectively are 200, 90, 70, 30, 40, and 1 “Siger Mas” and “Simpeda” customers.

As the four variables (SPP, CRM, CV, and CL) are latent in nature, Structural Equation Modeling (SEM) was deployed in analyzing data. Research model is shown on Fig. 1.

Conceptual hypothesis proposed can be illustrated by a design of path analysis between variables representing SEM. The SEM of this research is illustrated in figure 3.1 below:
In reference to the research model illustrated above, the hypotheses needed to be tested are:

1. SPP and CRM have direct and indirect influence toward CV.
2. SPP and CRM have direct and indirect influence toward CL.
3. CV has influence toward CL.

### 1.4 Result and Discussion

Data was analyzed using Lisrel software. Generally, fit statistics used to check validity model are p-value, RMSEA, GFI, AGFI, and NFI. As can be seen on Table 2, all those fit statistics show the good fit of data to the model. Acceptance model shows when significance value (p-value) greater than 0.05, RMSEA less than 0.08, and other fit statistics at least 0.9. Based on Table 2 it can be interpreted that data fit model perfectly.

<table>
<thead>
<tr>
<th>Table 2. Model Test of Goodness Fit</th>
</tr>
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<tbody>
<tr>
<td><strong>Fit Statistics</strong></td>
</tr>
<tr>
<td>Chi-Square (db=139)</td>
</tr>
<tr>
<td>Significance value (p-value)</td>
</tr>
<tr>
<td>Square Root Mean Error (RMSEA)</td>
</tr>
<tr>
<td>Goodness of Fit Index (GFI)</td>
</tr>
<tr>
<td>Adapted Goodness of Fit Index (AGFI)</td>
</tr>
<tr>
<td>Normed Fit Index (NFI)</td>
</tr>
</tbody>
</table>
Path scores of structural diagram are shown on Fig. 2. Referring to the figure, Attractiveness of Physical Support (ATPS) contributes the highest score, that is 0.790, in forming SPP. This score is interpreted as management capable to improve attractiveness of physical support and contact personnel more service performance perceived by customer.

Convenience level of personnel contact (CCP) comes as the second contributor in forming of SPP. It contributes 0.54. This score shows that improving CCP every unit will increase SPP as much as 0.54. It means if management capable to improve customer service officers in regards with skill, reducing error, efficiency, and capability in controlling emotion more service performance will be perceived by customer.

Third sequence is Availability of Contact Personnel (ACP) which contributes 0.53 in forming SPP. Increasing each unit of ACP will increase SPP. However, increasing ACP could be done by improving easiness to contact customer officer, number of customer officers, and customer officers’ readiness. Next sequence is Attractiveness of Contact Personnel (ATCP) with score 0.51. This score shows that increasing every unit of ATCP will increase SPP as much as 0.51 point. Increasing ATCP can be performed by increasing officer tidiness, hospitality, and willingness to serve. It imply that bank management should commit to improve and sustain customer service officers tidiness, hospitality, and willingness to serve.

Comes into fifth sequence is Convenience Physical Support (CPS) with path score 0.50. Increasing each unit of CPS will contribute 0.50 points in increasing SPP. However, improvement on CPS only can be done by improving bank office location, offices layout, security of parking area, convenience of waiting room and toilet, easiness to fill up withdraw and deposit papers.

The last contributor in composing SPP is Availability of Physical Support (APS). It has 0.49 path score which means improving each unit of APS will contribute 0.49 points in improving SPP. APS in this regards consists of easiness to reach bank office, easiness to recognize bank office, availability of support facilities such as parking area, waiting room, toilet, etc., and availability of deposit and withdraw papers.

On CRM variable, responsibility (RESPON) contributes the highest path score. It shares 1.15 which means increasing each unit of provider responsibility will lead to improvement CRM by 1.15 points. Provider responsibility in this regards is availability of product features such as ATM, withdraw, transfer, etc., product differentiation, transaction security, and product services focus. It indicates that Lampung Bank management needs to pay attention to availability of product features such as ATM, withdraw, transfer, etc., product differentiation, transaction security, and product services focus in order to improve CRM.

Product as process (PAP) shows the lowest score in forming CRM. It has path score 0.86. Increasing every unit PAP will lead in increasing 0.86 points of CRM. Lampung Bank management in this regards need to pay attention on prerequisite in opening bank account, easiness to withdraw, easiness to deposit, easiness to transfer, bank unperformed warranty, and feasibility in lottery process. Customer Value Creation Process (CVCP) has 1.08 path score in composing CRM. CVCP in this regards bear to customer service officers which describes concern, accuracy of information, value creation, rate of service, capability in providing information, and complain handling.

CL is shown composed by service acquire cost, service benefit and easiness in all aspects, service benefit offered by customer service officer, benefit in money saving, prestige, time and emotion sacrificing. Contribution of each indicant is shown decrease subsequently which means that the biggest contributor in decomposing CL is service acquire cost and the lowest is emotion sacrificing.

On CL variable, satisfaction is the biggest contributor which has 0.85 score. Comes to second order is unwillingness to shift to another bank with path coefficient is 0.65. Fondness toward product play as third contributor with score 0.62. The smallest contributor in decomposing CL is willingness to recommend to family or friends with score 0.60.

More ever, based on Fig. 2, path score from SPP toward CV and CL respectively are 0.45 and 0.11. Increasing each unit of SPP will increase 0.45 CV and 0.11 CL directly. However, SPP does influence CL indirectly through CV. CRM influence CV and CL directly. Path scores CRM towards CV and CL respectively are 0.28 and 0.05. Similar evidence is also found on this relationship, which shows that CRM influence CV and CL significantly. More improvement on CRM will lead to more CV and CL. It is also evident indirect influence of CRM toward CL thorough CV.

The results show that direct effect of SDP and CRM on CL are 0.363 and 0.203. in another hand, indirect effect of SDP and CRM on CL through CV are 0.251 and 0.155 subsequently. The effect of SDP and CRM
subsequently on CV are 0.454 and 0.28. It shows that SDP gives stronger influence on CL both on direct or indirect effects.

This result is in line with research concerning the influence of SPP and CRM toward loyalty (Rust and Zahorik et al., 2000; Garbarino, Ellen and Johnson, 1999; Cury, Jay and Adam, 2000; Brandy and Michael,1999; Riza, 2005; Sugiono, 2008; Sirdesnukh, Deepak, Singh and Sabol, 2002). As Kotler stated that customer would measure his perception of benefit and sacrifice burden toward service and relationship which create CL.

The influence of CRM toward CL is shown by Palmer’s satisfactory theory (2001). According to Palmer (2001) customer satisfaction is reflected through repeated transactions due to existence of relationship between customer and business enterprise. Customer will be satisfied if expectation of that value is confirmed positively (Barnes and James, 2001). The customer of “Sigermas” and “Simpeda” will become loyal if all their saving expectation is confirmed positively. This is similar to Davis and Scott’s explanation (2000) that CL is customer continual degree in performing transaction, which is due to relationship between customer and business enterprise. CL toward a product does not happen instantly, instead it is based on continual relationship that creates internal agreement. In this case company needs to pay attention towards customer so that they decide to have long term continual transaction. Retaining customer further is expected bring personal value to the company in which customer will recommend the product to his/her friends (Lovelock and Wright, 2009; Sheth, Jogdish, Parvatiyar and Shainesh, 2002).

1.5 Conclusion and Suggestion

Few conclusions toward practical and theoretical are as follow:

1. SPP and CRM CV of “Sigermas” and “Simpeda”. The better SPP and CRM is the higher CV is. Further it is shown that SPP has greater influence toward CV compared to that of CRM.
2. SPP and CRM influence CL of “Sigermas” and “Simpeda” both directly and indirectly. They influence CL indirectly through CV. The better SPP and CRM is, the higher CL be. It also shows that directly or indirectly SPP has stronger influence than CRM. It indicates that SPP has big influence on CL both directly and indirectly.
3. CV influences CL of “Sigermas” and “Simpeda” saving accounts. The higher the value perceived by customer, the more loyal they will be toward the bank.
4. There are some possible topics for further researches. Bank products need to be varied such as Depo Simanis (safe and dynamic saving) and Depo Simanja (safe and deposit). On consumer behavior theory point of view, type of loyalty needed to be identified. This is more important to Lampung Bank products such as “Sigermas” and “Simpeda.” Moreover, customer satisfaction and improvement need to be explored.

For practical point of view, Lampung Bank management needs to:

1. Improve SPP by continual increase of performance thorough strengthening the indicators or other positive dimensions of performance, so that the process of creating CV, responsibility and product in form of process is kept stable. Indicators need to be improved and increased primarily are availability of physical support, specifically availability and easiness of use of facilities and supporting equipments. On CRM, first priority of improvement and increase should be given to “product as process” specifically improvement of easiness in cash or non-cash withdrawal and deposit.
2. Develop CV through SPP and CRM. Indicator which should be improved is prestige level. Management need to offer prestige to customer by choosing Lampung Bank products. In order to improve CV, management as well needs to shorten service time provided.
3. CL should be improved through SPP and CRM. Because theoretically SPP has stronger influence than CRM, bank management should give priority in applying SPP toward CL rather than CRM to keep and increase CV. Indicators that should be improved and increased are customer satisfaction and willingness to recommend saving product to other people.
4. To develop strong CL, bank manager should strengthen its competitiveness by applying strategic steps, such as strengthening service network and quality, providing conveniences for transactions, providing comfortable waiting room, increasing employees skill, establishing effective communication with customers, responding promptly to customer complain, as well as encouraging customer to recommend its service to others.

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