

THE EFFECT OF CUSTOMER INTIMACY, TRUST AND COMMITMENT IN RELATION TO CUSTOMER LOYALTY OF JATIM BANK JEMBER

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ABSTRACT

The purpose of this study is to determine the effect of customer intimacy, trust, and commitment in relation to customer loyalty of Jatim bank Jember. Object under investigation is the regular customer of the jatim bank Jember. The study applies purposive sampling method with 120 respondents. The analytical tool used in this research is multiple linear regression with confirmatory approach. The result shows that there is no effect of variable customer intimacy to the loyalty while trust and commitment have a significant effect on customer loyalty in Jatim Bank Jember.

Keywords: customer intimacy, trust, commitment, and loyalty.

INTRODUCTION

Increasing competition in the business world is making the marketing aspect very important, it is because the marketing aspect is viewed as a set of principles for selecting target markets, evaluate the needs of consumers, and profits for the company (Sumarni, 2003: 215). One management that must be run professionally by the company to deal with this condition is marketing management capabilities

According to Webster (1994), today's marketing emphasizes more transactional marketing. Transactional marketing is a marketing concept that aims to obtain new customers and end it with the sale. Transactional Marketing looked at the marketing process will end when the sale and purchase transaction has occurred, then marketers will direct the attention of customers to create the next transaction.

Companies using this intimacy concept, will be able to build relationships with its customers better due to their understanding on the customer's hidden needs and desires (insight), thus they can deliver better services. When the company serves the specific needs of the customer, it increases customer intimacy to return to the company (customer retention). Increasing customer intimacy will also contribute to the increasing customer's trust, thus also increase their commitment to the company.

This study focuses on the banking industry that provides a high degree of customization to meet their customers needs and preferences when presenting offering their products to the individual customer. Sheth & Parvatiyar (1995) affirms this as implementation of customer intimacy through specific services that build relationships on an individual basis (customized) between the customer and the service provider. (Hoffman, 2002) states that the implementation of

customer intimacy becomes beneficial for the customer and the company if the company has high customization by engaging employees to deliver those services. Hence, this study focuses on the service of Jatim Bank which is experiencing rapid development in terms of service delivery to their customers.

LITERATURE REVIEW

Customer Intimacy

Customer intimacy is part of generic business strategies related to the relational approach to marketing strategy. Hoffman (2002) says that the theory of customer intimacy becomes the basis of the service relationship which characterized itself as a business to consumer. Relationship intimacy is part of business strategy to build a framework for relational marketing between the company and its customers.

Trust

Essential element for the relational marketing is trust. Relational Relationships will be fostered if there is trust, and trusted relationships could not be built without the trust of each party, trust is the determinant of the quality of their relational relationships which occur between the customer to the service providers, and determine the level of communication through relational manifestation.

This shows how important is a trust. Therefore, it is necessary to understand the sense of trust, where Morgan and Hunt (1994) states that "*trust is a customer Believes a service provider to be reliable and to have a high degree of integrity*", the trust is the belief in the mind of the customer to a reliable provider with high level of integrity. It is also in line with the opinion of Moorman, Despande, and Zaltman (1993) that trust is the desire to entrust something to someone else who can be trusted. It arises from the competent, consistent and fair services to customers.

Commitment

Commitment is a strong desire of a customer to continue the relationship with the service provider along with a willingness to maintain a relationship, where it is essential in order to maintain the relationship (Morgan and Hunt 1994).

The above definition implies a commitment by affective (*affective commitment*) and the commitment by the behavior (*behavioral commitment*) to the company. Moreover, Zaltman (1993) states that the commitment in a relationship is the desire to constantly maintain a meaningful relationship for both parties.

Consumer Loyalty

According to Griffin (2002: 31), loyal customers are those who are very satisfied with certain products and services so as to have the enthusiasm to introduce it to anyone they know. Characteristics of loyal customers are:

- a. Repurchase the product
- b. Buying between the lines
- c. Recommend products to others
- d. Showing immunity from the appeal of similar products produced by competitors

There are four types of loyalty (Griffin, 2002: 22) based on repeat purchases, ie: Without Loyalty, Weak Loyalty, Hidden Loyalty, and Premium Loyalty

- a. Without loyalty if patronage repetition purchase and installation is relative to the company is equally low, there will be no loyalty

- b. Loyalty is weak, consumer buys something because it is habitual. This loyalty is the most common type and occurs on frequently purchased products. Consumers in these types prone to switch to other products
- c. Hidden loyalty, consumers with a high level of preference but lower levels of repeat purchases
- d. Premium loyalty, customer with high repeated purchase rate. At high-level preferences, people are proud of finding and using certain products and love to share their knowledge with colleagues and family. Consumers of this type, advise others to buy the product

RESEARCH METHODS

Types and Sources of Data

The types of data analyzed in this study are primary data and secondary data.

- a. Primary data is data obtained directly from the source, data collected specifically and directly related to the problems studied. Primary data in this study is in the form of answered questionnaire designed by researchers.
- b. Secondary data is data obtained from the other party and it is not composed independently. Secondary data sources are journals, literature associated with the study, and previous similar studies.

Method of Data Analysis

Multiple Lymer Regression Assumptions Test with Confirmatory Factor Analyst Approach.

After validation test and rehabilitation in their respective latent variable, then the classic assumption test is required to see if the prerequisites is needed in multiple limer regression model, thus the the assumption of multivariate is normal due to the the absence of multicollinearity or singularities and outliers.

Confirmatory Approach with Multiple Lymer Regression Analysis

This method helps to determine the influence of variables X1, X2, and X3 to Y with the formulation as follows:

$$Y\alpha = \lambda 1 + \lambda 1.1 X 1.2 X 1.3 X 2 + \lambda 3 + e$$

$$Y\alpha = \lambda_{1.1}X_1 + \lambda_{1.2}X_2 + \lambda_{1.3}X_3 + e$$

Where:

Y α : customer loyalty

X₁: *costomer intimacy*

X₂: trust

X₃: commitment

λ : loading standard

e : confounding variables

RESULTS AND DISCUSSION

Influence of Customer Intimacy on Customer Loyalty

Table 1. Hypothesis Testing

INFLUENCE	Estimate	Standardized	CR	Sig
Loyalty <--- customer intimacy	-0,134	0,116	-1,151	0,250
Loyalty <--- trust	0,513	1,122	4,203	0.000
Loyalty <--- commitmen	0,559	0.134	4,088	0.000

The results of this research examines *customer intimacy* has no effect on customer loyalty in relation to the services given by Jatim Bank Jember. The test shows *the standardized* value of -0.134. The absence of these variables influence ascertained from the CR value is -1.151 with a significance level greater than 0.05 is of 0.250. The negative sign on the *standardized* value means if the *customer intimacy* increases, customer loyalty in Jatim Bank Jember will decrease although the decrease is not significant.

The results of this study are not in accordance with the theory Diefenbacher (1999), Mulas (1999) and Simon (1994) that *customer intimacy* can play a role in increasing customer loyalty. But Horsfield (2000) company in this case the banking service providers must understand the needs of customers that will ultimately increase customer loyalty. Thus, it is implied that the *customer intimacy* gives indirect effect on loyalty. Stating that *customer intimacy* in the early stages is crucial to create trust in customers.

It is too early to assume that the *customer intimacy* links directly to the loyalty, because loyalty is a final process of satisfaction, to trust is initial process and from trust could establish commitment. This commitment is the closest measurement affecting loyalty. Customer loyalty will not necessarily arise from a closeness that is established between the bank and the customer without any satisfaction, so in this study, customers will perceive the increasingly close relationship negatively because there is no psychological relationship between the customer and the Jatim Bank Jember

Effect of trust on customer loyalty

Table 2. Hypothesis Testing

INFLUENCE	Estimate	Standardized	CR	Sig
Loyalty <--- customer intimacy	-0,134	0,116	-1,151	0,250
Loyalty <--- trust	0,513	1,122	4,203	0.000
Loyalty <--- commitmen	0,559	0.134	4,088	0.000

The results of this study test the effect on the customer's trust to the loyalty through the services given by Jatim Bank Jember. The result shows *the standardized* value is 0.513. The influence of these variables is determined from the value of CR that is 4.203 with a significance level of less than 0.05 is 0.000. A positive sign in the CR value and significance level means that if the customer confidence increases, customer loyalty will also increase, although the increase is not significant.

The results of this study are not in accordance with the theory of Grayson and Ambler (1999) that loyalty is a result of the trust. Trust will provide benefits to customers. Trust will benefit the customers that foster the emergence of loyalty.

The research proves that trust is not enough to build loyalty. Trust will build commitment so the commitments will affect loyalty.

Effect of commitment to customer loyalty

Table 3. Hypothesis Testing

INFLUENCE	Estimate	Standardized	CR	Sig
Loyalty <--- customer intimacy	-0,134	0,116	-1,151	0,250
Loyalty <--- trust	0,513	1,122	4,203	0.000
Loyalty <--- commitmen	0,559	0.134	4,088	0.000

The results of this study examined the effect of customer commitments to customer loyalty through services provided by Jatim Bank Jember. The test shows that *the standardized* value is 0,559. The influence of these variables is determined from the value of CR that is 4.088 with a significance level of less than 0.05 is 0.000. A positive sign in the value of *the standardized* mean if satisfaction increases, customer loyalty will also increase, but the increasing value is not significant.

The results are consistent with the theory and Oderkerken Schrooder Bloomer (2002) that complexity of customer satisfaction has relation to the customer loyalty by declaring loyalty effect on customer satisfaction starting with the trust and commitment as a mediator of these two before affecting on loyalty.

This proven theory in this study links or mediates trust and commitment to contribute in achieving greater customer loyalty than the direct effect of satisfaction on customer loyalty

A satisfied customer will gain trust which will lead to committment. As the theory presented by Adamson, Chann and Handford (2003) that in relationship marketing in the field of services the customer wants to continue the relationship with service providers as customers have built trust. Trust will significantly reduce the perceived risk of customers when involved in a purchasing decision. Trust associated with this risk reduction is a key factor where customers will be willing to build commitment in the form of longer-term relationships with the service provider.

Then customers who already have a commitment effect on loyalty. As the theory presented in Snemwell, and Bilgin Yavas (1998) that loyalty increased due to the increased commitment. Liljander and Strandvik (1993) expresses a commitment has strong relationship with loyalty

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the analysis and discussion that has been done in the previous chapter, it can be concluded as follows:

1. *Customer intimacy* has no effect to the customer loyalty of Jatim Bank Jember, due to customers in this study are public customers. It is based on the results of confirmatory testing regression analysis, which shows the first hypothesis is rejected stating that Customer intimacy has no effect on the customer loyalty of Jatim Bank Jember.
2. Trust has significant effect on customer loyalty for Jatim Bank Jember. It is based on the results of confirmatory testing regression analysis. The second hypothesis shows the second hypothesis is accepted because trust is significant on affecting customer loyalty. As big branch bank in Jember, customers of Jatim Bank has strong trust in the services provided by the bank
3. Commitment is significant for customer loyalty of Jatim Bank. It is based on the results of confirmatory regression analysis that shows the third hypothesis committing significant effect on customer loyalty. Customers who own a full trust in the Jatim Bank has a strong commitment to the service that has been offered by the bank.

Suggestion

Referring to the conclusions and discussion, it can be put forward some suggestions as follows:

For the management of Jatim Bank Jember

1. The need to increase the service quality on an ongoing basis with the aim to improve the competitiveness of other banks.
2. Providing excellent service training on Jatim Bank Jember and then apply the services to customers.
3. The commitment of Jatim Bank Jember, which is already good to be increasingly optimized to serve clients

For bank clerk of Jatim Bank Jember

1. Should be responsibly and professionally provide the best possible services in order to provide comprehensive services for bank customers.
2. Keep learning and trying to improve the skills of individual businesses either independently or through the training held by the bank management, and make every effort to apply the knowledge in line with the work being tasked

For other researchers

The weakness of this study is not examining loyalty of primary customer and bank competitors of Jatim Bank Jember, so the discussion of this study is derived from the eye of common customers which has proven that the cause of low customer intimacy is not coming from the trust and commitment of customers. So that further research is needed to find the main causes of low customer loyalty in Jatim Bank Jember.

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