

## CRM (Customer Relationship Management) Effect on Increasing Customer Loyalty (Case Study: Bank X – Pasuruan Branch Officer)

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**Abstract**—This study analyzes the influence of Customer Relationship Management (CRM) Customer Loyalty on the State Savings Bank in Pasuruan. CRM is explained by identifying indicators, differentiation, interaction and customization. At the same time, the indicators are explained by loyalty, satisfaction, emotional ties, trust, behaviour, and history with the company. The analysis results show the effect of increasing CRM on the absolute loyalty of the State Savings Bank in Pasuruan. CRM influences 92.3%, and other factors outside the model influence 7.7%. The most influential factor interaction on height was 73%, followed by identification at 71.1%, Costumize factor at 61.58% and differentiation factor at 51.8%. The conclusion is that CRM, which is explained by these four factors, greatly influences fostering and increasing customer loyalty. Customers need special attention from bank management in making transactions to meet their needs and other services that can be accessed quickly and easily.

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

### I. INTRODUCTION

The banking industry is currently experiencing changes in the business climate and very tight competition. The situation became even more complex after foreign banks competed for customers in the same market (Murtiningsih *et.al*, 2019). This condition then makes the company make various efforts to serve and fulfil the various needs of its customers related to the company's line of business (Hwang & Choi, 2020). Changing the company to be customer-focused

(customer-centric) is one of the business strategies that can be developed to improve service and foster customer loyalty. This strategy is carried out through managing corporate (bank) relationships with customers or Customer Relationship Management (CRM). CRM is a strategy for identifying, attracting, and retaining the most valuable customers for a company (Kumar & Mokha, 2020). CRM concentrates on what customers value, not what the company wants to sell. The emergence of CRM as an alternative solution for managing customer relations is generally triggered by developments in the company's strategic environment (Farida & Jannah, 2022). CRM shows a company's efforts to concentrate on keeping customers (so they don't run to competitors) by collecting all forms of customer interaction, be it via telephone, email, input on the site or the results of conversations with sales and marketing staff, or in other words, CRM is a company's overall business strategy that allows the company to effectively manage relationships with customers (Saputra, 2019).

The application of CRM in establishing communication with customers is seen as very effective in providing services to its customers (Khan *et.al*, 2022). CRM will make it easier for companies to provide services according to customer needs and behaviour. Concerning the concept of CRM, the banking industry is competing to improve customer service by providing facilities that make it easier for these customers to carry out financial transactions (Kahokaew & Nurittamont, 2021). For example, providing convenience for transactions through e-Banking, SMS Banking, or searching for all information on bank products and services through bank features available on the internet. In this way, banks also have access and

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opportunities to acquire, care for, retain and develop customers. CRM can be a good way in the banking industry to ensure that the bank can attract new customers and existing customers will remain loyal (Mokha & Kumar, 2022). CRM can build close relationships between banks and their customers. CRM also helps control customer relationships and improves product and service offerings (Basalamah *et.al*, 2021).

Generally, the goal of any CRM strategy is to develop profitable relationships with customers (Mohamed *et.al*, 2022). This relationship combines business processes and technology to understand customers from various perspectives to differentiate the company's products and services competitively (Bhat *et.al*, 2016). With a good relationship, companies can detect what are the needs and expectations of customers so that, in the end, they become loyal to the company, are willing to become ambassadors to promote the company to other parties and become filters for negative issues launched by competitors (Hikam *et.al*, 2021). Loyalty is a customer's decision to voluntarily subscribe to a particular company for a long time. Loyalty will continue only as long as the customer feels he can receive better value than by switching to another service provider. Loyalty shapes customers' attitudes in determining their choice to continue using products or services from a company (Bank). The attitude of determining the choice is committing and repurchasing the company (Tao, 2014). Customer loyalty can guarantee the company's survival in the long term. Through a commitment to stay in-depth with the products/services that have been chosen by customers and to repurchase consistently in the future, it shows that loyal customers have relatively permanent long-term fanaticism for a product/service or a company that has become their choice.

CRM is a holistic process of identifying, attracting, differentiating and retaining customers by integrating the company's supply chain to create customer value at every value-creation step. Meanwhile CRM manages detailed information about each customer and carefully manages customer touch points to maximize customer loyalty (Hassan *et.al*, 2015). A customer touch point is any occasion where customers encounter brands and

products ranging from experience to mass communication to casual observation (Setiawati *et.al*, 2019). CRM enables companies to provide superior customer service on demand by effectively using individual reporting information (Tseng & Wu, 2014). Based on knowledge of customer value, companies can align market offerings, services, programs, messages and media. CRM aims to develop profitable relationships and profitably create value for target customers by integrating internal processes and functions with all external networks (Ngoma *et.al*, 2020). CRM activities include four activities, namely identification, differentiation, interaction, and customize.

Identification is an introduction to customers and understanding that can be obtained through data which includes customer characteristics, responses to products and their attributes, and reasons for purchasing (Malik, 2015). Customer characteristics are data about customer habits, while the response to products and their attributes reflects the product, in ha! This includes the reasons for purchasing the product and the confidence level in guaranteeing safety in using the product (Lee *et.al*, 2018).

Differentiation is an activity of grouping customers based on customer value so that the company can determine the right policy according to customer needs (Aluri *et.al*, 2019). In this case, customer value is divided into four categories: emotional value, social value, quality/performance value, and price/value for money (Murtiningsih *et.al*, 2019). Emotional value is a utility that comes from feelings or affective or positive emotions that arise from consuming a product (Hikam *et.al*, 2021). Social value is a utility derived from the product's ability to enhance consumers' social self-concept (Mohamed *et.al*, 2022). Quality/performance value is the utility obtained from the product due to reducing short-term and long-term costs. Meanwhile, the Price/value of money is a utility obtained from the perception of the expected performance of a product or service (Basalamah *et.al*, 2021).

Interaction is an activity carried out by the company through customer role-switching activities from reactive to proactive. This role-switching process involves communicating

DOI: 10.36456/tibuana.6.2.7843.141-146 and establishing good customer relationships through exchange processes and technology (Hassan *et.al*, 2015). The exchange process can be seen from the socialization of products to customers and the quantity and variety of products offered. At the same time, technology reflects the convenience of customers in accessing information about company products and activities, knowledge about company products and services and feedback between customers and companies (Farida & Jannah, 2022).

Customize is the company's ability or effort to adapt to customer habits based on individual needs and customer value (Ngoma *et.al*, 2020). This adaptation is usually done by providing multi-purpose products or partnering with other parties to maximize customer service. Based on the four activities in the CRM activities above, banking and other types of businesses have placed relationships with customers as important to maintain (Kumar & Mokha, 2020). The fluctuating conditions of the business world have made business people aware that business success is not limited to achieving profits. Customer loyalty is a very important factor for companies because loyalty is a continuous process for achieving company goals (Kahokaew & Nurittamont, 2021).

## II. METHODS

This explanatory research examines the cause and effect between customer relationship management and increasing loyalty to the State Savings Bank (BTN) Pasuruan Branch. The population is all customers of the Pasuruan Branch of the State Savings Bank (BTN). A sample of 150 customers was taken from the existing population using a proportional cluster sampling technique. The use of this technique aims to represent all elements of the customer. The data obtained comes from primary data, namely through questionnaires distributed to customers and supported by interviews with bank management and observations of bank services received by customers. Answers from questionnaires given by customers are then tested for validity and reliability. After the data is declared valid and reliable, it will be analyzed using multiple regression analysis.

## III. RESULT AND DISCUSSION

Based on testing the validity and reliability of the statement items, it is known that several items are invalid. This is shown in Table 1 below:

Table 1. Validity and Reliability Test

Variable	Indicators	Corrected Item Total Correlation	Status	Reliability Coefficients	Status
X <sub>1</sub>	P <sub>1</sub>	0,699	Valid	0,758	Reliable
	P <sub>2</sub>	0,727	Valid		
	P <sub>3</sub>	0,869	Valid		
	P <sub>4</sub>	0,447	Valid		
	P <sub>5</sub>	0,814	Valid		
X <sub>2</sub>	P <sub>6</sub>	0,790	Valid	0,786	Reliable
	P <sub>7</sub>	0,907	Valid		
	P <sub>8</sub>	0,043	Invalid		
	P <sub>9</sub>	0,923	Valid		
	P <sub>10</sub>	0,938	Valid		
X <sub>3</sub>	P <sub>11</sub>	0,412	Valid	0,763	Reliable
	P <sub>12</sub>	0,907	Valid		
	P <sub>13</sub>	0,805	Valid		
	P <sub>14</sub>	0,776	Valid		
	P <sub>15</sub>	0,473	Valid		
X <sub>4</sub>	P <sub>16</sub>	0,585	Valid	0,733	Reliable
	P <sub>17</sub>	0,305	Valid		
	P <sub>18</sub>	0,068	Invalid		
	P <sub>19</sub>	0,649	Valid		
	P <sub>20</sub>	0,722	Valid		
Y	P <sub>21</sub>	0,653	Valid	0,844	Reliable
	P <sub>22</sub>	0,606	Valid		
	P <sub>23</sub>	0,805	Valid		
	P <sub>24</sub>	0,530	Valid		
	P <sub>25</sub>	0,901	Valid		
	P <sub>26</sub>	0,876	Valid		
	P <sub>27</sub>	0,850	Valid		

Critical Value for Validity ( $\alpha$ 5% two way test)  $\pm$  0.237

Critical Value for Reliability  $\geq$  0.600

Source: Processed Primary Data, Table r.

The test results show that of the 27 statements submitted, 2 items were declared invalid because of the Corrected Item-Total coefficient. Correlation is smaller than the critical value at 5% two-way test. The statement items are P2 and P18. Invalid items were annulled and not included in further analysis to avoid errors. After that, the valid items were tested for reliability and declared reliable.

The next data analysis is to examine the effect of Customer Relationship Management

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(CRM) on Customer Loyalty by using multiple regression analysis as the model for this research analysis. Calculations use the SPSS for Windows 16 program, the results of which are shown in Table 2 below.

Table 2 The Results of the Regression Analysis

Variable	Unstandardized Coefficients (B)	t calculate	Sig.	Information
Constant	-4.134			
Identification (X <sub>1</sub> )	0,711	8,316	0,000	Significant
Differentiation (X <sub>2</sub> )	0,518	12,570	0,000	Significant
Interaction (X <sub>3</sub> )	0,730	8,542	0,000	
Customize (X <sub>4</sub> )	0,616	5,869	0,000	
R		0,961		
R Square		0,923		
Adjusted R Square		0,921		
F calculate		730,011		
Sig. F		0,000		

Source: Processed Data (2022)

Referring to the table above, CRM greatly influences (92.3%), increasing customer loyalty at the Pasuruan Branch of the State Savings Bank. At the same time, the remaining 7.7% is influenced by other factors outside the model. The interaction factor has the greatest influence at 73%, followed by the Identification factor at 71.1%, the Customize factor at 61.6% and the differentiation factor at 51.8%. These four factors have an important role in growing and increasing customer loyalty. Customers want special attention from bank management to meet their needs in transactions and other services that can be accessed quickly and easily.

The results of the analysis of the four CRM indicators, namely Identification, Differentiation, Interaction and Customization, show that: First, identification described by customer characteristic items and product response items and their attributes has a fairly high role in growing customer loyalty (Setiawati *et.al*, 2019). Bank management is required to recognize the characteristics of its customers through the provision of a complete database and knowledge of various customer habits in using banking services and products. Knowledge of customer responses to banking products and their attributes also plays a role in growing customer loyalty. This relates to the reasons customers use the product and confidence in the guarantee of safety when using the

product. The lack of knowledge of bank management in identifying customers leads to errors in customer classification according to their respective segments and needs. This also has an impact on errors in determining company policy.

Second, the differentiation explained by items of emotional value, social value, quality value, and price value has an influence of 51.8% on customer loyalty. The customer shows the influence of these four values through the positive feelings that arise in the customer while using the product he chooses (Mokha & Kumar, 2022). The product chosen by the customer is also felt to increase social value concerning actualizing the customer's self-concept. With the use of these products, customers also acknowledge the existence of product quality in terms of use and cost efficiency in the short and long term. The application of competitive interest policies and low taxes is a way that is emphasized by customers (Hwang & Choi, 2020).

Third, the interaction explained by the exchange process and technology indicates a high contribution in increasing customer loyalty by 73%. The exchange process shows that product socialization is intensively carried out, and the quantity of implementation is important for customers in recognizing and understanding the value and quality of the products offered (Bhat *et.al*, 2016). Meanwhile, the technology that can be used to access the information needed by customers to enrich their knowledge of the products purchased has not received special attention from the bank's management. Customers still have difficulty accessing information, and bank management routines updating information on bank products and services are still very small. Limited access to information causes customers to sometimes not be aware of new programs that are being developed or products that have just been launched on the market. Interaction is important and is a big hope for customers who can bridge customer needs and the strategies that will be implemented by bank management (Aluri *et.al*, 2019). Bank management is also expected to be able to develop an integrated information system that can always be accessed by customers and present the latest information on banking products and services, as well as

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interaction forums that can convey complaints and customer expectations.

Fourth, customize has an effect of 61.6% on increasing customer loyalty. Customize is explained by how bank management adapts to customer habits and needs (Saputra, 2019). This relates to efforts to provide multi-purpose products such as ATMs that can have multiple functions, both in facilitating withdrawal transactions that can be made at cash machines and can also be used as a means of payment when shopping at supermarkets. The savings products offered can also be used as credit guarantees for customers. In addition, bank management has also partnered with the government and other banking industries so that the products sold are superior in quality and usage. Customers can make cash transactions at shared ATMs, Link and Maestro. In addition, cooperation is also carried out with other businesses so that the use of bank products in transactions becomes easier and more reliable. The inability of bank management to adapt to the habits and needs of customers and the lack of partnerships with other parties has resulted in customers tending to choose other banks to carry out their financial transactions. By taking into account the matters above, the management of the State Savings Bank needs to develop the right strategy for managing relationships with its customers.

#### IV. CONCLUSION

Based on the analysis and discussion above, it can be concluded that Customer Relationship Management (CRM) affects increasing customer loyalty to the State Savings Bank (BTN) Pasuruan Branch. This is explained by the interaction factor having the greatest influence, followed by the Customize Identification factor and differentiation. These four factors have an absolute influence on increasing customer loyalty. However, BTN's management efforts in meeting customer needs are still far from expectations. BTN's management has not paid attention to the importance of CRM functions which are very influential on customer loyalty.

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