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The Effect of Service Quality and Relationship Marketing to Customer Value, Customer Satisfaction, Switching Cost, and Customer Retention: A Case Study on the Customers of Bank NTT at East Nusa Tenggara Province

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ABSTRACT:

Facing the stagnan banking market which is characterized by the increasingly low growth of the numbers of new customers, customer retention began to be viewed as an important managerial issue which has implications for the development of research on customer retention. This study is aimed to (a) determine the impact of Quality Service (QS), Relationship Marketing (RM), Customer Value (CV), Customer Satisfaction (CS) and Switcing Cost (SC) to Costumer Retention (CR); (b) determine which variable has the highest effect on Customer Retention, among these five variables; (c) analyze and explain the relationship between Service Quality and Relationship Marketing with Customer Value, Customer Satisfaction, Switcing Cost and Customer Retention. The objects of this research were the borrowers (debtors) which were still rarely used as the objects of study. This study employed explanatory research which intent to provide an explanation of causality between the variables through hypothesis testing and explanation. The sample was 180 customers purposively choosen from three branches of Bank NTT which represent three different regions. GSCA (General Structural Components Analysis) was used to test the hypotheses of this study. The results showed that QS, RM, CV and SC have significant effect on CR, while CV does not have significant effect on CR. Overall, RM is the variable which has the highest effect on customer retention. Based on the results of this study, the bank managements are recomended to use RM as a prominant strategy to increase the level of customer retention. Moreover, to keep the customer loyalty, the SC can be managed like CS.

Keywords: *Customer Retention, Service Quality, Relationship Marketing, Customer Value, Customer Satisfaction, Switcing Cost*

1. INTRODUCTION

Background of the Study

One of the main problems faced by every industry in the last two decades is the increasing levels of competition to get new customers. Especially for the banking industry in Indonesia, the problem is more complex. In addition to high levels of competition, new customer growth rates have declined, even stagnant. On the other hand, customers or existing customers also tend to be not loyal. The results of the study by MarCSlus Insight (2013) showed that 45 % of customers in Indonesia have more than one account. This phenomenon is an indication that banking customers tend to be not loyal and do not want to be tied to one of the banks.

Facing such industrial environment, customer retention is regarded as an important managerial issues - as practiced by almost all the leading companies in the world since 1990s. The importance of customer retention has been recognized by researchers and practitioners. According to Ahmad and Buttle (2002), multinational companies and leading mass marketing drivers such as Lever Brothers and Elida Gibbs also began to restructurize their marketing departments and ask their managers to give more attention to their existing customers. They did so against the brand managers and formed a team of developers who were responsible for maintaining good relations with retailers between brands of the company.

The real impact of company's commitment to keep customers first published by Dawkins and Reichheld (1990) which stated that higher levels of customer retention lead to the higher net present value of customers. Allegedly, the company's commitment to keep customers was a continuing impact on the development of relationship marketing paradigm in the early 1980s (led by Berry, 1983) that shifts the transactional approach. When the researchers begin to realize the inadequacies of transactional approach in explaining the emergence marketing management phenomenon, especially from industry marketing perspective (Hakansson, 1982; Ford, 1997), and from services marketing perspective (Berry, 1983; Grönroos, 1990) - a perspective that even realized in advance by the managers in the field (Ahmad and Buttle , 2002) .

Indeed, the company's commitment to keep customers is an integral part of the relationship marketing. Therefore, relationship marketing is itself a philosophy of doing business, a strategic orientation that is more focused on maintaining and improving relations with existing customers than to get new customers. This philosophy assumes that in looking for the value they need, customers prefer to establish long term relationship with a company rather than constantly switching from one company to another company. In this context, the customer's perception on service quality (SQ), Customer Value (CV), Customer Satisfaction (CS), and Switching Cost (SC) associated with Customer Retention has been widely studied (Bloemer et al, 1999; Sirdeshmuk et al, 2002 ; Heid and Weiss, 1995; Edward and Sahadev, 2011; Boohene et. al, 2013). Although the direct or indirect effect of SQ, CV, CS and SC against Customer Retention (CR) has been the focus of many studies, the effects of Relationship Marketing, either directly or indirectly and partially or tandem with SQ, CV, CS, SC and CR are still rarely to have the empirical and theoretical support.

Research on customer retention in the developed countries has been implemented in almost all types of industries, while in the developing countries such as Indonesia, it is still rarely to be conducted. The level of competition in the banking sector in Indonesia has risen quite sharply amids the slow growth rates of new customers. It is almost certain that the level of competitivenes of banking industry in Indonesia rises highly after the Economic ASEAN Communnity in 2015 and—especially—the integration of the financial sector in 2020. This condition has been addressed by the ASEAN countries by establishing ASEAN Banking Integration Framework (ABIF) which believed to be able to open up opportunities for ASEAN countries banks to expand their operations and markets to Indonesia.

Facing the competitive situation, however, Bank NTT (as Local Government Owned Bank) will be able to survive and compete effectively as well as protect its market share in the midst of banking industry competition if the Bank is willing to take all the necessary steps to invest and retain customers. Therefore, this study aims to analyze and explain the relationship between SQ and RM with CV, CS, SW and CR with the object of research, borrowers (debtors), which still rarely used as the object of study. This research also studied the impact of each variable to the CR, including the variable which mostly affect the CR.

2. THEORETICAL OVERVIEW

Conceptual Framework and Research Hypotheses

The conceptual framework was built based on the research model which had been developed by some previous researchers, among which were Djayanto (2014); Gaurav and Khan (2013); Danesh et al (2012); Edward and Sahadev (2011); Ryau et al (2011); and Kasim and Souiden (2007).

Theoretically, almost all models of the research, including this research model, were built based on the social exchange theory principle. According to Blau (1964), social exchange theory looks at the relationship between the exchange of certain actors as actions depends on the beneficial reaction of others. Social exchange requires bond which is based on personal trust. This bond is created by the mutual benefits as the main output of social exchange (Blau, 1964). Thus, it can be assumed that the level of customer retention is determined by the extent to which customers perceive SQ, CV, CS, SC and CR as giving benefits to them when an exchange occurs. In other words, CR is considered as the stem of the perception of reward perceived by customers from the relationship exchange.

Referring to the social exchange theory and some previous research models, a conceptual framework and research hypotheses to be tested were developed as shown in Figure 1. Furthermore, in defining the variables used in the conceptual framework, review of literature process was conducted and followed by discussion of the theory and empirical evidence which supported the research hypotheses. The review was started with a discussion on the consumer retention because it is the variable which is explained by the other variables.

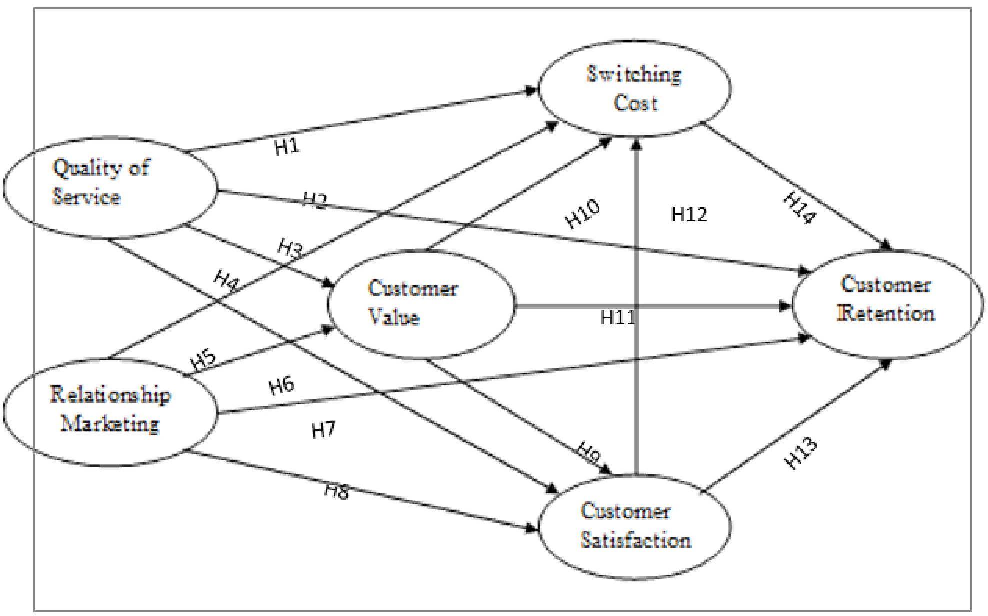

Figure 1. Conceptual Framework of the Research

Customer Retention

Customer retention is defined as the customer's intention to repeat buying a service from the service provider (Morgan and Hunt, 1994). Kassim and Souiden (2007) defined customer retention as the future trend of customers to stick with their service providers. While Keiningham et al (2007) defined customer retention as a statement of customer continuation in a business relationship with the company. Zineldin (2000) looked at retention as a commitment to continue doing business or exchange with a particular company on an ongoing basis. A more comprehensive definition of customer retention proposed by Strauss and Friege (2001) defined customer retention as customer favorite, customer identification, customer commitment, customer trust, customer willingness to recommend and customer intention to repeat buying, in which the first is a construct emotional-cognitive retention and the second is an intention to behave.

"Customer retention is associated with recurring subscription, which is closely related to the behavior of repeated buying and brand loyalty" (Buttle, 2004).

Customer retention is a strategic objective of companies to pursue long-term relationships with customers. The level of customer retention depends on the company's efforts with a wide range of service programs to customers. In terms of customers, the intention to stay with or leave the company depends on various factors, including: service quality, costumer satisfaction, customer value, switching cost, switching barrier, customer experience, commitment, trust, corporate image, corporate reputation and others (Boohene et.al., 2013; Danesh et. al., 2012; Jeng and Bailey, 2012; Adward and Sahadev, 2011; Kassim and Souiden, 2007; Cohen et al., 2007; Nguyen and Leblance, 2001).

Service Quality, Relationship Marketing, Customer Value, Customer Satisfaction and Switcing Cost

Service Quality is defined as how far the service level provided suits customer expectations (Lewis and Booms (1983). Lovelock et al (2011) also argued that the perceived service quality is the result of an evaluation process where customers compare their perceptions on the services and outcomes with what they expected. Therefore, Lovelock et al (2011) defined the service quality from the user perspective as something that consistently meet or surpass the expectations of users.

The above definition suggests that there are two main factors which affect the service quality namely expected service quality and perceived service quality (Parasuraman, et al., 1985). If the perceived service quality is in accordance with the expected service quality, the service quality is perceived as ideal. In contrast, if the perceived service quality is lower than the expected service quality, the service quality is perceived as negative or bad.

Since first introduced in the early 1980s, the term relationship marketing continues to grow. Berry (1983) defined relationship marketing as an effort to attract, retain and—in a multi-service organization—improve customer relationship. While Morgan and Hunt (1994) define relationship marketing as all marketing activities aimed at building, developing and maintaining successful relational exchanges (Morgan and Hunt, 1994). The main objective to be achieved by relationship marketing is improving and maintaining mutual long-term relationships.

Customer value is seen as the overall customer ratings to the usefulness or benefits of products or services that are based on the perception on what is acceptable and what is given (Zethaml, 1988). Kotler and Keller (2009) in defining customer value also compared total benefits received by customers with customer's total cost. Doods et al (1991) supported the principle of trade-offs and state that the value perception of the buyer represents a trade-off between quality and profit earned from the product compared to the perception on the price.

Swan, Trawick and Caroll (1980) defined satisfaction as a conscious evaluation or cognitive assessment in which the product performance is relatively good or bad; or whether or not the product is suitable. While Churchill and Surprenant (1982) - more broadly- defined customer satisfaction conceptually and operationally. Conceptually, customer satisfaction is the result of purchase and consumption by comparing the reward and purchase costs with anticipated consequences. Operationally, a satisfaction similar to the attitude in which the judgment is based on a variety of attributes.

There are many varieties of customer satisfaction definitions given, but according to Giese and Cote (2000) there are similarities in the three main components, namely: (1) customer satisfaction is a response (emotional or cognitive); (2) the response has particular focus such as expectation, product, consumption experience, and so on; (3) the response occurs at a specific time (after consumption, after the selection of products/services, based on the accumulated experience, etc). In short, customer satisfaction consists of three components, namely: a response regarding to a particular focus specified at a particular time.

Heide and Weiss (1995) defined switching costs as the costs (both monetary and non- monetary) incurred by customers when changing from one supplier to another (Edward and Sahadev, 2011). While Burnham, et al (2003) defined switching costs as an expense incurred at only one time in the switching process from one service provider to another service provider.

Although there are many concepts and typology, switching cost can be categorized into economic cost and psychological cost (Edward and Sahadev, 2011). Even the economic cost is identified in the procedural dimension of switching cost by Burnham et al (2003) as a psychological cost because of the perceived risks of uncertainty to try new things. Psychological switching cost as uncertainty or perceived risk or loss in the relational investment and social ties, or the cost of other procedural (time-related, search, evaluation and set up) gives a big impact on the switching barrier (Burnham et al, 2002; Jones et al, 2002). In the context of banking services (especially credit loans), switching cost is derived from the cost of search and evaluation as well as economic risks when looking for a new service provider. In addition to objective and monetary measurable, this type of cost is the most psychological cost.

Relationships between Variables and Customer Retention

Service Quality, Switching Cost, Customer Value, Customer Satisfaction and Customer Retention

As a product or service perceived by a high level of service satisfaction, the heterogeneity perceived by customer also increases (Parasuraman et al , 1988). Jones, et al (2002) identified a positive relationship between SQ and SC associated with the loss of performance cost. This relationship is also supported by studies by Chen and Hitt (2002) which empirically support a relationship between quality service and switching costs in the internet broker context. Chang and Chen (2008) found empirical evidences which relate the interface quality of the customer to the switching costs in the internet use context (Edward and Sahadev, 2011).

Service quality has a direct impact on customer retention (Bloemer et al., 1999; Jones et al., 2002). The results of study conducted by Boohene et al (2013) show a significant relationship between service quality and customer retention in banking industry in Ghana. If the service quality increases, the customer retention also increases. In contrast, if the service quality declines, the customer retention also declines. These findings are consistent with Reicheld empirical studies (1996) and Ranaweera and Neely (2003). The findings of the two studies indicate that there is a positive association between perceived service quality and repurchase by the customer or retention. These findings also support Sharma and Patterson (2000) who argued that the better the perceived service quality, the stronger the commitment of existing relationships.

In many cases, the service quality or the service and the benefits offered often drives the customer's value perception (Razavi, Safari, and Shafie, 2012). Nauman (2000) as cited by Djajanto (2014) stated that the customer value consists of product quality, service quality, rates, and the image which can establish customer perception on the value of the service. The product quality and the benefits offered often drives customer value (Djajanto, 2014; Cang and Wang, 2011; Zeithaml, 1988) Many studies support this relationship (Dodds et al , 1991).

Service quality as an antecedent of customer satisfaction has been tested and is supported by many studies (Yi, 1990; Anderson et al., 1994; Fornell et al., 1996). The higher the perceived service quality, the higher the customer satisfaction (Parasuraman, et al., 1985; 1988; 1990; 1994). The argument behind this finding is that the high quality service offered by the company will provide customer satisfaction. The nature of the relationship between service quality and satisfaction seen as linear, suggesting that the higher the level of service quality, the higher the level of satisfaction. Other empirical studies such as Djajanto (2014), Alfin (2013), Shah, et al.(2013), Edward and Sahadev (2011), Ryu et al. (2011), and Berne et al., (2001), also confirm that the higher the level of quality service, the higher the level of customer satisfaction .

Based on a review of related literature and the above discussion, the following hypotheses were proposed:

H1 The service quality has an effect on the switching cost
H2 The service quality has an effect on the customer retention
H3 The service quality has an effect on the customer value
H4 The service quality has an effect on the customer satisfaction

Relationship Marketing, Switching Cost, Customer Value, Customer Satisfaction and Customer Retention

Empirical studies on the relationship between the RM and SC is still rare but theoretically the relationship between the two can be seen from the objectives of RM, which are improving and maintaining mutual long-term relationship. One of the important requirements of a successful relationship is mutual exchanges (Buttle, 1996; Lovelock and Wright, 1999). Mutual exchange requires investment in building relationships between companies and customers. Significant investments, in the form of time, money and effort, are required for the development and maintenance of relationships.

When customers perceive the relationship is no longer profitable, customers are faced with consideration to survive or to switch to another company. One of the factors taken into consideration are all kinds of SC which have already spent or invested during this time. All types of costs (procedural, financial, and relational) are rarely assessed explicitly, but it becomes important and clear when customers are faced with a consideration to move or stay (Burnham et al, 2003). Both trends are hypothesized as can be influenced by RM if all marketing activities aimed at developing and maintaining relational exchanges implemented successfully, such as the establishment of long-term relationships and the implementation of value for mutual benefit between the two parties (Morgan and Hunt, 1994; Gummeson, 1999), then customers will ignore the judgment of SC because customers do not intend to switch to another bank. Conversely, if the service provider fails to implement the RM, the customers will consider to switch to a competitor bank.

The success of RM is seen from how long the customers maintain a relation with the company and how big the "customer wallet" can be obtained. Relationship marketing (RM) also involves the estimates of value throughout the customer life (Little and Marandi, 2003). RM looked at customers as partners to encourage collaboration, mutual value creation and win-win situation (Berry, 1993; Gummesson, 1994; 1994; Lovelock and Wright, 1999). Reidenbach (1995) argues that customer value is the element that will continue to live. It is dynamic and should be managed. Therefore, according to Butz and Goodstein (1996), creating value to customers requires the increase of RM. Thus, it can be assumed that the level of the customer's perceived value is determined by the quality of relationship marketing.

Similar to the relationship between RM with SC, empirical studies on the relationship between RM and CR is still rarely conducted. However, as can be seen from the definition proposed by scholars and researchers, both constructs are intimately connected. Berry (1983); Gronroos (1990), Gummesson (1994), Little and Marandi (2003) and others stated that RM is building long-term relationships with customers and retaining customers with an emphasis on maintaining trust and commitment by maintaining integrity through appointments fulfillment and empathy between the two sides by prioritizing the increase of contribution and adjustments to the demands of the customers. While CR is the customer's intention to repeat buying a product or service from a provider (Morgan and Hunt, 1994), and the future trend of customers to stay with their providers (Kasimm and Souiden, 2007). Based on these two construct definitions, it can be said that customer retention is the impact of relationship marketing. A successful relationship marketing program will result in the increase of customer retention.

Several studies have shown a significant effect of RM and service quality on customer loyalty (Ndubisi, et al., 2006; 2007; 2009: Wang, 2005). The results of study conducted by Gaurav and Khan (2013) point out that there is a relationship between RM and CS. Findings of research by Djajanto (2014) show a significant effect of RM on SQ. These three findings are relevant to Morgan and Hunt (1994) idea that the presence of higher level of obligation to provide successful relationship will have an impact on customer satisfaction and long-term benefits for the company. Efforts to attract, maintain and enhance relationships with customers as stated Berry (1988), can be realized if the CS remains as an ongoing basis.

Based on the review of related literature and the above discussion, the following hypotheses were proposed:

H5 Relationship Marketing has an effect on the Switching Cost
H6 Relationship Marketing has an effect on the Customer Value
H7 Relationship Marketing has an effect on the Customer Retention
H8 Relationship Marketing has an effect on the Customer Satisfaction

Customer Value, Customer Satisfaction, Switching Cost and Customer Retention

Companies that provide a high value of services can better satisfy customers (Edward and Sahadev, 2011). Other empirical studies also support this relationship (Anderson and Mittal, 2000) in many product categories where the cognitive evaluation dominates consumption experience. Customer value also directly influence the behavior even without the intention to change the perception of satisfaction level (Batra et al., 1995 in Edward and Sahadev, 2011). Woodruf (1997) found that the perceived value of customer cognition is the nature of relational exchange with their suppliers, and customer satisfaction reflects the overall feeling that comes from the perceived value.

The customer perceived value is the difference between prospective customers assessment on all benefits and costs of an offer against the alternative; or a trade-off between quality or benefits that is received by customers from the products or services provided by the provider and the perceived sacrifice while paying the price (Kotler and Keller , 2009; Doods et al. , 1991). Edward and Sahadev (2011) connected CV with financial aspects of SC expressed by Burnham et al (2003). Yang and Peterson (2004) argued that switching barriers could happen if the manager focuses on the improvement of SQ and CV at a higher level. In their studies on online broker, Chen and Hitt (2002) found that CV attributes, such as a larger portfolio of services, personalization possibilities, and so on can improve the SC of internet broker. Pae and Hyun (2006) found similar results in the case of operating systems.

Providing superior CV becomes one of the most important success factor for every company today and in the future because of its significant impact on customer behavior intention (Wang et al., 2004). Some studies suggest that CV had a significant influence on customer retention (Edward and Sahadev, 2011; Ryu et al., 2011); Cohen et al., (2007); Sirdeshmuk et al., (2002). CR means an attempt to maximize the company's resources so that the company's performance increases and ultimately provides a higher value to the customer as the basis to retain customers. Thus, to increase CR, companies must constantly adapt and or increase the value in accordance with what is perceived by customers.

Based on a review of related literature and the above discussion, the following hypotheses were proposed:

H9 Customer Value has an effect on the Customer Satisfaction
H10 Customer Value has an effect on the Customer Retention
H11 Customer Value has an effect on the Switching Cost

Customer Satisfaction, Switching Cost and Customer Retention

Hellier et al (2002) stated that CV has a positive causal impact on the expectations of losses or costs in changing provider. In other words, the higher the level of costumer satisfaction on the services, the greater the costs of opportunity or satisfaction delays which are ready to be beared by the customer when changing suppliers (Edward and Sahadev, 2011). Bolton and Lemon (1999) showed that satisfaction causes more usage of services. The higher level of usage causes some switching cost antecedents such as relational bond with the service provider, greater confidence, and so on. Findings of research by Edward and Sahadev (2011) also showed that CV has a positive effect on SC. Satisfied customers tend to ignore S, though the value is relatively small.

Oliver (1993) and Zetthaml (1996) found a positive effect of CR on CS. Findings of research conducted by Kassim and Souiden (2007) also showed that satisfaction has a direct positive effect on CR. Oliver (1980) and Yi (1990) argued that the CS is traditionally regarded as the most important characteristic of customer's long-term behaviors. The greater the customer satisfaction, the greater the level of CR. Some other findings indicated that CS had a positive and meaningful effect on the repeated purchace by the customer in the specific services classification (Danesh et al., 2012). Day et al (1988) stated that CS is an undebatable way in determining the level of CR for buyers of professional services.

Based on a review of related literature and the above discussion, the following hypotheses were proposed:

H12 Customer Satisfaction has an effect on the Switching Cost
H13 Customer Satisfaction has an effect on the Customer Retention

Switching Cost and Customer Retention

The relationship between SC and CR was found in many empirical studies (Jones et al., 2000; Ranaweere and King, 2003). Burnham et al (2003) found that SC has a significant effect on CR. SC stimulates consumer's desire to remain with the provider (today). Edward and Sahadev (2011) also found a significant relationship between the SC and CR. Customers loyal with the company at this time if the customer's perception on the risk of moving increase (or the security perception for being permanent residence), or the difficulty to evaluate the existing alternatives (or easiness not to do so), a hassle to set up a new relationship and the learning needed to use a new product will increase the likelihood of the customer to remain with existing relationships.

Moreover, efforts to increase the potential of profits or money loss (or reduce costs to stay) (Cannon and Homburg , 2001) will increase the likelihood of the customer to stay, even without involving the presence of a physical asset. Attempts to increase the strength of customer psychological bond with the company brand will increase the chances to survive, even in an industry with very little or no face-to -face contact at all.

Based on a review of related literature and the above discussion, the following hypothesis was proposed:

H14 Switching Costs has an effect on Customer Retention

3. RESEARCH METHODOLOGY

Types of research

This study was an explanatory research which intent to provide an explanation of causality between the variables through hypotheses testing and conduct explanation. According to Singarimbun et al (1989), explanatory or confirmatory research is a research which explains the causal relationship between the research variables and tests the hypotheses.

This study was aimed to analyze and explain the variables: SQ, RM , CV, CS and SC that contribute to CR, and how was the relationship of these variables with CR. General Structural Components Analysis (GSCA) was used to analyze the data. The analysis techniques developed by Heungsun Hwang et al . (2004) was considered as relatively perfect compared with SEM (Structural Equation Model) and Partial Least Square (PLS) (Solimun, 2013).

Research Setting

This research was conducted on one of 34 Provinces in Indonesia, namely *Nusa Tenggara Timur* (East Nusa Tenggara, hence called NTT) Province. The objects of research were the borrowers (debtors) at Bank NTT (a bank owned by the NTT provincial government). Instead of Bank NTT, there are 19 national scale banks which operate in NTT. Geographically, NTT province has 1,192 islands but most of the people live in three largest islands (West part of Timor Island, Flores Island and Sumba Island) and 41 smaller islands. The land area is 47349.9 $km^2$and the ocean is 200,000 km^2, with 22 administrative regions of regency/town. Bank NTT Headquarter is in the capital of NTT province, Kupang, and it has 23 branch offices. In each district/city, there is a branch office but Kupanghas two branch offices.

Population and Sample

The population was the consumptive borrowers (debtors). In accordance with the requirements applied by all banks, those who are able to take consumtive credit are Indonesian citizens who have a regular job as employees (Civil/military/police and Private). Thus, based on the work, the members of the population are relatively homogenous. However, there is a relatively different nominal of loan and the duration of installment/return. Because it was thought to have a different impact on the intention of customers to stay afloat or switch, the target population was set using the criteria: (a) customers who have borrowed at least two years, (b) with a minimum loan of CR. 20 millions, (c) live in the capital district /city.

Furthermore, based on the geographical spread of the members of the population and socio-economic background of NTT people, the sample was deteermined using staged cluster sampling or multistage sampling.

Based on customer criteria, customer dispersion pattern and sampling approach, purposive sampling was used by choosing three branches as samples namely: (1) Kota Kupang Branch, represents a branch office located in the western part of Timor island; (2) Ende Branch, represents a branch office located on Flores island and its surroundings; and (3)Waingapu Branch, represents a branch office located on Sumba island. Furthermore, in each of the branch offices, randomly choosen 60 customers as respondents. Planned data collection was conducted face to face by enumerators who had been trained in advance. Because it was constrained by the willingness of respondents to be interviewed directly, almost half of the respondents filled questionnaires by themselves after they were received a brief explanation from the enumerators. Overall, there were 180 respondents.

Measurement Scales

All items of questions and measures used in this study was adapted from literature and modified to fit the context of this study. The Items of questions for all study variables used a 5-point Likert scale.

The measurement of service quality variable was conducted using 16 items of questions developed from five dimensions of service quality proposed by Parasuraman et al (1985, 1988) namely: reliability, responsiveness, assurance, empathy, and physical evidence. The question items were adapted from Tjiptono and Candra (2014). To measure the relationship marketing variable, 11 question items were developed from the four dimensions of relationship marketing proposed by Morgan and Hunt (1994), Sin et al (2002), Ndubisi and Wah (2005), Ndubisi (2007; 2009), Prasad and Aryasri (2008), namely: commitment, trust, communication, and conflict. The questions items were adapted from Djajanto (2014).

The measurement of customer value variable was conducted using 12 items of questions developed from three dimensions of customer value proposed by Sheth et al. (1991), Sweeney and Sautar (2001), Kotler et al. (2000), Roigh et al. (2006), namely: functional value, emotional value and social value. The quentions items were adapted from Alvin (2013), Djajanto (2014), Tjiptono and Candra (2014). Customer satisfaction variable was measured using 8 items of questions developed from the three dimensions of customer satisfaction proposed by Parker and Mathew (2001), Kim et al. (2008), and Alfin (2013), namely: satisfaction process, satisfaction results, and total satisfaction. The question items were adapted from Alvin (2013), Djajanto (2014), and Tjiptono and Candra (2014). The measurement of switching cost variable was conducted using 7 items of questions developed from the three dimensions of switching cost proposed by Jackson (1985), Guiltinan (1989), Fornell (1992), Klemperer (1995), Burnham et al. (2003); Edward and Sahadev (2011), namely: financial cost, procedural cost and relational cost. The questions items were adapted from Burnham et al. (2003), and Edward and Sahadev (2011).

The measurement of costumer retention, as the variable described by other variables such as service quality, relationship market, costumer value, costumer satisfaction and switching cost, was conducted using 10 questions developed from the four dimensions of customer retention proposed by Morgan and Hunt (1994) , Lin Guo et al (2008), Buttle, Nguyen and Leblanc (2001), Boohene et al. (2013), Richards (1996), namely: intention to continue the relationship, intention to get involved, belongingness, and a strong desire to survive. The questions items were adapted from Edward and Sahadev (2011), Tjiptono and Candra (2014).

4. RESULTS

At the early stage—before hypotheses testing—measurement model evaluation was conducted by following the guidelines proposed by Solimun (2013). The results of the tests were used to determine whether the convergen validity of all items, either refectif construct or formative variable used in this study, is valid. The results of the measurement model testing (see Appendix 1) showed that all indicators had AVE (Average Variance Extracted) value of above 0.60, and all items in the reflective variables: CV, CS, and CR, had a positive loading value which was greater than 0.6. While all items of the formative variables, namely SQ, RM, and SC had a significant value of weight CR (Critical Ratio) > 2.00.

The reliability testing of the variables conducted using Cronbach's Alpha and AVE value also showed that all latent variables were unreliable. The criteria used in the test was: when the value of Cronbach 's Alpha (CA) is greater than or equal to 0.6 and the AVE value is greater than or equal to 0.50, means that the variable is reliable. The recommended AVE value must be greater than 0.50 means that 50 % or more of the indicator variance can be explained (Forner and Larcher, 1981) as cited by the Latan (2013). Table 1 shows that the value of AVE or reliability discriminant value owned by all indicators on each latent variable was greater than 0.60. The value of CA owned by all indicators on each latent variables was also greater than 0.50.

Variables	Indicators	*AVE*	*Alpha*
Service Quality (SQ)	reliability (SQ_1)	0.732	0.810
	responsiveness(SQ_2)	0.718	0.794
	assurance(SQ_3)	0.736	0.819
	empathy(SQ_4)	0.708	0.792
	Phisical evidence(SQ_5)	0.614	0.787
Relationship Marketing (RM)	commitment (RM_1)	0.767	0.846
	trust (RM_2)	0.709	0.794
	communication (RM_3)	0.720	0.802
	conflictresolution (RM_4)	0.900	0.889
Costumer Value (CV)	functional value(CV_1)	0.701	0.788
	emotional value (CV_2)	0.739	0.821
	social value(CV_3)	0.874	0.856
	value for Money (CV_4)	0.672	0.818
Costumer Satisfaction (CS)	satisfaction process (CS_1)	0.779	0.858
	satisfaction results (CS_2)	0.892	0.878
	total satisfaction (CS_3)	0.838	0.901
Switching Cost (SC)	financial cost (SC_1)	0.770	0.702
	relational cost (SC_2)	0.939	0.935
	procedural cost (SC_3)	0.790	0.867
Costumer Retention (CR)	intention to continue the relationship (CR_1)	0.750	0.664
	intention to get involved (CR_2)	0.793	0.734
	belongingness (CR_3)	0.763	0.841
	desire to survive (CR_4)	0.746	0.83

Table 1. Results of Reliability of Variables Testing

The next step conducted was structural model evaluation which aims to determine the measure of fit, ie how much information could be explained by the structural models (the relationship between variables) as the results of GSCA analysis. Goodnes of fit of the structural model was measured using FIT and AFIT. FIT showed the total variance of all variables which could be explained by the structural model. FIT value ranged from 0 to 1. The higher the value, the greater the proportion of variable variance which could be explained by the model (Solimun, 2013). A good criteria of FIT ranges from 0 to 1, means the greater the FIT value, the more able the the variance of the data explains what is modelled (Ghozali, 2008). Therefore, the value of FIT usually affect the complexity of the model so that AFIT is needed (Adjusted FIT) .

Furthermore, GFIT and SRMR index were also used (standardized root mean square residual) to measure the overall model, which involve the structural model and the measurement model in an integrated way. The criteria used to determine GFI is when the value of goodness of fit ≤ 0.90 (cut- off value) then the model formed is eligible. The criteria used to determine SRMR is when SRMR ≤ cut-off value (0:08), the model formed is eligible (good fit). However, if one of the goodness of fit has been met, then the model can be said as good. The results of model eligibility testing are presented in Table 2.

FITModel	Index Value
FIT	0,721
AFIT	0,716
GFI	0,959
SRMR	0,174

Tabel 2. The Results of Model Testing

Based on the value of the index shown in Table 2, the FIT value obtained from the measurement result was equal to 0.721. This implied that the variation of the data from CR variable was able to be explained by the variable of SQ, RM , CV, CS, and SC which reached 72.10%. AFIT value of 0.716 also implied that the variation of data from CR variable was able to be explained by 71.6% of SQ, RM, CV, CS, and SC variables while the rest was explained by other variables out of the study. The GFI value of 0.959, or close to 1 means that the model was very good and SRMR value of 0.174, close to 0, meant that model was appropriate enough.

The results of GSCA analysis of the model (Figure 1), which were hypothesized using 5% significance limit (0.05), with the testing criteria if the critical ratio (CR) value marked with an asterisk (*) ≥ t table (t=2.00) the hypothesis stated to have significant effect or accepted. In contrast, if CR < t table, then the hypothesis stated as not having significant effect, or rejected. Table 3 presents the results of GSCA analysis of the hypothesized model. The coefficient path are presented in Table 3 (and Figure 2) which shows the relationship between the variables studied, as well as the impact on CR.

Among the lines or direct connection to the CR, only three relationships which were not significant, namely: H8 (RM into SQ); H11 (CV to CR); and H12 (CS to SC), while 11 other relationships supported the hypothesis. SQ and RM had a significant positive effect to SC (supported H1 and H5) ; SQ and RM had a significant positive effect to CR (supported H2 and H7); SQ and RM had a significant positive effect to CV (support H3 and H6); and SQ had a significant positive effect to SQ (supported H4). CV had a significant positive effect to SQ (supported H9); CV had a significant positive effect to the SC (supported H10); and CS and SC had significant positive effects to CR (supported H13 and H14).

Hypotheses	*Path*	*Path Coefficients*		
		Estimate	*SE*	*CR*
H_1	SQ→ SC	0,482	0,134	3,60*
H_2	SQ → CR	0,343	0,125	2,74*
H_3	SQ→ CV	0,305	0,120	2,54
H_4	SQ→ CS	0,935	0,214	4,37*
H_5	RM → SC	0,360	0,131	2,90*
H_6	RM → CV	0,768	0,087	8,83*
H_7	RM → CR	0,340	0,103	3,30*
H_8	RM → CS	0,250	0,128	1,95
H_9	CV→SQ	0,542	0,067	8,09*
H_{10}	CV→ SC	0,398	0,132	3,02
H_{11}	CV→CR	0,203	0,131	1,56
H_{12}	CV→ SC	0,247	0,129	1,91
H_{13}	CS→CR	0,345	0,104	3,32*
H_{14}	SC →CR	0,162	0,078	2,08*
CR = significant at .05 level*				

Table 3. Results of Hypotheses Testing

Moreover, as the implications of the hypotheses model, mediating variables testing was conducted to determine how far the role of mediating variables in the model. The results of the mediating variables testing (using Sobel) showed that only 7 of 27 indirect relationships (Appendix 2) which showed a significant effect. The seven indirect relationships which involved the role of mediating variables were: (1) SQ to CS through CV; (2) SQ to SC through CV; (3) SQ to CR through CS; (4) RM to SQ through CV; (5) RM to SC through CV; (6) RM to CR through CV and CS; and (7) CV to CR through SQ.

Based on the results of mediating variables testing, it is known that the result of H9 testing (RM into SQ) was not significant, but the indirect effect of RM to CS was mediated by CV. The same thing happened in H12 (CV to CR) which was not significant, but the indirect effect of CV to CR was mediated by CS. While on the other relationships: (1) SQ had a direct or indirect effect to CS through CV; (2) SQ had a direct or indirect effect to SC through CV; (3) SQ had a direct or indirectly effect to CR or through CS; (4) RM had a direct or indirect effect to SC through CV; and (5) RM had a direct or indirect effect to CR through CV and CS.

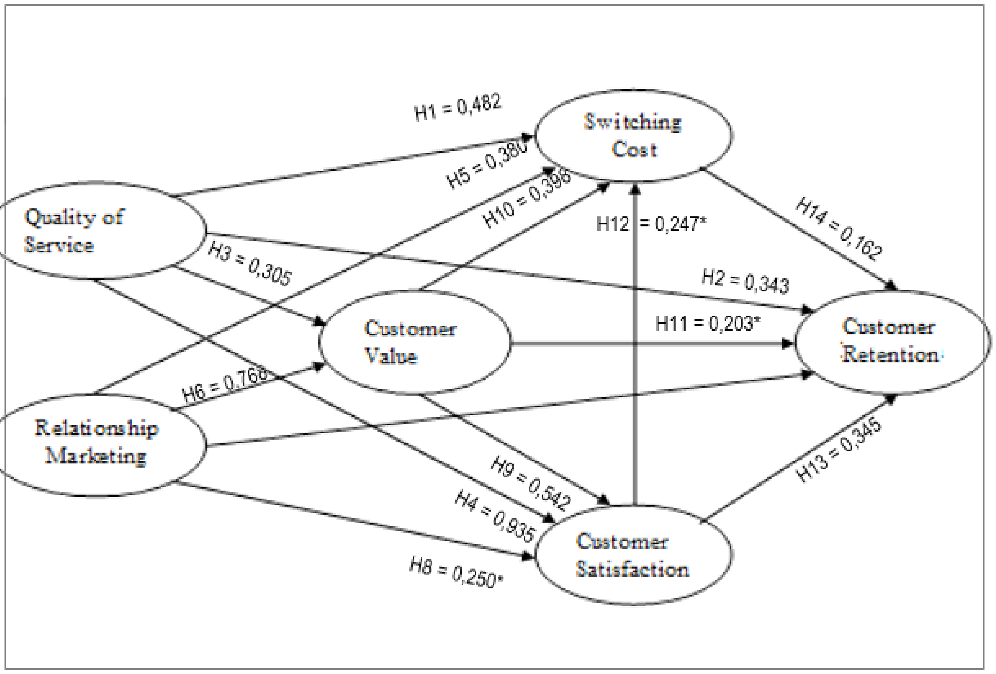

Figure 2. Hypotheses Model, Research Results
*Note = * Not Significant*

Based on the grand total effect obtained from the direct effect model (Table 3) and the indirect effect model (Appendix 2), it can be seen from the parameter value of each variable in explaining the CR variable. The calculations showed that the effect of SQ had a total of 2.759; RM had a total effect of 2.821; CV had a total effect of 0.882; CS had a total effect of 0.730; and SC had a total effect of 0.162. Thus, RM was a variable which had the highest effect on CR.

5. DISCUSSIONS AND MANAGERIAL IMPLICATIONS

This study provides new insights into the relationship between RM and SC as well as between RM and CR which were rarely to be investigated. The research results showed that RM has a direct effect on SC and CR. RM has a direct and significant effect on SC, as suggested by Dwyer et al., (1987) that the high anticipation of a buyer against SC rises buyer intention to maintain a high quality relationship. Monteiro et al., (2010) stated that creating and maintaining a high quality relationship is highly dependent on the ability of companies to make a complete and correct transaction all the time with their partners. Properly managed of RM can be an alternative to release SC from the often-attached negative connotation, as a customer trap assumption. Thus, RM can be part of ethical and moral perspective—as expected by Burnham et al (2003)—In managing SC.

As RM has a direct and positive effect on CR, it indirectly justify the qualitative research conducted by Alnsour (2013) to 9 key employees from nine different banks in Jordan. Alnsour (2013) findings showed some important factors which increase customer retention namely trust, satisfaction, commitment, loyalty, closeness, communication transparency, privacy, cost, reputation, and organizational culture. Three of the four factors were used as indicators in this study namely commitment, trust, and communication. Indicator which was not identified explicitly by Alnsour (2013) but used in this study was conflict resolution.

Several previous studies provide limited empirical insights on the impact of trust on customer retention (Ranaweere and King, 2003), but research conducted by Alnsour (2013) confirmed the expected positive impact of trust on retention. This is consistent with Lee et al (2011) which states that it is essential for organizations to develop and maintain customer's trust in order to build long-term relationships. RM emphasis on the efforts of mantaining trust and commitment to keep both side's integrity through fulfillment of promise and empathy (Little and Marandi, 2003). Commitment and trust are two reciprocal concepts which stimulate relationship bonding between service providers and customers which facilitates collaboration and reduce uncertainty as well as increase the value for both sides to maintain contact.

Intense and transparent communication with the existing and prospective customers plays an important role in continuing the relationship with the customer. Interactive technology allows customers to interact each other and provide a means of communication and negotiation between providers and customers, which will significantly improve the customer experience. This is consistent with research conducted by Alnsour (2013) which emphasizes that the two-way ongoing communication is essential to retain customers and increase buyer-seller relationship. Handling conflict as the fourth indicator of variable RM can encourage customer retention if the service provider has the ability to avoid potential conflicts, can solve the causes of conflicts before they become a problem, and discuss the solutions or problem solving when a problem arises (Dwyer et al.,1987).

Empirically, these findings prove the definition of RM which stated that RM emphasized the long-term interactive relationship between the service provider and the customer, and the long-term benefits (Gummesson, 1994), where all marketing activities are intended to build, develop and maintain the long-term relational exchange (Morgant and Hunt, 1994), to attract, develop, and maintain relationships with customers (Berry and Parasuraman, 1991).

This research also supports other important relationships which have been studied empirically by other researchers in different contexts. Direct and significant effect of SQ, CS, SC on CR indicate the important role of the three variables in increasing the level of customer retention. The critical role of the three variables against CR has been proven by some studies. The role CV on CR has also been evidenced by Adward and Sahadev (2011), Cohen et al (2007), and Sirdeshmuk et al (2002). In contrast to the three findings, the findings of this research suggest that the CV does not have a direct effect on CR.

This finding can be explained by the theory of buyer value chain proposed by Porter (1985). According to Porter (1985), buyer value chain is the starting point for understanding what is valued by customer, and it can be described as a series of actions seen by the buyer (customer) as providing value for them. Referring to this theory, then Ravald and Grönroos (1996) argued that a company that seeks to provide a competitive value for its customers must first obtain a thorough understanding of customers' needs and activities that make up the customer value chain. If not, then the duty to provide the right value for the right customer will end up with a risky one, where the chance to win a role to gain customer loyalty is limited. No matter how unique the offer given, it will end up in vain if the offer is not appropriate and not favorable for activity, sequence and series in the customer value chain. It seems that the results of this study support the opinion expressed by Ravald and Grönroos (1996). Moreover, the context of this study also allows a different outcome, as it was conducted to the borrowers (debtors) of consumer loan debt type in a small bank.

The results of this study can be said to be very important from the point of view of a practitioner who is facing the slow demand in the amid of shaCR competition for new customers. Overall, the findings suggest a service company can take advantage of SQ, RM, CS and SC to increase the level of CR, either independently or in tandem, depending on the product market. Especially for the banking industry, RM appears to play a key role in raising the level CR because it has been empirically proven to have a dominant influence on CR. In addition, SC—as has been suggested by Burnham et al (2003) and then supported by Edward and Sahadev (2011)—should be managed like CS. By reaching the CS through better service features and good provision value, the company can create SC which can increase the level of CR. This becomes very important, if it is associated with Bank NTT conditions in the last two years (2014 - 2015) where there were 7849 debtors stopped or switched to other banks. A survey to know the history or previous experience of potential customers, including customers who have already switched or stopped needs to be conducted.

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