



The Effective Customer Relationship Management of Business to Business in Improving Customer Satisfaction and Customer Retention

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Abstract. The attainment of revenue targets holds paramount importance for companies, as it not only ensures their survival but also facilitates sustainable growth. A pivotal factor influencing the realization of these revenue objectives is customer retention, which exhibits a strong correlation with customer satisfaction. In turn, customer satisfaction is markedly influenced by implementing effective Customer Relationship Management (CRM) strategies. The primary objective of this research endeavor is to investigate the intricate interplay between CRM variables, Customer Satisfaction (CS), and Customer Retention (CR). The empirical analysis draws upon responses from a sample of 107 customers who have engaged in cooperative agreements with the company under study. These participants were surveyed through a meticulously designed questionnaire. The research hypothesis was tested employing the Partial Least Square (PLS) procedure, a robust statistical tool for assessing the relationships within complex models. The findings of this study reveal several significant insights. Firstly, the CRM variable exerts a positive influence on the CS variable, underscoring the pivotal role of effective customer relationship management in fostering customer satisfaction. Furthermore, both the CRM and CS variables exhibit positive effects on CR, implying that satisfied customers are more likely to continue their patronage. Intriguingly, the study uncovers a direct negative impact of the CRM variable on CR, suggesting that while CRM enhances satisfaction, an overemphasis on CRM may inadvertently discourage customer retention. In light of these results, practical recommendations emerge. Companies are advised to prioritize the maintenance and enhancement of the quality of their customer relationship management initiatives. A keen focus on CRM will bolster customer satisfaction and contribute positively to customer retention. Additionally, organizations should attentively consider feedback garnered through their customer relationship systems as a valuable resource for improving service quality and refining customer relations strategies. These proactive measures will undoubtedly contribute to the overarching goal of achieving revenue targets and fostering sustainable growth in a competitive business landscape.

Keywords: Customer Retention, Customer Satisfaction, Customer Relationship Management.

1 Introduction

One of the paramount variables significantly impacting a company's ability to meet its revenue targets is customer retention. It is noteworthy that companies boasting a 5% higher customer retention rate than their competitors can achieve revenue growth rates 2-4 times faster [1]. This underscores the pivotal role of retaining customers in fostering financial growth and sustainability. Customer retention is inherently intertwined with customer satisfaction, as contented customers are more inclined to exhibit loyalty towards a company. This loyalty translates into continued patronage, thereby bolstering customer retention [2]. The key driver behind customer satisfaction is the effective implementation of Customer Relationship Management (CRM) practices. Through adept CRM, organizations can elevate customer satisfaction by enhancing the quality of their customer service, gaining deeper insights into customer needs, and offering personalized solutions [3].

While previous research has delved into CRM within various sectors, including the health industry [4], telecommunications [5], and the automotive sector [5], there remains a dearth of comprehensive studies focusing on the courier industry. This study serves as an endeavor to elucidate the influence of CRM and customer satisfaction on customer retention, with the ultimate aim of providing insights into effective CRM strategies that can augment customer satisfaction. The research is conducted among customers who have engaged in cooperative agreements with courier companies in Indonesia. Through rigorous analysis, this study seeks to shed light on the dynamics of CRM in the context of the courier industry, offering valuable insights for practitioners and scholars alike.

2 Method

This research adopts a multifaceted approach, encompassing quantitative, descriptive, and verification methods. To gather data, a questionnaire was disseminated to a pool of 200 customers who had established cooperation contracts, utilizing the Google Forms application. Subsequently, 107 respondents were selected as the sample for this study, forming the basis for data analysis. The analytical framework employed in this research hinges on Structural Equation Modeling through Partial Least Squares (SEM-PLS). This method enables a comprehensive examination of the relationships between Customer Relationship Management (CRM), customer satisfaction, and customer retention, providing a robust foundation for the empirical investigation.

2.1 Model Measurement

The primary objective of utilizing the Partial Least Squares (PLS) model measurement is twofold: to identify construct collinearity and to assess the model's predictive capability, as highlighted by Hair Jr. et al. [6]. The evaluation of this model encompasses several key indicators, which are elaborated upon below.

2.2 Respondent Data Description

The study comprised a total of 107 respondents, with the following demographic breakdown: 51 of them were males, accounting for 48% of the sample, while the remaining 56 respondents were females, constituting 52% of the sample. In terms of age distribution, all respondents fell within the age range of 18 to 23 years old, and each of them reported using the company's services.

2.3 Reliability Indicator

The reliability indicator serves the purpose of assessing the reliability of the indicators used to measure latent variables. To gauge the reliability of these indicators, we examine the outer loading value associated with each of them. An outer loading value exceeding 0.7 indicates that the respective construct can account for 50% of the variance observed in its corresponding indicator [7].

Concept model of this research shown in Fig 1.

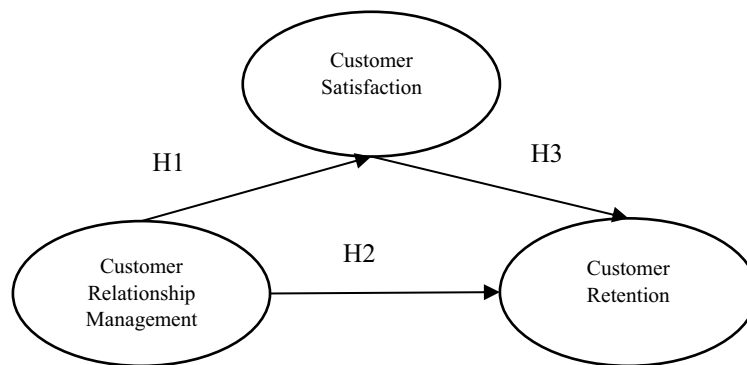


Fig. 1. Concept Model

This study aims to examine the effect of CRM on customer satisfaction (H1) and customer retention (H2) using five CRM dimensions, namely responsiveness, problem solving ability, service quality, customer relationship management and service availability, as well as testing the effect of customer satisfaction on customer retention (H3) through product quality, service quality, price, customer experience and ease of use. This research is expected to provide further insight into the importance of CRM in creating higher customer satisfaction and provide recommendations for companies to develop effective B2B CRM strategies.

2.4 Hypothesis

H1 : Does Customer Relationship Management have a positive effect on Customer Satisfaction?

H2 : Does Customer Relationship Management have a positive effect on Customer Retention?

H3 : Does Customer Satisfaction have a positive effect on Customer Retention?

3 Result and Discussion

Utilizing the SEM-PLS model, it is evident that all outer loading values surpass the threshold of 0.7. This signifies that each construct effectively elucidates 50% of the variance within its respective indicator variables [8]. The bootstrapping shown in Table 1 as follow:

Table 1. Bootstrapping.

Variabel	Original Sample	Sample Mean	Standard Deviation	T Statistic	P Values
CRM – CS	0.783	0.780	0.060	13.081	0.000
CRM - CR	-0.057	-0.043	0.123	0.464	0.643
CS - CR	0.840	0.828	0.113	7.442	0.000

Table 1 provides an overview of several key statistical indicators. The t-statistic value is assessed by comparing it with the critical value from the t-table to determine the significance of the exogenous variable's impact on the endogenous variable. The p-value is then scrutinized to ascertain whether it falls below the designated significance level, typically below 0.000 or above 0.643, thereby determining whether the null hypothesis or alternative hypothesis should be accepted or rejected. Additionally, the original sample is employed to derive the regression coefficient value, which is a vital component in completing the regression equation

The cronbach's alpha result shown in Table 2 as follow:

Table 2. Cronbach's Alpha

Variabel	Cronbach's Alpha	RhoA	Composite Reliability	AVE
CRM – CS	0.369	0.644	0.151	0.355
CRM - CR	0.829	0.942	0.819	0.501
CS - CR	0.718	0.713	0.813	0.466

Table 2 offers valuable insights into the reliability of the constructs Customer Relationship Management - Customer Satisfaction and Customer Satisfaction - Customer Retention. Reliability is assessed by examining the Cronbach Alpha values associated with the indicator block measuring each construct. A construct is deemed reliable if its Cronbach Alpha value exceeds 0.70. Furthermore, the reliability test is conducted by considering the composite reliability value of the indicator block measuring the construct. An absolute standard loading value above 0.7 indicates reliability, while a value below 0.7 signifies unreliability. This reliability testing aims to establish the precision, consistency, and accuracy of the instrument in gauging the construct. To

achieve a high level of reliability, both the composite reliability value and Cronbach's alpha value should surpass the 0.70 threshold.

The result of path coefficients shown in Table 3 as follow:

Table 3. Path Coefficients

Variabel	Original Sample	Sample Mean	Standard Deviation	T Statistic	P Values
CRM – CS	0.783	0.780	0.060	13.081	0.000
CRM - CR	-0.057	-0.043	0.123	0.464	0.643
CS - CR	0.840	0.828	0.113	7.442	0.000

Table 3 provides insights into the statistical significance of the variables in question. Notably, the variable (Customer Relationship Management - Customer Retention) yields a P Value of 0.643, while the variables (Customer Relationship Management - Customer Satisfaction) and (Customer Relationship Management - Customer Retention) both yield a P Value of 0.000.

According to the guidelines provided by Hair Jr et al. [6], the path coefficient value can range from -1 to +1. A value of +1 signifies a strong positive relationship, while -1 implies a weak relationship or a negative correlation. Additionally, a P Value of less than 0.005 indicates statistical significance.

In this context, the variables (Customer Relationship Management - Customer Satisfaction) and (Customer Relationship Management - Customer Retention) both exhibit strong and statistically significant relationships, given their low P Values (0.000). Conversely, the variable (Customer Relationship Management - Customer Retention) does not exhibit statistical significance as indicated by its higher P Value of 0.643.

H1: Customer Relationship Management has a positive effect on Customer Satisfaction

For the first hypothesis based on the survey results in Table 3, we can see that the path coefficient for Value Customer Relationship Management to Customer Satisfaction is 0.780 and the P Value is 0.000; this means that H1 is accepted or Customer Relationship Management has a positive and significant effect on Customer Satisfaction.

H2 : Customer Relationship Management has a negative effect on Customer Retention

For the second hypothesis based on the survey results in Table 3, we can see that the path coefficient for Value Customer Relationship Management to Customer Retention is - 0.043 and P Values is 0.643; this means H2 is not accepted or Customer Relationship Management has a negative and insignificant effect on Customer Retention.

H3 : Customer Satisfaction has a positive effect on Customer Retention

For the third hypothesis based on the survey results in Table 3, we can see that the path coefficient for Customer Satisfaction Value is 0.828 and the P Values is 0.000; this means that H3 is accepted or Customer Satisfaction has a positive and significant effect on Customer Retention.

The findings derived from the SEM-PLS analysis underscore the critical importance of effective customer relationship management within a company. It is evident that proficient management of customer relationships can substantially enhance customer satisfaction. However, it's crucial to note that even with exemplary customer relationship management, this may not automatically translate into heightened customer retention if customers do not derive satisfaction from their interactions with the company's customer relationship services.

Therefore, companies must place a heightened emphasis on enhancing the competencies of their staff members, particularly in areas related to response speed, problem-solving capabilities, service quality, and the accessibility of customer relationship management services when customers require them. This entails continuous training and development efforts aimed at bolstering the skills and knowledge of customer service personnel. These insights align with the findings of previous research, such as the study conducted by Aissa et al. [5]

4 Conclusion

Achieving the company's revenue targets is intricately linked to the level of customer retention, which, in turn, hinges on customer satisfaction and effective customer relationship management. It is imperative for companies to consistently enhance the quality of their services and the management of customer relationships. Moreover, they should actively seek feedback through CRM mechanisms to continually refine their services and customer relationship strategies.

From an academic perspective, there are potential avenues for further research, especially concerning hypothesis 2. The results of the questionnaire data analysis revealed a direct negative impact of CRM on CR. Therefore, it is essential to delve deeper into the various dimensions and operational variables that underlie this relationship. Further exploration and empirical investigation can yield a more comprehensive understanding of the dynamics at play, providing valuable insights for both academia and business practices.

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