

## **The Implementation of Customer Relationship Management (CRM) on a Local Regional Government Bank at West Java**

Adam Faritzal  
Sri Wiludjeng  
Alfiah Hasanah

*Widyatama University*

### **Abstract**

The competition in banking industry is running progressively. In the situation where there is not many financing for corporation then bank tend to look closer to their customer. To succeed in this kind of competition bank should change its business paradigm. One of the strategy applied by banks is the *Customer Relationship Management* (CRM) method to make a closer relationship between company and its customer. The purpose of the closer relationship between company and its customer is to increase the loyalty of customer so that they will continue to consume company products or services. The fine and closer relationship between company and its customers will create a better company reputation.

Employing 106 customers as sample, the research investigate the implementation of three variable of CRM which are acquiring, *retaining* and *partnering*. Using literature, interviews, observation and questionnaire to collect data and applying the path analysis the investigation found that all of the three variables showed a positive relationship to CRM of this local regional bank.

**Keywords:** Customer Relationship Management (CRM), company reputation, local government bank.

### **1. Introduction**

*Customer Relationship Management* (CRM) has become not only a new paradigm in making a close relationship with its customer but also one of the companies goal. A close relationship with customers will result in a good reputation of the company and loyal customer. Based on these reasons company should determine the exact market target and manage the CRM well.

Since the 2007 banking in Indonesia, most of corporate financing failed and then banks start to focus on the financing to. To be successful in this market segment banks should shift its paradigm in managing the customer relationship. Info Bank, No.317, Agustus 2005;96) argued that it's better to manage bank business with individual customers in a great numbers than only with few organizations.

Jabar bank is local regional government banks operate in West Java and Banten that anticipate the opportunity on focusing on individual customers and applied the *Customer Relationship Management* (CRM). One of its products is saving account named as Jabar Oke. As one of its superior, this product is meant to understand the needs of the customers. In the implementation JABAR Bank still faced some problem on the implementation of CRM as there are some customers complained about its services in the newspaper between 2005 and 2006.

Some of the things that complained by the customers such as the process of complaint handling, less information about complaint procedures, low attention of the staff and etc. Some of the customers felt not satisfied with the services.

Some of the characteristics reputation according to Charles J.Fombrun (1996:72) is: *a snapshot that reconciles the multiple images of attractiveness of the company to employees, consumers, investors, suppliers, and local communities*. The facts that based on the newspaper the reputation of this Local Regional Bank is still doubted.

Based on the above phenomenon the research focused on the Implementation of Customer Relationship Management (CRM) on customers of saving account Jabar Oke and its effect to Jabar Bank reputation.

## 2. Problem identification

Based on the above analysis the problem investigated in this research are:

1. How is the implementation of *Customer Relationship Management* (CRM) in the Jabar Bank Bandung based on its customer's perception?
2. How is the reputation of Jabar Bank Bandung based on its customer's perception?
3. What is the effect of *Customer Relationship Management* (CRM) to the reputation of Jabar Bank Bandung?

## 3. Theoretical background

As stated by Jangdish N Sheet (2001: 6) *Customer Relationship Management* (CRM) is *a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer.*

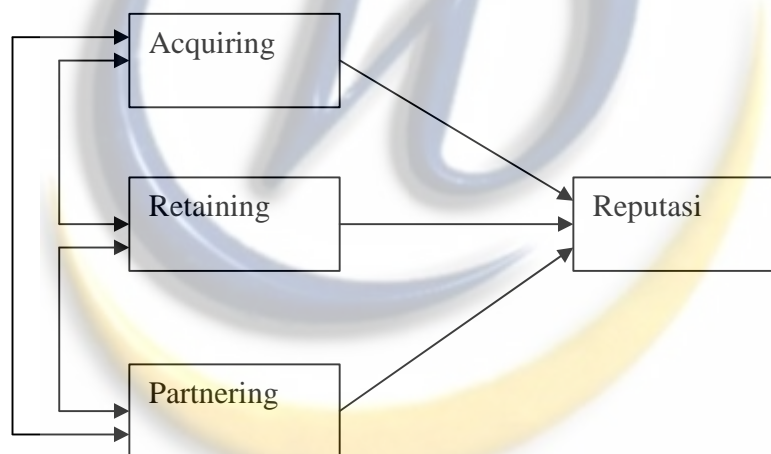
The Definition above underlines the word selective in implementing CRM. The problem is that there are many companies had difficulties in value its customers.

The department of *Customer-Service Relations* in a company can be seen as a commitment of company to keep good relation with its customers. Good relations with customers result in a good company reputation. The importance of reputation is define by Charles J.Fombrun (1996:72) as *"A corporate reputation is a perceptual representation of a company's past actions and future prospects that describes the firm overall appeal to all of its key constituents when compared with other leading rivals."*

Company reputation positively related the implementation of *Customer Relationship Management* (CRM). A good relationship with customers will result in good company reputation. *Customer Relationship Management* (CRM) is one way to gain a good repupation.

The effect of *Customer Relationship Management* (CRM) to bank reputation stated by Jarvenpaa et all dan Stratford (1999;13): “*Developing the brand and the bank’s reputation will also act as assurance to the customers.*” This argument is in line with many bank professionals who argue that there are a significant relationship between *Customer Relationship Managemet* (CRM) program with the formation of bank reputation.

Based on discussion above, the investigation of this research will focus on the implementation of three CRM variables which are acquiring, retaining and partnering to the reputation of Jabar Bank as a local regional government. Th paradigm is draw as followed:



**Figure 3.1 Paradigma Penelitian**

#### **4. Analysis & Hypothesis test**

The research used qualitative and quantitative method. The qualitative method is used to analyze data, grouping, tabulated and explained data. Quantitative/ inferential method used to test the hypothesis and determine the effect of *Customer Relationship Management* (CRM) either partial or simultaneous and either directly or indirectly to the reputation of Jabar Bank Bandung. The method used correlative analysis and continued with path analysis

Questionnaire employed in this research is a closed questionnaire using ordinal scale based on pada *Likert Summated Rating* with five alternative answers 1,2,3,4,5 and each

value became indicator for the independent variable (X) which is  $X_1, X_2, X_3$ ; and Y as dependent variable.

The graph for the path analysis is described below :

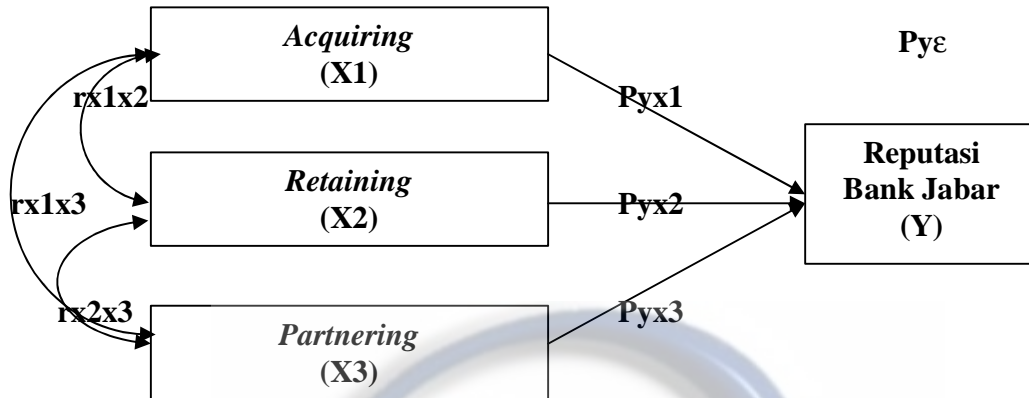


Figure 3.1 Research model

### 5. Population and sample.

Population in this investigation is all the customers of saving account jabar Oke meanwhile the sample are 106 respondent.

### 6. Investigation Results

#### The implementation of *Customer Relationship Management* (CRM) to the reputation

To test the effect of implementation of *Customer Relationship Management* (CRM) to bank reputation, the investigation employ F test with mayor hypothesis as followed:

$H_0$  : all  $y_{xi} = 0$

$i = 1, 2, 3$

The implementation of *Customer Relationship Management* (CRM) is not effected to the bank reputation.

$H_1$  : one of  $y_{xi} \neq 0$

$i = 1, 2, 3$

The implementation of *Customer Relationship Management* (CRM) is effected to the bank reputation..

From the test we found that the F is  $P_{Yxi} = 42.380$  and it is significant at 5% significance level so we have to reject the  $H_0$  and conclude that the implementation of *Customer Relationship Management* (CRM) is effected to the bank reputation.

The minor hypotheses in this research are:

**H<sub>0</sub> :**  $y_{xi} = 0$  Implementation of *Customer Relationship Management* (CRM) individually do not effected to the bank reputation.  
**i = 1,2,3**

**H<sub>1</sub> :**  $y_{xi} \neq 0$  Implementation of *Customer Relationship Management* (CRM) individually effected to the bank reputation.  
**i = 1,2,3**

This minor hypohtheses are tested using t test to test each variable *acquaring* (X<sub>1</sub>), *Retaining* (X<sub>2</sub>), *partnering* (X<sub>3</sub>) to the bank reputation (Y):

From the investigation the t test of each independent variable are:

$$PYX_1 = 2.27996$$

$$PYX_2 = 2.03642$$

$$PYX_3 = 2.32835$$

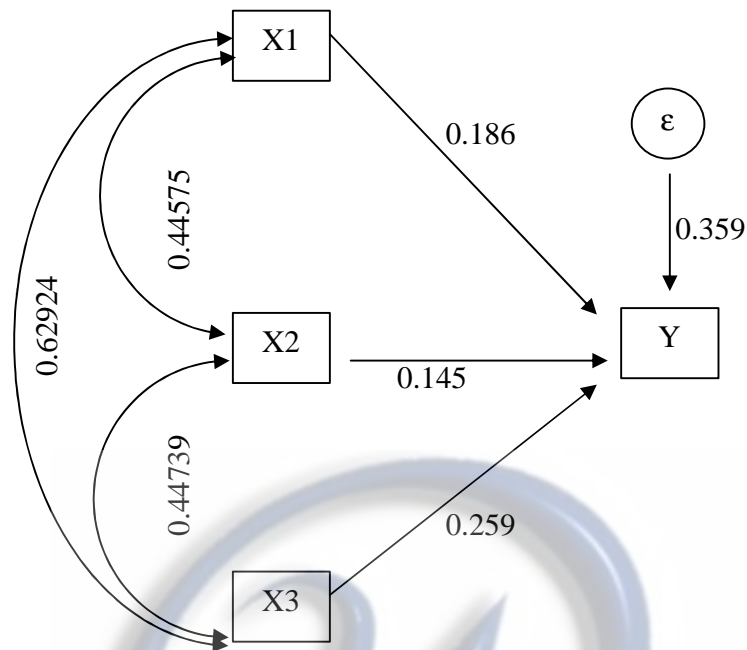
From these t value we found that each of the independent variable is significant so that we reject each of the minor hypotheses and conclude all of the three independent variable *acquaring* (X<sub>1</sub>), *Retaining* (X<sub>2</sub>), *partnering* (X<sub>3</sub>), individually and significantly affected to the bank reputation.

The Pearson coefficient correlation is employed to get the correlation and the values are as followed:

**Table 4.1. Correlation variable**

|    | X1 | X2      | X3      |
|----|----|---------|---------|
| X1 | 1  | 0.44575 | 0.62924 |
| X2 |    | 1       | 0.44739 |
| X3 |    |         | 1       |

The value of the implementation of *Customer Relationship Management* (CRM) to the bank reputation is described as followed:



**Figure 4.1 Causal relationship between  $X_1$ ,  $X_2$ ,  $X_3$  and  $Y$**

From the above picture we can determine the effect of one variable to another either directly or indirectly as followed:

**A. The effect of  $X_1$**

$$\begin{aligned}
 &1. \quad \text{Direct effect of variable } X_1 \text{ to } Y: \\
 Y &\leftarrow X_1 \rightarrow Y \quad = P_{YX_1} * P_{YX_1} \\
 &= 0.186 * 0.186 \\
 &= 0.034459
 \end{aligned}$$

The direct effect of variable  $X_1$  to  $Y$  is a direct effect *acquaring* to reputation and the path coefficient is 0,034459.

$$\begin{aligned}
 &2. \quad \text{Indirect effect variable } X_1 \text{ to variable } Y \text{ through variable } X_2: \\
 Y &\leftarrow X_1 \Omega X_2 \rightarrow Y \quad = P_{YX_1} * r_{X_1X_2} * P_{YX_2} \\
 &= 0.186 * 0.44575 * 0.145 \\
 &= 0.012021
 \end{aligned}$$

Indirect effect variable  $X_1$  to  $Y$  through variable  $X_2$  is the indirect effect of *acquaring* to the bank reputation through *Retaining*, and the path coefficient is 0,012021.

$$\begin{aligned}
 &3. \quad \text{Indirect effect variable } X_1 \text{ to variable } Y \text{ through variable } X_3: \\
 Y &\leftarrow X_1 \Omega X_3 \rightarrow Y \quad = P_{YX_1} * r_{X_1X_3} * P_{YX_3} \\
 &= 0.186 * 0.62924 * 0.259
 \end{aligned}$$



$$= 0.030189$$

Indirect effect variable  $X_1$  to variable  $Y$  through variable  $X_3$  is the indirect effect of *acquaring* to the bank reputation through *partnering*, and the path coefficient is 0,030189.

$$\begin{aligned} 4. \quad & \text{Total effect of variable } X_1 \text{ to variable } Y: \\ & = 0.034459 + 0.012021 + 0.030189 \\ & = 0.076772 = 7,6772 \% \end{aligned}$$

The total effect of  $X_1$  to  $Y$  is the summation all of the path coefficient of *acquaring* variable to the bank reputation either directly or indirectly through *Retaining* dan *partnering*. The Total coefficient is 0,076772 or about 7,6772%, which means that about 7,6772% variation in the reputation is affected by *acquaring*, meanwhile the rest of the value about 92,3228% is affected by *Retaining* dan *Partnering* and other variable outside the investigation.

## B. The effect of $X_2$

$$\begin{aligned} 1. \quad & \text{Direct effect of } X_2 \text{ to } Y: \\ Y \quad & \leftarrow X_2 \rightarrow Y \quad = P_{yx_2} * P_{yx_2} \\ & = 0.145 * 0.145 \\ & = 0.021112 \end{aligned}$$

Direct effect of  $X_2$  to  $Y$  is a direct effect of *Retaining* to reputation and the path coefficient is 0,021112.

$$\begin{aligned} 2. \quad & \text{Indirect of } X_2 \text{ to } Y \text{ through } X_1 : \\ Y \quad & \leftarrow X_2 \Omega X_1 \rightarrow Y \quad = P_{yx_2} * r_{x_2x_1} * P_{yx_1} \\ & = 0.145 * 0.44575 * 0.186 \\ & = 0.012021 \end{aligned}$$

Indirect effect of  $X_2$  to  $Y$  through  $X_1$  is indirect effect of *Retaining* to reputation through *acquaring*, and the path coefficient is 0,012021.

$$\begin{aligned} 3. \quad & \text{Indirect effect of } X_2 \text{ to } Y \text{ through } X_3 : \\ Y \quad & \leftarrow X_2 \Omega X_3 \rightarrow Y \quad = P_{yx_2} * r_{x_2x_3} * P_{yx_3} \\ & = 0.145 * 0.44739 * 0.259 \\ & = 0.01680 \end{aligned}$$

Indirect effect of  $X_2$  to  $Y$  through  $X_3$  is indirect effect of *Retaining* to reputation through *partnering*, and the path coefficient is 0.01680.

$$\begin{aligned} 4. \quad & \text{Total Effect of } X_2 \text{ to } Y \text{ is :} \\ & = 0.021112 + 0.012021 + 0.01680 \\ & = 0.049933 = 4.9933\% \end{aligned}$$

The total effect of  $X_2$  to  $Y$  is the summation of all path coefficient of *Retaining* to the reputation of bank either directly or indirectly through the *acquaring* and *partnering*. The total coefficient is 0.049933 or about 4.9933%, which means 4.9933% variation in reputation effected by *Retaining*, meanwhile the rest of the value about 95.0067% is effected by *acquaring* and *partnering* and other variable outside the investigation..

### C. The effect of $X_3$

1. Direct effect of  $X_3$  to  $Y$ :

$$\begin{aligned} Y \quad \leftarrow X_3 \rightarrow Y &= P_{YX_3} * P_{YX_3} \\ &= 0.259 * 0.259 \\ &= 0.066822 \end{aligned}$$

Direct effect  $X_3$  to  $Y$  is the direct effect of *partnering* to reputation and the path coefficient is 0,066822.

2. Indirect effect  $X_3$  to  $Y$  through  $X_1$  :

$$\begin{aligned} Y \quad \leftarrow X_3 \Omega X_1 \rightarrow Y &= P_{YX_3} * r_{X_3X_1} * P_{YX_1} \\ &= 0.259 * 0.62924 * 0.186 \\ &= 0.030189 \end{aligned}$$

Indirect effect of  $X_3$  to  $Y$  through  $X_1$  is the indirect effect of *partnering* to reputation through *acquaring* and the path coefficient is 0,030189.

3. Indirect effect of  $X_3$  to  $Y$  through  $X_2$  :

$$\begin{aligned} Y \quad \leftarrow X_4 \Omega X_2 \rightarrow Y &= P_{YX_3} * r_{X_3X_2} * P_{YX_2} \\ &= 0.259 * 0.44739 * 0.145 \\ &= 0.016804 \end{aligned}$$

Indirect effect of of  $X_3$  to  $Y$  through  $X_2$  is indirect effect of *partnering* to reputation through *Retaining*, and the path coefficient is 0,016804.

4. Total effect of  $X_3$  to  $Y$ :

$$\begin{aligned} &= 0.066822 + 0.030189 + 0.016804 \\ &= 0,113815 = 11.3815\% \end{aligned}$$

The total effect of  $X_3$  to  $Y$  is the summation of all path coefficient *partnering* to the reputation either directly or indirectly through *acquaring* dan *Retaining*. The total coefficient is 0,113815 or about 11.3815%, which means 1.3815% variation in reputation effected by *partnering*, meanwhile the rest of the value 88.6185 % is effected by *acquaring* dan *Retaining* and other variable outside the investigation.

**Tabel 4.3**

#### The effect of CRM To Jabar Bank Reputation

| NO. | Implementation   | Path coefficient | Direct effect | Indirect effect | total (%) |
|-----|------------------|------------------|---------------|-----------------|-----------|
| 1   | <i>Acquaring</i> | 0.186            | 3.4459        | 4.221           | 7,6772    |



|   |                   |       |        |        |         |
|---|-------------------|-------|--------|--------|---------|
| 2 | <i>Retaining</i>  | 0.145 | 2.1112 | 2.8821 | 4.9933  |
| 3 | <i>Partnering</i> | 0.259 | 6.6822 | 4.6993 | 11.3815 |

Based on the findings above the investigation have the following pre conclusion::

**A. The effect of implementation *Acquaring* to the reputation of Jabar Bank**

Variable *acquaring* is the second variable of CRM that effected to reputation of Jabar Bank with the value of 4.221%. Totally the effect of *acquaring* is 7,6772, with path coefficient 0,186. This path coefficient is positive which means the better the implementation of *acquaring* then the better the bank reputation.

**B. The effect of implementation *Retaining* to the Reputation of Jabar Bank**

Variable *Retaining* has the lowest effect to reputation among other variables. Direct effect of Retaining to bank reputation is 2.1112 and the indirect effect is about 2.8821%, so that the total effect is 4.9933 %, with the path coefficient 0,145.

This path coefficient showed a positive relation which means the better the implementation of *Retaining* then the better the reputation.

**C.The effect of implementation *Partnering* to the reputation of Jabar Bank.**

Variable *partnering* has the highest effect to reputation among other variables with the value of 11.3815%, and the path coefficient is 0,259. Direct effect of this variable is about 6,6822 %, and the indirect effect is 4.6993%. The path coefficient also showed a positive relation which means that the implementation of *partnering* then the better bank the bank reputation.

## 7. Concluding remarks and suggestion

### 7.1. Conclusion

Based on the investigation there are some conclusion about the implementation of CRM:

1. Basically the implementation of *Customer Relationship Management* (CRM) by this local regional bank is implemented well. This can be seen from the positive response from customers to *Customer Relationship Management* (CRM) indicators.
  - a. The implementation of *Acquaring* indicators such as administration fee, service from *front office* and sponsorship had affected respondents to become the customer.
  - b. The implementation of *Retaining* indicators such as the service to customers, the quality of service and products, the unique of service, implementation of loyalty, the ease of service and attention from *customer service* had a positive response from customers affected respondents to become the customer.
  - c. The implementation of *Partnering* indicators such as the variety and numbers of product offered, *customer affinity* had affected some of customers to buy other products of this bank..
2. Jabar Bank as local regional government bank has do its best to have a good reputation. This can be seen from the effort to serve its customers as they promise to , the quality of services, the skill to serve the best, the credibility and the ability to gain the trust from customers.

3. Based on F test, there is positive effect of the implementation of *Customer Relationship Management* (CRM) to the reputation of Jabar Bank. The same findings also can be seen from the t test of the CRM variables which are *acquiring*, *retaining*, dan *partnering*.. Variables *partnering* had the highest effect to bank reputation, the second is *acquiring* sand the last is *retaining*.

## 7.2. Suggestion

Some suggestions from this investigation are:

1. The investigation make some suggestion to improve the implementation of *Customer Relationship Management* (CRM),;
  - a. The quality of *front office* staffs should be improve specially in *product knowledge* and interaction skill with customers..
  - b. The information about promotion should be inform to its branch office at time so that all staff aware of the activity and able to support the goal.
2. The bank and customers meetings should be increase and the activity can be done informally through social activity such as sport, music etc.

## References

- Anton and Petouhoff, Natalie L., 2002. *Customer Relationship Management: The Bottom Line To Optimizing Your ROI*. *Pearson Education, Upper Saddle River, New Jersey*
- Barnes, James G, Diterjemahkan oleh Winardi, Andreas. 2003, *Secrets of Customer Relationship Management (Rahasia Manajemen Hubungan Pelanggan)*. *Penerbit Andi Yogyakarta*
- Berkowitz Eric N., Kerin, Roger A., Hartley, Steven W., Rudelies, William., 2000, *Marketing*. 6<sup>th</sup> Ed, *Irwin/ McGraw Hill, USA*
- Blattberg, Robert C, Gary Getz, Thomas, Jacquelyn S. 2001. *Customer Equity: Building and Managing Relationship as Valuable Assets*. *Harvard Business School Publishing Corporation*.
- Boone, Louis E., Kurtz, David L., 2005. *Contemporary Marketing 2005*. *South-Western, Thompson-Corporation, USA*
- Brown, Stanley A, 2000, *Customer Relationship Management: A Strategic Imperative in the World of e-Business*. *Jhon Wiley&Sons*
- Czinkota, Michael R., and Kotabe, Masaaki.,2001. *Marketing Management*. 2<sup>nd</sup> Ed, *South-Western College Publishing, USA*.
- Fombrun. Charles J., 1996. *Reputation: Realizing value from the corporate image*. *Harvard Business School Press, Massachusetts*
- Kotler, Philip, Gary Armstrong, 2006. *Principles of Marketing*. 11<sup>th</sup> Ed, *Pearson Education, Inc., New Jersey, USA*.

- Kotler, Philip, Kevin Lane Keller, 2006. Marketing Management. 12<sup>th</sup> Ed, Pearson Education, Inc., New Jersey, USA
- Malhotra, Naresh K., 2004. Marketing Research an Applied Orientation. 4<sup>th</sup> Ed, Pearson Education, Inc., Upper Saddle River, New Jersey, USA.
- Martowardojo, Agus, November 2005. Merebut Dana Mahal Memasuki Fase Baru. hal 19, *Majalah Info Bank*, No.320, Vol XXVII.
- McDaniel, Carl, Roger Gates, 1999. *Contemporary Marketing Research*. 4<sup>th</sup> Ed, South-Western College Publishing, Cincinnati, Ohio, USA
- Mukherjee, Avinandan and Nath, Prithwiraj. 2003. A model of trust in online relationship Banking. *International Journal of Bank Marketing*, Vol 21, pp7-13
- Parvatiyar, Atul., and Sheth, Jagdish N., 2001, 2002 Preliminary Issue. Customer Relationship Management: Emerging Practice, Process, and Discipline. *Journal of Economic and Social ResearchMarketing*, 3 (2), 1-34
- Puspito, Harry, Agustus 2005, Siapa Tertarik Layanan E-Banking?. hal 96, *Majalah Info Bank*, No.317.
- Sever, Joy. Wednesday, January 16, 2002, .Companies' Reputation Depend on Services They Give Customers. *The Wall Street Journal*, pg 1, Dow Jones & Company, Inc
- Storbacka, Kay and Lehtinen, Jarmo R., 2001, .Customer Relationship Management: Creating Competitive Advantage Through Win-win Relationship Strategies. *McGraw-Hill Education (Asia)*.
- Sugiyono, Prof., Dr, 2004, Metode Penelitian Bisnis. *Alfabeta, CV., Bandung, Indonesia*.
- Zikmund, William G., McLeod Jr, Raymond., and Gilbert, Faye W., 2003. Customer Relationship Management: Integrating Marketing Strategy and Information Technology, *Jhon Wiley & Sons*