The Influence of Customer Satisfaction, Trust and Information Sharing on Customer Loyalty of Professional Services Company: An Empirical Study on Independent Surveyor Services Industry in Indonesia

Sufrin HANNAN*

Graduate School of Management and Business, Bogor Agricultural University, Bogor, Indonesia. E-mail: sufrin_hannan@yahoo.com.

Budi SUHARJO

Graduate School of Management and Business, Bogor Agricultural University, Bogor, Indonesia.

Kirbrandoko KIRBRANDOKO

Graduate School of Management and Business, Bogor Agricultural University, Bogor, Indonesia.

Rita NURMALINA

Graduate School of Management and Business, Bogor Agricultural University, Bogor, Indonesia.

ABSTRACT

The independent surveyor service company in Indonesia is growing due to that commodity business transaction in Indonesia is very attractive in the global market situation. Therefore, creating long-term relationships between independent surveyor company and their customers through customer satisfaction, trust, and information sharing that affect customer loyalty becomes very important to win the competition. The independent surveyor services are very valuable for sellers and buyers to assure their trade transactions. This research aims to develop a model of the relationship between customer satisfaction, trust, and information sharing to customer loyalty in professional services of independent surveyor to inspect the coal export using the marketing approach relationship. Testing of the hypothesis has been made on three variables on customer loyalty. The data is collected from 51 exporters and coal trading companies in Indonesia and the analysis used is the Structural Equation Models (SEM). Results from this study show that customer satisfaction, trust, and information sharing influence the customer loyalty of independent surveyor company. Every variable has a significant influence.

JEL Classification: L80; M30; M31; Q13.

Keywords: Customer Satisfaction; Trust; Loyalty; Marketing; Indonesia.

*Corresponding author.

1. INTRODUCTION

Various industries, especially service industry, has their relationship sustained by stakeholders such as customers, employees, partners or suppliers, investors, market analysts, governments as regulators, trade associations and other important entities in general business climate. Ford et al. (2003) emphasized that the relationship between stakeholder management and business becomes a very critical task for the company as it means to maintain its existence. Business conditions and climate are essential for micro and macro economic performance of countries (Sodeyfi, 2016; Sodeyfi & Katircioglu, 2016). One of the most important stakeholders is the customer. Until now, research on marketing of professional services, particular the study of the creation or development of buyer-seller relationship has not been conducted yet to the best of our knowledge. The services marketing literature is generally dominated by firm-customer relationship mainly focusing on service quality and customer satisfaction (Katircioglu et al., 2012; 2011a; 2011b; Arasli et al., 2008; 2005a; 2005b). In relation with characteristics of service companies

in general, the relationship is specifically referred to as service provider-client relationship (Suvittawat, 2015; Dagli, 2014; Muderrisoglu, 2014; Cakir & Eru, 2013; Kilinc et al., 2013; Carsamer, 2012; Milohnic, 2012; Bulut & Sayin, 2010; Mehtap-Smadi, 2010). Several studies have shown that long-term business relationship is very appropriate in professional services and business sector (Sodeyfi & Katircioglu, 2016). Halinen (1997) stated that customer professional services have characteristics of high switching cost and buyers' inertia, influenced by the reputation of its service providers.

This research specifically focuses on independent surveyor services industry for coal commodity as one of the professional service industries. Independent surveyor is a company conducting superintending of professional services that provide goods inspection services including inspection of quality and quantity for a smooth operation of trade. Characteristics of services presented by the company are technical and scientific surveyor, carried out independently and impartial towards all parties of the transaction. The superintending services meet the needs of the parties of transaction and the results of the work are outlined in the survey report or certificate. The Indonesian government will open the market to foreign surveyor firms operating in Indonesia. This policy will certainly increase the competition of independent surveyor services in Indonesia. In accordance, a surveyor in the field of coal inspection should also strengthen himself in order to compete with foreign surveyor. Adopting relationship marketing is an important strategy for businesses in the future (Kilpady, 2005). In the previous studies, it is shown that relationship marketing in the B2B industry, particularly of providers of professional services, shows complex issue of the development process between the service provider and its customers in maintaining long-term relationships.

This research aims to; (1) identify and test the dimensions of customer satisfaction, trust and information sharing in relation to professional service provider and its customers, and (2) develop a model for customer loyalty. The next section will review previous works in the similar field and then propose a conceptual model for the study. Section 3 will describe research methodology, Section 4 will present empirical results and Section 5 will conclude the study.

2.   LITERARY REVIEW AND HYPOTHESIS DEVELOPMENT

According to Grönroos (1994), transaction-based marketing has dominated the marketing world for more than four decades. With the globalization of business, nowadays, there has been a paradigm change in the trend of marketing-mix use in relationship marketing. Zeithaml et al. (2009) stated that relationship marketing is basically marketing representing a paradigm shift of focus against acquisition or transaction to focus on customer retention or customer relationships. Relationship turns customer as a partner, and the firm must maintain a long-term commitment to keep customers with quality, service and innovation. Many companies perceive that long-term competitiveness depends on customer retention. In order to achieve this, we need a way to change customers' perception by implementing the bilateral communication with customers, to win the customers trust by treating them as partners that can contribute to value creation. Relationship of marketing and orientation are particularly important in the service industry, because the service is intangible (Levin and Lobo, 2009). In many B2B services company relations, the sales achievement is not entirely a marketing effort. It is more extensive in relation to build long-term relationships with more sustainable customers to guarantee sales in the future. Thus, the main issue is to examine the factor that affects the customer's desire to maintain relationships with existing suppliers and further to improve these relations by strengthening ties with suppliers. Various researches represent a framework of relationship marketing in the context of B2B market as an interactive process (Ford, 1980).

Marketing of professional services is a growing sector both for the purposes of academic or business/profession (Thakor and Kumar, 2000; Hausman, 2003). Currently professional services face many challenges such as globalization, dynamism, turbulence, acceleration, rationalization, connectivity, convergence, and consolidation (Daniell, 2006). Jaakola and Halinen (2006) underlined the characteristics of professional services to have specialized knowledge, autonomy in decision making, its own settings and the participation of clients with a high degree of customization. According to Halinen (1997), with professional services, clients purchase knowledge and creativity, along with executive personnel services. Therefore, individual's ability is significant for the perception of professional services quality and overall business relationships. This becomes very significant implications for the client selection criteria to choose professional services and maintain loyalty (Barnes and Howlett, 1998). Brito (2011) compared marketing deal outcome with relationship marketing and stated that the outcomes of such relationship marketing are customer loyalty and customer lifetime value in addition to a portfolio. Customer loyalty becomes variable that determines enterprises' competitiveness in today's fierce competition and is influenced by many factors. Zeithaml (1998) theorized that customer loyalty possesses high level of customer retention,

commitment to expenditure portion to a company in the category of products; they are willing to be giving a recommendation to their colleagues in order to become the company's customers.

This research applies the approach of combined loyalty in the context of B2B services business, a combination of behavioral loyalty and attitudinal loyalty according to the concept of Bardauskaite (2011). He also stated that research on loyalty B2b service business is still quite limited. Regarding customer loyalty issue, loyalty is not only related to commitments but also to the satisfaction and trust. Trust is defined as a company's focus on positive motivation to survive in the relation as they relate to the sentiment of connectedness.

After conducting literature review above, based on the relationship between customer satisfaction, trust and loyalty of customers, the hypotheses are:

H1: Customer satisfaction has positive effect on customer loyalty.

H2: Customer satisfaction has positive effect on trust.

H3: Trust has positive effect on customer loyalty.

In addition, information sharing does affect the trust. Anderson and Narus (1990) argued that communication is an important element in the relationship marketing, in this case in form of a two-way communication. Communication is the process of sharing useful information at a specific time and is done either formally or informally between the seller and the buyer. Ndubisi (2007) stated that the communication in relationship marketing refers to maintaining contact with customers, setting up reliable information at any particular time, and proactively communicating when problems occur. Morgant and Hunt (1994) have shown that communication affects confidence. Communication is the determinant of relationship marketing resulting in customer loyalty. The more intense the communication between sellers and buyers, the stronger the relation becomes. Thus, the next hypotheses are as follows:

H4: Information sharing has positive effect on trust.

H5: Information sharing has positive effect on customer loyalty.

Based on the reference of previous researches and points mentioned above, the Figure 1 below shows the conceptual framework.
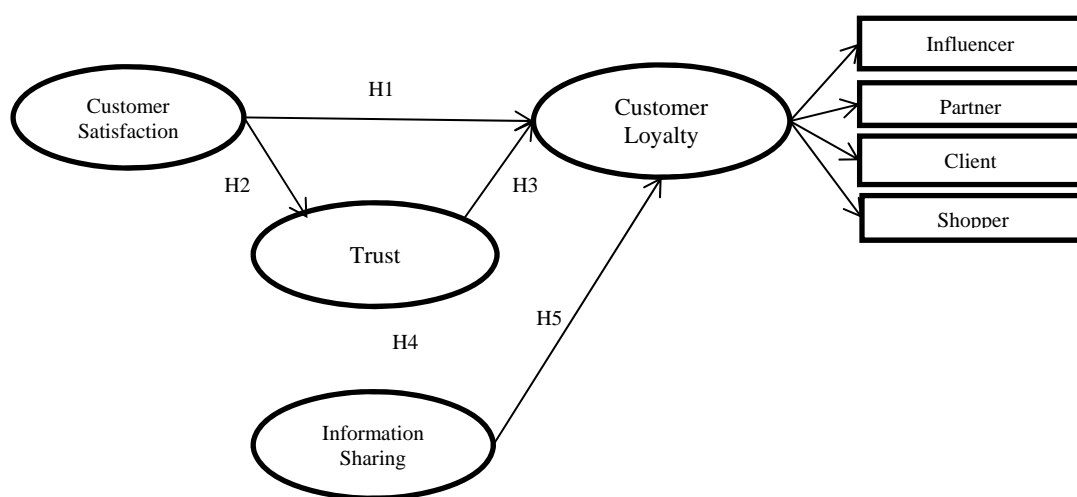

Figure 1.
Conceptual Model of Company-Customer Relationship

3.   RESEARCH METHOD

This research is conducted on companies in Indonesia that are engaged in the export of coal trading companies or a mining exporter company. These companies are the users of independent surveyor service. Data was collected through questionnaires filled by decision makers of independent surveyor use at the company from April to August 2013. The samples were taken from 51 selected companies with purposive sampling method. The respondents representing all 51 companies' criteria were the leaders or were at management level in the company's who influenced the decision-making process to purchase or appoint a surveyor service. The research has been conducted using descriptive statistical analysis and structural equation modeling (SEM) to confirm the model structure. SEM analysis aims to test the statistical models and causal models. This analysis is based on confirmatory factor analysis (CFA) and to obtain the objective of this research, it used SEM Analysis software that is LISREL 8.5.1.

Types and Relationships of the Variables

This study applies two kinds of variables: Independent variables called 'exogenous variable' with the symbol "x"; and dependent variable known as 'endogenous variable' denoted by "y". Both latent variables were measured through questions. Each question was measured by respondents' answers using Likert Scale with a range of numbers 1 to 5, with 1 for strongly disagreement and 5 for strongly agreement. Cross Diagram and hypotheses have then been tested to describe the relationship between variables as illustrated in Figure 2 below.
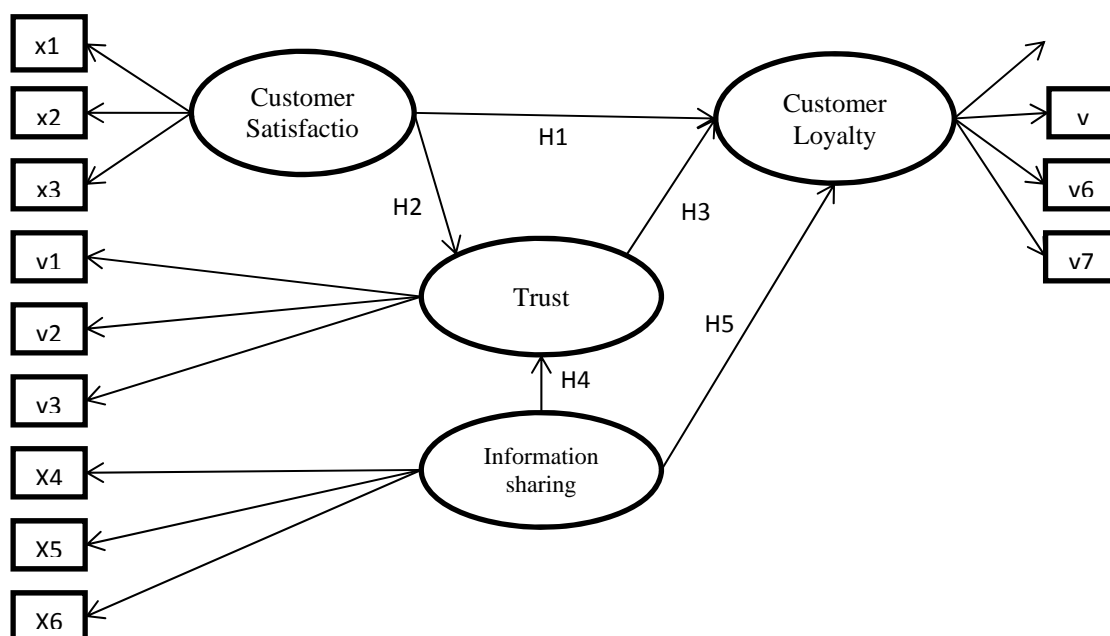

Figure 2.
Path Model of the Study

4.   RESULT AND DISCUSSION

Respondent Profiles

This research has gathered 93 respondents from 51 companies of coal producers and exporter, companies that produce coal as well as exporters and trading companies, specializing in coal export trading activities by purchasing coal from the supplier. Number of questionnaires filled out by respondents was 200 questionnaires.

4.1 Research Data Analysis

The first step in data analysis was to perform an analysis of each latent variable. This analysis was conducted by testing the reliability of each measurement model that identifies the capabilities of each indicator in explaining the

latent variable. Construct is deemed reliable when the value of Construct Reliability (CR) is smaller than 0.7 or Construct Validity value (CV) is smaller than 0.5. In addition, the ability to explain the latent variable indicator can also be seen from the standardized value of coefficient value of indicator or lambda (Joreskoog and Sorborn, 1996) with a minimum value of 0.5. The CR and CV test results of each sub-model of relationship marketing are presented in Table 1 below.

Table 1. Latent Variable, Indicator Variable and Results of Construct Reliability and Construct Validity Examinations

No	Latent Variable	Indicator Variable	Code	Lambda	Error	T	CR	CV	Reference
1.	Customer Satisfaction	Service Features	x1	0,78	0,39	0,00			Zeithaml et al. (2009)
		Customer Emotion	x2	0,68	0,54	0,00	0,77	0,52	
		Perception of Equity	x3	0,71	0,50	0,00			
2.	Trust	Credibility	y1	0,72	0,49	0,00			Ulaga and Eggert (2004), Wong and Sohail (2002), Morgan and Hunt (1994), Moorman et al. (1992)
		Integrity	y2	0,74	0,46	0,00	0,83	0,46	
		Benevolence	y3	0,66	0,56	0,00			
3.	Information sharing	Informal sharing	x4	0,50	0,75	10,53			Zeithaml et al. (2009),Anderson and Narus (2009)
		Meaningful Information	x5	1,00	0,01	11,28	0,26	0,12	
		Timely Information	x6	0,51	0,74	10,85			
4.	Customer Loyalty	Influencer	y4	1,00	0,43	0,30	0,70	0,43	Sharma and Patterson (1999)
		Partnership	y5	0,64	0,59	0,30			
		Client	y6	0,52	0,73	0,30			
		Shopper	y7	0,15	0,98	0.14			

The results from testing the model analysis against four latent variables constructs, i.e. Customer satisfaction, trust, information sharing and customer loyalty, show that the statement describing the indicator variable describing its latent variable and all indicators is important, as can be seen in the coefficient value.

Structural Model of Relationship Marketing

Based on the description of measurement model on latent variable discussed earlier, major indicator of each construct can be seen. It is useful to map the pattern of relationships of all latent variables in order to see how the relationship is going and how much influence does it have on variable customer satisfaction, trust, and information sharing is affecting customer loyalty. Determining the coefficient value model or the contribution of each exogenous latent variable to the endogenous latent estimation of coefficients performed is conducted by using rules Unweighted Least Square (ULS). The result can be seen in Figure 3.

In this model, the tested hypothesis is for the population covariance matrix which equals sample covariance matrix. The result is to accept the hypothesis, of model structure, or diversity of models can be used to infer the structure or the diversity of the population. The results of these tests generate value P-value = 0.11871 and RMSEA=0.041. This shows that overall empirical model can be accepted in accordance with the required criteria of Joreskoog et al. (1996) with P-value exceeding 0.5 and RMSEA values are less than 0.08. Meanwhile the value of *t* showing relation significance between latent variables is shown in Figure 4.
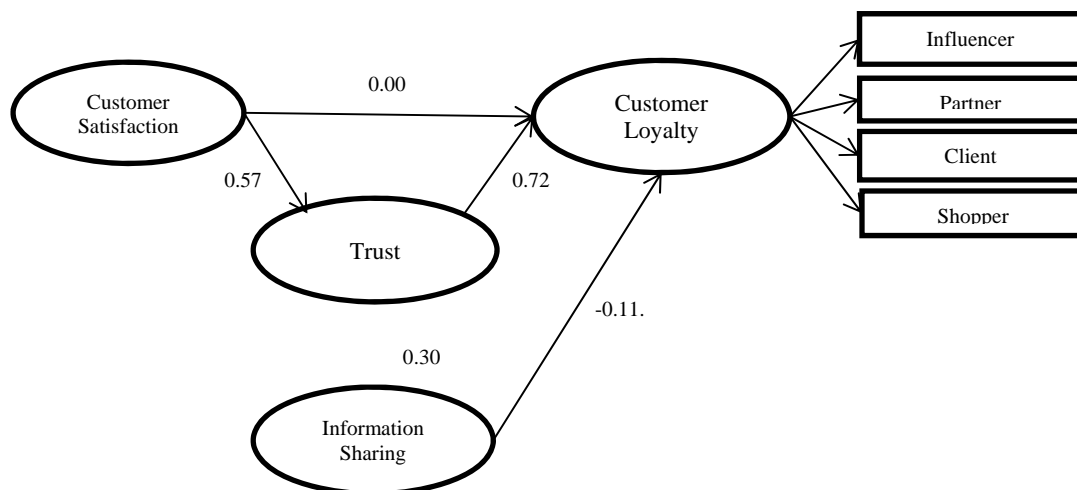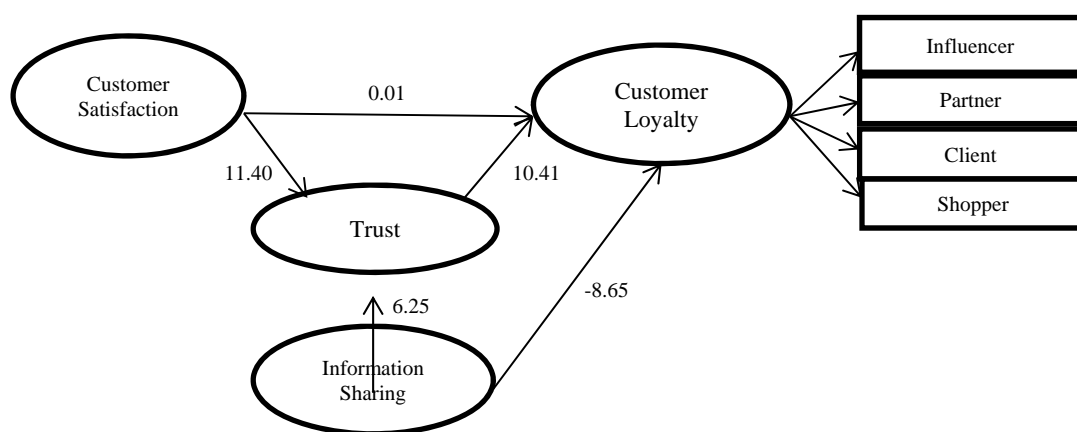
Figure 3.
Coefficient of Structural Equation Model of Relationship Marketing

Chi-Square= 118.00, df=101, P-Value=0.11871, RMSEA=0.041

Figure 4.
T-Value of Structural Equation of Relationship Marketing

To show the relation among latent variables, explanation of t-value is provided in the Table 2. Results show that all t-values are significant denoting that there are significant relationships among dimensions as expressed in Table 2. Thus, it is concluded that services provided by independent surveyor are significantly related to customer loyalty and trust according to the results of this study.

5.   CONCLUSION

In this research, it is found that customer loyalty is directly influenced by customer satisfaction, trust, and information sharing. Customer satisfaction and information sharing are also affecting customer loyalty through trust. Further in-depth research on variable information sharing, both its influence on customer loyalty or trust factor is needful due to the importance of relationship marketing. Further researches can be implemented similiarly to the other segments of the services industry for comparison purposes.

Table 2. Relation among Latent Variables

CUSTOMER LOYALTY	Customer Satisfaction (t-value=0.01)	Customer satisfaction of independent surveyor service directly influenced Customer loyalty.	In accordance with research of Zeithaml et al. (2009) and Rauyruen et al. (2007)
	Information Sharing (t-value=-8.65)	Sharing information between independent surveyor and Customer directly influenced Customer loyalty.	In accordance with research of Sohail (2012)
	Trust (t-value=10.41)	Customer trust of independent surveyor service directly influenced Customer loyalty.	In accordance with research ofRauyruen et al. (2007), Morgan and Hunt (1994), Moorman et al. (1992), Ganesan (1994), and Ryua et al. (2007)
TRUST	Information Sharing (t-value=6.25)	Sharing information between independent surveyor service influenced Customer trust of independent surveyor.	In accordance with research ofohail (2012), Palmatier et al. (2006b), Morgan and Hunt (1994); Anderson and Narus (1990).
	Customer Satisfaction (t-value=11.40)	Customer satisfaction of independent surveyor service influenced Customer trust of independent surveyor.	In accordance with research ofCasalo et al. (2011); Hsu et al. (2010); Rauyruen et al. (2007) and Zeithaml et al. (2009)

Managerial Implication

Managers at independent surveyor firm are required to consider the points below to maintain and increase customer loyalty:

1. Customer satisfaction through advancement of features, type of service, and services attributes in order to satisfy customers' perception of overall service company in accordance with their expectation.

2. Customer trust through increased credibility and employee integrity in order to convince customers in appointing independent surveyor company that can secure its business.

3. Information sharing through improved information sharing on informal basis in addition to the formal ones, providing useful information for the customer and timely correspondence for the required information.

REFERENCES

Anderson JC, Narus J. 1990. A Model of Distributor Firm and Manufacturer Firm Working Relationship. Journal of Marketing. Vol. 54:42-58.

Arasli, H., Ekiz, E. & Katircioglu, S. (2008), Gearing Service Quality into Public and Private Hospitals in Small Islands: Empirical Evidence from North Cyprus, International Journal of Health Care Quality Assurance, 21 (1): 8-23.

Arasli, H., Katircioglu, S. and Smadi, S.M. (2005a), Service Quality in Commercial Banking: Empirical Evidence from Turkish and Greek Speaking Areas of Cyprus, International Journal of Bank Marketing, 23 (7): 508-526.

Arasli, H., Smadi, S.M. & Katircioglu, S. (2005), Customer Service Quality in the Greek Cypriot Banking Industry, Managing Service Quality, 15 (1): 41-56.

Bardauskaite I. 2011. Loyalty in Business-to-business Service Context: Literature Review and a Proposed Framework. The Netherlands (NL): University of Twente.

Barnes JG, Howlett DM. 1998. Predictors of Equity in Relationships between Financial Service Providers and Retail Consumers. International Journal of Bank Management. 16(1):15-23.

Brito, C. 2011. Relationship Marketing: Old Wine in a New Bottle? Innovative Marketing Vol. 7, Issue 1.

Bulut, Y. & Sayin, E. (2010), An Evaluation of Entrepreneurship Characteristics of University Students: An Empirical Investigation from the Faculty of Economic and Administrative Sciences in Adnan Menderes University, International Journal of Economic Perspectives, Volume 4, Issue 3, pp. 559-568.

Cakir, F. & Eru, O. (2013), The Effect of Mobile ADs To Consumers' Purchasing Behavior Who Live in the Province of AYDIN, International Journal of Economic Perspectives, Volume 7, Issue 3, pp. 81-92.

Carsamer, E. (2012), Promoting Entrepreneural Development Among SMEs Through Financial Management in GHANA, International Journal of Economic Perspectives, 2012, Volume 6, Issue 2, pp. 188-197.

Casalo LV, Flavian C, Guinaliu M. 2011. The Generation of Trust in the Online Services and Product Distribution: The Case of Spanish e-commerce. Journal of Electronic Commerce Research. 12(3):199-213.

Dagli, O. (2014), Consumer Attributes and Store Perceptions: An Integrated Study of Grocery Shopping Behavior in North Cyprus, International Journal of Economic Perspectives, Volume 8, Issue 1, pp. 50-61.

Daniell MH. 2006. Mastering the Dynamic Nature of Modern Strategy. Handbook of Business Strategy. 7 (1):35-41.

Ford D. 1980. The Development of Buyer-Seller Relationships in Industrial Markets. European Journal of Marketing. 14(5/6):339-353.

Ford D, Gadde LE, Hakansson H, Snchota. 2003. Managing Business Relationship, Ed. 2. UK(GB): Wiley.

Ganesan, S. 1994. Determinants of Long-term Orientation in Buyer-Seller Relationships. Journal of Marketing. Vol. 58, 1-19.

Gronroos C. 1994. From Marketing Mix to Relationship Marketing Toward a Paradigm Shift in Marketing. Management Decision. 32(2):4-20.

Halinen A. 1997. Relationship Marketing in Professional Services: AStudy of Agency Client Dynamics in the Advertising Sector. London (GB): Routledge.

Hausman AV. 2003. Professional Service Relationships: AMulti-context Study of Factors Impacting Satisfaction, Re-patronization and Recommendations. Journal of Services Marketing. 17(3):226-246.

Hsu, Chien-Lung, Chia-Chang L and Yuan-Duen L. 2010. Effect of Commitment and Trust Towards Micro-Blogs on Customer Behavioral Intention: A Relationship Marketing Perspective. International Journal of Electronic Business Management, Vol.8 No.4, 292-303.

Jaakkola E, Halinen A. 2006. Problem Solving within Professional Services: Evidence from Medical Field. International Journal of Service Industry Management. 5:409-429.

Joreskog Karl and Sorborn. 1996. LISREL & User's Reference Guide. Chicago (US): Scientific Sotware International.

Katircioglu, S., Mehtap-Smadi, S., Kilinc, C., and Unlucan, D. (2012), Service Quality and University Students' Satisfaction on the Travel Agencies: An Empirical Investigation from Northern Cyprus, International Journal of Quality and Service Sciences, 4 (3): 299-311.

Katircioglu, S., Tumer, M., and Kilinc, C. (2011a), Bank Selection Criteria in the Banking Industry: An Empirical Investigation from Customers in the Romanian Cities, African Journal of Business Management, 5 (14): 5551-5558.

Katircioglu, S., Fethi, S., Unlucan, D., and Dalci, I. (2011b), Bank Selection Factors in the Banking Industry: An Empirical Investigation from Potential Customers in Northern Cyprus, Acta Oeconomica, 61 (1): 77-89.

Kilinc, C. C., Semiz, M., Katircioglu, E., & Unusan, C. (2013), Choosing Restaurant for Lunch in Campus Area by the Compromise Decision via AHP, International Journal of Economic Perspectives, Volume 7, Issue 2, pp. 5-10.

Kilpady, N. 2005. Relationship Marketing in Professional Services: A Case Study of Architectural Practice. University of Nottingham.

Levin E, Lobo A. 2009. A conceptual Framework for Modeling the Antecedents of Client Loyalty in the Advertising Industry Context. Melbourne (AU): Australian and New Zealand Marketing Academy Conference.

Mehtap-Smadi, S. (2010), In Search of Value for Their Money: Banking Preferences and Service Quality Perceptions of Local and Expatriate Retail Bank Customers, International Journal of Economic Perspectives, Volume 4, Issue 2, pp. 459-475.

Milohnic, I. (2012), How to Increase the Competitive Advantages of Small Hotels: Measuring the Effects of Public Relations, International Journal of Economic Perspectives, Volume 6, Issue 4, pp. 5-17.

Moorman, C.G., Zaltman, and R. Deshpande. 1992. Relationship between Providers and Users of Market Research: The Dynamics of Trust within and Between Organizations. Journal of Marketing Research, Vol.29 (3): 314-329.

Morgan, R.M and S.D. Hunt. 1994. The Commitment-Trust Theory of Relationship Marketing. Journal of Marketing Vol. 58: 20-38.

Muderrisoglu, O. (2014), Occupational Stress Factors in Small Island Economies: Evidence from Public and Private Banks in Northern Cyprus, International Journal of Economic Perspectives, Volume 8, Issue 3, pp. 5-18.

Ndubisi, N.O. 2007. Relationship Marketing and Customer Loyalty. Marketing Intelligence and Planning, Vol. 25(1): 98-106.

Palmatier, R.W., Dant, R.P., Grewal, D., and K. R. Evans. 2006. Factors Influencing the Effectiveness of Relationship Marketing: A Meta-Analysis. Journal of Marketing, Vol. 70: 136-153.

Rauyruen, P., K.E. Miller and N.J. Barrett. 2007. Relationship Quality as a Predictor of B2B Customer Loyalty. School of Marketing, University of Technology, Sydney Berry, L.L. 1995. On Great Service. New York: The Free Press.

Ryu, S., Park, J. E. and Min, S. 2007. Factors of Determining Long-term Orientation in Interfirm Relationship. Journal of Business Research. Vol. 60, 1225-1233.

Sharma N, Patterson P. 1999. The Impact of Communication Effectiveness and Service Quality on Relationship Commitment in Consumer Professional Services. The Journal of Services Marketing. 13(2):151-170.

Sodeyfi, S. (2016), Review of Literature on the Nexus of Financial Leverage, Product Quality, & Business Conditions, International Journal of Economic Perspectives, Volume 10, Issue 2, pp. 146-150.

Sodeyfi, S. and Katircioglu, S. (2016), Interactions between Business Conditions, Economic Growth, and Crude Oil Prices, Economic Research - Ekonomska Istraživanja, 29 (1): 980-990.

Sohail MS. 2012. The Antecedents of Relationship Marketing and Customer Loyalty: AConceptual Framework to Determine Outcomes. International Conference on Economics Business Innovation, IPEDR. Vol. 38. Singapore (SG): IACSIT Press.

Suvittawat, A. (2015), Service Quality At Thailand's Siam Commercial Bank: Chonburi Province, International Journal of Economic Perspectives, Volume 9, Issue 4, pp. 21-26.

Thakor MV, Kumar A. 2000. What is Professional Service? A Conceptual Review and Bi-national Investigation. Journal of Service Marketing. 14(1):63-82.

Ulaga W, Eggert A. 2004. Relationship Value and Relationship Quality. European Journal of Marketing. 40(3/4):311-327.

Wong A, Sohail A. 2002. An Examination of the Relationship between Trust, Commitment and Relationship Quality. International Journal of Retail and Distribution Management. 30(1):34-50.

Zeithaml VA. 1988. Consumer Perception of Price, Quality and Value: AMeans-end Model and Synthesis of the Evidence. Journal of Marketing.52(3):2-22.

Zeithaml, V.A, Mary Jo, B., and Dwayne, D.G. 2009. Services Marketing: Integrating Customer Focus Across the Firm. Mc. Graw Hill.