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Article

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Effect of Communication Process on Customer Satisfaction in Improving Customer's Retention

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Abstract

This study aims to analyze the communication process, consumer satisfaction that led to increased consumer retention. The method used in this research is survey approach. This type of research is descriptive quantitative. The method of analysis used is path analysis, with 3 (three) hypotheses tested. The results of the research on the first hypothesis, can be seen that simultaneously the communication process significant effect on customer satisfaction. For the second hypothesis, based on partial test known that the communication process significant effect on consumer retention. For the third hypothesis, based on partial test, it is known that communication process and consumer satisfaction have a significant effect on consumer retention, the communication process variables that are most influential in increasing consumer retention.

1. Introduction

The economic conditions of a country will change the mindset of the people. Similarly, in Indonesia, people determine their own desired products in accordance with the desires and economic capabilities so that entrepreneurs are now oriented toward the costumer market which means market conditions is in the hands of costumers. Today, the competition among entrepeneurs in the field of business is getting tighter. Every effort is expected to have the right strategy in selling their products. Product marketing is now not only oriented by developing good products, providing low prices and making them affordable to costumers, but a business must also establish good communication with potential customers so that entrepreneurs can know what customers want to satisfy and thus able to satisfy the needs of the costumer (Lubis *et al*., 2016; Marhayanie, 2017; Situmorang *et al*., 2017; Syahyunan et al., 2017; Lubis *et al*., 2017; Handoko *et al*., 2017; Ferine et al., 2017; Muda and Windari, 2018; Muda and Hasibuan, 2018, Muda *et al*., 2018b). This is done to establish the right marketing communications so that the entrepreneur can deliver the value of a product directly to the costumer, create customer satisfaction, establish the loyalty of the costumer, and then the entrepreneur can accept the value of the costumer that is proportional to the value given to the costumer.

As expressed by Kotler and Armstrong (1999) that customer satisfaction is the level of feeling after comparing perceived performance (expectancy). One of the factors that can affect customer satisfaction is interpersonal communication. Kotler and Armstrong (1999) point out that costumer will feel more satisfied with employees who have the ability to interact with other people and have the ability in percepts social to be able to read the feelings, attitudes, and beliefs of costumers. At the time of the process of service made entrepreneurs to customers, at that time also interaction of entrepreneurs with customers. Interaction occurs through communication contacts. Entrepreneurs should be able to create a good communication contact with customers because good communication contact is needed by customers to improve company performance and to maintain customer loyalty (Sihombing *et al*., 2016 & 2017; Suriadi *et al*., 2016; Mahdaleta *et al*., 2016; Hutagalung *et al*., 2017; Sadalia *et al*., 2017, Muda *et al*., 2018e). Nowadays, it is often feared by entrepreneurs due to the increasingly fierce competition and the variety of product brands offered, and on the one hand other costumers are better able to remember products that already have a strong name and have certain characteristics of an existing product on the market. So, if a well-known brand is already known and then in the minds of costumers there is an association to a brand, then costumer perceived that the product has a better quality than a product that has not yet had a name quite famous. In order to seize and retain costumers required a strategy that requires commitment, both quality and human resources whose purpose is to offer products in accordance with the wishes of costumers so as to provide kepusan to costumers. This can also be done by doing products differentiation offered to costumers.

2. Literature review

2.1. Communication

Marketing communication by Kotler and Keller in marketing management books is an activity that seeks to disseminate information, influence/persuade, remind the target market of the company and its products to be willing to accept, buy and loyal to the products/services offered by the company (Kottler and Keller, 2008). According to Kotller and Keller (2008), satisfaction is the level of state perceived a person who is the result of comparing the appearance or outcome as a service that he felt in relation to one's expectations. There are five main factors in determining the level of customer satisfaction by Tjiptono, 2003; Heikal *et al.*, 2018; Kholis *et al.*, 2018; Khaddafi *et al.*, 2018; Muda, 2018a; 2018b; Kesuma *et al.*, 2018a, 2018b, 2018f) namely: Quality of product or service, Quality of service, Emotional, Cost and Price.

2.2. Customer Retention

The relationship between satisfaction and loyalty has been extensively researched in several studies (Selnes, 1993). Fornell (1992) says that customer satisfaction influences buyer behavior, where satisfied customers tend to be loyal customers, but loyal customers need not be satisfied. Loyalty means the ability of the company to position its product in the minds of customers, where the company seeks to assume the customer as a partner by establishing customer confidence, always interact, if necessary develop, for joint progress (Kertajaya, 2006; Muda *et al*, 2018a; 2018c & 2018d). Whereas a loyal or loyal customer is someone who re-purchases from the same company, informs other potential customers of word of mouth and becomes a deterrent to attacks from competitors (Evan and Laskin, 1994). So it can be said that the success of a company is determined by the retention of its customers. Based on the literature review that has been mentioned previously, the framework presented in Figure 1.
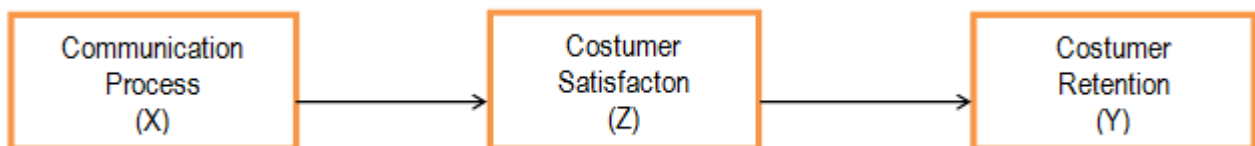

Figure 1. Framework of Theoretical Thinking of Communication Process towards Customer Satisfaction in Increasing Customer Retention

3. Methodology of research

The approach used in this research was verification analysis which is a method which aims to describe the truthness of existing facts, as well as explaining about relation between variables studied by collecting data, processing, analyzing and interpreting data in test of statistic hypothesis (Khaldun, 2014; Maksum *et al.*, 2014; Muda and Rafiki, 2014; Dalimunthe *et al.*, 2016; Gusnardi *et al.*, 2016; Azlina *et al.*, 2017; Lutfi *et al.*, 2016; Erlina 2017a & 2017b; Hasan *et al.*, 2017; Yahya *et al.*, 2017; Muda, 2017; Sirojuzilam *et al.*, 2016 & 2017; Tarmizi *et al.*, 2016 & 2017; Erwin *et al.*, 2018 & Pohan *et al.* 2018). In this research, descriptive verification method was used to test whether there was influence between marketing communications to customer satisfaction, customer satisfaction influence to customer retention and influence of marketing communication to customer retention through customer satisfaction. Research conducted starting from May-December 2017. Hair *et.al*., 2007, Muda *et al.*, 2016a; 2016b; Muda, 2017a; 2017b; Nurzaimah *et al.*, 2016; Nurlina *et al.*, 2017; Nasir *et al.*, 2017, Muda and Naibaho, 2018) still recommend to use a sample of at least 100 respondents to provide better results. The technique used to determine the sample was the purposive sampling method. Data analysis technique for hypothesis testing using path analysis method.

4. Results and discussions

4.1. Results

4.1.1. The Influence of Marketing Communication on Customer Satisfaction

The results of research through the first direct path is the influence between marketing communication variables to customer satisfaction. Statistically can be seen in the following Table 1.

Table 1. Direct R Square Value of Hypothesis 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,718a	,516	,511	4,844

a. Predictors: (Constant), PK
Source: Results of Research (2018).

Table 2. Direct Coefficient Testing of Hypothesis 1

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9,110	2,412		3,777	,000
	PK	,654	,064	,718	10,221	,000

a. Dependent Variable: KK
Source: Results of Research (2018).

Based on the above Table, it can be seen that the significance value of marketing communications to customer satisfaction p = 0,000 <0.005. This shows that marketing communication has an effect on customer satisfaction. Based on the above table note that the value of r square = 0,516. This shows that customer satisfaction is influenced by marketing communication variables by 51%, meaning that there are 49% other variables that affect customer satisfaction are influenced by other factors. To put it simply, it can be compiled equation from research result above as follows,

$$Y = a + b\,X1 + e$$
$$e = \ e = \sqrt{1\text{-}r\ square} \rightarrow e = \sqrt{1\text{-}0,516} = 0,69$$
$$y = 9,110 + 0,654\ x1 + 0,69$$

or in the following scheme,

$$X \xrightarrow{\ 0,718\ } Y$$

4.1.2. The Influence of Customer Satisfaction on Costumer Retention

The results of research through the next direct path is the influence of customer satisfaction variable on customer retention. Statistically, it can be seen in the following Table 3.

Table 3. Direct R Square Value of Hypothesis 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,628a	,394	,388	1,677

a. Predictors: (Constant), KK.
Source: Results of Research (2018)

Table 4. Direct Coefficient Testing of Hypothesis 2

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,757	,827		4,545	,000
	KK	,194	,024	,628	7,985	,000

a. Dependent Variable: RK.
Source: Results of Research (2018)

Based on the above Table 4, it can be seen that the value of customer satisfaction significance to customer retention p = 0,000 <0.005. This shows that customer satisfaction has an effect on customer retention. Based on the above table, it is known that the value of r square = 0.394. This shows that customer retention is influenced by customer satisfaction variable of 39%, meaning that there are 61% other variables that affect customer retention or is influenced by other factors. To put it simply, it can be compiled equation from research result above as follows,

$$Y = a + b X + e$$
$$e = \ e = \sqrt{1 - r\ square} \rightarrow e = \sqrt{1\text{-}0{,}394} = 0{,}778$$
$$y = 3{,}757 + 0{,}194x + 0{,}778$$
or in the following scheme,

$$Y \xrightarrow{\quad 0{,}628 \quad} Z$$

4.1.3. Marketing Communication Satisfaction on Customer Retention through Customer Satisfaction

The results of research through the first indirect path are the influence of marketing communication variable on customer satisfaction. Statistically, it can be seen in the following Table 5,

Table 5. Indirect R Square Value of Hypothesis 3

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,713a	,508	,498	1,519

a. Predictors: (Constant), KK, PK.
Source: Results of Research (2018)

Table 6. Indirect Coefficient Testing of Hypothesis 3

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,294	,809		2,834	,006
	PK	,137	,029	,486	4,745	,000
	KK	,086	,032	,279	2,727	,008

a. Dependent Variable: RK.
Source: Results of Research (2018).

Based on the above Table 6, it can be seen that the value of the significance of marketing communications to customer satisfaction p = 0,000 <0.005. This shows that marketing communication has an effect on customer satisfaction. Based on the above table, it known that the value of r square = 0.508. This shows that customer satisfaction is influenced by marketing communication variables and customer satisfaction of 51%, meaning that there are 49% other variables that affect customer satisfaction or is influenced by other factors. To put it simply, it can be compiled equation from research result above as follows,

$$Y = a + b\ X1 + e$$
$$e = \ e = \sqrt{1 - r\ square} \rightarrow e = \sqrt{1\text{-}0{,}508} = 0{,}701$$
$$y = 2{,}2994 + (0{,}137)\,(0{,}086)PK.KK + 0{,}701$$
or in the following scheme,

Communication process affects customer satisfaction in increasing customer retention.

$$X \xrightarrow{\quad \mathbf{0.8215} \quad} Z$$

$$X = (0{,}486 \times 0{,}279) + 0{,}686 \rightarrow X = 0{,}\,8215$$

X $\xrightarrow{\quad 0{,}718 \quad}$ Y $\xrightarrow{\quad 0{,}628 \quad}$ Z

$$\xrightarrow{\quad 0{,}8215 \quad}$$
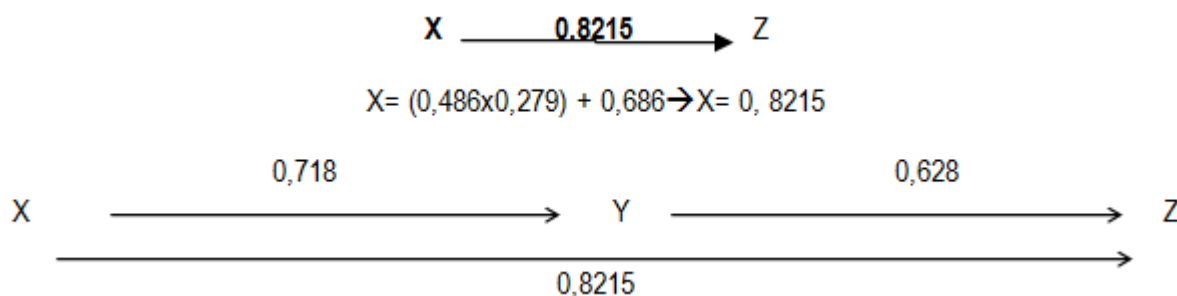
Where:

X = Marketing Communication Variable; Y = Customer Satisfaction Variable; Y = Customer Retention Variable.

4.2. Discussion

4.2.1. The Influence of Marketing Communications on Customer Satisfaction

Based on the distribution of questions posed to costumers, the method that has not optimally done by Batik Motif Medan is the use of mobile marketing as a way of direct sales to prospective buyers. Customers cannot directly make purchases via mobile phone. Mobile Phone is perceived as a necessity at this time to make transactions in the future. When the effectiveness of traditional marketing communications declined, a new method in the marketing world experienced significant growth. The new way is known as "digital marketing" that combines psychological, humanist, anthropological, and technological factors through multimedia with a large and interactive capacity. The result is a new round of interaction between producers, market intermediation, and costumers, with the medium of mobile technology as the dominant element. The use of cell phones as the main channel of communication that continues to morph along with the development of communication technology is able to change the pattern of access information over time. Even according to Okazaki and Taylor (2008), this time the phone is no longer just a communication tool but an entertainment device, even the media. Trends of marketing communications through new media one of them in the form of Mobile Advertising that uses mobile phones as the main medium. In the context of mediated marketing communications, the phone becomes a medium that can be used to perform one on one communication with customers. Almost all messages received by mobile phone users, opened personally by users. In contrast to the usual media requirements, all mobile phone users carry their phones wherever they go. This is the potential for significant cellular advantages that other mass media does not have, so that the messages sent are really fixed to those mobile users according to the market segment desired by the advertiser.

4.2.2. The Influence of Customer Satisfaction on Customer Retention

Based on the respondents' answers from the questionnaires, it is shown that the customers consider that using Medan batik is the right decision because it is a lot of advantages that can be obtained by using the batik clothes of Medan giving the characteristic of North Sumatra, so that the use of batik Medan as the national cultural conservation. However, there are still many customer expectations that have not been fulfilled, thus making the satisfaction cannot be reached maximally. Based on the distribution of questions submitted to Customers, the aspects that are still not assessed satisfied by the customer is that its responsiveness of Medan Batik in serving customers. Manufacturers are still considered not yet have a fast response for all Customers, from some indicators; this indicator is stated still low by the customer. The principle of Quick Response to the needs and desires of customers must be executed properly. The principle of what the customer needs to be captured properly and to fulfill it must be followed up with concrete steps. Therefore, the purchasing department should be diligent in looking at the competition outside. If batik Medan is customer oriented then it is necessary to give opportunity for customer to convey their suggestions, opinions and complaints. The medium used includes a suggestion box, providing a dedicated phone line (hotline), or through an online system. Input obtained by the company in the form of valuable new ideas, making it possible to respond quickly and respond to any problems that arise.

4.2.3. Marketing Communication Satisfaction on Customer Retention through Customer Satisfaction

Based on the distribution of questions asked to the costumer, it can be seen that one of the indicators of customer retention is still weak is the customer activity to discuss the benefits of Batik Motif Medan to others. One of the things that can improve retention through customer delivery to others is by improving product quality including several dimensions: performance, endurance, and conformity with specifications, features, reliability, aesthetics, and quality impression (Mullins *et al.*, 2005). Good product quality will be able to give a positive influence in the delivery of product superiority through word of mouth (Sutanto, 2009).The results of this study indicate that there are still many customers who have not talked about the superiority of Batik Medan products to others.

5. Conclusions and recommendations

5.1. Conclusions

1. Majority of respondents perceive that marketing communication made by producers is good, where 57% of respondents stated good, 41% stated good enough or moderate and only 2% that stated marketing communications built bad.

2. The majority of respondents feel satisfied that 64% of respondents, 31% feel quite satisfied or moderate and only 5% who expressed dissatisfaction with the products.

3. The majority of respondents have good retention in which 52% of respondents do activities that lead to good retention, as 44% have sufficient or moderate retention and only 4% have poor retention of the product they buy.

4. Marketing communications affect customer satisfaction. This is evidenced from the significance of marketing communications to customer satisfaction p = 0,000 <0.005.

5. Customer satisfaction affects customer retention. This is evidenced from the value of customer satisfaction significance to customer retention p = 0,000 <0.005.

6. Communication affects customer retention through customer satisfaction with value of marketing communication to customer satisfaction p = 0,000 <0,005. These results also prove that marketing communications can increase customer satisfaction and indirectly also impact on customer retention.

5.2. Recommendations

1. Customers can not directly make purchases via mobile phone. Mobile Phone is perceived as a necessity at this time to conduct transactions in the future, therefore batik Medan need to develop a system of utilization of information communication technology through smartphone to facilitate customer transactions.

2. Manufacturers are still considered not to have a fast response for all costumers, therefore Batik Medan need to make a system of suggestions and recommendations from costumers that can be followed up quickly by the manufacturer.

3. The results of this study indicate that there are still many customers who have not discussed the superiority of Batik Medan products to others, therefore Batik Medan should continue to upgrade the quality of the product in order to have its own advantages that become the material of customer recommendation

4. Batik Medan also need to set system rewards for customers who have good and prospective retention in getting costumers in the future.

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