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## Article

# Enhancing customer retention using customer relationship management approach in car loan bussiness

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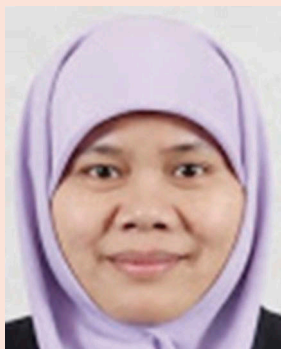
## MARKETING | RESEARCH ARTICLE

# Enhancing customer retention using customer relationship management approach in car loan bussiness

Megawati Simanjuntak<sup>1\*</sup>, Nadia E. Putri<sup>2</sup>, Lilik N. Yuliati<sup>1</sup> and Mohamad Fazli Sabri<sup>3,4</sup>

**Abstract:** The objective of this study was to analyse the effects of customer-perceived value, corporate image, and service quality on customer satisfaction, as well as to analyse the direct effect of switching barriers on customer retention, and to analyse the direct and indirect effects of customer satisfaction on customer retention. The conceptual research framework was examined by subjecting data pertaining to 310 customer car loans to structural equation modelling (SEM). The study findings indicated that customer-perceived value, corporate image, and service quality have a significant effect on customer satisfaction, while switching barriers have a significant effect on customer retention. Although customer satisfaction does not have a significant effect on customer retention, the indirect relationship that occurs through customer trust shows that the trust in the credit process and the service provided will prompt customers to use the company's products or services when applying for new credit. The managerial implications of these findings include grouping customers, determining sales targets based on

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### PUBLIC INTEREST STATEMENT

One of the challenges faced by companies is how to maintain existing customers. This research provides an overview of the loyalty of customers that will reuse the same company when reapplying for credit. Our findings show that customer-perceived value, corporate image, and service quality have a significant effect on customer satisfaction, whereas switching barriers significantly affect customer retention. On the other hand, customer satisfaction does not significantly influence customer retention. Customer trust in the credit process will prompt customers to reapply for new car loans, especially if customers feel that credit and services are quite flexible and are in accordance with their needs and expectations, while the company is considered to have good branding and reputation. Customers are aware that it is costly and time-consuming to switch to another credit company. However, customer satisfaction with the products/services provided by the company is not a guarantee that the customer will reapply for new credit.

customer groups, offering products that have more advantages over competitors, providing credit packages and special programs to promote low-interest rates, and forming telesales as information channels. This research provides an overview of the loyalty of customers that will reuse the previous car loan company when reapplying for credit.

**Subjects:** Services Marketing; Marketing Research; Consumer Behaviour

**Keywords:** corporate image; customer-perceived value; customer trust; service quality; switching barriers

## 1. Introduction

The car loan company in focus of this study has the main product of four-wheel financing vehicles. In previous years, the business process strategies carried out by the company focused primarily on customer acquisition. This can be seen from the portfolio of customers who apply for credit in the company, as almost 80% were new customers and 20% were customers who have previously used the company's products or services. Even though the company has a portfolio target of 30% for customers who have previously used the company's products or services, over the past five years, the target has not been achieved.

Thus, the company has to find a way to retain the existing customers. Customer relationship management will help companies make the transactions faster, as well as determine segmentation and increase customer satisfaction. To preserve existing customer loyalty, the company certainly needs to maintain customer satisfaction. Therefore, in this study, the factors that influence customer satisfaction and customer retention were analysed.

Several factors influence customer satisfaction, one of which is customer-perceived value, defined as the difference between total customer value and the total cost incurred by the customer. Thus, perceived value is obtained when a customer uses a product or service (Woodruff, 1997). In addition to customer-perceived value and corporate image, service quality is also considered to have a significant effect on customer satisfaction, especially for companies engaged in the service sector. Service is a process of interaction between a customer and a service provider (Gronroos, 1984).

Customer satisfaction is achieved when a customer receives a product or service that matches his/her expectations, making it more likely that he/she will return to make other purchases. Repeat purchases are an indicator that customers believe in the company (customer trust) because they are satisfied with the product or service they have received. In the long term, customers will recommend the products or services to their closest relatives and will not switch to other companies (Gurviez & Korchia, 2003) which leads to their overall financial well-being (Sabri & Zakaria, 2015). Customer trust can be defined as customer confidence that the company's promises are reliable, which is the basis for establishing a relationship with companies (Donio et al., 2006). This statement is reinforced by Ranaweera and Prabhu (2003), who noted that customer trust tends to be a strong driver of customer retention. Another factor that influences customer retention in addition to customer satisfaction and customer trust is switching barriers. In the financial services industry, switching costs have been identified as one of the most contributing factors in retaining customers (Colgate & Lang, 2001).

The present study focuses on the car finance industry, since most of the previous studies were conducted in the insurance industry. Thus, a Customer Relationship Marketing (CRM) approach was adopted, as it focuses more on the interrelationships among customer trust, customer commitment, customer satisfaction, and customer loyalty. To enrich the existing CRM model, service quality, customer-perceived value, and switching barriers were added as variables. The conceptual

model that combines the CRM model and the three variables is the novel contribution of this study to the development of relationship-based marketing models. Samudro et al. (2018a) investigated the relationship between perceived quality and trust/satisfaction, trust and commitment, commitment and loyalty, and satisfaction and loyalty using the CRM model.

This research is very important to conduct since the loan industry is experiencing quite intense competition. Furthermore, its findings are expected to be useful for companies in determining the parameters of an effective marketing strategy, especially in terms of database utilisation. In addition, companies can also use the study findings to increase customer retention in order to minimise the cost of new customer acquisition. Another benefit expected from this research is literature enrichment for further research related to customer retention.

The objective of this study is thus to analyse the effects of customer-perceived value, corporate image, and service quality on customer satisfaction, as well as to analyse the direct effect of switching barriers on customer retention, and the direct and indirect effects of customer satisfaction on customer retention.

## 2. Literature review

### 2.1. Relationship between customer-perceived value and customer satisfaction

As customer-perceived value has a positive and significant effect on customer satisfaction, insurance service companies must focus on improving service quality and company image to achieve customer satisfaction, which would in turn yield customer loyalty (Nguyen et al., 2018). Adiaty and Dinna (2014) similarly concluded that, in the internet service provider industry, there is a positive effect of customer-perceived value on customer satisfaction. According to Mbango (2019), customer value has an influence on customer satisfaction. Samudro et al. (2020) as well as Susanti et al. (2020) also confirmed that perceived value exerts a stronger influence on customer satisfaction in the chemical industry. Based on these empirical findings, we hypothesised:

H1: Customer-perceived value has a significant effect on customer satisfaction.

### 2.2. Relationship between customer image and customer satisfaction

The study on a tour and travel company conducted by Setiawan and Sayuti (2017) indicated that corporate image has a positive influence on customer satisfaction. Ashraf et al. (2018) similarly conducted a case study on a business engaged in services, hotels, hospitals, education, and banks, reporting a significant effect of corporate image on customer satisfaction. Ene and Özkaya (2014) findings showed that, in retail business, corporate image significantly influences customer satisfaction. Furthermore, Esmailpour and Barjoei (2016) found that corporate image has a positive and meaningful impact on customer satisfaction in the food industry, while the same relationship was reported by Muturi et al. (2013) for mobile services, Jani and Han (2014) for the hotel business, as well as by Wu (2014) for the game industry. Following these arguments, we hypothesised:

H2: Corporate image has a significant effect on customer satisfaction.

### 2.3. Relationship between service quality and customer satisfaction

Several previous studies have indicated that service quality significantly affects customer satisfaction. For example, Ashraf et al. (2018) conducted a case study on five lines of business engaged in services, hotels, hospitals, education, and banks in Pakistan, reporting a significant effect of service quality on customer satisfaction. Furthermore, service quality has been found as an important determinant of customer satisfaction in retail banking (Caruana, 2002), the game industry (Wu, 2014), chemical industry (Susanti et al., 2020), international medical travel sector (Han & Hyun, 2015), and in cargo services (Arief et al., 2019). This has resulted in the following hypothesis:

H3: Service quality has a significant effect on customer satisfaction.

#### **2.4. Relationship between switching barriers and customer retention**

Some scholars have found a significant effect of switching barriers on customer retention. For example, Adiati and Dinna (2014) conducted research in the internet service provider industry and found a positive effect of switching barriers on customer retention. Risdianto (2017) as well as Samudro et al. (2019) similarly showed a significant effect of switching barriers on customer retention. Shamini and Ragel (2018) examined the telecommunications industry and reported a positive effect of switching barriers on customer retention. Furthermore, Kim et al. (2007) found the same relationship in the context of mobile telecommunication services, whereas Danesh et al. (2012) reported the same findings in hypermarkets. These findings prompted the following hypothesis:

H4: Switching barriers have a significant effect on customer retention.

#### **2.5. Relationship between customer satisfaction and customer retention**

Several researchers found that customer satisfaction significantly influences customer retention in various sectors, namely insurance company (Daneshfar et al., 2016), life insurance services (Nguyen et al., 2018), banking (Ibojo, 2015; Mohsan et al., 2011), DIY retail loyalty program (Vessel & Zabkar, 2009), telecommunication network operators (Gerpott et al., 2001), a continuous purchasing setting (Ranaweera & Prabhu, 2003), and hypermarkets (Danesh et al., 2012). Posselt and Gerstner (2005) also argued that customer satisfaction will improve customer retention. These results prompted the following hypothesis:

H5: Customer satisfaction has a significant effect on customer retention.

#### **2.6. Relationship between customer satisfaction and customer trust**

Extant studies indicate that customer satisfaction exerts a significant influence on customer trust in various contexts, such as service company (Mosavi & Ghaedi, 2012), banking (Vithya, 2017), e-banking services (Chu et al., 2012), and in international medical travel industry (Han & Hyun, 2015). Leonidou et al. (2008) and Chen et al. (2011) reported the same results for the export manufacturers of industrial goods and the retail industry, respectively. Thus, we hypothesised:

H6: Customer satisfaction has a significant effect on customer trust.

#### **2.7. Relationship between customer trust and customer retention**

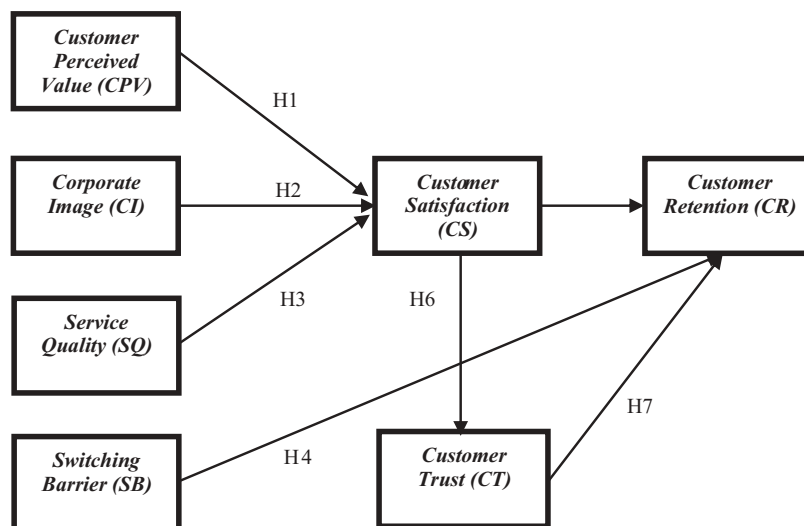
Zaman et al. (2012) examined the effect of customer trust on customer retention in a company engaged in cellular service. Their results showed that customer trust affects customer retention. Significant links between customer trust and customer retention were also found by Ang and Buttle (2006), Danesh et al. (2012), Gee et al. (2008), Gounaris (2005), Guo et al. (2009), Lewis (2006), Liu et al. (2011), McWilliams and Gerstner (2006), Ranaweera and Prabhu (2003) and Spiros (2005). Based on the arguments presented, the following hypothesis was tested in this study:

H7: Customer trust has a significant effect on customer retention.

### **3. The conceptual framework**

Based on the empirical studies reviewed above, it is hypothesised that customer-perceived value, corporate image, and service quality influence customer retention through customer satisfaction, while switching barriers have a direct effect on customer retention. It is further hypothesised that customer satisfaction affects customer retention through customer trust. The conceptual framework is presented in Figure 1.

**Figure 1. The conceptual framework.**



### 3.1. The conceptual framework

Based on empirical studies, it is hypothesized that customer perceived value, corporate image, and service quality influences customer retention through customer satisfaction. Switching barriers have a direct effect on customer retention. Also, it is hypothesized that customer satisfaction affects customer retention through customer trust. The conceptual framework is presented in Figure 1.

### 4. Methodology

This research was conducted during a six-month period using a quantitative approach and a survey method. The population of interest for this study were Indonesians who are priority segmentation customers of company X from Greater Jakarta Area that have had a car loan at least once, but have had no other loans in the five years since the end of the credit period. Priority segmentation customers have a good historical payment with a maximum overdue period of 15 days. The total population categorised as priority customers comprised of 1,250 individuals.

The sample size needed for this study was determined based on the Slovin formula, namely:

$$n = \frac{N}{1 + Ne^2} = \frac{1250}{1 + (1250 \times 0.05^2)} = 303$$

where:

n = number of samples

N = total population

e = error limit of sampling (5%)

Based on the results, 303 respondents were needed. Hence, all 1,250 prospective respondents were contacted by the researchers via telephone, email, or WhatsApp to ask for willingness to participate in the study. Although 325 customers filled out the questionnaire, only 310 questionnaires were correctly completed. Data collection was carried out over a period of 30 days.

The dependent variable (endogenous) in this study is customer retention (CR), while the independent variables (exogenous) are the customer-perceived value (CPV), corporate image (CI), service quality (SQ), and switching barriers (SB), with customer satisfaction (CS) and customer trust (CT) serving as intervening variables.

The construct definition of Customer-perceived Value (CPV) was adopted from Zeithaml et al. (1985) and stands for an evaluation of the overall value perceived by a customer about the use of a product or service based on perceptions of what is received and what is given. Next, Corporate Image (CI) was based on Boyle's (1996) definition and stands for an impression, trust, feeling and knowledge in mind of the community regarding a company. Service Quality (SQ) stands for an effort to fulfil needs and desires as well as the accuracy of delivery to keep up with customer expectations (Tjiptono et al., 2008). Switching Barriers (SB) pertain to factors that complicate or impose a cost for consumers if they switch to another provider of products or services (Jones & Suh, 2000). Customer Satisfaction (CS) stands for customer evaluation of products or services in meeting customers' needs and desires (Bitner & Zeithaml, 2003), whereas Customer Trust (CT) refers to customer trust that the company's promises are reliable and is the basis for establishing a relationship with the company (Donio et al., 2006). Finally, Customer Retention (CR) stands for an effort to maintain a business relationship that occurs between the service provider and the customer (Seth et al., 2005).

The research instruments adopted in this work were developed by modifying questions used in previous studies. The instrument used by Nguyen et al. (2018) was used in the development of customer-perceived value, corporate image, service quality, and customer satisfaction items. Switching barriers were adopted from the study conducted by Jones et al. (2000), customer trust was obtained from Mosavi and Ghaedi (2012), and customer retention was based on the items used by Hume et al. (2006) and Mosavi and Ghaedi (2012). Customer-perceived value, corporate image, and customer satisfaction consist of four indicators, service quality comprises of six indicators, and switching barriers, customer trust, and customer retention consist of three indicators. The responses were provided on a four-point Likert scale, comprising of 1 = Strongly Disagree, 2 = Disagree, 3 = Agree, and 4 = Strongly Agree.

The research constructs were developed solely on already validated measures. The questionnaire was divided into three parts, whereby Part A contained the introduction of the questionnaire to the participants; Part B pertained to the demographic profile, and Part C contained questions about the variables that were used in the study, namely customer-perceived value, corporate image, service quality, switching barriers, customer satisfaction, customer trust, and customer retention, which were measured on a four-point Likert scale, anchored at 1—"strongly disagree" and 4—"strongly agree."

Before commencing the main research, a pre-test was conducted to obtain a reliable and valid instrument. The pre-test sample included 20 respondents who were not part of the main study but met the inclusion criteria for the main research. As the results showed that all variables had Cronbach's alpha value ranging from 0.820 to 0.890 ( $> 0.6$ ), the instrument was considered reliable and suitable for use in the primary research.

Reliability tests were carried out to achieve a trusted instrument. Structural Equation Modelling (SEM) was applied to test all the hypotheses.

## 5. Results

### 5.1. Overall model fit

In performing the model compatibility test, it can be seen at the level of compatibility of the original data (obtained from the field study) on the designed model. Theoretically, there are three aspects to measuring model fit, namely absolute fit index, incremental fit index, and parsimony fit index. Table 1 describes the results of the model fit test.



**Table 1. Overall model fit**

Goodness of Fit	Cut of value	Result	Conclusion
1. Root Mean Square Error of Approximation (RMSEA)	≤0.1	0.07	Fit
2. Parsimony Ratio (PRATIO)	Positive	0.90	Fit
3. Normed Fit Index (NFI)	0.5	0.69	Fit
4. PNFI	Positive	0.46	Fit
5. PCFI	Positive	0.47	Fit

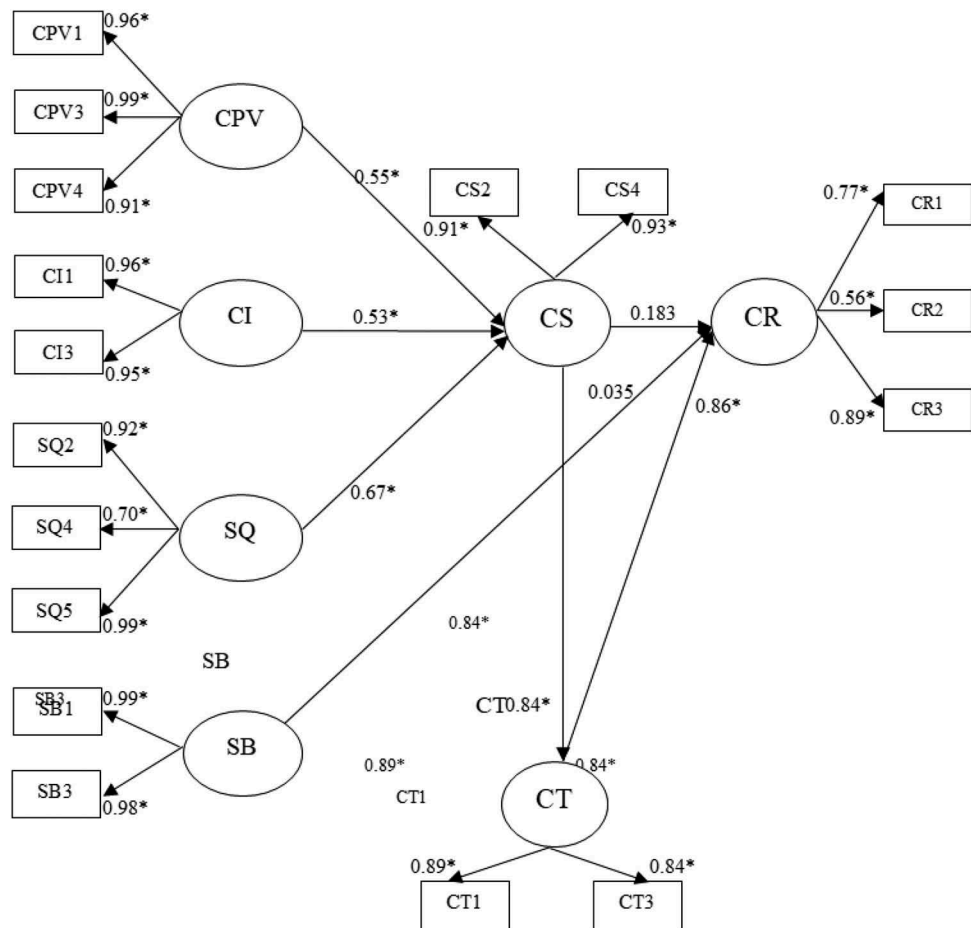
RMSEA (Root Mean Square Error of Approximation) is an index that can be used to compensate for chi-squared statistics in large samples. The RMSEA value that is smaller or equal to 0.08 is a condition for accepting the model. Based on the calculation results, the RMSEA value is 0.07, meaning that the model can be accepted and is also included in the fit category.

**5.2. Structural model fit**

The compatibility test of structural equations was carried out on structural equation coefficients by specifying a certain significance level. In summary, the results of the measurement model test can be seen in Figure 2.

**Figure 2. Measurement model.**

<sup>\*)</sup>Significant at t-value > 1.96.



**Table 2. Validity and reliability analysis of variables**

Variables	Reliability	Validity
Customer Perceived Value (CPV)	0.97	0.97
Corporate Image (CI)	0.95	0.95
Service Quality (SQ)	0.92	0.90
Switching Barrier (SB)	0.99	0.99
Customer Satisfaction (CS)	0.91	0.90
Customer Trust (CT)	0.85	0.81
Customer Retention (CR)	0.71	0.51

**Table 3. Indicator contribution to variables**

Latent variables	Indicators	Symbol	Estimate	P-value
Customer Perceived Value (CPV)	1. Additional benefit	CPV1	0.96	0.00*
	2. As expected	CPV3	0.99	0.00*
	3. A positive value in the company	CPV4	0.91	0.00*
Corporate Image (CI)	4. Corporate branding	CI1	0.96	0.00*
	5. Interact with customer	CI3	0.95	0.0*
Service Quality (SQ)	6. Easy requirements	SQ2	0.92	0.00*
	7. Compliance document	SQ4	0.70	0.00*
	8. Speed of service by giving attention	SQ5	0.99	0.00*
Switching Barrier (SB)	9. Troublesome customer	SB1	0.99	0.00*
	10. Require effort	SB3	0.98	0.00*
Customer Satisfaction (CS)	11. Satisfied with transaction	CS2	0.91	0.00*
	12. Satisfied with the company	CS4	0.93	0.00*
Customer Trust (CT)	13. There is a trust	CT1	0.89	0.00*
	14. There is security	CT3	0.84	0.00*
Customer Retention (CR)	15. Interested in reusing	CR1	0.77	0.00*
	16. Provide recommendation	CR2	0.56	0.00*
	17. The company is a priority	CR3	0.89	0.00*

\*Significant at p-value > 0.5.

### 5.3. Validity and reliability test

Table 2 exhibits the results of validity and reliability analysis, indicating that all variables in this study are valid.

### 5.4. Indicator contribution toward variables

Table 3 shows the results of indicator contributions to variables that have been analysed in this study. There are three indicators of the customer-perceived value variable. The indicator “as expected” (CPV3) had an estimated value of 0.99, meaning that the indicator had a much more significant contribution to the customer-perceived value variable compared to the CPV1 and CPV4 indicators. This shows that the credit process carried out by the company is considered to be in accordance with customer expectations. The corporate image variable in this study has two indicators. The company branding indicator (CI1) had an estimated value of 0.96, indicating that its contribution to the corporate image variable is greater compared to that of the CI3 indicator. The company’s image is judged by how often the company informs customers of its products and

services through print or social media so that the customers can easily remember the products and services provided.

In this study, the service quality variable has three indicators. The service speed indicator by giving attention (SQ5) had an estimated value of 0.99, indicating that its contribution toward the service quality substantially surpasses that of SQ2 and SQ4 indicators. Nowadays, many customers prioritise speed in service but do not ignore aspects of attention to the customer. Besides meeting the needs and desires of the customer, the service providers also need to consider accuracy in providing services, so that customer expectations can be met properly. In addition, there are two indicators of switching barriers. The troublesome customer indicator (SB1) had an estimated value of 0.99, meaning that this indicator had a greater contribution to the switching barriers variable compared to the SB3 indicator. Customers tend to feel that moving credit to other companies will inconvenience them in terms of the credit process and seeking information about products and services.

Customer satisfaction has two indicators. The indicator “satisfied with the company as a whole” (CS4) had an estimated value of 0.93, suggesting that its contribution toward customer satisfaction exceeds that of the CS2 indicator. Overall, the performance of the company becomes a benchmark of satisfaction that will be felt by the customer, not just on one aspect of performance. This indirectly demonstrates that, if the customer feels dissatisfaction with one aspect of the service, he/she is more likely to feel dissatisfaction with the overall performance of the company.

As noted earlier, customer trust has two indicators. The indicator of trust (CT1) had an estimated value of 0.89, meaning that this indicator had a greater contribution toward customer trust compared to the CT3 indicator. Full trust in the company will be the basis for taking credit with a company. Companies should always be able to deliver on their promises to the customer because this will be the basis for establishing a positive relationship with the customer.

In customer retention, the indicator “the company is a priority” (CR3) had an estimated value of 0.89, which means that this indicator contributes to customer retention much more than do the indicators CR1 and CR2. This shows that the success of the company to maintain a business relationship with the customer can happen when they have made the company a priority.

## 6. Hypotheses testing

### 6.1. Direct effect

Based on the empirical model proposed in this study, hypothesis analysis can be performed through testing path coefficients in the structural equation model. Table 4 provides the estimation results of the SEM model, indicating that most of the variables have a significant effect, such as the effect of customer-perceived value on customer satisfaction, corporate image on customer satisfaction, service quality on customer satisfaction, switching barriers on customer retention, customer satisfaction on customer trust, and customer trust on customer retention. However, the effect of customer satisfaction toward customer retention is not significant.

### 6.2. Indirect effect

Table 5 shows the results of the indirect effects between variables that have been analysed in this study. In this research model, four independent variables have an indirect relationship, namely: customer-perceived value and customer retention, corporate image and customer retention, service quality and customer retention, and customer satisfaction and customer retention.

## 7. Discussion

The objective of this study was to analyse the effects of customer-perceived value, corporate image, and service quality on customer satisfaction, as well as to analyse the direct effect of

**Table 4. Direct effect result**

Path		Beta	C.R.	P-value	Conclusion
H1	Customer Perceived Value (CPV) → Customer Satisfaction (CS)	0.554	8.482	0.000	Accepted
H2	Corporate Image (CI) → Customer Satisfaction (CS)	0.536	8.908	0.000	Accepted
H3	Service Quality (SQ) → Customer Satisfaction (CS)	0.674	9.967	0.000	Accepted
H4	Switching Barrier (SB) → Customer Retention (CR)	0.035	1.750	0.080	Accepted
H5	Customer Satisfaction (CS) → Customer Retention (CR)	0.183	0.460	0.747	Rejected
H6	Customer Satisfaction (CS) → Customer Trust (CT)	0.843	34.714	0.000	Accepted
H7	Customer Trust (CT) → Customer Retention (CR)	0.860	1.712	0.098	Accepted

**Table 5. Indirect effect result**

Path	Estimate	P-value	Conclusion
Customer Perceived Value (CPV) → Customer Retention (CR)	0.101	0.143	Rejected
Corporate Image (CI) → Customer Retention (CR)	0.098	0.095	Accepted
Service Quality (SQ) → Customer Retention (CR)	0.123	0.063	Accepted
Customer Satisfaction (CS) → Customer Retention (CR)	0.133	0.000	Accepted

switching barriers on customer retention, and the direct and indirect effects of customer satisfaction on customer retention. The discussions below will be presented in the order in which the hypotheses were tested.

**7.1. The effect of customer-perceived value on customer satisfaction (H1)**

Customer-perceived value showed a significant effect on customer satisfaction ( $p < 0.01$ ;  $\beta = 0.554$ ). The value of the beta-coefficient of customer-perceived value was 0.554, meaning that the higher the customer perceived value the higher the customer satisfaction. Overall, customers felt that there were additional benefits when using the company's products and services. Credit processes and products that are quite flexible and can be tailored to customer needs became a special attraction, so that they can meet customer expectation. In processing the credit, customers can convey their needs, such as desire to make a down-payment of 20% of the total principal, then the company can adjust to the needs of its customers. The results of this study supported those reported by Nguyen et al. (2018) for life insurance services in Vietnam, as well as findings published by Adiati and Dinna (2014) for a service industry.

**7.2. The effect of corporate image on customer satisfaction (H2)**

The corporate image showed a significant effect on customer satisfaction ( $p < 0.01$ ;  $\beta = 0.536$ ). The value of the beta-coefficient indicates that the better the corporate image the higher the customer satisfaction. An impression, trust, feeling, and knowledge in the minds of the customer regarding the company were well-formed. The company was considered to have good branding and reputation in the eyes of its customers both in terms of business ethics that were carried out and the performance of the company. This was deduced from the responses to the open question that the company is included in the customer's top of mind. This is in line with the research conducted by

Ashraf et al. (2018) in several companies engaged in financial services in Pakistan, as well as Ene and Özkaya (2014) who conducted similar studies in Turkey.

### **7.3. The effect of service quality on customer satisfaction (H3)**

Service quality showed a significant effect on customer satisfaction ( $p < 0.01$ ;  $\beta = 0.674$ ). The beta-coefficient value for service quality was 0.674, indicating that better service quality will yield higher customer satisfaction. Overall, customers felt that the service provided was in line with their needs and expectations. Credit provision was quite easy and fast, but the company still gave special attention to the customer and provided compensation to the customer in the event of dissatisfaction as a benchmark for service quality. When conducting a credit application process, customers can flexibly send their complete documents in digital form to a company employee.

The existence of an internal system that can be used by company employees, especially sales representatives, also helps with the customer application process. When the customer has sent complete data, the sales representatives can directly input it into the system and run a credit approval process, so that the customer does not need to wait long for the credit decision. Company X will certainly verify the data with its customers so that the information printed on the contract document is not wrong and does not cause customer complaints. This is in line with the research conducted by Caruana (2002).

### **7.4. The effect of switching barriers on customer retention (H4)**

Switching barriers exerted a significant effect on customer retention ( $p < 0.1$ ;  $\beta = 0.035$ ). The customers realised that changing credit providers would need more effort in terms of finding information, time, and cost. They were also of view that the credit process may not necessarily be as easy as in the previous credit company because new credit companies would not have historical credit payments. This is in line with the research conducted by Shamini and Ragel (2018) on the financial services industry in Sri Lanka. Similarly, Samudro et al. (2018b) stated that a high procedural switching cost must be avoided since it encourages customers to stay with poor performance. It is preferable if the customers want to stay in the relationship because of high value than due to high procedural switching barriers.

### **7.5. The effect of customer satisfaction on customer retention (H5)**

Customer satisfaction did not show a significant effect on customer retention ( $p > 0.1$ ;  $\beta = 0.183$ ). Satisfaction felt by customers with the products and services provided by the company was thus not a guarantee that they would continue using the company and apply for new credit. The results of the descriptive analysis show that the special product that is felt attractive by the customer to be able to apply another credit is the existence of special interest and loyalty programs.

At present, Company X does not set special interest for its customers. Instead, it offers credit ceiling. This finding was supported by a descriptive analysis, which also explained that the credit company that is currently being used by customers, BCA Finance (BCAF), had a low interest rate. This is in line with the research conducted by Colgate and Lang (2001) in the insurance industry, Mustikarini et al. (2014) in the agricultural sector, and Samudro et al. (2019) in the chemical industry.

### **7.6. The effect of customer satisfaction on customer trust (H6)**

Customer satisfaction showed a significant effect on customer trust ( $p < 0.01$ ;  $\beta = 0.843$ ), indicating that the higher the customer satisfaction the higher the customer trust. Satisfaction felt by customers with the products and services provided will make them trust the credit company, especially if the guaranteed credit is safeguarded. In addition, Company X is a subsidiary of a trusted holding company, which provides a further attraction for customers to entrust their credit processes to this credit company. This is in line with the research conducted by Mosavi and Ghaedi (2012) at a service company, and by Vithya (2017) with a bank in Sri Lanka.

### **7.7. The effect of customer trust on customer retention (H7)**

Customer trust exhibited a significant effect on customer retention ( $p < 0.1$ ;  $\beta = 0.860$ ), suggesting that the higher the customer trust the higher the customer retention. In this case, customers trust the credit process and the services provided, which would prompt them to continue using the company's products or services when they apply for credit. However, customers have different needs at different times. Pricing indicators (credit interest) in this case are considered to be the main factor in determining which credit company customers will use. This is in line with the findings reported by Spiros (2005) for an industry engaged in service, where the switching cost factor was found to influence customers' willingness to continue using the company.

### **7.8. Indirect effects on customer retention**

The analysis results show that customer-perceived value was the only factor that did not show a significant effect on customer retention. Hence, management needs to improve performance related to the values they want to give to the customer. Nowadays, customers have a good view of the services offered by the company, which can have a long-term impact on retention. Customer satisfaction also exerts significant influence through trust and retention. The finding that service quality significantly affects customer retention is in line with the results reported by Caruana (2002), who found that service quality acts on service loyalty via customer satisfaction. Ranaweera and Prabhu (2003) similarly found that the interaction between trust and satisfaction also has a significant effect on retention, indicating that building both customer satisfaction and trust is a superior strategy to that focusing on satisfaction alone.

## **8. Conclusion**

The goal of this study was to analyse the effects of customer-perceived value, corporate image, and service quality on customer satisfaction, to analyse the direct effect of switching barriers on customer retention, and to analyse the direct and indirect effects of customer satisfaction on customer retention.

Customer-perceived value was found to exert a significant effect on customer satisfaction. Overall, customers feel that credit products and services the company offers are quite flexible. Moreover, the corporate image has a significant effect on customer satisfaction and the company is considered to have good branding and reputation in the eyes of its customers. Service quality has a significant effect on customer satisfaction, and customers feel that the services provided are in accordance with their needs and expectations. Moreover, switching barriers have a significant effect on customer retention. Customers realise that, if they move to another credit company, this will incur more effort in terms time and cost. However, customer satisfaction does not have a significant direct effect on customer retention. In this case, the satisfaction felt by customers with the products and services provided by the company is not a guarantee that they will apply for new credit with the same company.

It is also noteworthy that the indirect relationship that occurs through customer trust indicates that trust in the credit process and the service provided will prompt customers to use the company's products or services when applying for new credit. Managers should thus focus on grouping customers, determining sales targets based on customer groups, making products that have more advantages over competitors, making credit packages and special programs to promote low-interest rates, and forming telesales as information channels.

## **9. Contributions**

The results yielded by the present study are consistent with the findings obtained in prior studies on the impact of customer-perceived value, corporate image, and service quality toward customer satisfaction and the switching barrier impact on customer retention.

The finding indicating that customer-perceived value significantly affected customer satisfaction is in line with the findings of Adiati and Dinna (2014), Mbango (2019), Nguyen et al. (2018) and Samudro et al. (2020).

The finding indicating that corporate image significantly affected customer satisfaction supported the findings of Ashraf et al. (2018), Ene and Özkaya (2014), Esmailpour and Barjoei (2016), Jani and Han (2014), Muturi et al. (2013), Setiawan and Sayuti (2017) and Wu (2014).

The finding indicating that service quality significantly affected customer satisfaction in accordance with the findings of Ashraf et al. (2018), Caruana (2002), Han and Hyun (2015) and Wu (2014).

The finding indicating that switching barriers significantly affected customer retention supported the findings of Adiati and Dinna (2014), Danesh et al. (2012), Kim et al. (2007), Risdianto (2017) as well as Shamini and Ragel (2018).

The finding indicating that customer satisfaction significantly affected customer retention supported the findings of Danesh et al. (2012), Daneshfar et al. (2016), Gerpott et al. (2001), Ibojo (2015), Mohsan et al. (2011), Nguyen et al. (2018), Posselt and Gerstner (2005), Ranaweera and Prabhu (2003) and Vessel and Zabkar (2009)

The finding indicating that customer satisfaction significantly affected customer trust supported the findings of Chen et al. (2011), Chu et al. (2012), Leonidou et al. (2008), Han and Hyun (2015), Mosavi and Ghaedi (2012) and Vithya (2017).

The finding indicating that customer trust significantly affected customer retention is in accordance with the findings of Ang and Buttle (2006), Danesh et al. (2012), Gee et al. (2008), Gounaris (2005), Guo et al. (2009), Lewis (2006), Liu et al. (2011), McWilliams and Gerstner (2006), Ranaweera and Prabhu (2003), Spiros (2005) and Zaman et al. (2012).

## **10. Implications**

### **10.1. Theoretical implication**

The research presented here provides both a broad and in-depth discussion of all the salient issues related to customer retention. By drawing together these issues into a single discussion, a perspective that differs from those reported in previous literature is offered. Holistically, customer retention allows academic researchers and marketing managers to contrast different theories and principles. In addition, the results of this study can be an additional reference for those working in marketing management relating to the influence of customer retention, especially in the car loan business. The present study also has implications for strengthening the customer relationship marketing theory with the additional variables.

Empirical evidence provided in this work highlights the importance of customer trust for customer retention. Previous studies suggest that it costs more to obtain a new customer rather than to retain the existing one. Hence, customer retention is important for marketing efforts as well as for profit maximisation.

### **10.2. Managerial implications**

Companies certainly need to focus more on customer retention strategies because customers who already feel satisfaction and trust will not necessarily take credit back to the same credit company. In addition to the service aspects provided, product aspects also need to be considered because, with the segmentation of customers with different needs, different products will be needed. In addition, companies also need to set a standard document of credit requirements needed specifically for customers who have taken credit previously, because the relevant data can be obtained from the system automatically.

Based on the results of the study, to improve the customer-perceived value, companies must increase the value of additional benefits and trust in the company. Furthermore, to enhance their corporate image, companies must continuously engage in corporate branding and enhance

interactions with customers. In terms of service quality, efforts must be made to provide requirements and compliance documents, and increase the speed of service. From the switching barriers aspect, the higher the effort required for the customer to move, the less likely it is that the customer will apply for credit elsewhere. Finally, by promoting customer trust, companies will ensure that customers prefer applying for car loans in the same company.

For customers who will apply for new credit, companies should pay more attention to personal economic conditions first and identify the long-term needs that will occur so that the credit collection process is truly in accordance with their needs in terms of down-payment, instalments, and time period, which has been determined based on the agreement contract. This is essential, as bad credit occurs frequently due to negligence in paying credit in accordance with the agreement. Of course, if this happens, it will be very detrimental to customers and companies. The customer's payment history will be bad, and the company's image in the eyes of the customer becomes worse because some actions are carried out as part of the consequences of negligence.

### 10.3. Limitations and future directions

This research has several limitations, one of which stems from the use of non-probability sampling techniques focusing on priority group segmentation, due to which the findings cannot be generalised beyond this population. Second, the sample size was relatively small, but was still adequate for the analyses undertaken. Third, this research only focused on car loan financing products, neglecting other financing products, such as multipurpose loans. It would be better if the research was conducted for all financing products so that the results could be seen better in terms of company excellence and what needs to be improved by the company.

For further research, it will be interesting to examine a broader range of financing products and the segmentation of other customers. Future research on this topic can also be performed across cultures while increasing the sample size. Similarly, further studies could aim to determine the reasons for losing customers in the car loan sector.

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