

## Strengthening Customer Loyalty: The Role of Customer Relationship Management and Satisfaction

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### Article history

Received 2025-11-21 | Accepted 2025-12-20 | Published 2025-12-31

### Abstract

Increasingly fierce competition in the banking industry requires banks to strengthen their customer relationship strategies in order to create long-term loyalty. This study aims to analyze the role of Customer Relationship Management (CRM) and customer satisfaction in strengthening customer loyalty. The research method used is quantitative. The sampling technique used is SAMPLS, and 190 customers of Bank Panin Semarang were obtained. The results show that CRM has a positive and significant effect on customer satisfaction and loyalty. Furthermore, customer satisfaction was found to mediate the relationship between CRM and customer loyalty. This indicates that the implementation of more effective CRM will increase customer satisfaction levels, and this increase in satisfaction will in turn contribute to the formation of stronger customer loyalty. These findings confirm that CRM not only has a direct impact on loyalty, but also has an indirect impact through increased satisfaction. Thus, the optimal implementation of CRM, which is reflected in personalized, fast, and responsive services, is a strategic factor in strengthening customer loyalty and maintaining Bank Panin's competitiveness in a sustainable manner.

**Keywords:** Customer Relationship Management; Customer Satisfaction; Customer Loyalty.

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## INTRODUCTION

In recent years, competition in the banking sector has become increasingly fierce due to the rapid development of technology and digital services. Banking is central to the national economy, so financial institutions need to quickly adapt strategies to remain relevant and win market share. Customer loyalty is a manifestation of the behavior of decision-making units to make continuous purchases of goods or services of a chosen company and a deeply held commitment to buy or support the preferred product or service again in the future even though the influence of the situation and marketing efforts have the potential to cause customers to switch (Nyonyie et al., 2019).

One strategic step is to build company loyalty through strong and sustainable relationships with customers. According to (Oliver, 1999) Customer loyalty is a deep commitment to repurchase or continue to use a preferred product or service consistently in the future, despite situational influences and marketing efforts from competitors. Loyal customers contribute greatly to company growth by reducing marketing costs, increasing cross-selling opportunities, and providing positive promotions through word of mouth communication. (Amin et al., 2013) suggests that loyal customers tend to maintain relationships with banks that are able to provide reliable, consistent and personalized service. By building open communication and responsive complaint handling, companies increase customer satisfaction which then encourages loyalty (Hermawati, 2023).

Customer Relationship Management (CRM) is a business strategy designed to understand, anticipate and meet customer needs effectively and efficiently (Chen & Popovich, 2003). Effective CRM implementation has a positive impact on satisfaction because customers feel cared for and receive service as expected (Sin et al., 2005). Satisfaction arises when customers feel their experience with the company is better than initial expectations. (Kotler & Keller, 2016) shows that satisfaction is the main prerequisite for creating loyalty. According to (Ahmad et al., 2010) which states that service quality is the underlying determinant of customer satisfaction and therefore, it is important for management to find a concise meaning regarding service quality and look for the most reliable assessment process to ensure superior quality service offerings.

Bank Panin is a national private bank that has an extensive network and strategic potential in developing long-term relationships with customers. Even though we have implemented a CRM strategy to improve service quality, in practice there are still several problems that can affect the effectiveness of the CRM. As a result of observations and various service reports, several customers complained about inconsistent service quality, such as slow service response, and a lack of human resources to serve customers more effectively. Apart from that, in the aspect of digital services, especially mobile banking, there are still frequent system disruptions, access difficulties and delays in application updates, which can reduce customer comfort and confidence in online transactions.

The effectiveness of relationship marketing impacts customer satisfaction, and that satisfaction ultimately influences loyalty Previous research generally only examines the direct influence of CRM on satisfaction (Roy et al., 2012). (El Sheikh et al., 2025), (Setyadi et al., 2023), (Kinya et al., 2019). and CRM on loyalty (Long et al., 2013), (Muttaqin, 2013). However, studies that specifically place satisfaction as a mediating variable in the relationship between CRM and loyalty are still relatively limited, especially in the banking context (Roy et al., 2012). In fact, customer satisfaction plays an important role as a mechanism that can bridge the influence of CRM on loyalty (Roy et al., 2012). Therefore, this research is focused on analyzing the influence of Customer Relationship Management (CRM) on customer loyalty by including customer satisfaction as a mediating variable.

## Literature Review

### Customer Loyalty

Customer loyalty is a customer's commitment to continue purchasing and using a company's products or services in the future, accompanied by a willingness to recommend it to others (Dick & Basu, 1994). Loyalty not only reflects repeat purchasing behavior

(behavioral loyalty), but also involves a positive attitude and trust in the company (attitudinal loyalty)(Curtis et al., 2011). The meta-analysis found that customer satisfaction has a positive effect on loyalty in various industrial sectors, including financial services. According to (Ramaj & Ismaili, 2015), Customer loyalty is influenced by three main factors, namely: (1) the quality of the relationship between the customer and the company, (2) trust in the company, and (3) the overall customer experience.

### **Customer Relationship Management (CRM)**

Customer Relationship Management (CRM) is a strategic approach used by organisations to build, maintain, and optimise long-term relationships with valuable customers. (Payne & Frow, 2005). CRM is not limited to the use of software or technology systems, but encompasses a management philosophy that places customers at the centre of business strategy. (Kotler & Keller, 2016). According to (Long et al., 2013). CRM is a combination of business processes, technology and human resources that focuses on increasing customer satisfaction and creating long-term loyalty. CRM helps organizations to understand customer behavior, preferences and needs through collecting and analyzing customer data. With this information, companies can design more personalized and effective services (Ramaj & Ismaili, 2015) emphasized that CRM has three main components, namely people (human resources), process (business processes), and technology (supporting technology). These three elements work synergistically to manage customer relationships. (Roy et al., 2012) suggests that successful CRM implementation requires consideration of business strategy, organizational motivation and in building and maintaining relationships with customers. Such integration and organization of these elements allows companies to realize superior CRM performance by gaining insight into profitable customer behavior.

### **Customer Satisfaction**

Customer satisfaction is a feeling or attitude that arises after using and comparing the performance of a product or service received with one's hopes or expectations. An increase in customer satisfaction will also increase customer loyalty. (Jannah & Hayuningtias, 2024). (Muttaqin, 2013) Customer satisfaction is the customer's perception formed from a comparison between their expectations and the service they receive. From a banking perspective, companies will seek to understand customer satisfaction with the services provided, then explore the factors that create that satisfaction and ultimately improve them.

### **METHOD**

This research is a descriptive study using quantitative methods. The sampling technique used is purposive sampling. The criteria for the research sample are Panin Bank Semarang customers who are at least 20 years old, have been Panin Bank customers for at least 6 months, and use the mobile banking application. Data collection was carried out by distributing questionnaires via a Google Form link. The data analysis technique in this research uses Structural Equation Modelling with the Partial Least Square approach.

### **RESULT AND DISCUSSION**

#### **Result**

#### **Respondent Description**

This section presents a description of respondents obtained from 190 Panin Bank customers in Semarang City. The analysis was conducted to provide an overview of the characteristics of the respondents.

**Table 1. Description of respondents**

Respondent Indicators	Description	Frequency	Persentase (%)
Gender	Male	91	47,9%
	Woman	99	52,1%
	Total	190	100%
Age	20–30 Years old	80	42,1%
	31–40 Years old	35	18,4%
	41–50 Years old	65	34,2%
	> 50 Years old	10	5,3%
	Total	190	100%
Work	Officer	89	46,8%
	Student	57	30,0%
	ASN	13	6,9%
	Lainnya	31	16,3%
	Total	190	100%
Income	Rp 1.000.000 – 3.000.000	30	15,8%
	>Rp 3.000.000 – 5.000.000	20	10,5%
	>Rp 5.000.000 – 8.000.000	62	32,6%
	>Rp 8.000.000 – 10.000.000	60	31,6%
	> Rp 10.000.000	18	9,5%
	Total	190	100%
	Long-term Customer	6 month	54
6-12 month		65	28,8%
> 1 year		71	39,9%
Total		190	100%

Table 1 shows that most respondents were female, numbering 99 people (51.2%). Based on age, the majority of respondents were of productive age, between 20 and 30 years old, numbering 80 people (42.1%). Furthermore, most respondents were private sector employees, numbering 89 people (46.8%). In terms of income level, the majority of respondents had an income of >Rp 5,000,000 – 8,000,000, amounting to 62 people (32.6%). Furthermore, most respondents had been customers of Panin Bank for more than 1 year, amounting to 71 people (39.9%).

### Validity and Reliability Test

Validity and reliability tests are conducted to determine whether each question presented to respondents is valid or invalid. If it is declared valid, it means that the indicator can be used to measure what should be measured. (Nur, 2024). The reliability of a construct can be evaluated through composite reliability values. Composite reliability values above 0.6 to 0.7 indicate a fairly good level of reliability, while values above 0.7 to 0.9 are considered satisfactory, (Jr et al., n.d.).

**Table 2. Validity and Reliability Test Results**

Indicator	Loading	AVE	Cronbach's Alpha	Composite Reliability (CR)	AVE
C RM 1	0,823	0,667	0,967	0,970	0,967
CRM 2	0,830				
CRM 3	0,819				
CRM 4	0,843				
CRM 5	0,804				
CRM 6	0,820				
CRM 7	0,831				
CRM 8	0,826				
CRM 9	0,823				
CRM 10	0,816				
CRM 11	0,836				
CRM 12	0,852				
CRM 13	0,813				
CRM 14	0,829				
CRM 15	0,730				
CRM 16	0,762				
CS 1	0,786	0,728	0,813	0,889	0,830
CS 2	0,890				
CS 3	0,878				
CL 1	0,899	0,804	0,878	0,925	0,879
CL 2	0,913				
CL 3	0,878				

the research in Table 2 above, it can be explained that the factor loading values for each indicator of all variables are above 0.7, which means they are valid. All variables have AVE values above 0.5, indicating that the indicator variance is good. Thus, it can be concluded that the research instrument has adequate convergent validity. Furthermore, reliability testing was conducted using Cronbach's Alpha and Composite Reliability measurements. The test results show that all constructs have Cronbach's Alpha and Composite Reliability values above the minimum threshold of 0.7. This proves that the instruments used to measure the four variables have excellent internal consistency and are reliable.

### Goodness of FIT Test

The goodness of fit of the PLS model can be determined from the SRMR (Standard Root Mean Square Residual) value. If the SRMR value is 0.10, then the PLS model is declared to meet the model fit criteria. This is because the SRMR value of the model is 0.049 for the saturated model and 0.049 for the estimation model. The goodness of fit test results show that the model is highly suitable and can be used to test the research hypothesis. Meanwhile, the model fit results with an NFI value of 0.854, which is close to an NFI value of 1, indicate that the tested model is good.

**Table 3. Goodness of FIT Test Results**

	Saturated model	Estimated model	Conclusion
SRMR	0,049	0,049	Good
d_ULS	0,612	0,612	Good
d_G	0,614	0,614	Good
Chi-square	556,541	556,541	Good
NFI	0,854	0,854	Good

### Hypothesis Testing

Hypotheses are important elements that must be presented in research in order to produce good research and build theories if the formulation of these hypotheses is proven

to be correct. (Hamdani & Sa'diyah, 2025). The hypothesis will be rejected and considered insignificant. The following are the results of the hypothesis testing:

**Table 4. Hypothesis Testing**

Variabel	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values	Conclusion
CRM -> CS	0,718	0,719	0,046	15,463	0,000	Hypothesis 1 is accepted.
CRM -> CL	0,469	0,470	0,098	4,806	0,000	Hypothesis 2 is accepted.
CS -> CL	0,383	0,381	0,096	3,976	0,000	Hypothesis 3 is accepted.
CRM -> CS -> CL	0,275	0,273	0,069	3,963	0,000	Hypothesis 4 is accepted.

The results of the table above show that Customer Relationship Management (CRM) has a positive and significant effect on customer satisfaction with a significance value of  $0.000 < 0.5$ , meaning that H1 is accepted. Furthermore, CRM has a positive and significant effect on customer loyalty with a significance value of  $0.000 < 0.5$ , meaning that H2 is accepted. Next, customer satisfaction and loyalty are also proven to be positively and significantly related, with a significance value of  $0.000 < 0.5$ , meaning that H3 is accepted. Furthermore, customer satisfaction mediates the effect of CRM on customer loyalty, with a significance value of  $0.000 < 0.5$ , meaning that H4 is accepted.

**Discussion**

Effective CRM implementation can increase customer satisfaction because customers feel more cared for and receive services that meet their expectations. CRM enables banks to better manage customer data, understand individual needs, and provide more personalised services (Long et al., 2013). Theoretically, these results also support the notion that satisfaction arises when the performance received by customers meets or exceeds their expectations. (Oliver, 1999) states that the better CRM is implemented, the higher the level of fulfilment of these expectations.

Satisfaction is a key prerequisite for building customer loyalty. Satisfied customers are more likely to continue using the bank's services, make repeat transactions, and give positive recommendations to others (Kotler & Keller, 2016). The relationship between satisfaction and loyalty is consistent and significant across various service sectors, including banking. Therefore, increasing customer satisfaction can be a key strategy for strengthening long-term loyalty (Curtis et al., 2011). The better the quality of service and corporate image provided to customers, the greater customer satisfaction will be in the following period (Asrofi & Aquinia, 2023).

CRM has a direct influence on customer loyalty. An effective CRM system helps companies maintain long-term relationships with customers through intensive communication, prompt service, and continuous added value. (Kalya Adzhani et al., 2021). (Singh, 2014) emphasising the importance of building long-term relationships based on trust and shared values. CRM as a strategic tool for maintaining customer intimacy, increasing trust, and strengthening the emotional bond between customers and banks.

CRM not only has a direct impact on loyalty, but also indirectly through increased satisfaction. (Maulida et al., 2024) argues that satisfaction acts as an important mediator in the relationship between CRM and loyalty (Vargo & Lusch, 2010) explains that customer satisfaction is an intermediate factor that links service quality and profitability through customer loyalty. Thus, the role of satisfaction as a mediating variable menjadi krusial dalam memastikan that investing in CRM truly delivers sustainable results in the form of stronger customer loyalty.

## Limitations

This study has several limitations, including the lack of open-ended questions in the questionnaire, which limited the depth of information obtained from respondents and prevented researchers from exploring answers more comprehensively. Furthermore, the study design, conducted only over a single time period, prevented the results from capturing changes in customer satisfaction and loyalty levels over time. This limitation should be considered when interpreting the results and can serve as a guide for future research using a larger sample size and multiple time points to assess changes or developments in the variables studied.

## CONCLUSION

CRM has been proven to have a positive and significant impact on customer satisfaction and loyalty, where the implementation of personalised services, ease of access, speed of service, and quality communication can enhance customer experience and loyalty. High satisfaction then strengthens emotional bonds and customer trust, thereby encouraging loyalty to continue using and recommending the service. Therefore, it is necessary to optimise CRM strategies through consistent service, quick responses, adequate facilities, and memorable experiences to create mutually beneficial long-term relationships and drive sustainable growth.

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