

A STUDY OF THE RELATIONSHIP MARKETING EFFECT IN BANKS: THE CASE OF AN EMERGING MARKET

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Abstract

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This study aims to provide an alternative model for understanding customers' loyalty behavior by examining the effect of relationship marketing (RM) and service quality on customer satisfaction and customer loyalty moderated with switching costs. A laboratory experiment was carried out to ascertain the controlled variables based on factorial design: 2 (RM: high vs low) x 2 (service quality: high vs low) x 2 (the switching costs: high vs low). The study was based on bank clients as participants, and multiple linear regression was chosen to examine the causal relationship between the variables that are hypothesized. The results indicate that loyalty of banking customers is significantly influenced by RM, service quality and customer satisfaction. In addition, switching costs have a role in moderating customer loyalty. The implications of this study were discussed to give insight into contributions of theoretical and practical aspects, and for future studies.

Keywords: Relationship marketing, Service Quality, Switching Costs, Customer Satisfaction, Customer Loyalty, Bank

1. INTRODUCTION

The customer's loyalty in banking is an important area of consumer behavior research. Prior studies have indicated the divergences of the model in explaining the phenomenon under different situations (Aronu, 2014; Assefa, 2014; de Matos et al., 2013). Consequently, each model has limited applicability and generalizability. Therefore, there is a need to propose a model that can be applied to different objects and settings.

The study aims to design a conceptual model to explain the banking loyalty process. Based on the results of the preliminary design, there are 5 variables identified, namely RM and service quality as the predictor variables of satisfaction and loyalty, and switching costs as a moderating variable.

RM is the first variable identified following the findings of Wan and Ken (2013); Mbango (2015); Husnain and Akhtar (2015); Padma et al. (2016) and Mang'unyi et al. (2017). This variable indicates the effectiveness of RM in forming the consumer loyalty. However, according to Djajanto et al. (2014); Chakiso (2015); and Khan et al. (2015) the application of the concept is still inconsistent. It is similarly to the dimensions used by Padmavathy et al. (2012) and

Chakiso, (2015). Chakiso (2015) conceptually stated that RM is not limited to efforts providing satisfaction and maintaining long-term relationships, it is related to the change from the transactional marketing strategy into the relational marketing. In other words, RM is a philosophy of doing business, and its strategic orientation focuses on keeping and improving relationships with current customers rather than acquiring new customers. While in terms of dimensions, Padmavathy et al. (2012) just focused on the performance in building long-term relationships, whereas the other study emphasized the ethical aspects and the combination of the relational marketing program (Hoffmann & Birnbrich, 2012). Therefore, in order to provide clarity, the effectiveness of this variable needs to be re-examined through an experimental approach.

The next variable is service quality. Although previous studies showed the effectiveness of the service quality in improving loyalty (Ariff et al., 2013; Choudhury, 2013; Minh & Huu, 2016; Asadpoor & Abolfazli, 2017), the definition (Kranias & Bourlessab, 2013; Minh & Huu, 2016; Alnaser et al., 2017; Gulc, 2017) of the applied concepts and dimensions (Karim & Chowdhury, 2014; Marković et al., 2015; Al-Azzam, 2015; Firdous & Farooqi, 2017)

are still inconsistent. Kranias and Bourlessab (2013) stated that the service quality conceptually could be implemented through a traditional approach. While Alnaser et al. (2017) and Gulc (2017) laid more emphasis on the communication aspect of meeting customer needs. Moreover, in terms of dimensions, Karim and Chowdhury (2014) and Al-Azzam (2015) based their research using the approach of tangibility, responsiveness, assurance, empathy and reliability, while Marković et al. (2015) and Firdous and Farooqi (2017) focused more broadly on seven dimensions of ES-Qual and E-RECs-QUAL. Therefore, considering consumers' loyalty behavior, the study needs to re-examine the importance of the effectiveness of this variable in the different objects and settings.

Furthermore, switching costs is also considered as an important external variable in the study. The results of previous research suggest that switching costs can moderate the behavioral relationship process (see: Stan et al., 2013; Nagengast et al., 2014; Feng & Wang, 2016; Ngo & Pavelková, 2017). However, the causal relationship that was analyzed is not consistent in this context. Feng & Wang (2016) moderate the switching costs in the relationship of cognitive-affective structure, while the others moderate the relationship between the structure of affective to conative (see: Kaur et al., 2012; Stan et al., 2013; Ngo & Pavelková, 2017), but Laksamana et al., 2013) just moderate the structure of cognitive to conative relationship. Thus this study attempts to examine the role of switching costs in moderating entire process of loyalty formation in the form of cognitive-affective-conative relationships.

In addition to switching costs, another variable is satisfaction. In this study, satisfaction conceptualized as variable that mediate the relationship between cognitive and conative structure, with the definition that refers to the concept of Seiler et al. (2013); Ariff et al. (2013); Minh & Huu (2016); Alnaser et al. (2017) who states that satisfaction is an evaluation of a comparison between what was expected and what was felt. In relation to the importance of this variable, the previous studies indicate that satisfaction has a positive effect on loyalty (Gounaris & Boukis, 2013; Odunlami, 2014; Leninkumar, 2017). Therefore, in order to clarify the role of mediation in the context of the bank customer loyalty, it is necessary to do reassessment within this study.

Finally, customer loyalty is one of the primary variables that of the current study. This concept refers to the definition of Auka et al. (2013), who states that customer loyalty is a perceived commitment to use services of a bank and maintain a positive attitude to the banks' products. Likewise, a similar definition is used by other previous studies (see: Aronu, 2014; Seiler et al., 2013; Hasiri & Afghanpour, 2016). However, before the literature review and hypothetical concepts are elaborated, it is a necessary to notice that the structure of this paper begins with an introduction, then followed by the literature review, hypothesis development, conceptual model and the results, and finally closed with conclusions and implications.

2. LITERATURE REVIEW AND HYPOTHESES

The literature of consumer behavioral theory points out that there are two approaches to explain consumer behavior (see: Ajzen & Fishbein, 1980; Schiffman & Kanuk, 2000; Assael, 2001). The first one is the behavioral approach, and the second one is the attitudinal approach. The behavioral approach is focused on the process of consumer behavior formation with regard to the influence of external environmental events (Bray, 2008), whereas the attitudinal approach focuses on the process of forming behavior through the stage of cognitive-affective-conative (Stan et al., 2013; Rizan et al., 2014 and Padma et al., 2016).

In this study, we use a behavioral theory, which is based on the attitudinal approach. Such selection was made based on the following set of arguments. Firstly, the concepts are capable to explain the factors that influence the attitudinal behavioral processes, ranging from the process of thinking (cognitive), to feel (affective), and ends on the process of acting (conative). Secondly, the observed variables namely RM and service quality are the components of thinking (cognitive), while satisfaction functioning as a component of feeling (affective), and the loyal intention is a component to act (conative). The following consideration is that the previous studies suggest the model of cognitive-affective-conative on the attitudinal approach has proven accurately in predicting consumer purchasing behavior (see: Stan et al., 2013; Djajanto et al., 2014; Rizan et al., 2014; Padma et al., 2016). Thus, based on the literature review and theoretical approaches used, the hypotheses are developed and presented in the following sections.

2.1. RM and customer satisfaction

RM is considered an important factor in the formation of customer satisfaction and customer loyalty. In this study, we limit RM to the events when banking institution provides surprise gifts to the consumer. It means that in the context of long-term relationships, customers always feel cared for, and in turn are expected to be satisfied and loyal to their current banking services provider.

Related to the hypotheses development on the effect of RM on customer satisfaction, we use the study of Djajanto et al. (2014) and Rizan et al. (2014) and Padma et al. (2016) that found a positive and significant effect. Based on this premise, we argue that the level of RM directly affects the level of customer satisfaction.

Firstly, consumers act rationally to express an affective attitude towards the perceived satisfaction. This is partly due to fact that RM is viewed as a promotional activity that can maintain the good long-term relationship between the producers and consumers (Padmavathy et al., 2012). Secondly, there is a perception that consumers are satisfied with RM appeal, in which this satisfaction variable is then assessed as mediation in the process of forming the intention to be loyal to the banking institution (see: Djajanto et al., 2014; Rizan et al., 2014; Padma et al., 2016). Thus, the first hypothesis that can be formulated in the following way:

H1: RM has a significant effect on customer satisfaction.

2.2. Switching costs, RM and customer satisfaction

In addition to RM, switching costs is an external variable that is considered important in influencing the process of developing customer satisfaction. This is due to its role that could potentially strengthen or weaken the connection between RM and satisfaction. Based on this phenomenon, the concept of the switching costs in this study is defined as the burden both financially and psychologically that may cause consumers to be loyal to the company or change provider of the services.

Furthermore, in the context of the hypotheses development on the effect of switching costs on the connection between RM and customer satisfaction, the basic premise used announce that the level of switching costs has a stronger influence on the predictor variables in forming the level of customer satisfaction (see: Feng & Wang, 2016). Therefore, the proposition put forward to explain this relationship rests on the tendency of positive relationship such as conceptualized by previous studies (Kaur et al., 2012).

The relationship can be also explained by the following factors: (1) consumers perceive that switching costs as an external variable can moderate the influence of predictor variables in forming positive attitudes towards customer satisfaction (Kaur et al., 2012), (2) several previous studies have shown that switching costs could strengthen the influence of predictor variables in forming cognitive-affective relationships (e.g.: Feng & Wang, 2016). Thus, if this phenomenon was synthesized with the positive effect of RM on customer satisfaction (see: Kaur et al., 2012; Feng & Wang, 2016), so it could be conceptualized the formulation of the second hypothesis, namely;

H2: Switching costs positively moderates the relationship between RM and customer satisfaction.

2.3. Service quality and customer satisfaction

Besides RM, service quality is the other important cue to be considered as a predictor variable in forming customer satisfaction, which in turn influences customer loyalty. In this study, service quality was conceptualized as the consumers' assessment of the bank services as well as the advantages of a product or a service.

We develop hypotheses on this causal relationship based on the literature review which indicated that the level of service quality affecting the level of customer satisfaction (Lau et al., 2013; Karim & Chowdhury, 2014; Wachyudi & Haryanto, 2016; Akhtar et al., 2016; Alnaser et al., 2017). Thus, the proposition that could be put forward refers to a tendency of regularity phenomenon that has a positive relationship pattern. This is partly based on the following two reasons.

Firstly, consumer perceptions of service quality level tend to cause a positive attitude towards customer satisfaction (Ariff et al., 2013); Srivastava & Rai, 2013; Firdous & Farooqi, 2017). Secondly, consumers act rationally for expressing affective attitude against complacency. This is partly due to the quality of service provided capable of presenting the excellent services as well as the advantages as a whole in complying the consumer's needs

(Tharanikaran et al., 2017). Whereas Kranias and Bourlessab (2013) and Marković et al. (2015) place emphasis on a significant difference between expected service quality and perceived service quality, whether it is judged from the aspect of service fulfillment efficiency, system availability, secure confidentiality, or in response to complaints submitted. Thus, based on arguments, provided above the third hypothesis can be formulated in the following way:

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

2.4. Switching costs, service quality and customer satisfaction

Apart from the main effects, research literature also points out two-ways interaction effect in explaining the increasingly complex relationship. In this context the described phenomenon means that the level of switching costs has a stronger effect on the relationship between service quality and customer satisfaction. This conclusion was supported by the findings of Feng & Wang (2016), which then serve as the basic premise for formulating the hypotheses that were developed. That is why the proposition put forward is based on regularly positive relationship, such as conceptualized by previous studies that explain the interaction effect of switching costs on the relationship between service quality and satisfaction. Therefore, based on the regularity of this phenomenon, the fourth hypothesis can be formulated in the following way:

H4: Switching costs positively moderates the relationship between service quality and customer satisfaction.

2.5. RM and customer loyalty

The literature argues that RM as a predictor variable of the customer's loyalty has a positive and significant effect. This opinion is supported by several previous studies (Husnain & Akhtar, 2015; Chakiso, 2015). This statement can be used as a basic premise to explain that the level of RM attractiveness, has a strong effect on customer loyalty, so the proposition put forward do tend to be positive as it is depicted in previous studies (Rizan et al., 2014; Chakiso, 2015 and Mang'unyi et al., 2017). This is partly caused by the appeal that RM can help to achieve customer satisfaction in order to maintain a good long-term relation between service provider and consumers and consequently guarantee customer loyalty (Stan et al., 2013; Djajanto et al., 2014; Rizan et al., 2014; Padma et al., 2016). Therefore, the fifth hypothesis can be formulated as follows:

H5: RM has a significant effect on customer loyalty.

2.6. Switching costs, RM and customer loyalty

As the interaction effect of the switching costs on the influence of RM on satisfaction is positive, the same phenomenon is also expected to emerge in the interaction effect of the switching costs on the influence of RM on customer loyalty. This argument is based on several previous studies, which indicate that the level of switching costs has a stronger

influence on the predictor variables in forming the level of customer loyalty (Laksamana et al., 2013; Stan et al., 2013). Therefore, such phenomenon could be used as a basic premise to predict the role of switching costs to moderate the influence of RM on customer loyalty.

Furthermore, based on such a premise we can put forward a proposition of positive relationship between the variables under study. Feng & Wang (2016) proved that switching costs can moderate positively the causal relationships on cognitive-affective structure, while the other researchers argue that the moderation exists on the affective-conative level (Kaur et al., 2012; Stan et al., 2013; Ngo & Pavelková, 2017). Thus, if the pattern of this relationship is synthesized, then the development of the concept of the sixth hypothesis can be formulated as follows:

H6: Switching costs positively moderates the relationship between RM and customer loyalty.

2.7. Service quality and customer loyalty

The effect of service quality on customer loyalty is another concept considered by this study. Several previous studies indicated that the service quality is viewed as the other important factor that has a positive effect in forming the customer loyalty (Choudhury, 2013; Stan et al., 2013; Minh & Huu, 2016). Therefore, this phenomenon can be used as a basic premise, which subsequently formed into a proposition of positive relationship. Thus, for the concept development, the seventh hypothesis could be formulated as follows:

H7: Service quality has a significant effect on customer loyalty.

2.8. Switching costs, service quality and customer loyalty

In addition to a positive moderating effect of the switching costs on the relationship between service quality and satisfaction, the same phenomenon is also predicted to occur during the interaction effect of the switching costs on relationship between service quality and customer loyalty. Stan et al. (2013) indicate that the level of switching costs had a strong effect on the service quality in forming the level of customer loyalty. Therefore, consistent with regularity phenomena that occurred, this study subsequently argue about the positive relationship proposition in order to develop the eighth hypothesis:

H8: Switching costs positively moderates the relationship between service quality and customer loyalty.

2.9. Customer satisfaction and customer loyalty

The effect of customer satisfaction on customer loyalty is an important component in the concept development of the hypothesized variables. We argue that the level of customer satisfaction has a strong effect on customer loyalty. This phenomenon was based on a basic premise that suggests there is a regularity of positive effect on the relationship between satisfaction and customer loyalty (Gounaris & Boukis, 2013; Assefa, 2014; Odunlami, 2014; Leninkumar, 2017). Thus, referring to such regularity, the ninth hypothesis could be formulated as follows:

H9: Customer satisfaction has a significant effect on customer loyalty.

2.10. Switching costs, customer satisfaction and customer loyalty

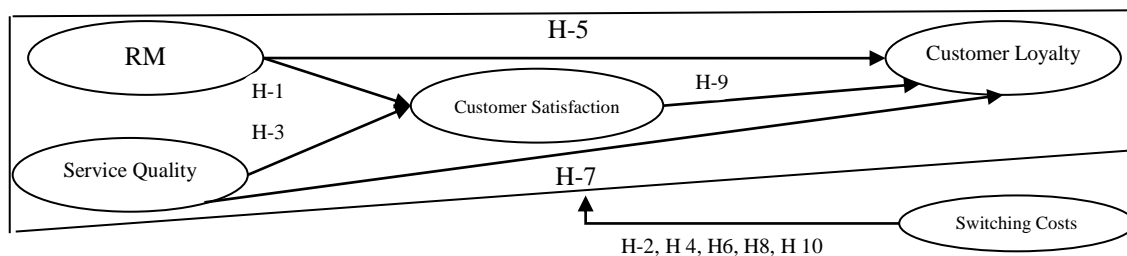
The interaction effects of this causal relationship becomes increasingly important when this study put forward a basic premise that the effect of switching costs on the relationship between customer satisfaction and customer loyalty tends to be positive (Nagengast et al., 2014; Blut et al., 2015; Haryanto & Budiman, 2015; Ngo & Pavelková, 2017). In other words, the proposition implies that the level of switching costs has a stronger effect on the satisfaction in forming the level of customer loyalty. Therefore, we form the tenth hypothesis in the following way:

H8: Switching costs positively moderates the relationship between customer satisfaction and customer loyalty.

3. THE METHOD

In this study, we have selected a laboratory experiment as a technical approach of gathering research data. This reason for such choice was due to the substantial variation in the variables, included in the dataset. The goal of this approach is to control strictly the relationship between the variables that can potentially damage the model from the external influences. In this context, researchers have the flexibility to operate the basic concepts, which are tested with the aim of obtaining data that could explain hypothesized concepts. Before implementing the laboratory experiment, we have conducted a preliminary study as described later in this section. The research model used in this study is provided on figure 1.

Figure1. Conceptual Model of Customer Loyalty in the Consumer Behavioral Perspective



3.1. The process of experimental design

The implementation of experimental design studies in this research was done through two technical approaches. The first was based on the preliminary study (an exploratory study), and the second through experimental laboratory studies. The preliminary study on the early stage was conducted through in-depth interviews in a forum of Focus Group Discussion (FGD). This technical approach was not just intended to determine the problems that were revealed in the process of establishing loyal intentions, but also aimed to explore or excavate the basic concepts that are expected to have influences in the process of forming the consumer's loyalty.

Furthermore, based on the results of preliminary studies we have proceeded to an experimental laboratory study to explicate the causal relationship phenomenon that occurs. The experimental laboratory study is a structured research conducted separately from other studies, which allow researchers not only operate with independent variables, but also control other variables that could potentially interfere the model by means of doing strict controls compared with the field of research (Campbell & Stanley, 1996; Montgomery, 2001; Ertambang, 2012). It is intended to determine the

impact arising from the treatment given to some independent variables that are observed. Thus, the results obtained could indicate that the observed variables vary, and are not affected by external factors that can potentially damage the model.

The implementation of experimental laboratory study begins with the stage of giving an operational definition for all the variables observed. Furthermore, the experimental group formation was done with the following determination of the participants and the presentation of stimulus as well as a check of the manipulation. Finally, the study is closed by performing a statistical test based on relevant analytical methods.

3.2. Formation of experimental group

The establishment of the experimental group carried out through full factorial design, by using the approach of "between-subject experimental design". This is so that researchers can provide the randomized treatments to each subject, so that each has an equal chance to be placed into any manipulation group (Ertambang, 2012). Here is the combination result of 8 participant groups in which each group was treated by different stimulus as shown in Table 1.

Table 1. Combination of Groups Design Factorial

GROUPS (1)	Combinations (2)			Code (3)
	Relationship Marketing	Service Quality	Switching Costs	
1	High	High	High	A
2	High	High	Low	B
3	High	Low	High	C
4	High	Low	Low	D
5	Low	Low	Low	E
6	Low	Low	High	F
7	Low	High	High	G
8	Low	High	Low	H

3.3 Stimulus

To obtain high-quality data in an experimental study, it is required to initiate close to real life stimuli, so that participants could react like they would in real situations (Laczniak et al., 1990). Therefore, in order to comply with the requirement, this study presented different RM stimulus. All of this was intended to make participants feel interested in becoming a loyal customer, or otherwise. However, before the stimulus was applied in the experimental laboratory, we checked adequacy and precision of instructions to ensure that participants' understanding coincided with what was meant by the researcher.

3.4 Manipulation check

A manipulation check was performed to see whether there is an adequate understanding of what is meant by researchers based on the participant's responses (Murray & Sell, 2014). The aim of this approach is to determine whether stimulus instruments are able to create an atmosphere as if participants are in actual

conditions, so the answers given do not cause bias toward the questionnaires submitted.

Based on the test of 40 participants, there are significant differences on every stimulus as shown in Table 2. Therefore, the entire stimulus designed can be used as instruments in the experimental study, which was conducted.

3.5 The experimental procedure

The experimental laboratory procedures of this study are conducted by means of creating an atmosphere of the real situation. Therefore to achieve this goal, there are three steps that must be done. The first is disseminating information and selecting the candidates deemed qualified to participate in an experimental program. Second, collecting data through the presentation of a stimulus that received by the participants in response to a questionnaire submitted. Third, before the activity was terminated, an explanation of clarification to the participants was delivered explaining that the whole process of the activities was conducted simply as an effort to obtain the data, so the atmosphere created seems like in real

conditions. Furthermore, after all the required data collected, the statistical tests were performed as described in the following section.

Table 2. The Result of Check Manipulation

<i>Variables</i>	<i>The Number of Items Questionnaires</i>	<i>Homogeneity of Variance</i>	<i>F-Test Between Groups</i>
The High Service Quality	27	0.216	166.894 ^{***}
The Low Service Quality	27		
The High RM	5	0.311	69.094 ^{***}
The Low RM	5		
The High Swithing Costs	9	0.332	62.295 ^{***}
The Low Swithing Costs	9		

N = 40, *** p < 0,001

3.6 Statistical tests

Statistical tests conducted in this study began with the data quality testing. The objective was to obtain assurance that the data collected meets the eligibility criteria to be analyzed through the relevant statistical methods. In this context, the validity test was conducted according to the method of exploratory factor analysis. It is aimed to determine the accuracy and precision of the measuring instrument or instruments used in performing measuring function (Hair et al., 2006), while for measuring the reliability the approach of internal consistency was applied. Thus, if the data reliability was deemed eligible, then the statistical tests on causal relationship we have conducted through the following data analysis.

Data analysis of causal relationship was performed by using hierarchical regression analysis. This method was used for performing hypothetical tests on a model that is comprised of two or more causal relationships (see Grau et al., 2001). However, this regression model should be tested in advance to meet the 3 (three) classical assumption, namely: (1) there is no problem of perfect multicollinearity, (2) there is no autocorrelation, and (3) there is no heteroscedasticity (Gujarati & Porter, 2009). It is intended to obtain a model that satisfied BLUE characteristics (Best Linear Unbiased Estimated Model), so that the obtained predictions results have a high level of efficiency and are unbiased.

4. RESULTS

4.1 Tests of data quality

For testing the data quality, there are two important things to do. First, a test of validity to determine the accuracy of instruments used in performing its measuring function. Second, reliability testing to measure the internal consistency of the instrument used. Both of these testing essentially aim to identify whether the data meets the eligibility criteria as specified.

Based on the test of validity, the results indicated the following: first, the feasibility of the amount and quality of data being analyzed and meets the criteria of sufficiency of the sample (value of control off KMO = 0.9 > 0.5). In addition, Bartlett's Test of Sphericity that reached p < 0.01 pointed out that the overall correlation between the variables

was significant. Second, the total variance generates 10 factors that could be grouped for increasing the maximum of the total variance. Third, the results of testing the validity of convergent and discriminant showed that the entire loading factor exceeded 0.5, so that all the variables used are valid. Furthermore, the results of reliability test showed all the items collected are otherwise reliable. This was due to fact that the values of Cronbach's alpha coefficient exceed 0.7. Therefore based on both results (test of validity and reliability), the further tests were carried out to examine the classical assumptions and concepts that hypothesized in the formation process of satisfaction and customer loyalty.

4.2 Regression analysis of customer's satisfaction

Classic assumption test for the regression model consists of two categories. First, the classic assumption test for regression model of the first stage (before moderations), and the second is the second stage regression model (after moderations) by the costs of switching. Each of these tests is intended to identify if there were any problems of multicollinearity, autocorrelation and heteroscedasticity in the model that was designed.

Based on the test of correlation as well as a test of the tolerance and the variance inflation factor (VIF) in the first stage regression model, the results indicate the same thing, that there are no problems of perfect multicollinearity in the model that is constructed. This was indicated by the correlation coefficient between the independent variables which is under 0.9, and the value of tolerance to a variable of service quality and RM, each of which reached > 0:10, and variance inflation factor < 10. Similarly, the same conditions are also shown by the results of classic assumption test on the second stage of the regression model (tolerance value > 0:10, and variance inflation factor < 10).

The autocorrelation test was performed in the first stage. Its results indicated a problem of autocorrelation (DW = 2.491, cut-off value 2.39 < d < 4). The same thing also occurred on the second stage test (DW = 2.446; cut-off value 2.43 < d < 4). Therefore, in order to cope the impact that presumably emerges, this study used ARCH test method to eliminate the effects of autocorrelation. Thus, based on a remedial test on the first stage of the study we can see that there was no autocorrelation problem (DW = 2.085; cut-off value 1.74 < 2.085 < 2.26). Similarly, the same thing was

also shown by the results of the second stage of the test (DW = 2.207; cut-off value $1.78 < 2.207 < 2.22$).

In addition, the heteroscedasticity test on the first stage proved that there was no problem of heteroscedasticity (F-test = 1.997; $p > 0.05$; chi-square = 9.664; $p > 0.05$). Similarly the same conditions were also shown by the results on second stage of the test (test F = 0.944; $p > 0.05$; chi-square

= 19.214; $p > 0.05$). Therefore, based on the classic assumption test it could be stated that there is no problem of multicollinearity, autocorrelation and heteroscedasticity, so the constructed model is not just efficient and unbiased, but it could also be used to compile a number of hypothesis testing results as shown in Table 3.

Table 3. The Result of Regression Analysis of Customer's Satisfaction

<i>Independent Variables</i>	<i>Stage-1</i>	<i>Stage-2</i>
GARCH	- 0.502706 (- 2.872284)***	- 0.309811 (- 3.574350)***
Constants	- 2.060756 (- 4.615091)***	- 4.286808 (- 70.59921)***
<i>Main Effects:</i>		
RM (RM)	0.294122 (6.592180)***	- 0.658429 (- 6.500920)***
Service Quality (SQ)	0.738754 (10.84852)***	2.216475 (21.18411)***
Switching Costs (SC)	0.214597 (4.554254)***	0.895266 (7.706369)***
<i>Two-ways Interaction Effects:</i>		
RM*SC		0.192665 (10.58929)***
SQ*SC		- 0.328648 (- 10.41569)***
<i>F-Test:</i>		
R^2	0.863371	0.874583
<i>Adjusted R²</i>	0.849455	0.863077
<i>F-Test</i>	62.04196***	76.00992***
Δ <i>Adjusted R²</i>	0,013622	
<i>F-Test on Δ Adjusted R²</i>	5.67**	

Note: N = 120; * $p < 0,10$; ** $p < 0,05$; *** $p < 0,01$

Table 3 indicates that the first hypothesis (H-1) on the first stage is acceptable ($\beta = 0.294$; $z = 6.592$, $p < 0.01$). This phenomenon explains that RM is a factor that is considered important by the customer in forming satisfaction. This is likely due to the appeal of surprise gifts that causes consumers feel cared thus making them satisfied. This argument refers to the concepts of Hoffman & Birnbrich, 2012 and Rizan *et al*, 2014 who argue that the extra gift giving is one of the components of customer service, loyalty programs and community building in an effort to create, build and maintain the values of the long-term good relationship between the marketer and consumer. Thus, these findings support the phenomenon regularity of the positive relationship indicated by previous research (Padmavathy *et al*, 2012; Djajanto *et al*, 2014; Rizan *et al*, 2014 and Padma *et al*, 2016).

Furthermore, when this relationship controlled by the switching costs (the hypothesis H-1: second stage), its results indicate that the effect is still significant. Although the pattern of the relationship turns into a negative ($\beta = - 0.658$; $z = - 6.501$; $p < 0.01$). This is presumably due when customers do not think that the higher the relational marketing the higher the level of satisfaction, but if it was controlled by switching costs it changes into the opposite as a reverse direction. Thus, the pattern of

relationship between RM and customer satisfaction is still not yet consistent.

Although the test results indicate an inconsistent pattern, when further analyzed it seems that phenomena, which occur, are still in the understandings of the concept such as proved by several previous researchers (e.g. Feng & Wang, 2016). Such a concept pointed out that the switching costs are a moderating variable, which can significantly strengthen or weaken the influence on customer satisfaction. Therefore, related to these inconsistent findings we need prudence to interpret the results. This is because the described phenomenon can potentially distort or deflect the meaning of a universal theory, which in turn may have an impact on the error in formulating marketing policies suggested.

Similarly, the same phenomenon occurs when the switching costs are considered simultaneously together with relational marketing variables. The occurring interaction effect supports the hypothesis that the higher the switching costs the stronger influence relational marketing has on higher satisfaction (H-2). This was demonstrated by the test result on the second stage that pointed out the positive and significant pattern of relationship is positive ($\beta = 0.192$; $z = 10.589$; $p < 0.01$). Thus, these findings indicated the importance of the switching costs role as a moderating variable. They also gave a

positive support to the regularity of the phenomenon as conceptualized by some previous studies (Stan *et al*, 2013; Feng & Wang, 2016). Surely, the role of this moderation effect needs to be studied further to prove the extent of the interaction effect of the switching costs on the relationship between service quality with satisfaction through the following hypothesis testing.

Before testing the interaction effect between the switching costs, service quality and satisfaction, we firstly discuss the third hypothesis testing (H-3). The result showed that the third hypothesis on the first stage (H-3: stage-1) can be accepted positively and significantly ($\beta = 0.739$; $z = 10.849$; $p < 0.01$). Similarly, the same pattern on relationships occurs when controlled by switching costs on the second stage (H-3: stage 2) ($\beta = 2.216$; $z = 21.184$; $p < 0.01$). Thus, this phenomenon explains that service quality is also to be considered as an important factor in the formation process of satisfaction. This is likely due to service quality considered capable of pushing the level of satisfaction, so that these findings support the regularity phenomenon of positive relationships such as are conceptualized by some previous studies (Srivastav & Rai, 2013; Karim & Chowdhury, 2014; Al-Azzam, 2015; Akhtar *et al*, 2016; Firdous & Farooqi, 2017). However, this phenomenon was a relationship pattern that has not been moderated by the switching costs.

After service quality was considered simultaneously together with the switching costs, it turned out that the fourth hypothesis is still supported significantly, although the pattern of the relationship becomes negative. In other words, the higher switching costs had a weaker influence on service quality in forming the level of satisfaction. This is shown by the results of hypothesis testing H-4 stage-2, which reached a value of $\beta = -0.328$; $z = -10.415$; $p < 0.01$.

Related to such a condition, results indicate inconsistent relationships. It seems that the phenomenon is still in the context arguments, delivered by previous researchers (Kaur *et al*, 2012). This is because an understanding of the concept in question implied that the switching costs is a moderating variable, which on the one hand can significantly strengthen the interaction effect on satisfaction, while on the other hand can also cause effect relationship of the opposite pattern. Thus, this study indicates the need for caution in interpreting the findings. It is also advised to conduct further study in order to generalize results obtained in the context of a broader scope.

Furthermore, the last interpretation of the summary of Tabel 3 conveys an interesting information. This is related to the regression model of the first stage that is more superior rather than the second stage. This condition was expressed by the disparity of F-test result for Δ Adjusted R^2 which reached 5.67, at a significance level of 1 percent. Its causes can be explained by the following discussion.

Before the switching costs was included as moderating variable, the regression test of the model showed that the value of F-test on the first stage only amounted to 62.04196; $p < 0.01$. But after being moderated on the second stage, the value of its F-test increased to 76.00992; $p < 0.01$. Whereas the value of Adjusted R^2 which previously only reached 0.849455 turned into 0.863077. Before the

model was moderated, the variance subjects that affect satisfaction was explained by the variable of RM and service quality by 86 percent ($R^2 = 0.86$). Then it increased to 87 percent ($R^2 = 0.87$) when added to two explanatory variables related to the interaction of switching costs, while the rest is explained by other variables outside the model. Thus, this condition implies that the switching costs was seen as an important cue in moderating the process of forming a positive attitude towards satisfaction. Therefore, in the context of further discussion the question is: how switching costs play its role in a series of hypotheses contained in the process of forming customer's loyalty?

4.3. Regression analysis of customer loyalty

The classic assumption test for the regression model on the formation of customer loyalty to have the same goal as in the classic assumption test in the process of satisfaction formation. It was aimed to identify three important things. First, to identify the presence or absence of perfect multicollinearity problem. Second, to ensure that the constructed model did not indicate autocorrelation. Third, to clarify that there is no problem of heteroscedasticity. The results of these tests could be elaborated in the following description.

First, the test results for the regression model of customer loyalty (stage-1 & stage-2) showed no multicollinearity problems. It was indicated by a matrix of the correlation between independent variables that were under 0.9. Then the same result was also shown by tolerance value and variance inflation factor. The result of this test expressed by the value of collinearity statistics of each independent variable that indicates the value of tolerance > 0.10 , and the variance inflation factor < 10 .

Second, the autocorrelation test to the first stage did not indicate autocorrelation problem, or the correlation that causes disturbance on each observation interplay ($DW = 1,804$; cut-off value = $1.76 \leq 1.804 \leq 2,24$). Similarly, the same thing was also shown by the test results on the second phase, which pointed out the absence of autocorrelation problem ($DW = 2,090$; cut-off value = $1.78 < 2.090 < 2.22$).

Third, subsequent test indicated that there were problems of heteroscedasticity for regression model on the first or second stage. It was identified through heteroscedasticity testing on the first stage (F-test = 3.317; $p < 0.01$; chi-square = 25 618; $p < 0.01$). Similarly, the same thing happens to the second stage (F-test = 2.070; $p = 0.0036 < 0.01$; chi-square = 55,574; $p = < 0.05$), so the constructed model requires a remediation to be usable as an efficient predictive tool.

Related to the problem of heteroscedasticity, this study sought to overcome it through ARCH method (Auto Regressive Conditional Heteroscedasticity), and the results indicated no longer the heteroscedasticity problem, both for the first or second regression model. This was demonstrated by the results of remedial test of heteroscedasticity on the first stage (F-test = 1.195; $p = 0.28 > 0.01$; and the chi-square = 1,203; $p = 0.27 > 0.01$). Similarly to the condition of remedial test on second stage (F-test = 0.180; $p = 0.67 > 0.05$; and the

chi-square = 0.183; $p = 0.67 > 0.05$). Thus, a model that was built could be used as a predictive tool efficiently.

Furthermore, based on the tests of classical assumption a number of hypothetical tests resulting

from the process of forming customer loyalty can be interpreted. However before it can be delivered, we firstly need to present a summary of the test results as shown in Table 4.

Table 4. The Result of Regression Analysis with Dependent Variable: Customer loyalty

<i>Independent Variables</i>	<i>Stage-1</i>	<i>Stage-2</i>
GARCH	1.695.436 (3.094.779)***	- 0.369.452 (-4.834.915)***
Constants	-1.23.3492 (-3.292.314)***	0.282.962 (0.688.812)
<i>Main Effects:</i>		
Service Quality (SQ)	0.246.319 (6.187.094)***	1.414.128 (42.85275)***
RM (RM)	0.354.314	-0.369839
RM*SC		0.092.042 (13.42137)***
Satisfaction	0.447.971 (12.54316)***	- 0.015.688 (-0.144.386)
Switching Costs (SC)	0.054.612 (3.731.484)***	-0.166.144 (-2.544.644)**
<i>Two-ways Interaction Effects:</i>		
SQ*SC		(5.462902)*** -0.219.908 (-26.91142)***
Sat*SC		0.128.393 (6.173.628)***
<i>F-Test:</i>		
R^2	0.799.180	0.839.655
Adjusted R^2	0.776.658	0.819.990
F -Test	35.48461***	42.69810***
Δ Adjusted R^2	0.043.332	
F -Test on Δ Adjusted R^2	8,99***	

Note: N = 120; * $p < 0,10$; ** $p < 0,05$; *** $p < 0,01$

Table 4 showed two important things related to the results of testing the goodness-of-fit model. First, the value of goodness-of-fit of the remedial regression model on the stage-1 looks good (test $F = 35.48461$; $p = 0.00 < 0.0$). This condition implies that the regression models can be used to elaborate the phenomenon of a positive attitude towards customer satisfaction. Meanwhile, the value of adjusted $R^2 = 0.78$ indicated that the variance attitudes towards satisfaction were composed of the variance of RM, service quality and switching costs by 78 percent, while the rest is a variance component of of the other variables are outside the model.

Second, the value of goodness-of-fit of the remedial regression model on the stage-2 also looks good (test $F = 42.69810$; $p = 0.00 < 0.01$). This condition indicates that the regression models can also be used to explain the phenomenon of a positive attitude towards satisfaction. Meanwhile, the value of adjusted $R^2 = 0.82$ also suggests that the variance attitudes towards satisfaction could be explained by the variance of RM, service quality and switching costs by 82 percent, while the rest is a variance component of of the other variables outside the model.

Third, the testing of two-ways interaction effect showed the higher result on goodness-of-fit. This is

due to the remedial regression model on the stage-2 significantly different with the stage-1 in explaining the formation process of customer loyalty. This is evident from the value of F -test at the stage-2 (F -test = 42.69810; $p < 0.01$) that higher in value than the stage-1 (F -test = 35.48461; $p < 0.01$), or the results of F -test on $R^2 = 8.99 > F$ -table = 2.80; $p < 0.01$. Thus, this condition indicates that the role of the switching costs considered important enough by the customer in the terms of strengthening or weakening the attitude of satisfaction. Furthermore, for a thorough discussion of the results of testing hypotheses related to the process of loyal intention formation can be traced through the following discussion.

Table 4 indicates the fifth hypothesis (H-5) on the first stage, which states the higher the relational marketing, the higher is customer loyalty, proved acceptable. This was indicated by the relationship pattern of positive and significant ($\beta = 0.354314$; $z = 13.42137$; $p = 0.00 < 0.01$). This phenomenon explains that the appeal of RM is a cue that is considered important by the customer in forming the customer loyalty. This is likely due to the appeal of surprise gifts that cause consumers to feel cared thus making them satisfied with banking services. Thus, these findings support the phenomenon regularity of positive relationship such as that

conceptualized by some previous studies (Rizan *et al*, 2014; Chakiso, 2015 and Mang'unyi *et al*, 2017). However, this phenomenon was a relationships pattern that has not been controlled with switching costs that estimated potential as moderating variables.

Furthermore, when it was controlled by switching costs its results still indicate a significant effect. Although the relationship turns into a negative as shown on the second stage ($\beta = -0.369839$; $z = -4,243,973$; $p = 0.00 < 0.01$). Even though the results were inconsistent, but when further analyzed, the results are consistent with previous studies (Feng & Wang, 2016). This is due to such a concept pointed out that the switching costs is a moderating variable, which can significantly strengthen or weaken the influence on customer loyalty. The described phenomenon can potentially distort or deflect the meaning of a universal theory, which in turn may have an impact on the error in formulating marketing policies. Nonetheless, given the method of this study has been designed through rigid testing procedures, and then the truth of its results can still be justified scientifically.

Similarly, the same phenomenon occurs when the switching costs is considered simultaneously together with RM variables. The interaction effect that occurred supports the hypothesis that switching costs has a stronger influence on customer loyalty (H-6). This was demonstrated by the test result on the second stage that pointed out the pattern of relationship is positive and significant ($\beta = 0.092042$; $z = 5.462902$; $p = 0.00 < 0.01$). Thus, these findings indicated the importance of the switching costs role as a moderating variable. They also provided support to the regularity of the phenomenon as conceptualized by some previous studies (Laksamana *et al*, 2013 and Stan *et al*, 2013). Surely, the role of this moderation effect needs to be studied further to prove the extent of the interaction effect of the switching costs on the relationship between service quality and customer loyalty.

Further interpretation of the hypothetical testing on the formation process of customer loyalty is related to the proving that the higher of service quality, the higher the customer loyalty (H-7). It turns out the test results support that, as indicated by the regression model analysis on the first stage ($\beta = 0.246319$; $z = 6.187094$; $p = 0.00 < 0.01$). Similarly the same relationships pattern occur when controlled by the switching costs through testing in the second phase ($\beta = 1.414128$; $z = 42.85275$; $p = 0.00 < 0.01$). This phenomenon explains that service quality was also considered as an important cue in the formation process of loyal intention. This was due to service quality capable of pushing the level of satisfaction, so that these findings support the phenomenon regularity of positive relationships such as conceptualized by previous studies (Ariff *et al*, 2013; Choudhury, K. 2013; Minh & N.H. Huu, 2016; Asadpoor & A. Abolfazli, 2017). However, this pattern was not yet moderated by the switching costs. Therefore in order to know this, its explanation could be depicted in the following discussion.

After service quality is considered simultaneously together with the switching costs, it turns out that the eighth hypothesis (H-8) is still supported significantly, although the relationship

pattern becomes negative. In other words, the higher level of switching costs had a weaker influence on service quality in forming the level of customer loyalty. This was shown by the results of hypothesis testing H-8 stage-2, which reached the value of $\beta = -0.219908$; $z = -26.91142$; $p = 0.00 < 0.01$.

Related to such a condition, the results indicate inconsistent relationships. It seems that the phenomenon is still present in the context of what was stated by previous researchers (Stan *et al*, 2013; Ngo & Pavelková, 2017). The concept in question implied that the switching costs is a moderating variable, which on one hand can significantly strengthen the interaction effect of customer loyalty, while on the other hand can also cause effect relationship on the opposite pattern. Therefore, this phenomenon explains that the switching costs is assessed as a cue, which is considered important in the formation of customer loyalty.

Furthermore, related to the importance of the switching costs which on the one hand can cause negative effects, but still significant, this study suggests the need for caution in interpreting the results obtained. This is partly because the tests performed are based on the limited number of methods. This study also suggests a need for caution in scrutinizing the quality assurance aspect, as well as in determining switching costs policy. This is because both of these aspects potentially affect the satisfaction as described in the following hypothesis test.

One of the important things that are summarised in Tabel 4 is the ninth hypothesis. The study proved that this hypothesis can be accepted positively. Test result on the first stage point out $\beta = 0.447971$; $z = 12.54316$; $p = 0.00 < 0.01$, so it supports the regularity of positive relationship such as conceptualized by previous studies (Odunlami, 2014; Assensoh-Kodua, 2016; Leninkumar, 2017). On the contrary, when controlled by the switching costs, its condition changes. The effect of satisfaction on customer loyalty becomes insignificant. This was shown by the testing of H-9: stage-2 ($\beta = -0,015688$; $z = -0,144,386$; $p = 0.88 > 0.10$). Thus, this phenomenon signaled when the customer did not have any opinion, then the higher level of satisfaction, the higher is customer loyalty. However, when it was controlled by switching costs the results changed to the opposite, so the relationship was inconsistent. The satisfaction variable can change instantaneously, if there is a change in service conditions.

It turns out that the tenth hypothesis is supported positively and significantly. In other words, a higher level of switching costs had a stronger influence on satisfaction in forming higher customer loyalty. This was shown by the results of hypothesis testing H-10 stage-2, which reached a value of $\beta = 0.128393$; $z = 6.173628$; $p = 0.00 < 0.01$. Thus, these findings support the regularity of the phenomenon of positive relations such as conceived by previous studies (Dagger, T.S & M.E. David, 2012; Blut M. *et al*, 2015; Hui-Wen *et al*, 2016),

Furthermore, referring to the relationships patterns that are inconsistent, this study indicated to the marketers the need for caution in applying switching costs policy. In addition, it is also advisable to always keep customer satisfaction as a variable, which is predicted to potentially mediate

the process of forming the customer loyalty. However, before explaining customer satisfaction as a mediating variable, this study needs to discuss beforehand the importance of the switching costs as a moderating variable that can strengthen its influence to mediate the loyal intentions process.

Before switching costs included as the moderation variables (see: Table 4), the testing results of the first stage only showed the value of $F\text{-test} = 35.48461$, at $p < 0.01$. However, after being moderated in the second stage, its value increased to 42.69810, at $p < 0.01$. While adjusted R^2 value previously only reached 0,776658 transformed into 0.81999. This means that when before moderated, the subjects that affect the satisfaction variance explained by the variables of RM and service quality by 78 percent ($R^2 = 0.776658$), then increased to 82 percent ($R^2 = 0.819990$) when explanatory variables related to the interaction effect of switching costs was added. Thus, the difference in explanatory coefficient (Δ Adjusted R^2 of 0.043) simultaneously have significant consequences to the difference of first and second stage regression model, so that this condition implies that the role of switching costs is a cue that considered important in moderating formation process of customer loyalty. Here is a justification for the satisfaction variable as a mediating variable, which is the subject of this chapter.

In this study, the role of satisfaction as a mediating variable should be assessed as a whole in the relations model that was built. There is a designed pattern in the cognitive-affective structure on the one hand, while on the other hand in the form of affective-conative, so that when viewed comprehensively the relationship patterns have cognitive-affective-conative structure. Therefore, in such a context it can be proved whether affective variables (in this case: satisfaction) acts as a full or partial mediator or does not act at all (Ariff *et al*, 2013; Seiler *et al*, 2013),

Tabel 3 and Tabel 4 show five (5) indicators supporting the evidence that variable of satisfaction acted as the partial mediator. First, the interaction effect of the switching costs on the influence of RM on satisfaction that is positive and significant ($\beta = 0.192665$; $z = 10.58929$; $p < 0.01$). Second, the relationship between the switching costs, service quality and satisfaction that is also significant, despite on the negative direction ($\beta = -0.328648$; $z = -10.41569$; $p < 0.01$). Third, the interaction effect of the switching costs on the influence of RM on the loyal intention that is positive and significant ($\beta = 0.092042$; $z = 5.462902$; $p < 0.01$). Fourth, the relationship between the switching costs, service quality and customer loyalty that is also significant, although in the negative direction ($\beta = -0,219,908$; $z = -26.91142$; $p < 0.01$). Fifth, the interaction effect of the switching costs on the influence of satisfaction on customer loyalty that is positive and significant ($\beta = 0.128393$; $z = 6,173628$; $p < 0.01$). Thus, based on the interpretation of the relationships pattern found in the model of customer loyalty, which moderated by switching costs, proving that variable of satisfaction plays its role as a partial mediating variable (see Figure 1). Therefore, as the last word before the conclusions and implications are discussed, it is necessary to clarify that the justification of satisfaction as

mediating variables proved significant enough, so these findings support several previous studies (Srivastava & Rai, 2013; Mbango & Phiri, 2015; Chinomona *et al*, 2016).

5. CONCLUSIONS AND IMPLICATIONS

5.1 Conclusions

The primary purpose of this study was to an alternative model of customer loyalty by exploring the effects of RM and service quality on satisfaction and customer loyalty, which is moderated by switching costs. Three major findings emerged as an important result of a laboratory experimental study. First, the behavioral process of customer loyalty is a relatively complex. This complexity is indicated by the presence of two patterns of causal relationship, which is forming a process of a positive attitude towards satisfaction and customer loyalty. In this case, the patterns formed in the process of satisfaction are the main effects, while in the process of customer loyalty there are two-ways interaction effects. Second, the behavioral phenomenon of consumer's loyal intention is substantially influenced by variables of relational marketing, service quality, and satisfaction that moderated by the switching costs. Third, despite the hypothetical concepts generally proved to be quite significant, however this study showed that there are still some results inconsistent with the findings of previous studies.

The inconsistency that occurred can be divided into two circumstances: (1) no significant relationship, and (2) the reverse relationship. This study pointed out that the effect of satisfaction on customer loyalty is still not consistent. Such conclusion was made due to the test results on the first stage showed a positive and significant relationship, but when controlled by the switching costs the relationship became negative and insignificant. However, when it was to be considered simultaneously on the second phase testing, the interaction effect between the switching costs, satisfaction and customer loyalty showed the pattern of positive and significant relationship. This study showed that there are three circumstances that need to be observed: (1) the interaction effect of RM on satisfaction, (2) the interaction effect between the switching costs, service quality and satisfaction, and (3) the interaction effect of the switching costs on the relationship between service quality and customer loyalty.

The phenomenon of the inverse relationship as mentioned was estimated to occur due to the degree of the switching costs sufficiently weakening the RM appeal in supporting customer loyalty. In line with this, the interaction role of the switching costs also influences the reduction of satisfaction and customer loyalty. Thus, this inconsistency requires further study in order to clarify the phenomenon and the resulting implications.

This finding contributes to a better understanding of the mechanism underpinning the effect of switching costs in forming the process of a positive attitude towards satisfaction and bank customer loyalty.

5.2. Implications

The model proposed in this research is not comprehensive. Much more can be learned from extending the relationships under investigation. First, the determinant factor in the formation process of satisfaction and loyalty depends not only on RM and service quality. Secondly, switching costs is not the only factor influencing the effects of RM and service quality on customer satisfaction and customer loyalty. It would be interesting to include other contingency factors, such as organizational culture and strategic orientation, to generate additional insights. Another way of enhancing the proposed model is to differentiate between short-term and long-term performance. Findings of this sort may help marketers to more accurately understand the potentially differing performance implications of RM and service quality over both the short and long-term. Finally, considering the mechanisms through which of RM and service quality can enhance customer satisfaction and customer loyalty, this in turn can also improve our understanding of how to profit from it.

First, these experiments may be limited in its external validity. While the study had done everything to maximize internal validity, and making sure that the experimental stimulus materials are to be as realistic as possible, and were keen to use validated variable scales, but external validity may remain an issue. Second, this research is cross-sectional in design. Nonetheless, a longitudinal study would enable us to further assess the causality of the hypothesized relationships. Third, as common practice in experimental research the study used students as participants. While stimulus materials were introduced to the subjects, it is possible that students are more informed about investigated issues and this could have potentially influenced our results. Finally, the potential limitation of this study is a threat to generalizability that stems from the use of student as the participants. Therefore, the future research should attempt to blend in data from customers in an effort to validate the findings. In addition, future research also should consider the nonlinear relationship among RM, service quality, customer satisfaction, customer loyalty which moderated by switching costs.

5.3. Limitations and future research

Although this study reports several important findings, there are some noteworthy limitations.

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