

## The Effect Of Servicequalityand Customer Relationshipmarketingon Customer Retentionand Switching Intentionas Intervening Variables at Pada PT Bank Rakyat Indonesia Iskandar Muda Branch, Medan, North Sumatra, Indonesia.

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**ABSTRACT:-** Global competition and free trade today are more complex and more competitive. Competition in the banking industry is increasingly competitive and highly competitive, as well as new growth rates for new customers have declined, even stagnant. This phenomenon is an indication that banking customers are less likely to be loyal and unwilling to be bound by a bank. However, with the completion of a bank's facilities and services, the more profit a bank has to retain its customers. The effect of service quality and customer relationship marketing on customer retention, either directly or through switching intention as an intervening variable in the banking industry world is to determine the continuity and development of a bank. The research type is descriptive quantitative research and using causal research design. The sample in this research is 95 customers from BRI Branch Iskandar Muda Medan. Using Partial Least Square Structural data analysis model (PLS). The result of the research shows: Service quality has a positive and significant influence on switching intention. Customer relationship marketing has a positive and significant influence on switching intention. Switching intention has a positive and significant influence on customer retention. Service Quality has a positive and significant influence on customer retention. Customer relationship marketing has a positive and significant influence on customer retention. Service Quality has a positive and significant influence on customer retention through switching intention. Customer relationship marketing has a positive and significant influence on customer retention through switching intention

**Keywords:-** Service Quality, Customer Relationship Marketing, Switching Intention, Customer Retention

### I. INTRODUCTION

In order to improve Indonesia's economy, the banking industry has an essential role in the development of the economy in Indonesia. Therefore, banking roles significantly affect the economic activity of a country. The more developed a country, the more significant role of banking in controlling the country's economy. According to Banking Law No. 10 of 1998, the bank is a business entity that collects funds from the public in the form of savings and distributes it to the public in the form of credit or other forms in order to improve the standard of living of the public. From definition according to Law no. 10 the Year 1998 it can be concluded that the bank has 3 (three) functions, namely: (1) collecting community funds; (2) channeling funds to the community; (3) providing payment and money transfer services or known as banking services.

Competition in the era of globalization and free trade today, leading to competition in the banking industry is increasingly competitive and competitive. Moreover, with a policy issued in 1988 known as Package 27 October 1988 (Pakto 88) whose contents provide convenience to establish new banks. This case led to the emergence of new banking financial institutions, which led to a rigorous competition in customer scramble (www.bi.go.id). The quality of service provided by PT Bank Rakyat Indonesia (Persero) Tbk. The Iskandar Muda Branch Office Medan, well, fast and helpful to customers. Where Bank BRI employees Iskandar Muda Medan branch provides a selection of credit products that suit the needs and capabilities of customers to pay monthly installments, this is very helpful to both new and old customers. In the credit process, customers are well assisted in terms of completing the administration and the accuracy and speed of their credit process.

The quality of service perceived by bank customers will yield a certain level of satisfaction to the bank itself. The higher level of customer satisfaction with the quality of service provided by the bank, the higher customer's opportunity to survive in the bank. Satisfied customers produce positive word of mouth (Reichheld

and Sasser, 1990). Hart and Johnson, (1999) argue that trust is a far more critical factor than satisfaction in maintaining customers. Some other researchers have determined that service excellence forces customers to buy again on the same service provider, making customers less prone to price and spread word-of-mouth positives (Zeithaml et al., 1996; Bolton et al., 2000).

Here, the company's commitment to keeping customers is an integral part of customer relationship marketing (CRM). Therefore, customer relationship marketing itself is a business philosophy, a strategic orientation that is more focused on maintaining and enhancing relationships with existing customers in addition to acquiring new customers. Successful customers are a reflection of customer satisfaction, where at present prices are not a principal factor for them, but being a relative, the ultimate goal of a customer satisfaction program is to build relationships with customers; therefore they become loyal customers in the company in the run long (Kalalo, 2013).

BRI Branch Iskandar Muda Medan requires its employees to build a good relationship with its customers, both to old customers and new customers. PT Bank Rakyat Indonesia (Persero) Tbk. have various products, savings products, deposits, loans, program loans, BRI International bank products, BRI E-Banking, credit cards, SKK outlets, and business services. Credit is one of the important sources of revenue and bank profit in supporting the survival of the bank.

## **II. LITERATURE REVIEW**

### **Service Quality**

In order to discuss the quality of service, we first understand the meaning of service and the quality of service. Service quality contributes significantly to the creation of differentiation, positioning, competing for strategies for any marketing organization, both manufacturing and service providers. Quality measurement perspectives can be grouped into two types: internal and external. Internal quality is defined as zero defect ("doing it right the first time"), while external perspectives understand quality based on customer perceptions, customer expectations, customer satisfaction, customer attitude, and customer delight (Sachdev & Verma, 2004) in (Tjiptono, 2016, 113). While the quality of service according to Bates and Hoffman (1999), explained that service quality is a customer assessment of the process of providing services. Thus, the evaluation of service quality means evaluating the service production process. In this case, Bates and Hoffman (1999) explain that the most important thing to consider in service quality is: Perception of quality depends on the comparison between customer expectations about certain services or services with the actual reality that the customer receives from the service. According to Boone & Kurtz (1995) "Service quality refers to the expected perceived quality of service offering. It is the primary determinant of customer satisfaction or dissatisfaction." More or less has the meaning: that service quality refers to the quality expected in the service offering. The increasingly intense competition recently requires a service provider always on to keep track. In the next research,

Parasuraman, Zeithaml, Berry (1998) found that there was an overlapping of ten basic dimensions of SerQual, so simplified into five main dimensions arranged in order of relative importance level, in (Tjiptono, 2016: 137), as the following: Reliability, the ability of the company to deliver the service as promised accurately and reliably. Must match customer expectations means timely performance, service without error, considerate attitude and with high accuracy. Assurance, knowledge, and behavior of employees both in the financial and corporate employees' ability to foster the trust of customers to the company. Physical evidence (Tangibles), the ability of a company to demonstrate its existence to external parties. Empathy, a sincere, individual or personal concern given to the customer by seeking to understand the customers' expectations in which a company is expected to have an understanding and knowledge of the customer. Responsiveness, a willingness to help and provide prompt and responsive services to customers.

### **Customer Relationship Marketing**

According to Winer (2001), customer relationship marketing is a strategy to build good relationships with customers in the long run by combining the ability to respond directly and to serve customers with high interaction. Customer relationship marketing is a dynamic concept, customer behavior that is a key component of determining the direction of customer relationship marketing policy from time to time.

According to Chan (2003), "Relationship marketing is aimed at creating closer introductions to each customer through two-way communication by managing a mutually beneficial relationship between the client and the company. The core of customer relationship marketing is fast communication between the company and the customer. According to Kotler and Armstrong (2006), relationship marketing is a process of creating, maintaining, and enhancing high-value and strong relationships with customers and other stakeholders. A strong network presence must follow marketing based on customer relationship either from suppliers, distributors, or business partners especially customers, even networks on stakeholders and competitors. The strength of marketing elements based on customer relationships becomes a dominant force in increasingly customized

market conditions. That is the pattern of interaction and favorable conditions between the company and the customer, the supplier, or any other organization.

According to Ford (2003), relationship marketing can evolve in three ways: Interaction customer relationship, starting from the first contact between a group with another group, where the interaction is two-way communication. Coordinating activities, interactions between two different companies require coordinating activities that help to establish a natural relationship. Adaptions, the central core of a business that a company carries out is creating mutual satisfaction. There is no connection made without going through adaptation because adaptation can create favorable conditions.

### **Switching Intention**

Experts and marketing researchers focus on customer retention, as maintaining customers is a core factor for long-term corporate economic success (Wan-Ling and Hwang, 2006). For engage customers, organizations must satisfy them primarily in industrial services (Oyeniyi and Abiodun, 2010). If the customer is satisfied with the service, it not only raises the buyback intention (Hellier et al., 2003) but also concerns the transfer intention (Fernandes and Santos, 2007). Transition and transition are considered as the most critical variables in the service sector. Switching intention is the intention of customers to stop using the services they are using and switching to other services (Pradnyawati, 2013). Jabeen (2015) states that switching intention is a signal of termination of customers with current service providers in part or in full. Switching Intention is considered a major retail problem due to the negative effects of retail outlet profitability. This case is a fundamental reason for the company to understand why customer switches to produce a free culture of defection.

Some factors that affect the behavior of the transit, namely: (1) Price, According to Clemes (2010), imposing a high cost on the customer will push the outward shift and prevent to switch. In general, price perceptions can affect customers to switch to another bank. (2) Reputation, a good reputation owned by a bank will strengthen the client's confidence in the bank, while the poor reputation improves the possibility of switching intention bank (Clemes, 2010). (3) Quality of Service, High level of service quality can prevent customers from making transfers to other banks. Quality of service is one of the factors that give rise to the intention of switching to the customer (Clemes, 2010). Kaur examined Switching Intention through various relational factors in the banking industry in India and revealed that service quality, satisfaction, and trust significantly affected the Switching Barrier (Vyas, 2015). (4) Involuntary Switching, the Customer switched accidentally because the customer may have moved the job transfer, moved the residence or branch of the bank that is being used closed so that the customer transfers to another bank.

### **Customer Retention**

Customer retention is a form of loyalty associated with Behavioral Behavior (Behavioral Loyalty) that is measured based on customer buying behavior shown by the high frequency of customers buying a product. Meanwhile, its loyalty refers more to attitude (Attitudinal Loyalty) measured on the components of attitude, beliefs, feelings, and wills to make a purchase (Buttle, 2004). It is also conveyed by Ennew and Binks (1996) that loyalty and retention are different. The researchers believe that loyalty is the attitudinal constructs or relates to customer attitudes toward the company and retention is a behavioral construct or its behavior toward the company. Ennew and binks (1996) also stated that although attitudes and behaviors are related, positive attitudes do not always result in repurchase behavior.

Reichheld (2003) also stated that loyalty is paramount but very difficult to measure and monitor loyalty. Therefore, what needs to be done is to measure loyalty in terms of behavioral customer retention. The immediate benefit of retaining customers or retaining customers is the reduction of marketing and advertising costs; some research also shows that customers satisfied with a service will conduct word-of-mouth communication (Cranage, 2004). Long-term customers with companies will make more purchases (Peterson, 1995). The loyal customers will also be more responsive to buy any product and service that the company issues, often pay more for the company, and create demand (Cranage, 2004; Peterson, 1995), and cheaper in serving. Finally, the customer will not be too sensitive to the price so the margin that the company will get will be more prominent.

### **The relationship between service quality and switching intention**

Customers in interacting with the company always pay attention to the services received. If the received service is considered negative, then the customer will behave negatively by sharing their experience with others. Behavioral intent refers to the customer's desire to behave when receiving individual care. This work is in line with Carrilat, Fernando, and Jay (2009) research that the service quality is viewed indirectly through satisfaction significantly affecting behavioral intentions. Furthermore, Dwivedi, YK,

Papazafeiropoulou, A. Brinkman, WP, & Lal, B. (2010) have found that service quality has a significant effect on the intention of behavior.

### **The relationship between Service Quality and Customer Retention**

Good quality services make customers use bank services in the long run, becoming less sensitive to pricing and trying to share experiences with others (Anderson et al., 1994; Rust et al., 1995; Zeithaml et al., 1996 & Bolton et al., 2000 in Venetis and Ghauri, 2004). Quality of service affects customer retention (Boulding, Kalra, Staelin & Zeithaml, 1993); and service quality positively affects customer purchases and is willing to recommend banks to others (Cronin & Taylor, 1994). Furthermore, Zeithaml et al., (1996) provide different results to customers providing recommendations, repurchases and willing to pay more.

### **The relationship between Customer Relationship Marketing and Switching Intention**

Through the application of marketing concepts based on good relationships, customers can assess the quality of relationships that will produce two consequences: psychological consequences and behavioral consequences (Egan & Bruhn, 2005, p.46). Companies applying a good relationship marketing concept can build customer confidence (beliefs) shown in the intention to survive for long.

In the banking industry, customers are smarter in choosing banks that provide more value, and they will easily change their behavior to leave a bank unable to pay attention (Beckett, Paul Hower & Howcroft, 2000). This work is in line with Zeithaml et al., (1996), that behavioral intention is an indicator of whether or not the customer will live or leave the company. The relationships of these variables are supported by Kang and Ridgway (1996) in Khan, Kadir, and Wahab (2010) which say that customers will feel obliged to increase their intentions when the company values and invests in customer relationships. In fact, Parasuraman in Khan, Kadir, and Wahab (2010) propose that the intention of customer behavior is related to the ability of the service providers to maintain them to remain loyal. The company's ability to maintain loyal customers should be built through relationship marketing. Bolton et al. (2000); De Wulf et al. (2001); and Verhoef (2003) in Alrubaiee and Nazer (2010) note that some previous empirical studies have shown that relationship marketing affects loyalty behavior.

Cobbler and Lewis (2010) mention that good intentions of ethical behavior are conative loyalty (behavioral loyalty). Thus, it can be concluded that the relationship and the behavior of intimacy are related to one another.

### **The relationship between Customer Relationship Marketing and Customer Retention**

Various marketing literature agreed on an extensive role of customer retention construction concerning success in relationship marketing (Thurau & Hansen, 2000, p.6). The built network continues to reinforce the benefits of reciprocity. (Peterson, 1995). Odekerken, Wulf and Reynolds (2000) explain that enhancements in the banking business can be made by building relationships that form the basis for creating customer retention. Overall, the customer is not too focused on building relationships with the bank. The customer will evaluate the service offering, so it can be interpreted that the customer is using a bank service rather than having a good relationship built, but because the services offered offer more significant benefits; since customers have the option of choosing a bank that benefits more.

### **The relationship between Switching Intention and Customer Retention**

Customer experience in using banking services has a relationship with behavioral intentions. The behavioral intention can be seen when the customer decides to rethink or switch to another bank, so this behavior affects the customer's resilience against the bank. Cronin, Brady, and Hult (2000) mention that one client behavioral tendency associated with the ability of the service provider to make their customers remain loyal to them (or buy more from them).

Based on the explanation that has been described, the hypotheses in this study is formulated as follows:

H1: Service quality has a positive and significant influence on switching intention at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan

H2: Customer Relationship Marketing has a positive and significant influence on switching intention at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan

H3: Service Quality has a positive and significant influence on Customer Retention on PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan

H4: Customer Relationship Marketing has a positive and significant influence on Customer Retention on PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan.

H5: Switching Intention has a positive and significant influence on Customer Retention on PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan.

H6: Service Quality has a positive and significant influence on Customer Retention through Switching Intention at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan.

H7: Customer Relationship Marketing has a positive and significant influence on Customer Retention through Switching Intention at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan.

**III. RESEARCH METHODS**

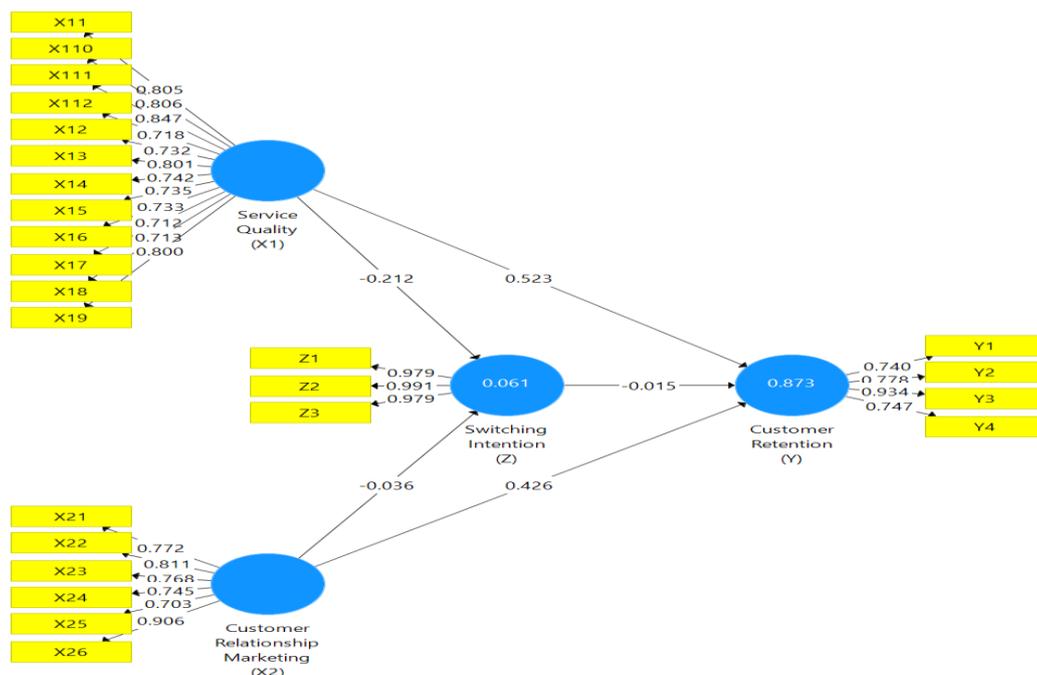
Based on the data type used in this study, this study is a quantitative study. Moreover, based on his research method, this study uses descriptive research method (Sinulingga 2014). Descriptive research is often also referred to as survey research because the data used are collected by interview technique supported by questionnaire schedule or interview guide. This descriptive research uses a causal research design. This research uses Partial Least Square - Structural Equation Modeling (PLS-SEM) analysis. PLS-SEM model analysis is intended to overcome the limitations of regression analysis with the OLS (Ordinary Least Square) technique, when the data characteristics are: (1) small data size, (2) missing values, (3) and (4) multicollinearity symptoms. OLS regression usually results in unstable data when the amount of data collected is small, or there are missing values or multicollinearity among predictors because such conditions can increase the error standard of the measured coefficients (Field, 2000) in (Haryono 2017). Evaluation of the model in PLS-SEM consists of two stages, i.e. external model evaluation or measurement model and internal model evaluation or structural Measurement. Evaluation of the measurement model is grouped into reflective and formative models (Haryono 2017)

**IV. RESULTS & DISCUSSION**

**Results**

**Test results of the outer model measurement**

Outer models are used to define how each indicator relates to the latent variables. In examining the outer model, it is necessary to test the validity and reliability of the indicators used. Testing is done using the software SmartPLS 3.0. The outer model of this research can be seen in the following figure:



**Figure 1 Outer Model Path diagram with Smart PLS 3.0**

## Hypothesis Test Result

**Table 1**  
**Hypotheses Test Result**

Variable relationship	t-count	t-table	Conclusion
X1 → Z Service Quality → Switching Intention	0.765	1.96	H <sub>0</sub> Accepted
X2 → Z Customer Relationship Marketing → Switching Intention	0.117	1.96	H <sub>0</sub> Accepted
Z → Y Switching Intention → Customer Retention	0.371	1.96	H <sub>0</sub> Accepted
X1 → Y Service Quality → Customer Retention	4.419	1.96	H <sub>0</sub> Rejected
X2 → Y Customer Relationship Marketing → Customer Retention	3.475	1.96	H <sub>0</sub> Rejected
X1 → Z → Y Service Quality → Switching Intention → Customer Retention	0.222	1.96	H <sub>0</sub> Accepted
X2 → Z → Y Customer Relationship Marketing → Switching Intention → Customer Retention	0.044	1.96	H <sub>0</sub> Diterima

Based on the results of the measurement presented in Table 1 it can be seen that the result of the hypothesis test obtained the result of Service quality (X1) has an insignificant influence on switching intention (Z) at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan. Customer relationship marketing (X2) has an insignificant influence on switching intention (Z) at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan. Switching intention (Z) has an insignificant effect on customer retention (Y) at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan. Service Quality (X1) has a significant effect on customer retention (Y) at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan. Customer relationship marketing (X2) has a significant effect on customer retention (Y) at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan. Service Quality (X1) has an insignificant influence on customer retention (Y) through switching intention (Z) at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan. Customer relationship marketing (X2) has an insignificant influence on customer retention (Y) through switching intention (Z) at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan.

## V. CONCLUSIONS & SUGGESTIONS

### Conclusion

Based on the research that has been done by the author it can be concluded several points about this research. Service quality has a negative and insignificant influence on switching intention at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan. Customer relationship marketing has a negative and insignificant influence on switching intention at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan. Switching intention has a negative and insignificant influence on customer retention at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan. Service Quality has a positive and significant influence on customer retention on PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan. Customer relationship marketing has a positive and significant effect on customer retention on PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan. Service Quality has a positive and insignificant influence on customer retention through switching intention at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan. Customer relationship marketing has a positive and insignificant influence on customer retention through switching intention at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office Medan.

### Suggestions

Based on the research done by the writer to PT BRI Branch Iskandar Muda, the advice that can be given by the writer is as follows: Reliability, PT Bank Rakyat Indonesia (Persero) Tbk. The Iskandar Muda Branch Office of Medan further maintains and improves the accuracy of the services provided to the customers, and maintains the confidentiality of the customer, so that the client's trust in PT Bank Rakyat Indonesia (Persero) Tbk. The Iskandar Muda Branch Office of Medan is getting bigger, and customer loyalty is growing again. Assurance, PT Bank Rakyat Indonesia (Persero) Tbk. The Iskandar Muda Branch Office of Medan further enhances the escalation of cash withdrawals in large numbers and the clients' confidence in the security of their funds located at PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda Branch Office of Medan, in various current situations and conditions. Physical evidence, PT Bank Rakyat Indonesia (Persero) Tbk. The Iskandar Muda Branch Office of Medan is more aggressive in promoting promotions and humanitarian programs in the surrounding environment so that the public can better know it, the advantages of the products offered by BRI in general and PT Bank Rakyat Indonesia (Persero) Tbk. The Iskandar Muda Branch Office of Medan in particular. Empathy, PT Bank Rakyat Indonesia (Persero) Tbk. The Iskandar Muda Branch Office of Medan, further enhances the employee's sensitivity to the wishes and needs of old customers, new customers and prospective customers, so that communication and relationships between customers and PT Bank Rakyat Indonesia (Persero) Tbk. The Iskandar Muda Medan branch office can be established more quickly and harmoniously. Responsiveness, Employee of PT Bank Rakyat Indonesia (Persero) Tbk, Iskandar Muda Branch Office of Medan, further enhances the speed and accuracy of service provided in serving customers who come to the office of PT Bank Rakyat Indonesia (Persero) Tbk. Iskandar Muda, Medan Branch Office. As well as routinely provide information via SMS, email and other correspondence to customers and prospective customers who have recently met the products that are used or will be used by the client and potential clients.

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