

THE ROLE OF CUSTOMER SATISFACTION AS A MEDIATOR IN THE EFFECT OF RELATIONAL MARKETING PRACTICES ON CUSTOMER RETENTION: A CASE STUDY ON XL HOME CUSTOMERS IN MAKASSAR

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Abstract

This study aims to examine the relationship between customer retention, customer satisfaction, and relational marketing practices in XL Home users in Makassar who have used the service for at least one year. Purposive sampling method is used to select 100 respondents who meet these criteria. The data collected were analyzed using Structural Equation Model (SEM) with SMART PLS program. The results showed that customer satisfaction has a significant effect on customer retention. So is the practice of relational marketing, which also has a significant influence on customer retention and customer satisfaction. In addition, there are indirect effects of relational marketing practices on customer retention mediated by customer satisfaction.

Keywords: Relationship marketing, customer retention, customer satisfaction, XL Home.

INTRODUCTION

The availability of diverse, easy, and fast information has become an essential need for many individuals. PT XL Axiata Tbk, as one of the major players in the telecommunications industry, responded to this need by launching a new service called XL Home. This service provides internet access using the latest fiber optic network technology, intended specifically for the needs of households and residential areas, with internet speeds that can reach up to 1 Gbps.

The home internet business of PT XL Axiata Tbk (EXCL) experienced significant growth, with the number of users reaching 235,000 by the end of 2023. This figure is almost double compared to the previous year which only had 120,000 users. In less than three months, there was an addition of about 29,000 XL Home users. Although this growth has slowed slightly compared to the previous quarter, XL Home is still trying to compete with IndiHome, which currently controls 66.7 percent of the fixed broadband market in Indonesia.

To be able to compete with IndiHome and maintain market share, XL Home needs to attract as many customers as possible and keep customers from switching to competitors. The company's ability to retain customers and keep them loyal will be a decisive factor in achieving competitive advantage. One strategy that can be used is through the application of relational marketing practices. Relational marketing aims to build long-term relationships with customers, focusing on trust, commitment and

conflict handling. By investigating the relational marketing practices implemented by XL Home, we can understand how this company seeks to meet customer needs and maintain their satisfaction. This research will provide valuable insights for companies in improving services and retaining their customers effectively.

RESEARCH METHOD

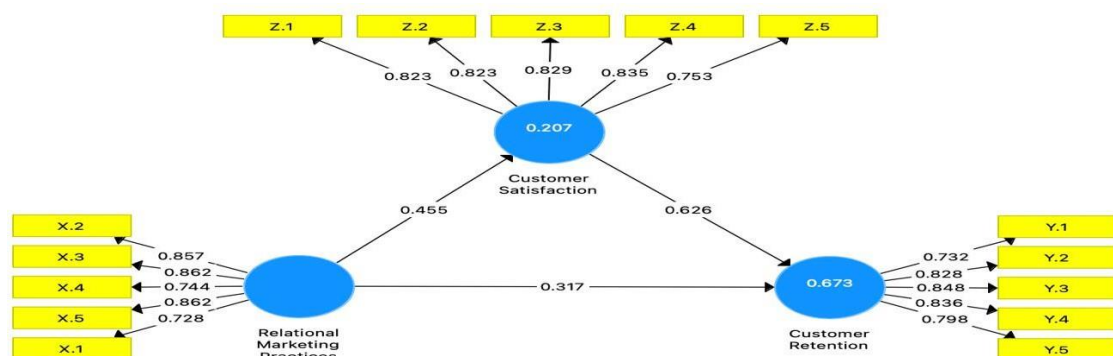
This study is a quantitative research. The sampling method uses non-probability sampling, where not every person/population has the same chance of being a respondent. Sampling technique with purposive sampling technique, which identifies prospective respondents based on criteria that have been made by researchers [1] the reason for using this method is because this study must be in accordance with the research criteria based on the characteristics of respondents, namely XL Home users in Makassar with a minimum of one year of use with a sample of 100 respondents.

Data analysis techniques in this study using Structural Equation Model (SEM) with SMART PLS program. The Data that has been collected based on the questionnaire is then processed to produce information that can be analyzed in accordance with the needs and problems that have been determined.

RESULT AND DISCUSSION

3.1 Outer Models

In the evaluation of the research model using Convergent Validity Analysis tool in the Structural Equation Model (SEM), performed to compare the value of factor loading to the value of the standard factor loading. The indicator is said to satisfy convergent validity well if outer loadings > 0.70 [2]. Furthermore, Discriminant Validity can be known through the Average Variance Extracted (AVE) method, where each indicator must have a value of > 0.5 to be considered valid [3] variables are said to meet the composite reliability if the composite reliability value of each variable > 0.70 [4]. Moreover, a variable is said to be reliable if it has a value of Cronbach's Alpha > 0.70 [5].



A. Convergent Validity

Convergent validity uses the outer loading value or loading factor. An indicator is said to satisfy convergent validity well if outer loadings > 0.70 [6] [7]. Based on SEM tests conducted, it can be seen that the value of loading factor of all variables above > 0.70 .

B. Discriminant Validity, Composite reliability Test and Cronbach's Alpha

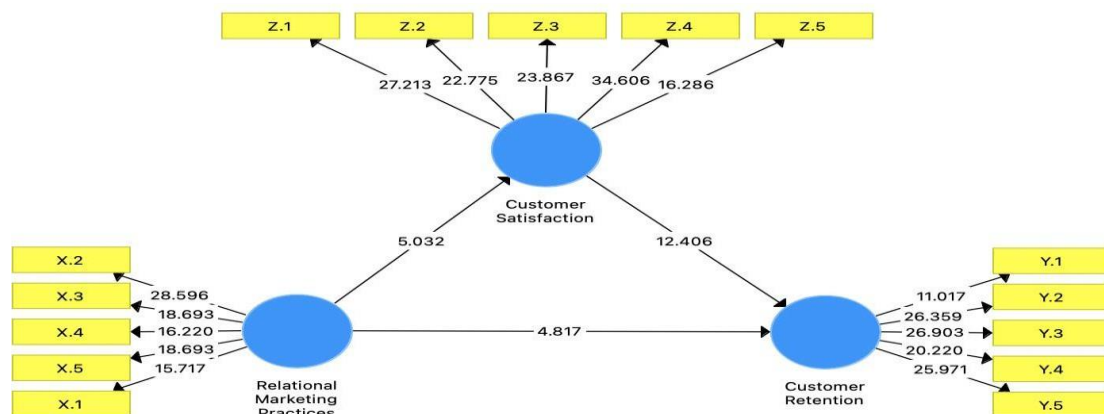
To assess Discriminant Validity, the Average Variance Extracted (AVE) method is used, where each indicator must have a value > 0.5 to be considered valid [7] [8]. Variables are said to meet the composite reliability if the value of the composite reliability of each variable > 0.70 [8] [9]. In addition, a variable is said to be reliable if it has a value of Cronbach's Alpha > 0.70 [9] [10].

Variabel	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Customer Retention	0.868	0.904	0.655
Customer Satisfaction	0.873	0.907	0.661
Relational Marketing Practices	0.870	0.906	0.661

Based on the data listed above, it can be seen that the Ave value of all the above variables is > 0.5 . Furthermore, from the data contained above, it can be seen that the value of Composite Reliability of all variables greater > 0.7 . Finally, from the data contained above, it can be seen that the value of Cronbach's Alpha of all variables has a value of > 0.7 .

3.2 Inner Model

Inner Model is done to test the hypothesis of direct effect and indirect effect. Inner model testing is done using bootstrap method. The result of this bootstrapping process is shown in the image below.



a. Direct Influence

Direct influence testing using bootstrapping analysis techniques can provide information about the significance level of influence between the independent variable and the dependent variable. In this case, the obtained t-statistical values are used to determine the degree of significance. If the statistical t-value > 1.96 (=TINV (0.05,50)), which is the T-table value of 5% significance), then the effect can be said to be significant. Furthermore, through the p-Value obtained, if the p-Value of each variable < 0.05 , then the hypothesis is rejected.

Variable Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Customer Satisfaction -> Customer Retention	0.626	0.627	0.050	12.406	0.000
Relational Marketing Practices -> Customer Retention	0.317	0.315	0.066	4.817	0.000
Relational Marketing Practices -> Customer Satisfaction	0.455	0.464	0.090	5.032	0.000

1. Customer satisfaction has a significant effect on customer retention. When satisfied with XL Home Services, customers tend to stick with the services and maintain business relationships. Satisfaction reflects the fulfillment of needs and expectations, as well as providing positive values such as good service quality, competitive prices, and a pleasant user experience. Satisfaction also reduces the likelihood of customers switching services. Research [10] shows that relational marketing affects customer satisfaction by 6.1%. Research [11] shows relational marketing increases Tokopedia customer loyalty.
2. Relational marketing practices affect customer retention. Strategies such as open communication, personal fulfillment, good after-sales service, and added value build customer trust. When customers feel cared for and valued, they are more likely to be loyal. These results are in line with research [12][13] that shows the influence of relational marketing practices on customer retention.

3. Relational marketing practices affect customer satisfaction. Through open communication and a deep understanding of customer preferences, companies can create satisfying experiences. Customer satisfaction encourages ongoing relationships and recommending the company to others, increasing brand awareness.

D. Indirect influence testing (mediation Test)

Variable Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Relational Marketing Practices -> Customer Satisfaction -> Customer Retention	0.285	0.290	0.056	5.060	0.000

Relational Marketing Practices towards Customer Retention are mediated by Customer Satisfaction, customer satisfaction becomes a mediator or liaison between relational marketing practices and customer retention. When effective relational marketing practices are applied, such as open communication, understanding customer needs, and providing added value, this increases customer satisfaction. The advantage of high customer satisfaction is that there is a greater chance of retaining these customers for a longer period of time. Given the existence of customer satisfaction mediators, relational marketing practices can directly affect customer retention. Satisfied customers tend to be more loyal, committed, and reluctant to switch to competitors. They are also more likely to recommend the company to others, which can improve the brand image and expand the company's market share the results of this study are in line with research [14] [15] proving the effect of relational marketing practices on customer retention with satisfaction as a mediating variable

CONCLUSION

Customer satisfaction affects retention and customer satisfaction. When satisfied with the service, customers tend to keep using the services of XL Home. Relational marketing practices, such as open communication and good after-sales service, also affect customer retention. In addition, this practice also has an impact on customer satisfaction by creating an experience for XL Home users.

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