

# EFFECTS OF INTERN MARKETING AND SERVICE QUALITY ON CUSTOMER RELATIONSHIP QUALITY IN COMMERCIAL BANKS IN KENDARI CITY

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**Abstract**—This This research aims to determine and describe effects of intern marketing and service quality on customer relation quality in commercial banks in Kendari city. These research populations are employees and customers, namely 190 people. This research used Partial Least Square (PLS) analysis.

Intern marketing gives positive significant effects on service quality. Meaning that good intern marketing applied by Commercial bank in Kendari city consisting of rewards and innovation, effective communication, effective employee development, effective employee selection, effective employee recruitment, effective supporting system and healthy work environment can improve service quality given by employees that can be seen in tangibility, reliability, responsiveness, assurance and empathy. Service quality gives positive significant effects on relationship quality. Meaning that good service quality given by Commercial banks in Kendari city consisting of tangibility, reliability, responsiveness, assurance and empathy can improve service quality that can be seen from tangibility, reliability, responsiveness, assurance and empathy.

**Keywords:** Intern Marketing, Service Quality, Relationship Quality

## 1 INTRODUCTION

Service quality obtains special attention from a number of scientists in previous researches. There has been a conceptualization of service quality in 1980's at the time Parasuraman et al. (1988) developing a SERVQUAL model to compare customer perception on the service given by organization with their expectations. Parasuraman et Al. (1988) developed five dimensions to measure service quality; Tangibility, reliability, responsiveness, assurance, and empathy. The intern marketing can be seen since 1970's that has been found out to solve problems, due to less service delivery by better quality (Panigyrakis, 2009), then company must work hard. Relationship quality means the quality perceived based on an eagerness and closeness of a relationship by both parties. More general concept of relationship quality according to Johnson (1999) in Susanto (2004) is an eagerness and closeness of a relationship between supplier and distributor.

In Commercial banks in kendari City, there is a gap of service quality namely a gap in customer expectation and management perception. Such gap is a result of management misunderstanding on customer whole desire in term of financial matter service that they should obtain in shorter and integrated period of time. The point is that the management has no ideas on what customers expect. Then, there is also a gap of service quality in term of service quality gap in which there are less thorough employees or one with less acquisition on

their tasks mainly in term of cashier reporting or conflicts among cashiers. There is also a gap of service delivery with extern communication since the customers have less understanding on the system of profit sharing given by Commercial banks in Kendari city, so there is a decreased relationship quality in terms of trust, commitment and satisfaction, referring to the data from five past years in which there was a fluctuation.

In such conditions as has been described above, there is still a disconformity of field conditions; initial survey results found problems in Commercial banks in Kendari city based on direct interviews with head of branch of each Commercial bank in Kendari city; among others are financing in bad credit, conflict in cashier reporting and others. By referring to existing data in Indonesia Bank Kendari city, there was an insignificant development in the last six years but, seeing at the phenomena in commercial banks in Kendari city, there was a significant development in 2014. Problems faced by commercial banks in Kendari city indicate lack of improvement on intern marketing, service quality and relationship quality in Commercial banks in Kendari city.

### A Problem Formulations

Problem formulation in this research is:

1. Is there any Commercial Bank internal marketing effect on

quality of customer relations in Commercial Banks in Kendari City?

2. Is there any service quality of commercial banks effects on quality of customer relationships in commercial banks in Kendari City?
3. What is the internal marketing and service quality effects on the quality of customer relations in Commercial Banks in Kendari City?

### B Researc Objectives

The research objectives are :

1. To determine whether internal marketing has positive and significant effects on service quality in Commercial Banks in Kendari City.
2. To determine whether service quality of Commercial Banks has positive and significant effects on quality of customer relations in Commercial Banks in Kendari City.
3. To find determine the internal marketing and service quality effects on the quality of customer relations in Commercial Banks in Kendari City.

## 2 THEORITICAL REVIEW

### A. Concept of Relationship Quality

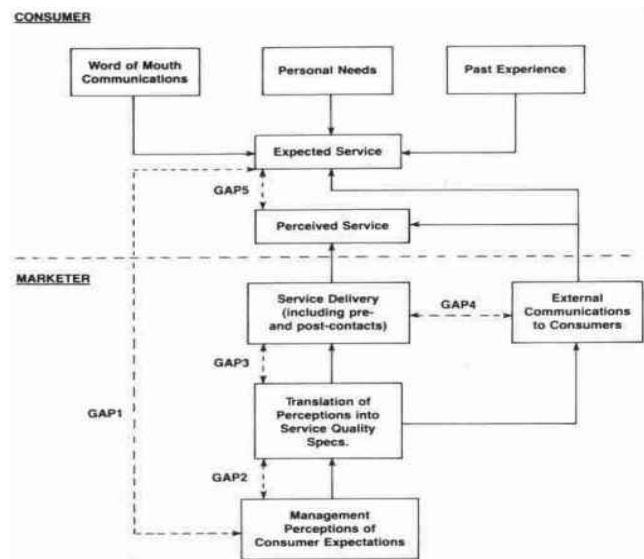
Goetsch and Davis in Tjiptono (2007:110) defined quality as a dynamic condition related to products, service, human resources, process and environment that can meet or exceed expectation. American Society for Quality in Kotler and Keller (2009:180), defined quality as an overall product or service features and properties giving effects on its ability to satisfy any declared or implied needs. Quality is also described as one that can satisfies consumers so each effort of quality development must be started from understanding on consumers' perception and needs (Ali, Djoko, Listyorini, 2013). This means that quality does not only have emphasis on final result aspects, namely product an service, but also on human quality, process quality and environmental quality.

### B. Concept of Service Quality

Zeithaml and Bitner in Arif (2007:120), expressed meaning of service quality as a delivery of good or very good services, when compared with customer expectations. Wyckof in Arif (2007: 118), revealed the definition of service quality as the expected level of perfection and control of perfection to meet customer desires. Whereas according to Parasuraman in Arif (2007: 118), service quality is a comparison whether perceived services is the same or exceeding any expected service quality, the service can be said to be of high quality and satisfactory.

According to Parasuraman, Zeithaml, and Berry cited by Kotler (2005: 123) revealed that it is necessary for a formulation of service quality models in service delivery. In this model, it is explained that there are five gaps that can lead to service delivery failures as shown in the following figure 2.2:

Figure 2.2 A Conceptual Model Of Service Quality and Its Implications For Future Research



(Source: A. Parasuraman, Valarie A. Zeithaml and Leonard L. Berry (1985:4)

1. A gap of consumer expectation and management perception. This gap arises since the management does not always watch out, does not have full understanding on what the consumers want, for example a workshop person not only wants a long period of repair, and he also wants to get instructions on car maintenance, the point here is that management does not know consumers' expectations.
2. A gap between management perceptions of consumer expectations and service quality specifications. Sometimes management is able to understand exactly what the customer wants, but they do not set a clear standard of work. This can be due to three factors, namely the absence of total management commitment to service quality, lack of resources, and existence of excess demand.
3. A gap of service quality with service delivery. There are several causes for this gap, for example employees are less careful (have not mastered their duties), workloads exceed the limits, cannot meet the specified performance standards. In addition, employees may be faced with standards that sometimes conflict with each other, for example nurses are required to spend time listening to patients' problems, but on the other hand they also have to serve patients quickly.
4. A gap of service delivery with external communication. This gap occurs due to the difference on service brochure or other promotional media. It turned out that the service received is not in accordance with reality, for example a restaurant brochure shows that the house is the best with a varied and tasty food menu with good service. But once a customer comes and feels the food and service are as usual. A gap of service experienced, perceived by services. It is expected that this gap will occur if the customer measures performance, company achievements with different ways or it

can also mistakenly perceive service quality, for example a doctor may continue to visit his patient to show concern but can interpret prestige as an indication that something is wrong the disease.

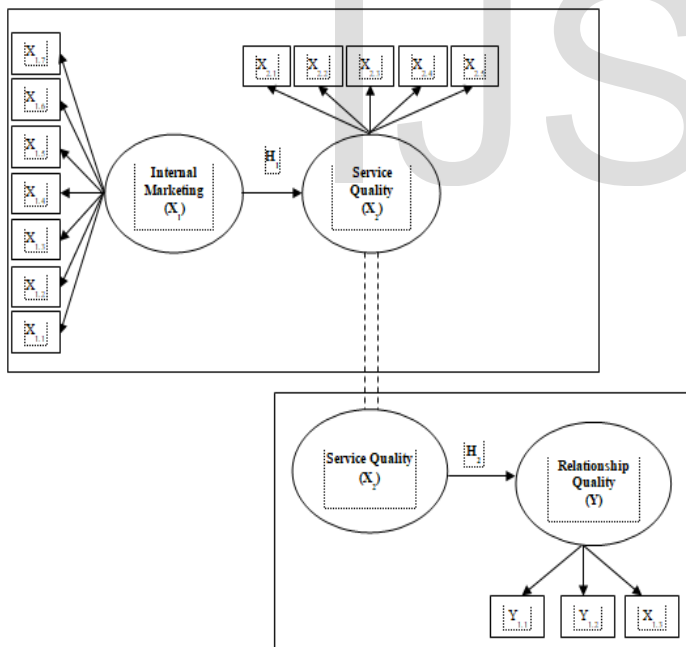
### C. Intern Marketing

According to Kotler (2008), internal marketing is any tasks related to recruitment, training and encouragement of competent employees, in order to serve better. Professional marketers realize that marketing activities in a company can be as important or more important than any marketing activity directed in outside the company. It is illogic promising excellent service before company staffs are ready to give it. Such definition focuses on importance to satisfy consumers' needs in order to develop and obtain employee the best service to the customers. Intern marketing applies marketing theories and practices to the customers (Alma, 2011). Managers should employ employees to service customers and the employees should work at their best. Technically, term of internal marketing means application each marketing aspect to the company.

## 3 CONCEPTUAL FRAMEWORK AND HYPOTHESES

### A. Conceptual Framework

This research conceptual framework is:



### B. Research Hypotheses

The research hypotheses are:

- H1: Internal marketing gives positive and significant effects on service quality in Commercial Banks in Kendari city.
- H2: Service quality gives positive and significant effects on relationship quality in Commercial Banks in Kendari city.

## 4 RESEARCH METHODS

### A. Research Populations

The research population is employees and customers who save at Commercial Banks in Kendari City. The unit of analysis is employees and customers who have the following characteristics: (1) Employees working at Commercial Banks in Kendari City, (2) adult customers. Setting these criteria is by a consideration that adult customers or 17 years old or more are expected to be able to provide an assessment in accordance with the service that they obtain while being a customer at a Commercial Bank in Kendari City. In addition, customers owned by Commercial Banks in Kendari City must be kept from switching to other banks because it can give effects on the financial performance of Commercial Banks in Kendari City. In this study there are several banks that only partially respond to respondents' data collection in this case customer service and tellers consisting of: Southeast Sulawesi Bank, Bank Mandiri, Bank BCA, Bank Mayapada and Bank Panin.

### B. Research Samples

1. Employees of Commercial Banks in Kendari City.

The populations are the employees of Southeast Sulawesi Bank, Mandiri Bank, BCA Bank, Mayapada Bank and Panin Bank, consisting of 32 person from Southeast Sulawesi Bank, 36 person from Mandiri Bank, 17 person from BCA Bank, 5 Mayapada Banks and 5 person from Panin Bank. Determination of this sample is done using a census technique which there are samples taken from the employees in five commercial banks in Kendari city, namely 95 respondents.

2. Customers of Commercial Banks in Kendari city.

The sample design used in the study is proportional division where the sample used is based on the number of customer service and tellers, namely 95 people, determination of this sample used by cluster method is the technique of choosing other samples using probability principle, this cluster technique is not individual but based on a group of subjects who naturally gather together.

Table 4.1 Distribution of Research Sample Collection in 2018

No	Stara Kelas Bank	Jumlah Karyawan Bank (%)	Nasabah
1.	Bank Sultra	32 (33,68)	33,68 % 95 = 32
2.	Bank Mandiri	36 (37,89)	37,89 % 95 = 36
3.	Bank BCA	17 (17,89)	17,89 % 95 = 17
4.	Bank Mayapada	5 (5,26)	5,26 % 95 = 5
5.	Bank Panin	5 (5,26)	5,26 % 95 = 5
Jumlah Karyawan dan Nasabah		95	95
Jumlah Sampel		190	

### C. Informants

Among the many informants, there are those called as key informants, one or several people, namely people who have the most information (know more) about the objects being studied. The informants are employees, customers and security guards.

### D. Data Collection Technique

1. Questioner is a list of questions that includes all statements and questions that will be used to obtain data, whether

done by telephone, letter, or face to face (Ferdinand, 2006). In preparing the level of community satisfaction, it is a questionnaire as a tool to collect data on satisfaction of service recipient communities. The questionnaire is prepared based on the survey objectives on the level of relationship quality.

2. Interview used to collect as much as and complete information as possible from key informants and supporting informants.
3. Documentation The researcher reviews any important documents to explore the effects of internal marketing and service quality on quality of customer relations in Commercial Banks in Kendari City which may be documented both in writing and in the form of objects contained in banking institutions.

**E. Data Analysis Method**

By using a Likert Scale, the variables to be measured are translated into dimensions, the dimensions are translated into sub-variables, then sub-variables are described again into measurable indicators. Finally these measurable indicators can be used as a starting point for making instrument items in the form of questions or statements that need to be answered by respondents (Kriyantoro, 2009). The interval formula according to Kriyantoro (2009) is:

$$I = \frac{X_n - X_i}{K}$$

Notes:

- I = Class Interval
- Xn = Maximum Score of Performance and capacity
- Xi = Minimum Score of Performance and capacity
- K = Number of class

**Evaluation of PLS Model**

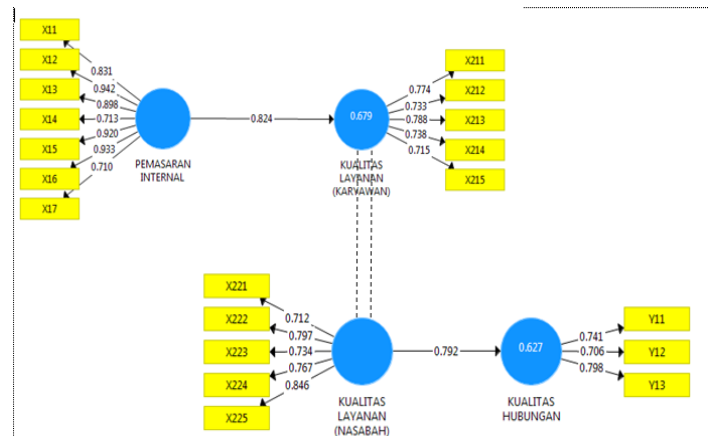
- a. Evaluation of measurement model (outlier model)  
Outlier model evaluation is also called as measurement model evaluation carried out to assess the validity and reliability of the model.
- b. Evaluation of structural model (inner model)  
In assessing structural models with structural PLS, it can be seen from R-Squares value for each endogenous latent variable as a predictive power of the structural model.
- c. Hypothesis testing  
Hypothesis testing is done by statistical test t (t-test). In this test, p-value <0.05 (α5%) is obtained, meaning that the test is significant, and vice versa if p-value > 0.05 (α5%), means that it is not significant.

**5 RESEARCH RESULTS AND DISCUSSION**

**A. Hypothesis Testing**

Hypothesis testing is done to find out the validity of the hypotheses that have been proposed with the criteria set by the statistical provisions. In this case, it is known that there are 2 (two) proposed hypotheses, both of which are hypotheses of direct influence. Based on the results of the analysis carried out using the partial least square analysis tool, results of path analysis can be displayed in the following scheme:

Scheme 5.1 Research Inter-Variable Direct Effects



Complete results of inter-variable direct effects in Scheme 5.1 can be presented in the following table:

Inter-Variable Relations	Path Coefficient	t-Statistic	t-critical (cut off)	Decision
Internal Marketing → service Quality (Employees)	0,824	27,923	1,96	Sig
Service Quality (Customers) → Relationship Quality	0,792	19,492	1,96	Sig

Testing hypotheses and path coefficients of direct effect aims to answer the proposed hypothesis whether both can be accepted or rejected.

**H1. Internal Marketing on Service Quality**

Results of hypothesis testing indicate that internal marketing has significant positive effects on service quality. This can be proven by estimating the path coefficient of 0.824 with a positive direction. Positive path coefficient means effects of internal marketing with service quality are in the same direction. This result can also be proven by value of the critical point (t-statistic) of 27.93 > 1.96. This means that better internal marketing will lead to more improved service quality at Commercial Banks in Kendari City. So that, the first hypothesis stating that internal marketing has positive and significant effects on quality of services at commercial banks in the city of Kendari is acceptable.

**H2. Service Quality on Relationship Quality**

Results of hypothesis testing indicate that internal marketing has significant positive effects on service quality. This can be proven by estimating the path coefficient of 0.792 with a positive direction. Positive path coefficient means that effects of service quality and relationship quality are in the same direction. This result can also be proven by value of the critical point (t-statistic) of 19.492 > 1.96. This means that better quality of service will lead to better quality of relationships at commercial banks in Kendari City. So that, the second hypothesis stating that service quality has positive and significant effects



on the quality of relations at Commercial Banks in Kendari City is acceptable.

## 6 CONCLUSION AND RECOMMENDATIONS

### A. Conclusion

Based on the discussion description, then it can be concluded some following issues:

1. Intern marketing gives positive significant effects on service quality. Meaning that good intern marketing applied by Commercial bank in Kendari city consisting of rewards and innovation, effective communication, effective employee development, effective employee selection, effective employee recruitment, effective supporting system and healthy work environment can improve service quality given by employees that can be seen in tangibility, reliability, responsiveness, assurance and empathy.
2. Service quality gives positive significant effects on relationship quality. Meaning that good service quality given by Commercial banks in Kendari city consisting of tangibility, reliability, responsiveness, assurance and empathy can improve service quality that can be seen from tangibility, reliability, responsiveness, assurance and empathy.

### B. Recommendations

Based on the conclusion, then there are some recommended issues:

1. Commercial Banks in Kendari city should conduct more selective employee selection, in term of selecting employee with appropriate education background to the works.
2. Bank Management should improve cleanliness of service rooms, uniform and provide visual features related to service products in the banking field.
3. Employees provide clear description to the customers so that customers can give more trust to the bank parties and employees can be polite to the customers.
4. Customers provide constructive recommendations to the bank party in developing banking service.
5. Researchers then add external marketing variables.

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