

**The 2<sup>nd</sup> International Conference on Business and Banking Innovations (ICOBBI)**  
**“Nurturing Business and Banking Sustainability”**  
Surabaya, 14<sup>th</sup> - 15<sup>th</sup> August 2020

**Proceeding Book of**  
**The 2<sup>nd</sup> International Conference on Business and Banking Innovations**  
**(ICOBBI) 2020**  
**“Nurturing Business and Banking Sustainability”**  
Surabaya, 14 - 15<sup>th</sup> August 2020

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### Proceeding Book of The 2<sup>nd</sup> International Conference on Business and Banking Innovations (ICOBBI) 2020 "Nurturing Business and Banking Sustainability"

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### FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 2<sup>nd</sup> International Conference on Business and Banking Innovations (ICOBBI) with the topic “*Nurturing Business and Banking Sustainability*”. This proceeding contains several researches articles from many fields in Marketing, Management Technology, Finance, Banking, Human Resources Management, Information System Management, and Islamic Economics.

The 2<sup>nd</sup> International Conference on Business and Banking Innovations was held on 14<sup>th</sup> – 15<sup>th</sup> August 2020 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with six Higher Education Institutions in Indonesia and five Universities from Asia countries. Keynote speakers in this conference were: Prof. Angelica M..Baylon, Ph.D (Director of the Maritime Academy of Asia and the Pacific, Philippines), Chonlatis Darawong, Ph.D. (Head of the Master of Business Program Sripatum Chonburi University - SPU Graduate School Bangkok, Thailand), Prof. Madya Dr. Reevany Bustami (Director of Centre for Policy Research and International Studies Universiti Sains Malaysia), Associate Prof. Dr. Ellisha Nasruddin (Graduate School of Business Universiti Sains Malaysia), Associate Prof. Pallavi Pathak Ph.D. (School of Management Sciences, Varanasi, India) and Prof. Dr. Tatik Suryani (Head of the Master of Management Study Program of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the six universities, namely Universitas 17 Agustus Surabaya, Universitas Surabaya, Universitas Dr. Soetemo Universitas Dian Nuswantoro Semarang, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website <https://pascasarjana.perbanas.ac.id>.

Chair of the Master Management Study Program  
STIE Perbanas Surabaya

**Prof. Dr. Tatik Suryani, M.M.**

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# CRM Impact on Customer Satisfaction and Customer Loyalty at Garuda Indonesia: The Airline of Indonesia

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## ABSTRACT

This study examines the Customer Relationship Management system conducted by Garuda Indonesia. Garuda Indonesia is one of the airline company in Indonesia that has huge market and using CRM to retain loyal customers. CRM is one of the technologically advanced systems that commonly used by companies to protect loyal customers and to recommend their services. This study will cover their marketing, loyalty program, CRM, customer satisfaction, and customer loyalty. This study aims to analyse Garuda Indonesia's CRM system and give recommendation on how to improve it. Using the descriptive method, this study contains three research topic which comprises evaluation of Garuda Indonesia's CRM system, customer satisfaction, and evaluation of customer loyalty. Research were conducted using primary data through survey and secondary data obtained from relevant journals. The conclusion showed that CRM services provided by Garuda Indonesia is neither useful nor useless. This study contributes by providing several recommendations on how to improve the CRM system provided by Garuda Indonesia.

## 1. INTRODUCTION

In every business industry, regardless of the size of the company, they are more or less exposed to a marketing element which can impact the company performance. In these terms, the marketing element is one indicator that can identify that the company has reached its objective and if they can satisfy their customer. Within the marketing environment, several approaches could be considered as a movement to sustain their competitive advantages. Some of the marketing strategies aim to get long-term customer retention and customer satisfaction through the provision of product or service that could also fulfill their needs. Marketing strategies also have been used for different purposes within the customer life cycle, despite the marketing strategies the main objective is to obtain and also maintain the customer. Nowadays, the marketing strategy is being used often by companies, giving their main focus in the market it has happened because the change in the customer trend has increased the company/businesses interest to use these strategies.

Numerous studies have analyzed the determinants of innovative business innovation in companies, focusing in particular on organizational and technological capabilities and associated strategies needed for successful innovation (Kotler & Keller, 2014). Effective and efficient customer service are needed as a critical differentiator in a competitive marketplace. A company that could understand and at the same time fulfill their customer needs will increase their customer satisfaction and gain greater market share, generate more revenue, and the company will gain higher profitability. In a different organisation, they are trying to implement a system that could provide them with a good customer relationship as a part of the marketing strategy. Customer Relationship Management (CRM) is one of the technologically advanced systems that could be used in recent business. With the existence of speed and storage capability of computers, combined with connectivity of the internet, it provides a linkage of several functions in the company. A CRM system provides a company system range from the simplest system to the most complex system management.

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Most products can be offered with different features and companies should consider how many people want each feature, the time it takes for them to enter or the costs and the ability for competitors to copy it. Higher quality for less money is the recipe for success (Tont, 2016). By creating a reliable CRM system, companies would be able to increase their brand image and awareness using their customer satisfaction which would lead to recommendation to their colleagues and family creating a free mouth to mouth marketing that could significantly gain another loyal customer. CRM that is considered user-friendly for the customer can be one of the strong reasons why people choose our company rather than choosing other companies in the same industry.

Customer Relationship Management (CRM) is the 'core business strategy' that combines internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. (Buttle & Maklan, 2013) CRM further explained as a principle of relationship marketing with new market demands and new technologies push them to a more complex level. To put it in simple term, CRM is 'information-enabled relationship marketing' (Payne & Frow, 2005)

Never before has research been conducted to find out CRM impact on Customer Satisfaction and Customer Loyalty especially for the case of Garuda Indonesia. The improvement of customer relationship management has been very important to many business companies no matter what kind of business it is. By providing good customer relationship management, companies can ensure that good customer relationships are always connected to the company. In this regard, this research is intended to find out how big the impact of CRM on Customer Satisfaction and Customer Loyalty for Garuda Indonesia.

The problem that attempted to be answered in this research will be how is Garuda performing their CRM activities, what CRM activities that Garuda performed, does existing CRM system in Garuda Indonesia already have an impact on customer satisfaction, and does the CRM system at Garuda Indonesia impact customer interest to use their services.

Customer Relationship Management is already one of the important marketing approaches for the customer by the provider of the services. In a business, it is crucial to understand individual customer needs, so the business or organisation can provide the needs of the customer, with acknowledging the customer need the business or organisation can receive high customer satisfaction in result. By grouping/segmenting their customers, business or organisation will be able to analyse and also provide a general or specific need of the customer.

There is lots of research that talks about relationship marketing strategies that can be done properly. But, from what the researcher gathered, there had been a small literature that focused on the correlation of relationship marketing strategies with customer relationship management. Since there are also other companies than the aviation industry that used customer relationship management systems, it is crucial that some of the literature were given some of the context talking about the correlation of customer relationship management.

Moreover, the purpose of this research is to help the marketing manager and the company to the importance of the effectivity of Customer Relationship Management at business or organisation, and this research will be also beneficial for the business world since this research is supporting previous literature that the CRM system in the marketing of an organisation or business can increase their performance in receive high customer satisfaction and getting a loyal customer. The researcher concludes that there is some issue that need to be further research because of lack in data and resources as of the creation of this paper. The researcher also limited to what it gathered from the sources available at the time.

## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

### 1.1 Marketing

"Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. (AMA, 2017) Marketing is a social and managerial process where individuals and groups get what they need and wanted by creating, offering, and exchanging products that they have with others (Kotler, 1997: 13). Marketing is the process by which a firm profitably translates customer needs into revenue (Burgess and Burgess, 2014). Based on the definition above, it can be concluded that marketing is a social and managerial process, both for individuals and groups who try to satisfy wants and needs through an exchange process into revenue.



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Therefore, the marketing strategy must be suited to the needs of consumers and take into account competitors' strategies.

### 4.2 Loyalty Program

Loyalty programs are structured marketing efforts which reward, and therefore encourage, loyal behaviour: behaviour which is, hopefully, of benefit to the firm. (Sharp & Sharp, 1997) However, it can be difficult to develop the loyalty program that will be useful in the long run. Company need to commit their budget in order to ensure that loyalty program works successfully. It is important that companies understand how a loyalty program works before rushing it for the customers.

### 4.3 Customer Relationship Management

CRM is a management approach that allows an organisation to identify, attract, and increase retention of the profitable customer, by managing relationship with them and also CRM could help a firm refine the customer taste and preferences. (Buttle & Maklan, 2013) argue that "CRM is the core of a business strategy that integrates internal process and functions, and external networks, to create and also deliver value to targeted customers at a profit. It is grounded on high quality customer-related data and enabled by information technology" Customer Relationship Management also can be considered as a strategy or information collecting from the customer to create value to the customer, by creating value to the customers the business or organisation can build a relationship to the key customer and also the customer segment.

### 4.4 Customer Satisfaction

According to (Schirmer, et al., 2018) satisfaction is a multidimensional feeling that can be interpreted by reflecting the overall evaluation of satisfaction, that includes the customer experience in the customer relationship. (Meesala & Paul, 2018) also support that customer satisfaction will come when the product and service performance exceeds the expectation of the customer and satisfaction is customer post-purchase judgement about the service and product whether they like or dislike it.

### 4.5 Customer Loyalty

According to (Dimiyati, 2018), customer loyalty can be reflected through the customer habit of repurchasing a product or services continuously. "To determine the customer loyalty, a company is required not only to observe the customer habit but also to learn where to buy, how to buy, and in what condition these products must be purchased. A loyal customer will make purchases repeatedly over a certain period". The role of customer loyalty is to make the customer happy because the principle of customer loyalty is connecting friends and family, which are the primary determinants of customer happiness. (Khadka and Maharjan, 2017)

## 3. RESEARCH

### METHOD 3.1

#### Research Design

The researcher uses a descriptive method for the research. Descriptive method allows the researcher to find out the reason for certain conditions during the time of study and formulate the conclusion and recommendation for the research by using the data gathered from the respondent. The researcher gathered the data step by step to ensure that the data analysed properly to find reliable conclusion. To be able to gain essential data for this paper, the researcher used descriptive method with qualitative approaches, and also applied random sampling, by which 300 Garuda Indonesia customers were randomly selected to be respondents of this dissertation.

The result of the survey will be processed by calculating the weighted mean of every survey item. After calculating the mean of the data survey, the calculated values will be compared to the Likert scale for data interpretation. Some articles relevant to the study were also used to support the data.

The integrity of the data gathered by the researchers, conclusions, and recommendations are purely depend on the quality of the research design, data collecting, data compilation, data supervision, and data analysis. The data used in this research were primary and secondary data. The primary data were gathered from the answer of the questionnaire answered by respondents which the researcher already prepared beforehand. The secondary data were gathered by research from academic journals, literatures, websites,



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and articles that were relevant to the research. These were mainly talking about relationship marketing, CRM, loyalty pro-grams, etc. by referencing the author of the article.

### 3.2 Survey

The author also will provide the survey result about people's opinions regarding Garuda Indonesia's CRM system. The author uses the Likert scale to form the survey. The survey participants were limited to people on customers of Garuda Indonesia that have known that the Overseas Service of Garuda Indonesia in the city of Bandung, Indonesia. After through random sampling, there were 300 participants that were involved in this study.

### 3.3 Ethical Consideration

This research uses primary data from human respondents and the response from the survey gathered that would be used in this research confronts some issue. It is important that these issues are addressed to make sure that the privacy and security of the respondents are remain confidential. Regarding this, the researcher identified these issues earlier to avoid imminent issues that could have surged later during the re-search process. Some of the issues that were identified are confidentiality, data protection, and consent of the respondents.

## 4. DATA ANALYSIS AND DISCUSSION

### 4.1 Evaluation of Garuda Indonesia's CRM system and Customer Simplicity of Garuda Indonesia

Table 1

Questions	Number of Respondent Answered	1	2	3	4	5	Weighted Mean	Interpretation
Is Garuda Indonesia service has made your travel easier?	300	60	140	35	42	23	2.43	Disagree
Is Garuda Indonesia Ticket Information easy to find?	300	8	61	101	100	30	3.28	Undecided
In terms of simplicity, how do you evaluate the purchasing process of the tickets?	298	22	119	62	63	32	2.88	Undecided
In terms of its services offered by Garuda Indonesia, how do you rate the price of Garuda Indonesia?	299	21	77	85	92	24	3.07	Undecided
How often do you use Garuda Indonesia as your main flight operator?	300	19	103	69	86	23	2.97	Undecided

Table 1 above shows the results of the respondents' opinion on the simplicity service of Garuda Indonesia. Here, it shows that most of the respondents answered the question given in the questionnaire with 1 and 2 people refuse to having their say in one of the questions. As we can see from the mean result and interpretation, most of the respondent is answered "undecided" with the given questions. The majority of the respondents are disagreed that Garuda Indonesia service made their travel easier and undecided whether Garuda Indonesia ticket information is easy to find. Most of them also undecided on how do they evaluate the purchasing process of Garuda Indonesia ticket in terms of simplicity and how do they rate the price of Garuda Indonesia in terms of its services offered. In addition, the respondents also show that they are undecided whether they use Garuda Indonesia often as their main flight operator when taking an overseas flight.

This result does mean that Garuda Indonesia's customer relationship management are still lacking in quality and services it is offered to their customer to fully satisfy their needs and demands.

### 4.2 Customer Satisfaction of Garuda Indonesia

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Table 2

Questions	Number of Respondent Answered	1	2	3	4	5	Weighted Mean	Interpretation
Do you feel happy with the quality of service of Garuda Indonesia?	300	13	83	73	99	32	3.18	Undecided
Are you happy with the aircraft fleet of Garuda Indonesia?	298	15	106	53	92	32	3.07	Undecided
Are you happy with the in-flight entertainment offered by Garuda Indonesia?	300	17	80	76	95	32	3.15	Undecided
Are you happy with the professionalism of the employees?	298	9	115	57	90	27	3.04	Undecided

Table 2 above presents the results of the respondents, which are the customer of Garuda Indonesia, to express their opinion whether they are satisfy with the service provided by Garuda Indonesia. Same with previous section, there are some people that refused to answer the question given in the questionnaire and have their say in the survey. As the researcher already analysed the data using SPSS software, most of the respondents are undecided with the given questions. The respondents are undecided whether they feel happy with the quality of service Garuda Indonesia offered and undecided whether they are happy with the aircraft fleet used by Garuda Indonesia in their overseas flight. Moreover, majority of the respondents are undecided whether they are happy with the in-flight entertainment offered by Garuda Indonesia and undecided whether they are happy with the professionalism of the employees of Garuda Indonesia.

### 4.3 Evaluation of Customer Loyalty Toward Garuda Indonesia's CRM System

Table 3

Questions	Number of Respondent Answered	1	2	3	4	5	Weighted Mean	Interpretation
How likely you recommend Garuda Indonesia to your colleagues or family?	300	17	79	53	89	62	3.18	Undecided
How do you rate GarudaMiles, a loyalty program offered by Garuda Indonesia?	299	24	107	70	71	27	3.07	Undecided
How often did you used GarudaMiles when going abroad?	299	10	67	59	100	63	3.15	Undecided
How do you rate GarudaMiles reward offered by Garuda Indonesia?	298	12	76	88	94	28	3.04	Undecided

The table 3 above presented the respondents answer regarding their opinion about Garuda Indonesia's CRM system. As we can see, there are 1 and 2 people that is not answered the question assuming that they do not want to express their opinion on the question given. With that being said, majority of the respondent are

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having different opinion regarding what they feel about Garuda Indonesia's CRM System based on the answer from the given questions. The respondents feel undecided whether they will likely to recommend Garuda Indonesia to their colleagues or family. The respondents also undecided whether they rate GarudaMiles as a good CRM system or not. Furthermore, they are undecided with how to rate GarudaMiles reward that were offered by Garuda Indonesia. Majority of the respondent are sometimes using GarudaMiles when they took an overseas flight

The researcher will discuss about the results of the survey using the Likert scale technique. Note that the respondents were given the Likert scale using a five-point scale in the questionnaire so that they can have a say about Garuda Indonesia's CRM whether they are agreed or disagreed with the questions. The researcher chooses the five-point scale with the indicator 1 showing strong disagreement and 5 equivalents with strong agreement. With that being said, this scale will provide a bigger picture about the study of the respondents following the CRM impact of customer satisfaction and customer loyalty on Garuda Indonesia. From the result gathered from the survey, most of the respondents were undecided with their answers of the question given by the researcher.

## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The research objective of this paper was to critically examine how big is the impact of CRM on Customer Satisfaction and Customer Loyalty at Garuda Indonesia which has never before been conducted by anyone. With that being said, the researcher has conducted several steps to find out the conclusion from the research objectives mentioned before in chapter 1. This chapter is to present the conclusion that the researcher got from the research conducted before in between February – March 2020.

The development of technology and globalization provides all companies to develop new system to provide a better service for its customers. Not to mention to an aviation company, which relationship to customers is

important not just to retain them to keep using their services, but also to gain a new customer from the existing customer recommendation to their colleagues and families, as customer retaining and also customer loyalty is important for a business to make the business exist. As the competition between aviation company are more and more vigilant as the usage of CRM systems increases, it is important to analyse and evaluate the CRM system so that it can be developed better for the customer satisfaction and loyalty. On this purpose, the researcher is curious how big is the impact of the CRM system on customer satisfaction and loyalty in Garuda Indonesia.

The researcher chooses 300 respondents selected from random sampling in the city of Bandung, Indonesia to be used in this study. The researcher choses questionnaire as a method to gather the data by quantitative approaches. The questionnaire is selected as the only method to find out the conclusion of the research. The researcher uses SPSS software to analysed the collected results from the questionnaire to find the resulted mean from each question and compared with Likert scale for interpretation. The results of the computation were then divided into groups for vibrant presentation and explanation. Based from the data gathered and analysed by SPSS software, the researcher finds out important conclusion for this study.

*The respondents feel that the CRM services provided by Garuda Indonesia right now are neither not making their travel easier nor making their ticket information easier to find.* From the data gathered, it seems that customers who are either not familiar with the CRM system or the Garuda Indonesia's CRM system right now are not very user friendly. The respondents also feel that the service offered by Garuda Indonesia is neither worth it nor not worth it compared with the rate of price Garuda Indonesia offered.

*The respondents feel that they are neither satisfied nor dissatisfied with the quality of service, aircraft fleet, in-flight entertainment, and professionalism of the employees provided by Garuda Indonesia.* It seems that the quality of service provided by Garuda Indonesia right now were not up to par compared with previous year. The



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customers of Garuda Indonesia feel that they want something more from what Garuda Indonesia offered with the rate of the price they charged.

*The respondents feel that they are neither satisfied nor dissatisfied with the CRM rewards provided by Garuda Indonesia right now and they are neither recommend nor not recommend GarudaMiles, CRM of Garuda Indonesia, to their colleagues or families. Although some of the respondents are sometimes using GarudaMiles, when travelling abroad, they feel that the rewards offered by Garuda Indonesia are neither worth nor not worth it. The customer wants something more from Garuda Indonesia before they want to recommend GarudaMiles to their colleagues or families.*

This study was conducted to find out the impact of CRM system on Customer Satisfaction and Customer Loyalty at Garuda Indonesia. From what the data gathered, it seems that Garuda Indonesia needs further improvement on its CRM system because it clearly did not satisfy what the customers need and want. Although the CRM system is quite handy, it is necessary that the system is researched before release it for public uses to ensure that the CRM system is targeted successfully. Because of its handiness, CRM is a great system used to communicate with the consumers that is why companies all over the world are trying to push for a CRM system to be developed to gain market advantage over its competitors. From what the results of the questionnaire, we can reach the conclusion that Garuda Indonesia's CRM system are in dire need of fix to improve its service for it to gain further benefit not only for the company but also for the customers. Providing quality service are the number one priority for aviation company to satisfy its customers to make sure that the customer is stay loyal and continuously using their service when travelling. The researcher concludes that there is some issue that need to be further research because of lack in data and resources as of the creation of this paper. The researcher also limited to what it gathered from the sources available at the time.

Since from the findings that Garuda Indonesia's CRM needed to be improved, the researcher is giving some recommendation for it to become better. Note that this recommendation is based on only the researcher's opinion and If there are any mistakes, the researcher open to further recommendation in this paper.

*Garuda Indonesia need to try finding out in further research what is the customer want from GarudaMiles services and rewards. By fully satisfying their customers' demand, Garuda Indonesia will efficiently improve the CRM*

system. Garuda Indonesia can do its own survey from its mobile apps or website to its member to minimize the cost and time needed for the survey to reach its customers.

*Garuda Indonesia may consider other technology company to provide feedback in order to improve its CRM system so that it becomes more user friendly. Technology company already have the experience in handling complex tech system that maybe Garuda Indonesia is not familiar with. Improving with a fresh design or fully update the system may show that Garuda Indonesia is take care seriously of its CRM system. This suggestion might be a little costly but if it is for the customer satisfaction, it is a small price to pay.*

*Garuda Indonesia need to provide a better reward that customer might seeing it fancy so that the customers will pursue that reward and at the same time feels prestige that their effort are rewarded by Garuda Indonesia. As we can see from the results of the survey, GarudaMiles rewards are not satisfying the customer's needs. From the impact of this problem, the customers are reluctant to increase their GarudaMiles point to get the reward and using Garuda Indonesia services. In order to tackle that, giving a better reward will show that Garuda Indonesia is showing good gesture to its customers, want to keep their loyal customers in using Garuda Indonesia as their main flight operator, and recommend GarudaMiles to their colleagues and families.*

There are several limitations that shows during this research which are survey respondents and type of data. For the survey respondents, this research is limiting the respondents that are customers of Garuda Indonesia that have been trying their International flight services to make sure the data gathered will be relevant only to the study. The aim of the respondent is 150 people. The geographical location of the respondent will be in

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Bandung, Indonesia. Moreover, this study only focuses on the impact of CRM on customer relationship and loyalty on Garuda by emphasizing on whether the customer relationship management system conducted by Garuda impacts customer relationships and loyalty. While the type of data used in this research are both primary and secondary data. The primary data were collected through Likert scale survey from selected respondents by random sampling and secondary data were collected from relevant articles, books, journals, websites. This research also limited to the technology at the time so further research may needed in the future to improve the topic about this research

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