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The Effect of Relationship Marketing on Service Quality and Customer Loyalty: An Empirical Study in Indonesia

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Abstract

The purpose of this research is to examine and analyze the effect of Relationship Marketing on service quality and customer loyalty, especially in the context of the retail industry. In retail industry, Relationship Marketing is the key to increase and maintain a large pool of customers. This research was conducted in North Sulawesi Province with a sample size of 155 supermarket customers. The sampling technique used for the study is the purposive sampling. Data was analyzed using SEM based on GeSCA components. The results showed that Relationship Marketing had a significant positive effect both on service quality and customer loyalty. The commitment, communication, conflict handling, and competence play an important role in improving service quality which ultimately makes customers loyal. In addition, the relationship between service quality and customer loyalty, also has significant positive findings. These findings are in line with the concept of SERVQUAL and The Commitment-Trust Theory. The implication of the managerial research is that supermarket managers in North Sulawesi must focus and emphasize more on the Relationship Marketing dimension especially in terms of commitment, communication, conflict handling, and competence. Once these factors can be met, the quality of service will increase, and it causes an increase in customer loyalty to shop more at the supermarket.

Keywords: Relationship Marketing, Service Quality, Customer Loyalty

JEL Classification Code: M00, M3, M31

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1. Introduction

The retail industry especially as a modern market dominates 7.06% of general trading places, equal to 1,131 units. Such dominance continues to grow given the convenience provided by the modern market compared to that offered by traditional markets. One of the things that distinguishes modern markets and traditional markets is the facilities and the infrastructure.

The key objective of marketing is to develop good and lasting relationships with people and organizations. This can directly or indirectly influence the success of the company's marketing activities (Kotler & Keller, 2006). Berry (1983) defines relationship marketing as an effort to attract, maintain and improve customer relationships. The dimensions of relationship marketing proposed by Ndubisi and Madu (2009) are namely: Commitment, Communication, Conflict Management, and Competence. The research so far about relationship marketing and service quality, where the two variables affect the other variables. While this research is

about how relationship marketing affects the quality of its services. Thus relationship marketing can be defined as maintaining customers by improving communication, customer data collection and quality of customer service (Patsioura et al., 2009).

Berry (1983) stated that quality of service is an important differentiating feature and instrument of strong competitiveness and must be possessed by all organizations. To create success in the retail business, quality of service can provide encouragement to customers to build strong bonds with the corporation. In the long run, these bonds enable companies to understand the expectations of their customers as well as their needs as a whole (Kotler & Keller, 2006). Therefore, the corporation can also achieve its objectives, namely full customer loyalty through improved company performance based on customer expectations or in other words, loyalty that will naturally form after customer expectations of service quality are fully met (Parasuraman et al., 1998).

Supermarkets always try to keep customers loyal to them. Customer loyalty is defined as the customer's commitment to buy products continuously in the future (Liu, 2007). When a customer buys a product or service repeatedly, the customer also rates positively on the goods and services, so that the customer is said to be loyal. Research by Vieira and Damacena (2007) stated that loyalty has become a hot topic in marketing management, not only for academics, but also for managers. The results of his research found that the more important variables on loyalty in supermarkets are affective commitment, satisfaction with the environment and the value given by the experience of shopping at supermarkets.

In this study, the conceptual model was established based on the concept of Commitment-Trust Theory (Moorman & Podsakoff, 1992) and SERVQUAL (Parasuraman et al., 1985), which states that the company's commitment to maintain and enhance customer relationships through efforts to produce the best quality service (Opuni et al., 2014). When the interaction or relationship that is built goes well and is in line with the level of customer expectations (Parasuraman et al., 1985), this will minimize the gap. Such low inequality signifies that supermarket service performance meets customer expectations, thereby causing customer loyalty (Tuan & Rajagopal, 2017).

Much research has been done to examine Relationship Marketing on Service Quality and Customer Loyalty in the banking sector (Taleghani et al., 2011, Husnain & Akhtar, 2015, Susana et al., 2016), the insurance sector (Abtin & Pouramiri, 2016, Halimi et al., 2011), and the tourism sector (Setiawan & Sayuti, 2017), but there has not been research findings in the retail industry sector. Therefore, the main focus of this research is to explore the effect of Relationship Marketing on Service Quality and Customer Loyalty, with a focus on the retail industry.

2. Literature Review

2.1. Relationship Marketing

Shifting the marketing paradigm from transactional marketing to relationship marketing. Including the emergence of various other analytical frameworks such as quality management, market orientation, value chain management and others. This has shown that the dynamics of marketing development cannot be separated from the dynamics of a dynamic environment. The history of marketing thought has shown this development. Relationship Marketing seeks to incorporate and account for suppliers, infrastructure partners and other customers in improving organizational and marketing activities (McKenna, 1991; Shani & Chalasani, 1992).

Since it was first introduced in the early 1980s, the term relationship marketing is still continuing to develop. Berry (1983) defines relationship marketing as an effort to attract, maintain and improve customer relationships. The mind set of marketing is that attracting new customers is only the first step in the marketing process (Payne et al., 2000).

The main goal to be achieved in relationship marketing, namely is to improve and maintain long-term mutually beneficial relationships. The definition stated by the researchers above confirms that Relationship Marketing is different from Transactional Marketing. Conceptually there are three main differences. First, the main objective of Relationship Marketing is customer loyalty. If the main success of Transactional Marketing is more focused on sales volume and or market share, then the success of the Relationship Marketing is measured on the basis of the level of customer loyalty and customer contributions (Bloemer et al., 1995). Second, Relationship Marketing is long-term, while Transactional Marketing is short-term (Grönroos, 1996; Payne et al., 2000). Third, Relationship Marketing is oriented to product benefits and relationship quality, whereas Transactional Marketing is more oriented to product characteristics (Payne et al., 2000). Jesri et al. (2013) examined the effect of relationship marketing on customer / bank customer loyalty in Iran, also using the relationship marketing dimensions proposed by Ndubisi and Madu (2009), namely:

a. **Commitment.**
   Commitment can be interpreted as a sacrifice made by the seller and the buyer to maintain a relationship. Moorman and Podsakoff (1992) defines commitment as an enduring desire to maintain a valuable relationship. Berry (1983) and Parasuraman (1985) show that commitment is very important in relationship marketing theory. Mutual commitment

is very important to build long-term relationships. Commitment is an important determinant of customer loyalty.

b. **Communication.**

Communication is the process by which formal and informal information which is correct and timely, is shared between sellers and buyers (Anderson & Narus, 1990). Relationship conflict can be reduced by using an appropriate communication system (Mohr & Spekman, 1994). Communication, which enables the exchange of information, is an important element in relationship marketing. Communication in relationship marketing refers to staying in touch with customers, providing timely and trustworthy information, and communicating proactively if delivery problems occur (Ndubisi & Madu, 2009). Empirical evidence confirms that communication is an important determinant of relationship marketing. The greater breadth and depth in communication patterns, the stronger this partnership is possible (Lambert & Cashwell, 2004).

c. **Conflict Management.**

Conflict management refers to the ability of suppliers to avoid potential conflicts, solve real conflicts before they create problems and discuss solutions openly when problems escalate (Dwyer et al., 1987). The contingency perspective of conflict management is the reason why the sellers must determine the appropriate conflict management approach, after analyzing a particular situation (Dwyer et al., 1987). In general, conflict management strategies aim to minimize negative results and maximize positive consequences. The seller's ability to handle conflicts properly is an important determinant of customer loyalty. As such, we postulate that there is a significant positive relationship between customer loyalty and (a) commitment, (b) communication, and (c) conflict resolution.

d. **Competence.**

Competence is defined as the perception of the customer of a number of skills, abilities, knowledge and behavior needed for the implementation of work tasks demonstrated by the company through the performance of the company staff and the company as an institution. In the context of services in supermarkets, the competencies in question include knowledge from supermarket staff about products sold, product prices (including discounts), effective promotion or advertising (Lupiyoadi & Hamdani, 2013).

2.2. Quality of Service

Gronroos (1984) defines service quality as a result of perception of the comparison between customer expectations and the actual performance of services. Parasuraman et al. (1985) say that service quality is a measure of how well a service meets the expectations of customers. Service quality generally refers to the company's ability to provide services that are appropriate to the level of customer expectations (Parasuraman et al., 1985). Expectations are categorized by the gap between customer desires or desires, some company presentations, and post-purchase customer feelings (Parasuraman et al., 1988). This framework consists of twenty-two items from several focus groups with customers representing various fields of the service sector. The difference between service qualities can be measured as the level of difference between a customer's expectations of the service offered for each quality dimension or item. This framework has been implemented on the previous studies to identified service quality such as van Dat (2020).

Parasuraman et al. (1988) identified five dimensions of service quality that connect certain service characteristics with customer expectations.

A. Physical appearance/evidence (tangibles) are physical facilities, equipment and personnel appearance;

B. Empathy (empathy) is caring, individual attention;

C. Assurance is the knowledge and courtesy of employees and their ability to express trust and confidence;

D. Reliability is the ability to perform the promised service dependably (in a reliable way) and accurately; and

E. Responsiveness is the willingness to help customers and provide fast service.

2.3. Customer Loyalty

Customer loyalty is defined as the customer's commitment to buy products continuously in the future. When a customer buys a product or service repeatedly, the customer also evaluates the goods and services positively, so that the customer is said to be loyal (Liu, 2007). Many service organizations have developed customer loyalty programs as part of relationship development activities. Customer loyalty is a complicated concept. The Oxford Dictionary defines loyalty as the true state of loyalty. But mere repeat purchases by customers have been mixed with the definition mentioned above for loyalty. In the service domain, loyalty has been defined in a broader form as "observed behavior" (Bloemer et al., 1995). Caruana, (2002) argues that behavior is a full expression because of loyalty to the brand and not just to his mind.

However, standards of behavior (such as repeat purchases) have been criticized, due to the lack of conceptual basis of dynamic processes (Caruana, 2002). For example, the low frequency of repeated purchases of specific services can result from different situation factors, such as unavailability

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or absence of providers. According to this point of view, loyal behavior cannot offer a comprehensive conception of the underlying causes of loyalty. In addition, repetition may be due to the different restrictions resulting from the market. As a result, this type of customer loyalty is different from the other type of customer loyalty wherein customers are seriously supporting a product, and have a psychological bond with the product and the company. Therefore, customer loyalty is considered as an attitude structure as well as a behavioral aspect (Khoa, 2020). For example, this problem arises in the tendency to suggest offering services to other customers. Finally, in addition to the behavioral and attitude approach, another approach to customer loyalty, called the cognitive approach is introduced. The operational definition of this approach often refers to the first product or service that comes to one's mind, when making a purchase decision. Meanwhile, in their definition of this approach, Bloemer et al. (1995) refers to the first product or service by which a person chooses between products and services.

3. Research Methods

This type of research is quantitative with survey methods. The research locations in North Sulawesi Province are Kota (Manado, Bitung, and Tomohon), and the target of this research are the supermarket customers. The reasons why that happened in North Sulawesi Province are: 1) A denser population compared to other cities / districts in North Sulawesi Province, namely: Manado City 425,634 inhabitants, Bitung 205,675 inhabitants, and Tomohon 100,373 inhabitants. (source: BPS Prov.Sulut, 2017). 2) The number of supermarkets are higher compared to other cities / districts in North Sulawesi Province (see Table 1). 3) Existing supermarkets are spread evenly across the three cities (Table 1).

The data collected was analyzed using SEM based on the GeSCA component. The research variables consist of Relationship Marketing, Service Quality, and Customer Loyalty.

3.1. Relationship Marketing

Measurement of Relationship Marketing uses a 5-point Likert scale. The research dimension was adopted from the research of Morgan and Hunt (2016), Ndubisi et al. (2009), Kitapci and Dortyol (2009), Halimi et al. (2011), Taleghani et al. (2011), Opuni et al. (2014), Husnain and Waheed (2015), and Abtin and Pouramiri (2016); consisting of: commitment, communication, conflict handling, competence, and having 10 items. Validity test (>0.44) and reliability test (0.843) show that all items are valid and reliable.

Table 1: Distribution of Modern Market Outlets in North Sulawesi Province (in units)

City/District	Minimarket	Supermarket	Hypermarket	Total
City				
Manado	82	108	6	196
Bitung	70	24	–	94
Tomohon	55	12	–	67
Kotamobagu	44	23	–	67
District				
Minahasa	52	29	–	81
Bolaang Mongondow	36	17	–	53
Bolaang Mongondow Utara	14	6	–	20
Bolaang Mongondow Timur	15	5	–	20
Bolaang Mongondow Selatan	12	1	–	13
Minahasa Utara	17	24	–	41
Minahasa Selatan	22	17	–	39
Minahasa Tenggara	15	2	–	17
Sangihe	14	2	–	16
Talaud	13	1	–	14
Sitaro	12	1	–	13
Total	474	272	6	752

Source: North Sulawesi Province Industry and Trade Office, 2017.

3.2. Quality of Service

The measurement of service quality uses a 5-point Likert scale. The research dimension was adopted from the research of Parasuraman et al. (1985, 1998) which consisted of: tangible, empathy, responsiveness, reliability, assurance, and had 15 items. Validity test (>0.43) and reliability test (0.904) show that all items are valid and reliable.

3.3. Customer Loyalty

The dimension of customer loyalty adopts research from: Liu (2007), and Bloemer et al. (1995) which consists of: attitude, and cognitive, has 6 items. Likert scale used, starting from 1 (very disloyal) to 5 (very loyal). Validity test (>0.53) and reliability test (0.803) show valid and reliable results.

4. Data Collection

This research was conducted in three months (May–July 2018). The population in this study are all Supermarket customers in North Sulawesi Province (Manado City, Bitung City, and Tomohon City). The number of supermarket customers in North Sulawesi Province (Manado City, Tomohon City, and Bitung City) is unknown. Hair et al. (2016) suggested that the formula taken to determine the total unknown population for a study is 5 times the number of question items used in the study. The number of question items in this study was 31, so when multiplied by 5 the total population was 155 (31 items × 5) customers as respondents. This sample size is considered to be reasonably adequate to obtain accurate estimation results. The criteria used in selecting a sample are as follows: 1) The frequency of shopping at the supermarket is more than twice a month. 2) More than 18 years old, since that age, one can make shopping decisions in supermarkets (Beneke et al., 2013; Gilaninia et al., 2012). The sampling method uses purposive sampling technique. The respondents are supermarket customers who shop at the supermarkets (between 10:00 to 17:00 for 7 days), where on the day of the study they are asked to fill out a questionnaire if they meet the criteria and are willing to fill it out. In order to get the maximum participation from respondents in filling out the research questionnaire, the researchers made use of the respondents' free time when they were queuing in front of the cashier to make payments, or when the respondents were sitting relaxed in front of the supermarket area. Therefore, respondents did not feel bothered filling out questionnaires while shopping.

5. Results and Discussion

The descriptive analysis of respondents in Table 2 shows that the majority of supermarket customers are women

Table 2: Demographic Information

Characteristics	Frequency (*n* = 155)	Percentage (%)
Gender		
Male	55	35.5
Female	100	64.5
Education		
Junior High	8	5.2
Senior High and Vocational	24	15.5
Diploma	53	34.2
Bachelor (Undergraduate)	55	35.5
Postgraduate and Doctoral	15	9.6
Age		
<18	25	16.2
18–22	80	51.6
>22	50	32.2
Periode of Being the Supermarket's Customer		
<1 tahun	45	29.0
1–5 tahun	50	32.3
>5 tahun	60	38.7
The Number of Purchasing for Each Transaction		
<Rp.500.000	52	33.5
Rp. 500.000–Rp. 1.000.000	65	42.0
>Rp. 1.000.000	38	24.5

(64.5%) with an age range of 18–22 years (51.6%). The education of the majority of respondents was Diploma and Bachelor Degree (69.7%) with the number of monthly shopping transactions ranging between Rp. 500,000 – Rp. 1,000,000 (42%). Most respondents said that they had been customers for more than five years (38.7%).

Linearity testing is intended to determine the linearity of the relationship between exogenous variables and endogenous variables. Test criteria states that if the probability value is <0.05 then it can be stated that there is a significant linear relationship between exogenous variables and endogenous variables. The results of linearity testing are presented in Table 3.

Based on the results of the linearity test (Table 3), it is known that the relationship between exogenous variables and endogenous variables is a linear relationship, so that linearity testing is fulfilled and can be continued for GSCA analysis.

Outer loading value is the weight value of each indicator as a measure of latent variables. The indicator that has the

Table 3: Linearity Test Results

Relationship Between Variables		F	Probability
Exogenous	**Endogenous**		
Relationship Marketing (X1)	Service Quality (Y1)	126,229	0.000
Relationship Marketing (X1)	Customer loyalty (Y2)	143,476	0.000
Service Quality (Y1)	Customer loyalty (Y2)	321,678	0.000

largest outer loading is considered as the strongest / dominant variable gauge. The outer loading results of 31 items and 11 indicators of the 3 measured latent variables are obtained through GSCA Bootstrap calculations which also produce a critical ratio (CR) value similar to the statistical value, if the outer loading value is above 0.5 and the CR value is greater than 1, 96 table, it was decided to be significant, as in the results of the GSCA analysis.

Relationship Marketing Variable (X) has 4 indicators and 10 statement items which are used as research parameters. Relationship Marketing Indicator (X) is Commitment (X1.1) indicating that: (1) Supermarket has a strong commitment to building relationships (X1.1.1). (2) Supermarkets are consistent in building relationships (X1.1.2). Supermarkets have a strong desire to build relationships better (X1.13). Communication (X1.2) indicates that: (1) Supermarkets always inform about new developments (X1.2.1). (2) The information submitted is easy to understand (X1.2.2). (3) Supermarkets are always responsive to all information needed by customers (X1.2.3). Conflict Management (X1.3) indicates that: (1) Supermarkets deal fairly with problems (X1.3.1). (2) Problems encountered between supermarkets and customers are resolved quickly (X1.3.2). Competence (X1.4) indicates that: (1) Supermarket management has a fairly good competency in serving its customers (X1.4.1). (2) Supermarket staff have adequate knowledge about the products sold, product prices (including discounts), effective promotion or advertising (X1.4.2).

Service Quality Variable (Y1) has 5 indicators and 15 items of research statement. Service Quality Indicators are Responsiveness (Y1.1), Reliability (Y1.2), Empathy (Y1.3), Guarantee (Y1.4) and Tangible (Y1.5). Responsiveness (Y1.1) indicates that: (1) Providing services quickly. Providing services exactly as expected (Y1.1.1). (2) Always responsive to all problems faced by customers (Y1.1.2). Reliability (Y1.2) indicates that: (1) Reliable in providing services. Providing services according to procedure. (2) Delivering services in accordance with the promised time. Empathy (Y1.3) indicates that: (1) Giving individual attention (Y1.3.1). Treat customers with care. (2) Seriously prioritizing the interests of customers (Y1.3.2). Guarantees (Y1.4) indicate that: (1) Foster confidence in the products sold (Y1.4.1). (2) Foster a sense of security (Y1.4.2).

Be consistent in providing services (Y1.4.3). Tangible (Y1.5) indicates that: (1) Parking facilities owned by supermarkets are very adequate (Y1.5.1). (2) Equipment owned by supermarkets to provide very modern services (Y1.5.2). (3) Supermarket employees always look neat and attractive (Y1.5.3).

Customer Loyalty Variable (Y2) is measured by 2 indicators and 6 statement items that are used as parameters to measure indicators. Item / Customer Loyalty Indicator (Y2), is Attitude (Y2.1) and Cognitive (Y2.2). Attitudes (Y2.1) indicate that: (1) Customers actively shop at supermarkets (Y2.1.1). (2) Customers are loyal to the products offered (Y2.1.2). (3) Customers have the intention to shop at the supermarkets intensively and invite others to shop at the supermarkets (Y2.1.3). Cognitive (Y2.2) indicates that: (1) Thinking of staying loyal to supermarkets. (Y2.2.1). (2) The customer has the intention to shop at the supermarket intensively (Y2.2.2). (3) Supermarkets make customers feel that they have an important role (Y2.2.3).

The more validity and reliability of the answers or perceptions of 155 respondents regarding the Relationship Marketing (X1), Service Quality (Y1), and Customer Loyalty (Y2) variables, which were expressed by supermarket customers in North Sulawesi Province, as shown in Table 4.

GSCA analysis results show that all items of the statement have a loading factor value greater than 0.5 which means they are valid and have a AVE greater than 0.5, has an alpha greater than 0.6 which means that all indicators are valid and reliable as a measure of variables Relationship Marketing (X1), Service Quality variable (Y1), and Customer Loyalty variable (Y2).

The Goodness of Fit Model Test is intended to evaluate the model fully (Table 5). The test results show that the Fit value is in the range of 0–1 (0.741), this shows that the diversity of competitive advantage can be explained by the overall model of 74.1%. The Global Optimization Index (GFI) is 0.999, the SRMR value is 0.063 equal to the discounted value so that it can be said that Goodness of Fit has been fulfilled so that it can be declared feasible. Table 6 shows the results of the hypothesis test.

This study has tested 3 (three) kinds of relationships between 3 (three) variables (Relationship Marketing, Service Quality, and Customer Loyalty). Hypothesis testing

Table 4: Measurement Model Variable Relationship Marketing (X1), Service Quality (Y1), and Customer Loyalty (Y2)

Variables	Item, Indicator	Convergent Validity		Composite Reliability	
		Loading Factor > 0.5		AVE > 0.5	α ≥ 0.6
		Loading	Valid	AVE	Reliabel
Relationship Marketing (X1)	X1.1.1	0.934	Valid	0.772	0.965
	X1.1.2	0.881	Valid		
	X1.1.3	0.933	Valid		
	X1.2.1	0.819	Valid		
	X1.2.2	0.880	Valid		
	X1.2.3	0.899	Valid		
	X1.3.1	0.781	Valid		
	X1.3.2	0.837	Valid		
	X1.4.1	0.906	Valid		
	X1.4.2	0.900	Valid		
Service Quality (Y1)	Y1.1.1	0.750	Valid	0.669	0.964
	Y1.1.2	0.795	Valid		
	Y1.1.3	0.854	Valid		
	Y1.2.1	0.847	Valid		
	Y1.2.2	0.871	Valid		
	Y1.2.3	0.851	Valid		
	Y1.3.1	0.857	Valid		
	Y1.3.2	0.888	Valid		
	Y1.3.3	0.860	Valid		
	Y1.4.1	0.866	Valid		
	Y1.4.2	0.839	Valid		
	Y1.4.3	0.829	Valid		
	Y1.5.1	0.690	Valid		
	Y1.5.2	0.702	Valid		
	Y1.5.3	0.736	Valid		
Customer loyalty (Y2)	Y2.1.1	0.888	Valid	0.865	0.968
	Y2.1.2	0.941	Valid		
	Y2.1.3	0.922	Valid		
	Y2.2.1	0.958	Valid		
	Y2.2.2	0.943	Valid		
	Y2.2.3	0.925	Valid		

CR* = significant at 0.05 level.

is done through the value of the critical ratio (CR) with the value of table on each connecting path that affects the latent variables. Hypothesis testing criteria if the value of the critical ratio (CR) marked with an asterisk (*) is greater than *t* table (*t* = 1.96, significant limit / alpha = 5%) then the hypothesis is declared to have a significant effect, or is accepted. Conversely, if the value of the critical ratio (CR) is smaller than *t* table (*t* = 1.96; significant limit / alpha = 5%)

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then the hypothesis is declared to have no significant effect, or is rejected. Based on the results of the GSCA (Generalized Structure Component Analysis) analysis, a tested hypothesis model is obtained, as shown in Table 6 Test Results of the Structural Model (Inner Model) tested hypothesis model, as follows.

Table 6 shows that from 3 hypotheses that were proposed were all accepted. The accepted hypothesis is: Relationship Marketing has a significant effect on Service Quality (H1), Relationship Marketing has a significant effect on Customer Loyalty (H2), and Service Quality has a significant effect on Customer Loyalty (H3).

Based on the results of the GSCA analysis presented in Table 6, the results of hypothesis testing can be explained as follows:

Hypothesis Test 1: Testing the effect of Relationship Marketing on Service Quality

The GSCA analysis results obtained the estimated value or path coefficient of 0.606; CR value of 11.97 * is greater than t table 1.96; at the level of $P = 0.05$ (alpha 5%). The decision is that hypothesis 1 is empirically proven, so the hypothesis can be accepted in this study. This means that "Relationship Marketing (X1) has a significant effect on Service Quality (Y1)." The results of statistical evidence show a positive and significant path coefficient. The positive path coefficient, indicates that if Relationship Marketing is getting better, it will improve Service Quality. Any increase or improvement in Relationship Marketing will result in an increase in Service Quality. The findings of this study confirm and expand the commitment-trust theory of relationship marketing by Morgan and Hunt (2016), which states that all marketing activities are aimed at building, developing and maintaining successful relational exchanges.

The relational benefit approach in the relationship marketing literature is suggested as a framework for describing and explaining customer relationships with service companies. Morgan and Hunt (2016), said that relationship marketing theory is centered on customer trust and trust can trigger an increase in purchases to the extent that it can reduce the complexity and perceived purchase risk.

Literature review and description analysis of respondents provide an explanation of why Relationship Marketing has a significant effect on Service Quality. This is caused by, among others: the characteristics of respondents used i.e. customers who have shopped more than 2 times. It means that the shopping experience of these customers can assess and have a good perception. In addition, the relationship between supermarkets and customers occur because of the quality of service.

The findings of this study confirm the research findings of Martin et al. (2009), Halimi et al. (2011), Benouakrim and Kandoussi (2013) who found Relationship Marketing to have a positive and significant effect on the service quality. Benouakrim and Kandoussi (2013) concluded from several definitions that relationship marketing is a strategic process that aims to build, develop, maintain and strengthen a network of relationships with various stakeholders based on strong economic and social standards and the achievement of shared goals. The purpose of service quality is customer maintenance, strengthening customers, and developing new customers (Martin et al., 2009). Research from Halimi et al. (2011) has the main objective to determine the effect of perceived service quality on customer commitment, relationship satisfaction and trust as a component of relationship marketing, and then evaluate the effect of relationship marketing orientation on consumer buying behavior in B2C relationships from the customer's perspective. Based on the results of his research, there is a significant relationship between relationship commitment (one component of relationship marketing), relationship satisfaction and trust and consumer buying behavior in B2C relationships.

Morgan and Hunt (2016), suggested a relationship marketing mediation variable in the context of the relationship between business and business (B2B), namely

Table 5: The Goodness of Fit Model

Model Fit	
FIT	0.741
AFIT	0.739
GFI	0.999

Table 6: Structural Model Test Results (Inner Model)

Hypothesis	Path	Path Coefficients			Information	
		Estimate	SE	CR		
H1	X1 → Y1	0.606	0.053	11.97*	Significant	H1 accepted
H2	X1 → Y2	0.204	0.068	3.00*	Significant	H2 accepted
H3	Y1 → Y2	0.562	0.060	9.37*	Significant	H3 accepted

CR*: Significant at 0.05 level.

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relationship commitment. Morgan and Hunt hypothesized that relationship commitment is a key construct, and positions it as a mediating variable between five important antecedents (cost of termination, shared values, communication, and opportunistic behavior) and five findings (agreement, tendency to leave, cooperation, functional conflict, and uncertainty of decision making). Morgan and Hunt (2016) refer to this theory as "The Key Mediating Variable (KMV) Model of Relationship Marketing". The research so far has been about Relationship Marketing and Service Quality, where the two variables affect other variables. While this research is about how Relationship Marketing affects the Quality of Service. Relationship Marketing is about retaining customers by improving communication, customer data collection and quality of customer service (Patsioura et al., 2009). Gronroos (1996) defines Service Quality as a result of perception of the comparison between customer expectations and the actual performance of services provided by the company. In Parasuraman et al. (1998) theory it was stated that the quality of services provided by companies to customers is a measure of how well a service meets the expectations of the customers. Implementing quality service means making compromises with customer expectations through consistent procedures. If the company follows a standard procedure in creating its products (for example the Indonesian National Standard / SNI), so how it can be said that the company's commitment to produce quality products is in accordance with the customer expectations. If the product is of good quality, the company's commitment to provide the best quality services for its customers is truly realized.

Hypothesis 2 Test: Testing the effect of Relationship Marketing on Customer Loyalty

The GSCA analysis results obtained the estimated value or path coefficient value of 0.204; CR value of 3.00 * is greater than t table 1.96; at the level of $P = 0.05$ (alpha 5%). The decision is that the hypothesis 2 submitted is proven empirically, then the hypothesis proposed can be accepted in this study. This means that "Relationship Marketing (X1) has a significant effect on Customer Loyalty (Y4)." The results of statistical evidence show a positive and significant path coefficient. Positive path coefficient, means that if Relationship Marketing gets better, it will increase Customer Loyalty. Any increase or improvement in Relationship Marketing will result in an increase in Customer Loyalty. The findings of this study confirm and expand the commitment-trust theory of relationship marketing by Morgan and Hunt (2016), which states that all marketing activities are aimed at building, developing and maintaining successful relational exchanges. The relational benefit approach in the relationship marketing literature is suggested as a framework for describing and explaining customer relationships with

service companies. The findings of this study confirm the research findings of Moorman et al. (1992), Ndubisi and Madu (2009), Liu (2007), who found that Relationship Marketing has a positive and significant effect on Customer Loyalty. The variables in Relationship Marketing (commitment, communication, and conflict handling) have a significant influence and predict the proportion of good customer loyalty variance. The conclusion is that Customer Loyalty can be created, strengthened and maintained by marketing plans aimed at building trust, showing commitment to service, communicating with customers in a timely, reliable and proactive manner, and handling conflicts efficiently. Furthermore, their relationship is closely related to each other. The study of Ndubisi and Madu (2009) showed a significant influence on the dimensions of Relationship Marketing with Customer Loyalty. Moorman et al. (1992) stated one dimension of Relationship Marketing is commitment as an enduring desire to maintain relationships. The purpose of this long-term relationship is strengthened in direct and intensive contact with relationship partners and involves partners in dialogue (Diller, 2000). As a result, long-term relationships can develop. In this process, it is recognized that commitment is an important element in creating Customer Loyalty (Fullerton, 2003), and has been thoroughly explored from various perspectives.

Hypothesis 3 Test: Testing the effect of Service Quality on Customer Loyalty

The GSCA analysis results obtained an estimated value or path coefficient value of 0.562; CR value of 9.37 * is greater than t table 1.96; at the level of $P = 0.05$ (alpha 5%). The decision is that the proposed hypothesis 7 is empirically proven, then the hypothesis proposed can be accepted in this study. This means that "Service Quality (Y1) has a significant effect on Customer Loyalty (Y2)." The results of statistical evidence show a positive and significant path coefficient. Positive path coefficient, means that if the Quality of Service is getting better or higher, it will increase Customer Loyalty. Any increase or improvement in Service Quality will result in an increase in Customer Loyalty. The findings of this study confirm and extend the Servqual Theory by Parasuraman et al. (1998), in which it has been stated that the quality of services provided by companies to customers is a measure of how well a service meets the expectations of the customers. Parasuraman uses five dimensions in his research (Parasuraman et al., 1998) namely; Responsiveness, Reliability, Empathy, Assurance, and Tangiblity.

The findings of this study confirm the research findings of Nguyen et al. (2020) that Service Quality has a positive and significant effect on Customer Loyalty, as well as the willingness to recommend to other customers to repurchase. This study does not support research by Cronin and Taylor (1992) which focuses on repurchase intentions. The finding

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is that Service Quality does not have a significant effect on Customer Loyalty.

6. Conclusion

The results showed that Relationship Marketing has a positive effect on Service Quality and Customer Loyalty. Likewise, Service Quality has a positive effect on Customer Loyalty. Research findings are in line with Commitment-Trust Theory (Morgan and Hunt, 2016) and the SERVQUAL concept (Parasuraman et al., 1985). This finding shows that Relationship Marketing especially commitment, communication, conflict handling, and competence play an important role in improving service quality which ultimately makes customers loyal. For supermarket customers, Relationship marketing is the key to build customer loyalty.

Marketing has been the key to successfully building supermarket service quality. Commitment, communication, conflict handling, and competence have become the basis of supermarkets to retain customers. When customers trust what supermarkets have provided, their loyalty will increase. These finding provides empirical evidence especially for retail studies, that Relationship Marketing in modern markets (supermarkets) plays a key role in building customer loyalty. Relationships created through the best quality supermarket services to customers will encourage them to come back and shop again at the same supermarket.

The managerial implication of this research is that supermarket leaders in North Sulawesi Province must focus more and emphasize more on the dimensions of commitment, communication, conflict resolution, and competence. When all four dimensions can be fulfilled, customer loyalty will increase. Customer experience requires the customers to be able to touch and feel the product, first hand demonstration, trying the product and interacting with store sales reps will bring a positive experience for the customers. A positive experience will foster customer loyalty towards what is promised by the supermarket manager, and it will stimulate customers to come back and shop again at the same supermarket.

The limitation of this research is the limited research area because it has been done in only three cities, and only in the supermarkets. Therefore, for further research, the scope of the area must be expanded again, as well as broadening the classification of modern markets so that it can reach all classifications namely minimarkets, supermarkets, and hypermarkets.

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