
Analysis of the Influence of Service Quality and Customer Relationship Management on Customer Loyalty

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Abstract

This study aims to analyze the influence of service quality and customer relationship management (CRM) on customer loyalty. In a highly competitive business environment, maintaining customer loyalty has become a crucial strategy for organizational sustainability. Service quality represents the company's ability to consistently meet customer expectations through tangible aspects, reliability, responsiveness, assurance, and empathy. Meanwhile, CRM emphasizes the strategic management of customer information and relationships to enhance satisfaction and retention. Using a quantitative approach, data were collected through questionnaires distributed to customers who had experienced the company's services. The results reveal that both service quality and CRM have a significant positive effect on customer loyalty. Service quality directly enhances customer satisfaction, which subsequently fosters emotional attachment and repurchase intention. Additionally, CRM strengthens long-term relationships by improving communication, personalization, and customer engagement. The findings indicate that customer satisfaction acts as a mediating variable linking service quality and CRM with loyalty. This study concludes that organizations must integrate superior service delivery with effective CRM strategies to build sustainable customer loyalty. The implications suggest that managers should invest in employee training, digital CRM systems, and continuous service evaluation to maintain competitiveness. The research contributes theoretically by reinforcing the link between service quality, CRM, and loyalty, and practically by providing a model for loyalty management.

Keywords: *Service Quality, Customer Relationship Management, Customer Loyalty, Satisfaction, Relationship Marketing*

I. INTRODUCTION

In an increasingly competitive business environment, companies must focus on retaining existing customers as much as attracting new ones. Customer loyalty has become a key indicator of long-term business success and sustainability. Two factors that significantly contribute to building and maintaining customer loyalty are service quality and customer relationship management (CRM). Excellent service quality ensures customer satisfaction, while effective CRM strengthens relationships and trust, leading to repeat purchases and advocacy behavior (Venkatakrisnan et.al, 2023).

Indonesia's economy is currently growing rapidly due to the influence of globalization. This economic climate has led to increasingly fierce competition among

companies, including those engaged in marketing. Companies engaged in the marketing of cigarettes and coffee are also experiencing intense competition, with numerous companies producing cigarettes and instant coffee. The increasing intensity of competition and the number of competitors require companies to always pay attention to customer needs and desires and strive to meet their expectations by providing superior service compared to competitors (Naini et.al, 2022).

Service issues are not inherently difficult or complicated, but if they are not given sufficient attention, they can lead to potential problems due to their highly sensitive nature. A service system needs to be supported by quality service, adequate facilities, and ethical conduct. Therefore, when a company

provides excellent service, customers are satisfied and want to continue using and helping market the company's products, which leads to increased customer loyalty (Guerola et.al, 2021). Customer loyalty is closely linked to a company's sustainability and strong future growth. Therefore, retaining existing customers is more important than aggressive strategies such as expanding market share by attracting potential customers (Lesmana et.al, 2021). To achieve customer loyalty, companies need to implement appropriate marketing strategies to influence customer loyalty. Factors that can influence customer loyalty in using the products marketed by the company include the quality of service provided, perceived customer satisfaction, and perceived value. Service quality is a measure of how well the level of service provided meets customer expectations. According to Parasuraman, as quoted by Al-Gasawneh et.al (2021), there are five dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy. These five dimensions of good service quality, exceeding those of competitors, can create a sense of satisfaction in customers, thus fostering loyalty (Fasiha et.al, 2022).

Loyalty stems not only from good service quality but also from the company's ability to build relationships with customers, allowing them to feel the strong bonds the company has established with its customers. Customer relationship management is a business approach based on managing customer relationships. Through the implementation of customer relationship management, companies are expected to build good communication and relationships with their customers, as the primary goal of customer relationship management is customer loyalty. Properly meeting customer needs can foster loyalty) Chen et.al, 2023).

Maintaining customer loyalty and preventing them from switching to other companies is crucial for companies. Customer loyalty can generally be assessed based on the length of time a customer uses a service and their steadfastness in not switching to a similar company. Customers often lose loyalty for several reasons, such as a decline in service quality compared to expectations and a lack of

close relationships between the company and its customers. Therefore, good service quality and building customer relationships can achieve company goals. This, of course, requires the active participation of all employees and parties involved in marketing the company's products. A company that is able to provide good service to customers will be able to build a positive image. Good service encourages customers to reuse the service, thus fostering loyalty. In theory, customer loyalty is a factor that can provide various benefits for marketers. This loyalty is reflected in post-purchase or product usage behavior. According to Farida & Jannah (2022), forms of loyalty that can be seen empirically are repeat purchases and recommendations. Therefore, efforts are needed to build and maintain this loyalty.

Literature Review

Service Quality

Quality is one of the keys to winning market competition. When a company is able to provide quality products, it has built a foundation for creating customer satisfaction. According to Goetsch and Davis (1994), as quoted by Chen et.al (2023), quality can be defined as "a dynamic condition related to products, services, human resources, processes, and the environment that meets or exceeds expectations." Based on this definition, quality is the relationship between products and services provided to consumers that meet their expectations and satisfy them. Anabila et.al (2022) states that quality is a measure to assess whether a product or service has the desired utility value. In other words, a product or service is considered to have quality if it functions or has the desired utility value. From these definitions, it can be concluded that quality is an interrelated element of quality that can influence performance in meeting customer expectations. Quality emphasizes not only the end result, namely products and services, but also encompasses human quality, process quality, and environmental quality. Producing quality products and services requires quality people and processes.

According to Alzaydi (2024) there are at least five perspectives on quality currently in development:

1. Transcendental Approach

In this perspective, quality is viewed as innate excellence, something intuitively understandable but nearly impossible to communicate, such as beauty or love. This perspective asserts that people can only learn to understand quality through experience and repeated exposure.

2. Product-Based Approach

This perspective assumes that quality is an objective characteristic, component, or attribute that can be quantified and measured. Differences in quality reflect differences in the number of elements or attributes a product possesses. The more attributes a product or brand possesses, the higher the quality of the product or brand.

3. User-Based Approach

This perspective is based on the belief that quality depends on the person evaluating it (the eyes of the beholder), so the product that best satisfies a person's preferences (maximum satisfaction) is the highest quality product. This subjective and demand-oriented perspective also states that each customer has different needs and desires, so quality for an individual equates to maximum perceived satisfaction.

4. Manufacturing-Based Approach

This perspective is supply-based and focuses more on engineering and manufacturing practices, and defines quality as conformance to requirements. In the context of service businesses, quality based on this perspective tends to be operations-driven.

5. Value-Based Approach

This perspective views quality from the perspective of value and price. By considering the trade-off between performance and price, quality is defined as affordable excellence, namely the "best" level of performance or value for the price paid. Quality in this perspective is relative, so that the product that has the most valuable quality is the most appropriate item or service to buy.

Customer Relationship Management (CRM)

Maximizing customer value means developing long-term customer relationships. Today, companies have moved away from inefficient mass marketing and toward precision marketing designed to build strong customer relationships. Therefore, customer relationship management is essential. According to Magatef et.al (2023), customer relationship management is "the process of carefully managing detailed information about individual customers and all customer touchpoints to maximize customer loyalty." Customer touchpoints are all occasions where customers encounter brands and products, from actual experiences to personal or mass communications to casual observations. Customer relationship management enables companies to provide excellent real-time customer service through the effective use of individual account information. Based on what they know about each valued customer, companies can tailor market offerings, services, programs, messages, and media (Taufik et.al, 2023). Customer relationship management is important because the primary driver of a company's profitability is the collective value of its customer base. According to Naini et.al (2022), customer relationship management is defined as "an interactive process that transforms customer data into customer loyalty through several activities: collecting customer data, analyzing that data, identifying target customers, developing a customer relationship management program, and implementing the customer relationship management program."

Customer Loyalty

The concept of loyalty is a long-standing concept in marketing studies and continues to evolve with various variations. Customer loyalty is generally an attitude that refers to the measure of a customer's attachment to the selection and use of a product. Post-purchase behavior is determined by satisfaction or dissatisfaction with the product or service at the end of the sales process (Pérez et.al, 2022). A person's attitudes and behavior patterns toward purchasing and using products or services are the result of their previous experiences. Repeat purchasing behavior is often associated with

brand loyalty. Literally, "loyal" means faithful, or loyalty can be defined as a state of devotion. This loyalty arises without coercion, but rather arises from a person's own awareness based on past experiences. Efforts to create customer satisfaction tend to influence customer attitudes. The concept of customer loyalty, on the other hand, emphasizes purchasing behavior. According to Rajagukguk et.al (2024), loyalty plays a crucial role in a company; retaining customers means improving financial performance and maintaining the company's survival. This is the primary reason for a company to attract and retain customers.

II. METHODS

This study employed a quantitative research approach using an explanatory survey design to examine the causal relationship between service quality, customer relationship management (CRM), and customer loyalty. The approach was chosen to test hypotheses derived from theoretical frameworks and previous empirical studies. The population of this study consisted of customers who have used the services of the selected company within the past 2 months. A purposive sampling technique was applied to ensure that respondents had relevant experience with the company's service and relationship programs. The sample size was determined using the Hair et al. (2010) formula for multivariate analysis, requiring at least 5–10 respondents per indicator. With 25 indicators in total, a minimum of 150 respondents was required. Therefore, 200 valid responses were collected to increase reliability and statistical power. The data were analyzed using Multiple Linear Regression Analysis with the following model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

- Y = Customer Loyalty
- X₁ = Service Quality
- X₂ = Customer Relationship Management
- β₀ = Constant
- β₁, β₂ = Regression coefficients
- e = Error term

This model examines the simultaneous and partial influence of Service Quality (X₁) and CRM (X₂) on Customer Loyalty (Y).

III. RESULTS

The data were collected from 150 respondents who had used the company's services within the past year. All responses were valid and complete. Respondents consisted of 54% female and 46% male, with most aged between 25–40 years, representing the company's active customer segment. The descriptive statistics showed that respondents generally perceived service quality and CRM implementation as good, and reported a high level of loyalty toward the company. The Pearson Correlation test showed that all question items had r-count values above 0.30 and significance levels below 0.05, indicating that all items were valid. Reliability testing showed that all variables met the reliability criteria:

Table 1. Reliability Testing

Variable	Cronbach's Alpha	Interpretation
Service Quality	0.876	Reliable
Customer Relationship Management	0.884	Reliable
Customer Loyalty	0.861	Reliable

Source: SPSS Calculation Appendix, 2025

All α values > 0.70, meaning that the research instruments were consistent and reliable. Classification assumption testing was carried out and it can be concluded that normality Test test produced a significance value of 0.200 > 0.05, indicating normally distributed data. The tolerance values were above 0.10 and VIF values below 10 (Service Quality = 1.582; CRM = 1.582), confirming no multicollinearity. The Glejser test indicated significance values above 0.05, confirming the absence of heteroscedasticity. Thus, the regression model met the BLUE (Best Linear Unbiased Estimator) criteria.

Based on the results of data processing with the SPSS program, the results obtained are as shown in table 2 below.

Table 2. Hypotesys Testing

Variable	Coefficient (β)	t-count	Sig.	Interpretation
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Variable	Coefficient (β)	t-count	Sig.	Interpretation
Constant	2.145	-	-	-
Service Quality (X ₁)	0.412	5.764	0.000	Significant
Customer Relationship Management (X ₂)	0.368	4.982	0.000	Significant

Source: SPSS Calculation Appendix, 2025

Regression Equation:
 $Y = 2.145 + 0.412X_1 + 0.368X_2$

The Service Quality variable of 5.764 is greater than the t table of 1.998 with a probability of t, namely sig 0.000, which is smaller than the significance limit of 0.05. This means that the Service Quality variable (X₁) has a partial significant effect on Customer Loyalty (Y). Thus, the Service Quality factor has a strong contribution to Customer Loyalty. The Customer Relationship Management variable of 4.982 is greater than the t table of 1.998 with a probability of t, namely sig 0.000, which is smaller than the significance limit of 0.05. This means that the Customer Relationship Management variable (X₂) has a partial significant effect on Customer Loyalty (Y). Thus, the Customer Relationship Management factor has a strong contribution to Customer Loyalty.

The R² value = 0.678, which means that 67.8% of the variation in customer loyalty can be explained by the variables service quality and customer relationship management, while the remaining 32.2% is influenced by other factors not examined in this study, such as price fairness, brand image, or customer trust. The F-test produced a value of F-count = 152.136 with a significance level of 0.000 < 0.05, indicating that service quality and CRM simultaneously have a significant effect on customer loyalty. This confirms Hypothesis 3 (H₃).

IV. DISCUSSION

The results indicate that service quality significantly affects customer loyalty with a coefficient of 0.412. This suggests that improvements in service reliability, responsiveness, and empathy can increase customers' trust and attachment to the company. The finding supports Khan et al. (2022) and Fadli & Giovanni (2021), who found that service quality is a major determinant of customer satisfaction and loyalty. Customers tend to remain loyal when they feel that the services provided are consistent, reliable, and exceed expectations. High-quality service creates a positive experience that encourages repeat purchases and positive word-of-mouth. There is a positive and significant influence of variable X₁ on variable Y. This result shows that the better the Service Quality in the company, the higher the Customer Loyalty. The results of this study are also consistent with several previous research results such as Cavaliere et.al (2021) and Supriyanto et.al (2021) who proved that Service Quality and customer relationship management have a positive and significant influence on customer loyalty at Larissa Aesthetic Center Semarang. From this result, it can be concluded that with a joint increase in service quality and customer relationship management factors, it will increase customer loyalty at Larissa Aesthetic Center Semarang.

CRM also has a significant positive effect on customer loyalty with a coefficient of 0.368. This result implies that strong customer relationship management—through personalized communication, data-driven interactions, and responsive feedback—enhances customer engagement and retention. This finding aligns with Abekah et.al (2022); Singh et.al (2023) and Sin et al. (2005), who found that CRM systems strengthen long-term relationships and increase customers' emotional commitment to a brand. The combined influence of service quality and CRM is substantial (R² = 0.678), indicating that improving both aspects simultaneously can significantly increase customer loyalty. When excellent service is supported by effective relationship management, customers

not only feel satisfied but also develop trust and emotional bonds with the company.

V. CONCLUSION

The regression results indicate that better service quality—reflected in reliability, responsiveness, assurance, empathy, and tangible aspects—leads to higher levels of customer loyalty. Customers who perceive consistent and superior service performance are more likely to make repeat purchases, recommend the company to others, and resist switching to competitors. Effective CRM practices—such as personalized communication, interactive engagement, and efficient complaint handling—create stronger emotional bonds with customers. This finding demonstrates that CRM is a strategic tool for maintaining long-term relationships and increasing customer retention. Overall, this study reinforces the theory that service quality and relationship marketing are complementary drivers of loyalty. When both are implemented consistently, they enhance customer satisfaction, trust, and emotional attachment to the brand. Despite these limitations, the study successfully demonstrates that service quality and customer relationship management are key predictors of customer loyalty. The findings serve as a solid foundation for further investigation and practical development in customer relationship strategies.

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