

Factors Influencing Investor's Individual Behavior To Satisfaction and Loyalty In Emerging Market

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Abstract

This study aims to develop a model of investors' investment behavior towards satisfaction and loyalty. Using a combination of qualitative and quantitative research with exploratory descriptive analysis, this study adopts the Structural Equation Model (SEM) in its data processing. The results have shown that the customer relationship management (CRM), portfolio performance and service quality have significant impact on investor's loyalty, through trust and satisfaction as the intervening variables. The CRM has no direct significant effect on investor's loyalty, but has a direct significant effect on investor's trust and satisfaction. Meanwhile, the portfolio performance and service quality have a direct significant effect on investor's trust, satisfaction and loyalty. The analysis further shows that the investor's loyalty is significantly affected by the CRM, portfolio performance and service quality through the investor's trust and satisfaction.

Keyword: CRM, Portfolio Performance, Service Quality, Trust, Satisfaction, Loyalty

1. Introduction

The rapid economic development provides a great benefit for businesses, because, when consumers' purchasing power increases, the level of sales will also increase and the revenue for the investors will further indirectly increase. The efforts to increase the investors' incomes are reflected in the behavior of investors which is influenced by many factors. Kotler & Armstrong (2008) mentioned that consumer behavior tends to be affected by cultural, social, personal and psychological factors, while Lewellen et al. (1977) had stood on a number of findings- that there is a significant difference between the behavior of investment's decision based on the type of work; there is a significant difference between the groups of female and

male investors in making investments' decisions; there is a significant difference between the group of investors who have high knowledge in finance compared to those with lower knowledge towards making investments' decisions; there is no difference in the groups of age on financial investment; then process, motivation and customer service tend to have positive and significant impact on investors' decisions to invest. Meanwhile, with regards to the satisfaction element which may influence an individual behavior, Ritter (2003) posited that it is closely related to loyalty, thus the satisfied consumers presumably have high loyalty.

Another factor that is to be considered as an influence to the consumer behavior is the customer relationship. Through the customer relationship management (CRM) concept, it aims to be able to manage the customers with a better approach as it is learned that the good relationship with customers is used as an important element in building customer loyalty. Moreover, customer loyalty becomes one of the competitive advantages that must be owned by any organizations to expand market share and win the competition. Thus, the CRM is a way that enables the building of consumers' trust and loyalty on an ongoing basis.

Based on the previous description, this study aims to test the model behavior of financial investors in investments' decisions, which include post-investment behavior in the form of investor satisfaction and loyalty through service quality and customer relationship management.

2. Theoretical Framework

Customer Relationship Management (CRM)

In general, the CRM is a holistic process in identifying, attracting, differentiating and retaining the customers by integrating the company's supply chain in order to create customer value at every step in the process of value creation. In this case, the CRM process includes the following three crucial steps (Chan, 2003) as follows:

1. Identification of the customers based on individual customer information that is obtained through various personal and automated sources such as customer service staff, salespeople, bar code scanners in retail outlets and the website's activities.
2. Differentiation of customers based on customers' characteristics, behaviors, needs or values.
3. Customizing the marketing mix tailored to the demands of individual preferences.

Meanwhile, Winer (2001) stated that the CRM is more related to technology infrastructure, both covering hardware and software which have been used to manage large amounts of customer data. The assumption is that building customers for long-term relationships is the best way to create customer loyalty.

Portfolio Performance

The portfolio is known as a set of assets held for certain economic purposes. The main considerations for investors in optimizing investments' decisions is to maximize the level of return on investment towards the risk of any specific investment (Saragih et al., 2006). Kamarudin (2011) meanwhile, stated that "the portfolio is a collection of projects or a combination of investments held by the company to reduce the risk". From these statements, it can be concluded that the portfolio is a collection of some forms of investment made by the investor with the aim to minimize the risk.

The measurement of portfolio performance becomes very important because most investors simply consider the success of their portfolio based on the results of yield (return), regardless of the risks which they will have to undertake. Without evaluating risk-adjusted results, an investor, will most likely not see the whole picture of the investment, which may inadvertently cause a gloomy investment's decisions. Hence, it is necessary to evaluate the portfolio performance before making any investment decision to achieve the ultimate goal of receiving a favorable outcome. In his study, Alok (2009) found that the investors pay more attention to the composition of a portfolio as it affects revenue in the long term, the revenue generated from the previous portfolio, investment information obtained through the media and the most important thing is to consider the macroeconomic situation in estimating the flow of funds in the future.

Service Quality

The service quality focuses on the fulfillment of customers' needs and delivers the accuracy to offset customer's expectations. Lovelock & Wright (2007) stated the six criteria of perceived good service quality, namely; (i) professionalism and skills; (ii) attitudes and behavior; (iii) accessibility dan flexibility; (iv) reliability and trustworthiness; (v) recovery; and (vi) reputation and credibility.

Investor Trust

Djati & Darmawan (2005) posited that trust towards a brand, as a factor is a crucial aspect in the formation of brand loyalty. They defined trust towards a brand as consumers' willingness to rely on a brand in a risk situation due to the expectation that the brand will give positive aspects. There are factors that play an important role in setting up consumers' trust including; the brand's predictability, brand liking and competency, brand reputation and trust to the company.

Investor Satisfaction

Singh (2006) posited that customer satisfaction is an after-purchase evaluation whereby the selected alternatives are at least equal or exceeding customer expectations, while dissatisfaction arises when the results or outcomes do not meet the expectations. According to Kotler & Amstrong (2008) after-purchase satisfaction is an overall evaluation which compares the perceptions over products' performance with pre-purchase expectations.

Meanwhile, customer satisfaction contributes to a number of crucial aspects such as the creation of customer loyalty, increasing the company's reputation, reduced price elasticity, reduced costs of future transactions, and increasing the efficiency and productivity of employees (Anderson et al., 1994).

Investors' Loyalty

Loyalty can be interpreted as an expected behavior towards products or services, which include the possibility of further purchases or otherwise, the likelihood that the customer will switch to another brand of the banking companies (Aaker, 1991). Loyalty can be formed if the customer is satisfied with the brand or the level of banking services received, and if he or she intends to continue the relationship (Bowen & Chen, 2001). The customers' loyalty can be created because of the large transition barriers related to technical and economic or

psychological factors, that are felt to be expensive or difficult than having to switch to another company's products and services (Nagy & Obenberger, 1994).

Hypothesis

The investors' loyalty is significantly affected by the CRM, portfolio performance and service quality through investors' trust and satisfaction. Below is the conceptual framework of this study:

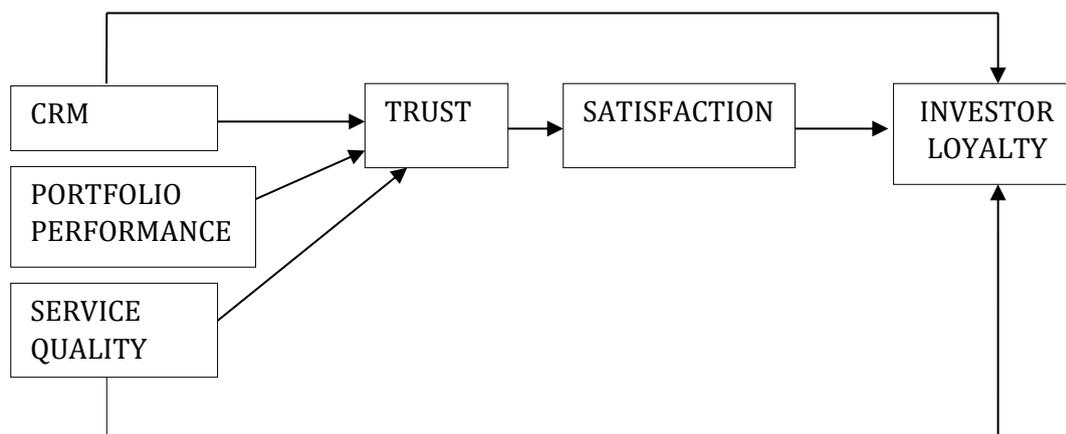


Figure 1. Conceptual Framework

From the model of the study, it is found that the CRM, portfolio performance and quality of service carry a certain degree of influence on the trust, satisfaction and loyalty of investors, whereby the investors' trust and satisfaction act as intervening variables.

3. Methodology and Research Instrument

This study uses a combination of quantitative and qualitative approaches, while the research method is of descriptive – exploratory nature that adopts the SEM analysis with the help of AMOS for data processing. The data were obtained by distributing the questionnaires to 200 respondents who are financial asset investors in Medan, North Sumatera province, Indonesia. The questionnaire is designed in the Likert scale form. Moreover, the instrument in this study consists of twenty-eight (28) point statements; six points for portfolio performance variable (X1), three points for the trust variable (X2), four points for customer relationship management variable (X3), five points for service quality variable (X4), seven points for satisfaction variable (X5), and three points for loyalty variable (X6).

Structural Equation Model (SEM) Analysis Result

The data processing with the Structural Equation Model (SEM) analysis using AMOS tool produces an analysis on the relationship between variables as illustrated in the following table:

		Estimate	S.E.	C.R.	P	Label
Trust	<--- CRM	.427	.116	3.682	***	par_12
Trust	<--- Portfolio Performance	.475	.099	4.810	***	par_13

	Estimate	S.E.	C.R.	P	Label
Satisfaction <--- Service Quality	.537	.119	4.509	***	par_24
Satisfaction <--- Trust	.381	.111	3.418	***	par_27
Loyalty <--- CRM	-.124	.160	-.771	.441	par_30
Loyalty <--- Service Quality	.960	.192	4.994	***	par_31
Loyalty <--- Satisfaction	.317	.149	2.121	.034	par_32

Regression Weights: (Group number 1 - Default model)

The table above is interpreted as follows:

No	Causality Relationship	Estimate	CR	P	Conclusion
1.	CRM → Trust	0.427	3.682	0.000	Significant (Highly)
2.	Portfolio Performance → Trust	0.475	4.810	0.000	Significant (Highly)
3.	Service Quality → Satisfaction	0.537	4.509	0.000	Significant (Highly)
4.	Trust → Satisfaction	0.381	3.418	0.000	Significant (Highly)
5.	CRM → Loyalty	-0.124	-0.771	0.441	Not Significant
6.	Service Quality → Loyalty	0.960	4.994	0.000	Significant (Highly)
7.	Satisfaction → Loyalty	0.317	2.121	0.034	Significant

1. CRM has a significant effect on trust with 0.427.
2. Portfolio Performance has a significant effect on trust with 0.475.
3. Service Quality has a significant effect on satisfaction with 0.537.
4. Trust has a significant effect on satisfaction with 0.381.
5. CRM has no significant effect on loyalty with -0.124.
6. Service Quality has a significant effect on loyalty with 0.960
7. Satisfaction has a significant effect on loyalty with 0.317

Analysis of Direct Effect, Indirect Effect and Total Effect.

1. Direct Effect

Standardized Direct Effects (Group number 1 - Default model)

	Service Quality	Portfolio Performance	CRM	Trust	Satisfaction	Loyalty
Trust	.000	.477	.390	.000	.000	.000
Satisfaction	.455	.000	.000	.350	.000	.000
Loyalty	.582	.000	-.074	.000	.227	.000

2. Indirect Effect

Standardized Indirect Effects (Group number 1 - Default model)

	Service Quality	Portfolio Performance	CRM	Trust	Satisfaction	Loyalty
Trust	.000	.000	.000	.000	.000	.000
Satisfaction	.000	.167	.136	.000	.000	.000
Loyalty	.103	.038	.031	.079	.000	.000

3. Total Effect

Standardized Total Effects (Group number 1 - Default model)

	Service Quality	Portfolio Performance	CRM	Trust	Satisfaction	Loyalty
Trust	.000	.477	.390	.000	.000	.000
Satisfaction	.455	.167	.136	.350	.000	.000
Loyalty	.686	.038	-.043	.079	.227	.000

4. Discussion

The well-adopted CRM will create trust and customer satisfaction, and so it will form a group of loyal customers (Tjiptono, 2000). The factors that encourage the formation of the CRM, namely; commitment, communication and complaint handling have direct impact on customer loyalty (Ndubisi, 2007).

The above theories support the results of data analysis in this study that the CRM has a positive and significant effect on trust with $p(0.000) < 0.05$ with the value estimate of 0.427. This can be interpreted as the role of the CRM as a company's media to recognize the prospective investors' role in two-way communications which are used as a strategy to create a good relationship between the investors and the company. Through the CRM, the companies are able to cultivate the trust of investors by understanding the needs and expectations on investments' products. Moreover, the company optimizes its commitment in providing good services to investors such as the services are friendly, courteous and also that the services are provided online. Online services are used as a dominant supporting factor of the CRM. When the CRM supporting factors have been fulfilled by the companies, this will foster the investors' trust which indicates that the company has a better credibility as the investment company, that they have safe and clear investment products, that they are concerned about the investors' interests and able to sustain its investment products. This kind of trust comes from a good CRM program conducted by the company, thus the portfolio performance of the companies become well-managed and transparent; the content of the

information is correct, giving investors the expected return in line with as the recommendations put forth by the companies.

The high trust perceived by investors impacts the emergence of investors' satisfaction for the products offered by the company. The results of the data analysis show that trust has a positive and significant effect on satisfaction with the p-value (0.000) <0.05 and the value estimate of 0.381. The investors were satisfied because they were pleased with the chosen investment products, the services provided by the company and also as the performance of its investments had fulfilled their expectations. Once investors achieve satisfaction from their choice of investment products, then it will create consumers' loyalty. The results of the data analysis show that customer satisfaction has a significant and positive effect on consumer loyalty with a p-value (0.034) <0.05 and the value estimate of 0.317. The customer loyalty is used as the ultimate goal achievement that will ensure long-term sustainability of the company which would have an impact on improving long-term profitability of the company.

Overall, it is found that the CRM adopted by the company has a significant impact on investor loyalty due to the achievement of investors' trust and satisfaction. This result is supported by a study conducted by Bowo (2003) who mentioned that a flexible communication and the best commitment in serving customers as well as the ability to handle complaints become instrumental in building and improving consumers' trust. To gain customers' loyalty on the provided services, they should feel the quality of service in a positive light. The results of the study by Gundlach and Murphy (1993) support the results of the findings that the quality of service have a positive effect on trust which recognizes that the trust has an important role in influencing customers' loyalty.

However, the results in this study have shown that the CRM has no direct significant influence on customers' loyalty where the p-value (0.441) > 0.05 with the value estimate of -0.124. This means that the CRM cannot affect directly the investors' loyalty without going through consumers' trust and satisfaction. Without trust and consumers' satisfaction, the CRM will not be able to make investors become loyal to the investment company. Thus, the variables of trust and satisfaction act as the mediating variables that affect the relationship between the CRM and customers' loyalty.

Moreover, the results of this study indicate that the portfolio performance has a positive and significant effect on investors' trust with the p-value (0.000) <0.05 and the value estimate of 0.475. This means that investors' trust will grow if the company has good portfolio performance. The investors have the trust to use the investment products offered by the company and feel safe while possessing them. One of the dominant factors in portfolio performance that develops the investors' trust is when they know that investment managers who assist them have good competency. This trust ultimately makes consumers achieve satisfaction at the same time that they can have their investment products. These are aligned with the results of the analysis which shows that the effect of trust on satisfaction is positively significant. Meanwhile, the satisfied customers will be loyal to those products that provide improvement for long-term profitability of the company. This is based on the results that show that the effect of satisfaction on loyalty is positively significant. These results support a study conducted by Djati and Darmawan (2005) in which they stated that the employee's performance affects the trust, satisfaction and loyalty of customers. Moreover, the findings

of a study by Darmawan (2004) suggest that customers' satisfaction significantly influences their unwillingness to switch brands. Thus, this study provides evidence that the influence of the trust and satisfaction plays a role as mediating variables which mediate between portfolio performance and investors' loyalty.

Furthermore, the result of this study has found that the service quality has a positive and significant effect on the satisfaction with p value (0.000) <0.05 and the value estimate of 0.537, the satisfaction has a positive and significant effect on loyalty with p value (0.034) <0.05 and the value estimate of 0.317, and the service quality has a positive and significant effect on loyalty with p-value (0.000) <0.05 and the value estimate of 0.960. This concludes that the good service quality received by investors will give satisfaction to the investors. The service quality perceived by the investors emphasizes on advanced tools facilitated by the company to assist the investors.

Meanwhile, the results of this study indicate that investor satisfaction mediates the effect of service quality on the loyalty of the investors. This is aligned with a theory in Hasan (2013) who stated that the consumers' brand loyalty is caused by the influence of satisfaction-dissatisfaction with the brand which is continuously accumulated through the perception of the quality of the product. Based on an observation, the investors are satisfied, as a result of advanced services at the time of investment. Then according to Tjiptono (2000), the service quality has a close relationship with customers' satisfaction. In addition, this findings are supported by a study conducted by Ramdhani et al. (2011) whereby there is a significant and positive relationship between the service quality and customers' satisfaction. This is also in line with a study by Naeem and Saif (2009) who posited that the customers' satisfaction can be generated from good service quality. Moreover, a study conducted by Molaei et al. (2013) and Palitati (2007) stated that customer's satisfaction will potentially have a positive and significant effect on customer's loyalty, while Kumar et al. (2009) mentioned that the service quality will result in high customer's satisfaction which enables customer's loyalty to increase. Additionally, Manjunath and Aluregowda (2013) posited that the service quality is an important element to create customer's satisfaction and loyalty. Finally, Ehigie in Ladhari et al. (2011) found that the service quality and satisfaction are the vital predictors of loyalty for the banks' customers.

Overall, the most influential variable on consumer's loyalty is the service quality. This is based on the results of the data analysis that the value of service quality on loyalty is estimated to be 0.960. These results conclude that investors' loyalty will be created and maintained if the company can improve the service quality provided to the investors. Moreover, good service quality will itself, create the trust among the investors that the company has good performance in serving and providing quality investment products. The investors' loyalty is a determinant of the sustainability of the company.

Direct and Indirect Effect

In the table above which illustrates the indirect effects, the influence of the CRM variable on investor's loyalty through trust and satisfaction gained the value estimate of 0.031, while the direct effect was -0.074. This shows that the indirect effects give much greater influence in the relationship between the CRM and the investor's loyalty. It means that the CRM is able to influence the investor's loyalty through the investor's trust and satisfaction, thus clearly

indicating that the relationship of trust and satisfaction in this model serves as the intervening variable between the variables of the CRM and loyalty.

Meanwhile, the influence of portfolio performance towards the investor's loyalty can only be obtained with the formation of the investor's trust and satisfaction against the company or its investment products. Moreover, the impact of service quality on the investor's loyalty has an indirect effect through investor's satisfaction with a value estimate of 0.103. Meanwhile, the direct effect of service quality on investor's loyalty is equal to 0.582. These indicate that the direct effect is much stronger than the indirect effect, thus suggesting that the investor's loyalty is more dominant, which is determined by the service quality than investor's satisfaction.

5. Conclusion and Recommendation

The conclusion of this study is described in several points as follows:

1. The loyalty of an investor is significantly influenced by the company-adopted CRM, the portfolio performance, and quality service of the company through the investor's trust and satisfaction.
2. The loyalty of an investor is significantly influenced by the company-adopted CRM, the portfolio performance, and the quality service of the company through the investor's trust and satisfaction. However, in a rational market conditions, it is found that the company-adopted CRM cannot directly influence the investor's loyalty but it must go through the investor's trust and satisfaction.

Meanwhile, this study comes up with a few recommendations:

1. The company investment should focus more on improving the company-adopted CRM and has better goal so that later the investor's loyalty can be increased.
2. Through the company-adopted CRM, the company can focus more on determining the desired objectives of the investors. Generally, it indicates that investors are satisfied with the online services provided by the company, thus the company can further improve its online services. Then the investment companies should increase the level of communication with the investors, which will further create happiness and naturally causing them to remain loyal to the investment companies.

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