ANALYSIS OF RELATIONAL MARKETING EFFECT ON CUSTOMER LOYALTY MEDIATED BY PERCEIVED RISK AND PERCEIVED VALUE FOR THE USERS OF INFRAME PHOTO & VIDEO SERVICE IN SURABAYA

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ABSTRACT

When a customer has a good perception of a product value, it will create a continuous buying interest until it creates a loyalty to product use. The research conducted by Doaei (2011) reveals that relational marketing has an insignificant effect on customer loyalty, means that the better the relational marketing is done, the lesser the customer loyalty. This research aims to determine the effect of relational marketing on customer loyalty mediated by perceived risk and perceived value on the customers of InFrame Photo & Video service in Surabaya. This research is quantitative with causal type. The sample is determined by Krejcie and Morgan's table, which is 95% of the population of 240 customers, resulting in sample size of 148 customers. Data analysis uses Partial Least Square (PLS) and Total Effect. The results show that 1) Relational Marketing has a positive significant effect on Perceived Risk; 2) Relational Marketing has a positive significant effect on Perceived Value; 3) Perceived Risk has a positive significant effect on Customer Loyalty; 4) Perceived Value has a positive significant effect on Customer Loyalty; 5) Relational Marketing has a positive significant effect on Customer Loyalty; 6) Relational Marketing has a positive significant effect on Customer Loyalty mediated by Perceived Risk and Perceived Value.
Keywords: *Relational Marketing, Customer Loyalty, Perceived Risk, Perceived Value*

INTRODUCTION

Recently, the development of creative industry in Indonesia, particularly photography business, has increased rapidly due to the rapid development of sophisticated technology in the world. Photography business increasingly has its own charm since it is supported with the use of latest technologies that can satisfy customer desires. Rapid development and bright business opportunity for this kind of business also invites the rise of tight competition among business doers in the similar business kind. Moreover, the increased number of photography studios competes with each other in terms of creativity and innovation that appeal to people who want to capture their perfect moments. Therefore, photographers must be able to provide valuable product and give good impression to every customer through its service performance (Wiyadi, *et al.*, 2014).

Photo and video services offered by In Frame Photo & Video are of good quality. InFrame Photo & Video has professional photography products offered in Surabaya area and appropriate for all needs. Although InFrame Photo & Video focuses on fashion photography, this company also serves photography for documentation, commercial product, portfolio, and pre-wedding (in studio or outdoor). Relational marketing is chosen because InFrame Photo & Video wants to gain customers trust so they do not use others' service. Also, relational marketing can create balanced benefits for both parties. Meeting is held weekly to discuss about ongoing jobs and to identify problems faced by the customers, while training and instruction are given before and after job completion. It is expected from these whole efforts to result customers' satisfaction and repeat using the services of InFrame Photo & Video.

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Perceived Value is one of the most influential variables with the most significant role to customer loyalty (Yang & Peterson, 2004). When a customer has a good perceived value of a product, this value will create buying interest that will continue until it creates loyalty of a product use. A research conducted by Doaei (2011) suggests that relational marketing has an insignificant effect on customer loyalty, which means that the better the relational marketing is, the lesser the customer is. However, this research conflicts with the results of research conducted by Chang and Cheng (in Respati, 2013) which shows a positive relationship between perceptions of risk and loyalty. Since there is a gap between these two related researches, the researchers are determined to find out both the direct and mediated effects of relational marketing promotion, perceived risk, and perceived value on customer loyalty. The title of the research is "Analysis of Relational Marketing Effect on Customer Loyalty mediated by Perceived Risk and Perceived Value for the Users of In-Frame Video Photo Service in Surabaya".

REVIEW OF RELATED LITERATURE
Previous Researches
The first related research is from Mollah (2014) entitled *The Impact of Relationship Marketing on Customer Loyalty At Tesco Plc, UK.* This study aims to examine the effect of relational marketing on customer loyalty in Tesco Plc, UK. The sample size for this research is 160 respondents, 150 Tesco customers and 10 team leaders. Questionnaires and interviews are used as sampling techniques, while the methods of data analysis are qualitative and quantitative, where simple analysis is used (mean, median, graph and table). This research confirms that relational marketing has a significant effect on customer loyalty. This research also explains that a good relational marketing strategy is a strategy that emphasizes on product quality and reduced price, since the customers focus more on product quality.

The second related research is from Yang and Peterson (2004) entitled *Customer Perceived Value, Satisfaction and Loyalty: The Role of Switching Costs.* This research aims to determine the effect of perceived value mediated by consumer satisfaction on customer loyalty. The sample size in this research is 1101 messages, which are emails as online banking customers' review. The data collection technique is online survey in the form of questionnaires sent to 235 random email addresses. This research results also confirm that perceived value and consumer satisfaction have significant effect on customer loyalty. In addition, this research also explains that perceived value has a significant influence on consumer satisfaction.

LITERATURE REVIEW
According to Winer (in Kipu, 2013), relational marketing is a corporate strategy to build good relationships with customers for a long term by combining the ability needed to respond directly to serve customers. According to Husnain and Akhtar (2015), there are four dimensions to measure relational marketing, namely belief, commitment, communication, and conflict management. Utama (2014: 199) explains that loyalty is a long-term and sustainable process, which is nurtured within the relationship between the company and the customer. The characteristics of loyal customers, as described by Griffin (2003: 31, in Normasari, *et al.,* 2013), are doing regular repeat buying, buying across goods and services lines, recommending the products to others, and showing immunity against competitors' persuasion.

Perceived risk is defined as the uncertainty faced by the consumers face when they cannot predict the consequences of their buying decisions. Abrar, *et al.*, (2017) state that perceived risk is consumer's awareness of insecurity and contradictory consequence of buying certain product (goods or services). The indicators of risk perception are related to consumer's decision in avoiding risks, which are financial risk, privacy risk, performance risk, and psychological, time and social risk. Total Customer Benefit (TCB) is the monetary value of a set of economic, functional and psychological benefits that customers expect from a market offering caused by the goods, services, personnel and image involved (Kotler & Keller, 2012: 125). According to Sweeney and Soutar in Ariyanti and Iriani (2014), the dimensions of value perception consist of four main aspects, namely emotional value, social value, quality performance, and price or value for money .
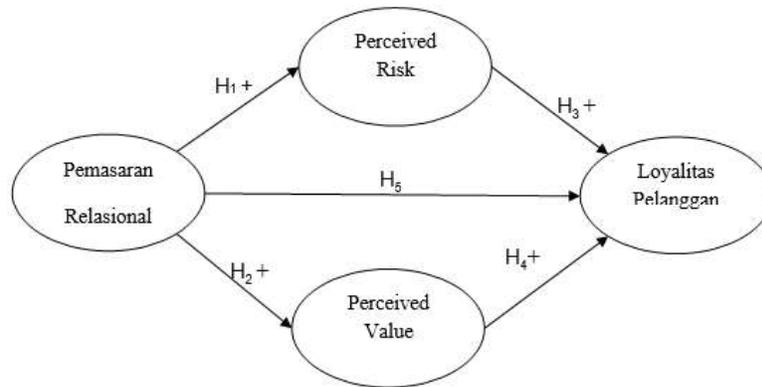
Figure 1. Analysis Model
Source: Data Processed, 2018

Referring to the conceptual framework and problem formulations and theoretical description as well, this research focused on answering the following proposed hypotheses:

H_1: Relational Marketing has a significant positive effect on Perceived Risk.
H_2: Relational Marketing has a significant positive effect on Perceived Value.
H_3: Perceived Risk has a significant positive effect on Customer Loyalty.
H_4: Perceived Value has a significant positive effect on Customer Loyalty.
H_5: Relational Marketing has a significant positive effect on Customer Loyalty.

RESEARCH METHODS
Research Approach
This research used quantitative approach, which is research that presents a further stage of observation. The type of this research was causal research.
Research Site and Time
This research was conducted in Surabaya from November 2017 to December 2017.
Sampling Technique
The number of population of InFrame Photo & Video Surabaya from 2015 to 2017 was 240 customers. Sampling technique used in this research was based on Krejcie and Morgan's guideline table, with a 5% error rate and a 95% confidence level for the population. Based on this table, if the population is 240, then the sample size is 148. Therefore the sample in this study was 148 customers.
Method of Data Collection
Data collection was done through survey on respondents by distributing questionnaire. The questionnaire used in this research was questionnaire with 5-Likert scale, in which the response items are arranged in five alternatives, which are strongly agree, agree, neutral or hesitate or uncertain, disagree and strongly disagree.

Definition and Variable Measuring
Table 3. Definition and Variable Measuring

No.	Variable	Theoretical Foundation	Indicator	
1	Consumer loyalty	Behaviors of decision-making units to make a continuous buying of a selected company's product (goods or services) (Normasari, *et al.*, 2013).	a. b. c. d.	Making repeat buying regularly. Buying product across lines. Recommending the product. Showing immunity to competitor's persuasion.
2	Relational marketing	A strategy to attract attention, maintain and enhance good relationships with customers (Mollah, 2014).	a. b. c. d.	Trust. Commitment. Communication. Conflict Handling.
3	Perceived risk	Important factors motivate a person to decide to either accept	a. b.	Financial risk. Privacy risk.

		or avoid risk (Johnson, 2005).	c. d. e. f.	Performance risk. Psychological risk. Time risk. Social risk.
4	Perceived value	Difference between prospective customers' ratings on all the benefits and costs of a bid on the alternatives.	a. b. c. d.	Emotional value Social value Quality performance Price/value for money

Source: data processed, 2018

DATA ANALYSIS

This study used Partial Least Square (PLS) as an analytical tool. The steps of PLS analysis, according to Ghozali (2008: 22-26), are as follows:

1. Designing structural models or inner models;
2. Designing a model of measurement or outer model;
3. Constructing a path diagram;
4. Estimating or parameter prediction;
5. Goodness of fit dividing into two models, namely outer model and inner model.
6. Model Evaluation.

Evaluation of Outer Model Measurement Model

The outer model was used to assess the model's validity and reliability. The followings are construct validity to test the instrument validity.

1. Convergent Validity. The loading value of factor > 0.7 is said to be ideal, which means that this indicator is valid. However, since this research can be considered as an early research of a design, the measurement scale for loading value on the early stages of development, the measurement scale for loading value of 0.5 to 0.60 is sufficient.

2. Discriminant Validity. Another method to assess discriminant validity is by Fornell-Larcker test, which is by comparing the square root value of average variance extracted (AVE) of each construct with the correlation between one construct and other constructs in the model, then it is said to have a good discriminant validity value. Figure 2 is the calculation of AVE formula:

Calculation formula of AVE:

Where:
$$AVE = \frac{\sum \lambda_i^2}{\sum \lambda_i^2 + \sum_i \text{var}(\varepsilon_i)}$$

λi: Component Loading to indicator

var (εi): $1 - \lambda_i^2$

It is recommended that the value of AVE must be greater than 0.50.

3. Reliability. By using the resulting output from SmartPLS, then the composite reliability can be calculated using the following formula:

$$\rho c = \frac{\left(\sum \lambda i\right)^2}{\left(\sum \lambda i\right)^2 + \sum_i \text{var}(\varepsilon_i)}$$

Where:
λi: component loading to indicator

var (εi) : $1 - \lambda_i^2$

Model Evaluation of Structural Inner Model

After evaluating the construct or variable measurement model, the next step conducted was to evaluate the structural model or inner model. The test on the structural model was done to measure the relationship between the latent constructs. The valuation on structural model was R2 for endogenous latent variable, path coefficient estimate, f2 for effect size, and Relevance Prediction (Q2 and q2).

Total Effect
Total effect is the effect of various relationships that sum up direct effects and indirect effects. In this research, the immediate effect of variable X on variable Y was as greater as e. Meanwhile, the indirect effect of variable X to variable Y was the amount of a x c and b x d. If the indirect effect is greater than the direct effect, then there is the effect of intervening variables (mediator).

DISCUSSIONS
The Effect of Relational Marketing on Perceived Risk
The analysis of path coefficients showed that the first hypothesis was accepted, indicating that Relational Marketing has a positive significant effect on Perceived Risk. This indicates that the higher the relational marketing done by InFrame Photos & Video, the higher the perceived risk of InFrame Photos & Video service products. Thus, it can be said that the high relational marketing done by InFrame Photos & Video can increase the perception of customer risk due to lack of information clarity related to the cost that raises perception of high financial risk.
The Effect of Relational Marketing on Perceived Value
The analysis of path coefficients showed that the second hypothesis was accepted, indicating Relational Marketing has a positive significant effect on Perceived Value. The better the relational marketing that InFrame Photos & Video has done, the better the perception of good value that the customer perceives of InFrame Photos & Video products. Thus, it can be said that the high marketing done by InFrame Photos & Video can increase the value added (perceived value) for customers who use its services.
The Effect of Perceived Risk on Customer Loyalty
Next, the analysis of path coefficients showed the third hypothesis was also accepted, indicating that Perceived Risk has a positive significant effect on Customer Loyalty. This indicates that the high level of InFrame Photos & Video customer loyalty can be obtained by ensuring its product safety and usage so as to minimize the risk to its users. With minimized privacy risk, the customers will trust and therefore establish loyalty to InFrame Photos & Video. This is confirmed by the statements which state that the high level of customer loyalty can be obtained by ensuring the security of product use in order to minimize the risk to its users (Chang & Cheng in Respati, 2013).
The Effect of Perceived Value on Customer Loyalty
Later, the analysis of path coefficients showed that the fourth hypothesis was also accepted. This indicates that Perceived Value has a significant positive effect on Customer Loyalty. This can be interpreted that the higher Perceived Value perceived by InFrame Photos & Video customers to a product, the higher their loyalty also to InFrame Photos & Video products they consume. When customers' expectations are met, they can be led to the feelings of loyalty to InFrame Photos & Video services. In other words, customers will have loyalty to InFrame Photos & Video itself. Thus, it can be said that the high perception of customer value to InFrame Photos & Video services can increase customer loyalty to the use of InFrame Photos & Video services for capturing their valuable moments.
The Effect of Relational Marketing on Customer Loyalty
Lastly, the analysis of path coefficients also showed that the fifth hypothesis was accepted. Relational Marketing has a significant positive effect on Customer Loyalty. The researchers interpreted this as the better the marketing is done, the higher the loyalty of InFrame Photos & Video customers. A well established relationship between the customers and InFrame Photos & Video will also result in the increased customer's loyalty. In doing this relational marketing, the company must consider several important aspects, namely trust, communication, commitment and conflict handling. The high level of relational marketing that InFrame Photos & Video has done can increase its customer loyalty to the use of InFrame Photos & Video products.
The Effect of Relational Marketing on Customer Loyalty Mediated by Perceived Risk
From the research results, it is known that the effect of Relational Marketing on customer loyalty was greater than its indirect influence through Perceived Risk. Thus, Perceived Risk is not significant in mediating the effect of Relational Marketing on Customer Loyalty. This means that the high level of relational marketing in form of intensive approaches made by InFrame Photos & Video can increase customer loyalty, even without the control of customer risk perception. Even without controlling customers' perception of service risk, the effectively conducted relational marketing alone can increase customer loyalty to InFrame Photos & Video services.

The Effect of Relational Marketing on Customer Loyalty Mediated by Perceived Value

Later on, the research results showed that the effect on Relational Marketing on Customer Loyalty was greater than its indirect influence through Perceived Value. This means that Perceived Value is not significant in mediating the effect of Relational Marketing on Customer Loyalty. In addition to this, the insignificant mediation effect of Perceived Value in this research might occur since the services offered by InFrame Photos & Video and its competitors in general are almost identical, which are serving pre-wedding photo and video, wedding, maternity photo, and coverage or documentation with full package price. So, even without the services' value added, the effectively conducted relational marketing alone can increase customer loyalty to InFrame Photos & Video services.

Managerial Implications

Based on the results of data analysis and discussions of this research, the researchers can recommend some managerial implications which can be used as input for InFrame Photos & Video.

Managerial Implication for Relational Marketing

1.   The quality of photos must be maintained in a way that following to development of positions, updating color tone of the photos, and improving the services by giving same facilities to all existing photographers starting from the camera type to the lens to use.

2.   Good reputation must be maximized in marketing activities, for example by showing the photos or videos or the review from satisfied customers on Instagram on a regular basis, for example, one day posting. Also, the well established relations with customers must be maintained.

3.   Customer trust will be the number one guarantee that must be maintained, by continuously upholding and improving product quality. In particular, in giving the right finishing results directly to the customers as well as directly reviewing the teamwork performance on site.

4.   The product quality will be ensured by having creative skilled employees, as well as by providing equal photography and videography equipment for the employees.

5.   Emphasizing more on the concept of taking special moments with friends, family and spouses for both photos and videos. Thus, the target market is all ages.

6.   The best service must be given to every customer, starting from price negotiation, finalizing concept, working on the D-day, and finishing the products on time.

7.   Upgrading the employees by having regular training and seminar once a month from senior mentors in team in order to enhance the quality of resulting photos and videos.

8.   Applying 5S (in Bahasa Indonesia: *senyum, sapa, salam, sopan, santun*) which are smiling, greeting, saluting, being polite, and being friendly Courteous, to all customers.

9.   Friendliness is the most emphasized aspect in serving the customers, in form of greeting the customers a week before their big day, and congratulating the customers on their wedding day.

10.   All photographers will also be equipped with specialized video and photo training from the seniors in order to produce good quality product with an attitude to make customers happy.

11.   Complaints will be handled with friendliness and the best possible solution will be offered to make sure that the customers will not experience loss.

12.   Ensuring warranty for each product, so the customers will be satisfied because their expectations are met.

Managerial Implications for Perceived Risk

1.   Pricing will be adjusted to the target market by observing the competitors' price every six months, in order to have a competitive price set.

2.   Offering several special prices for product package for all events. So, price is adjustable with every customer's needs.

3.   Offering a range of packages price that are adjusted to all customers, including for young people, since many young people use the service also.

4.   Giving opportunity to all customers to discuss service packages appropriate for their budget, considering that financial risk is the most aspect that must be minimized.

5.   Giving guarantee of customer documentation safety, by giving all data to the customers directly and asking their impressions and suggestions.

6.   Maintaining customer privacy as number one by giving them the soft file of finishing project directly.

7.   Giving both soft and hard files of photo and video documents to the customers and ensuring them that the files are not used for other purposes by periodically deleting customers' files.

8.   Emphasizing on the importance of building positive image when serving the customers.
9.   Posting photos are only done when after getting customer's approval, so this can benefit both parties.
10.   Priority for first come first service with effective time deadline is attached in a cooperation letter with customer.
11.   Making timeline and keep up with the timeline so the plan can be done practically and effectively.
12.   Emphasizing punctuality to all employees.

Managerial Implications for Perceived Value
1.   The photographers must be more flexible in directing the customer's pose.
2.   Implementing the services must be done as comfortable as possible to avoid interfering with customer activities, by arranging the schedule with customers for pre-wedding photo shoot.
3.   The resulting photo should make customers proud and satisfied, by following the trending tone color and pose.
4.   When using Instagram, each customer is led to use hashtag #INFRAMEPHOTOS&VIDEO so the company can repost their customers' posts, so that the photo postings can inspire other photographers or other customers.
5.   The customers' photo results will be captured in an interesting and creative use in terms of color tone and pose.
6.   Furthermore, emphasizing more on the excellence of friendly service and the selection of the most updated concept.
7.   Improving video quality by using standardized equipment for InFrame and visualization finishing is done by trained employees.
8.   Improvising in the concept to adjust it to customers' expectation, in form of holding a concept meeting before the shoot.
9.   Product quality will be adjusted to customer budget, by inviting them to discuss the budget first before offering the price to the customers.

Managerial Implications for Customer Loyalty
1.   InFrame Photos and Video is always trying to serve customers and strive to open new branches in order to be easily reached by customers in different cities.
2.   Bringing out special trademark to make customers proud of their photos and videos and they want to repeatedly use InFrame Photos & Video services.
3.   The quality of photos and videos will be as good as the results of skilled employee for all services of InFrame Photos & Videos.
4.   Friendly and skilled photographer in order to direct customers' style in a way that they like.
5.   Giving discounts or promotional offers to potential consumers during exhibition, and giving interesting monthly discount promotion.
6.   Giving member-get-member special price. Every member that successfully recommends the service that they use will get 10% fee for every customer work order.
7.   Giving best service starting from the customers come to the company office, to when they get their finishing photos or videos.
8.   Choosing the location based on the trending place among the young people.
9.   Always becoming the best than the competitors in terms of its prices and services offered to the customers.

CONCLUSIONS AND SUGGESTIONS
Conclusions
The conclusions are derived based on the research results and discussions in the preceding sections.
1.   Relational Marketing has a positive significant effect on Perceived Risk.
2.   Relational Marketing has a positive significant effect on Perceived Value.
3.   Perceived Risk has a positive significant effect on Customer Loyalty.
4.   Perceived Value has a positive significant effect on Customer Loyalty.
5.   Relational Marketing has a positive significant effect on affects Customer Loyalty.
6.   Relational Marketing has a positive insignificant effect on Customer Loyalty mediated by Perceived Risk and Perceived Value.

Recommendations and Research Limitations

Based on the explained conclusions, the researchers recommend InFrame Photo & Video to improve the quality of Relational Marketing especially in terms of communication and trust in order to shape positive value and to reduce risks possibly experienced by the customers. The research conducted still has many shortcomings and limitations, among others, this research used quantitative method yet the qualitative data analysis was not too deep.

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