

# THE ROLE OF CUSTOMER BONDING AS A CUSTOMER TRUST MEDIATOR AND SERVICE PERFORMANCE ON MSME PERFORMANCE

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## ABSTRACT

**Aims:** This study aims to prove customer trust and service performance that affects customer bonding and the performance of Small and Medium Enterprises (SMEs).

**Study design:** Mention the design of the study here.

**Place and Duration of Study:** 210 SME managers in Mimika district, Papua province.

**Methodology:** With the survey method on Hypothesis testing is done by using Structural Equation Modeling.

**Results:** The results of hypothesis testing prove that customer trust and service performance affect customer bonding and SME performance. Customer bonding has a significant effect as a mediator between customer trust and service performance on the performance of MSMEs in Mimika district, Papua province. Customer Trust has a positive effect on Customer Bonding. The empirical implications of this research are first, service performance has a positive effect on customer bonding because friendly service will increase customer bonding. Second, Customer Trust has a positive effect on SME Performance because varied prices and new products will increase SME Performance. Third, Customer Trust has a positive effect on SME Performance because honesty and integrity will improve SME Performance. Fourth, Service Performance has a positive effect on MSME Performance because friendly service will improve SME Performance; Fifth, Customer Trust has a positive effect on SME Performance through Customer Bonding because honesty and integrity supported by varied prices and new products will increase SME Performance. Finally, service performance has a positive effect on Customer Bonding because friendly service supported by varied prices and new products will increase SME Performance.

**Conclusion:** The results of hypothesis testing prove that customer trust and service performance that affect customer bonding and MSME performance, and customer bonding itself has a direct influence on MSME performance. Customer bonding has a significant influence as a mediator between customer trust and service performance on MSME performance in Mimika Regency, Papua.

*Keywords: Service performance, customer bonding, customer trust and SME performance.*

## 1. INTRODUCTION

The Covid 19 pandemic, which has entered its third year, is not easy for the business sector, especially the service sector, including Micro, Small and Medium Enterprises (MSMEs). The COVID-19 pandemic has had a major impact on the sustainability of Micro, Small and Medium Enterprises (MSMEs) in Indonesia. The economic crisis experienced by MSMEs

has also become a major threat to the national economy, considering that MSMEs are the driving force of the domestic economy and the largest absorber of labor in recent decades. MSMEs, which are the pillars of national production, are facing shocks from the supply and demand sides, this can have implications for the decline in people's welfare. The LIPI Economic Research Center has conducted a Rapid Assessment Survey on the Impact of the COVID-19 Pandemic on the Performance of Indonesian MSMEs. This survey aims to diagnose the impact of the pandemic on the survival of MSMEs and identify strategies to restore MSME performance (BPS, Papua, 2021).

The Rapid Assessment Survey on the Impact of the COVID-19 Pandemic on the Performance of Indonesian MSMEs was conducted online from 1 – 20 May 2020, with the main livelihood being business actors. This survey captures respondents from micro business actors 54.98%, ultra-micro actors 33.02%, small business actors 8.1% and medium business actors 3.89%; with a length of business 0-5 years (55.2%), 6-10 years (24%) and more than 10 years (20.8%). Most of the businesses aged 0-5 years are in the ultra-micro scale (58.36%) and micro scale (58.33%). In addition, there are variations in sales methods carried out by business actors, namely door-to-door 41%, physical stores 34%, through agents/resellers 32%, through market places 15%, online sales through social media 54%. (BPS, Papua, 2021).

Survey data shows that during the pandemic, 94.69% of businesses experienced a decline in sales. Based on business scale, sales decreased by more than 75% experienced by 49.01% ultra-micro businesses, 43.3% micro businesses, 40% small businesses, and 45.83% medium businesses. Based on the length of business, sales decreased by more than 75% experienced by 23.27% of businesses aged 0-5 years, 10.9% of businesses aged 6-10 years and 8.84% of businesses that have been running for more than 10 years. Based on the sales method, a decrease in sales of more than 75% was experienced by 47.44% of offline/physical sales businesses, 40.17% of online sales businesses, and 39.41% of businesses using both offline and online sales methods. (BPS, Papua, 2021).

This study examines the impact of COVID-19 on MSMEs and the perceptions and responses caused by MSMEs comprehensively. The discussion began by investigating the general perception of MSME actors towards COVID-19, followed by the quantitative impact of COVID-19 on MSME businesses, and how MSMEs responded and took action against it. This research was conducted at MSMEs and the Office of Cooperatives and Small and Medium Enterprises (UKM) of Mimika Regency, Papua, continues to strive to accommodate and provide guidance to SMEs in the midst of the new coronavirus (COVID-19) pandemic.

Customers who believe that a product/service can meet their needs will use the product/service more often than others. This is a small example of the emotional bond that unconsciously occurs between customers and companies (Perrien et al., 2008). In this connection, According to (Gounaris & Venetis, 2002). However, trust will not grow immediately without good service quality.

Various studies show that positive perceptions of service quality have a significant influence on, such as satisfaction (Alves & Raposo, 2010), commitment (Rodríguez-Izquierdo, 2020), loyalty (Mattah et al 2018), including customer bonding. Binding customers can be done by giving special attention such as special discounts, special prices, as well as providing flexibility in payment times (Balci et al., 2019), information on price information including: product features, product design, brand reputation, price discounts, and credit facilities, all of which are expected to improve customer purchasing decisions which in turn can improve marketing performance (Manickam & Sriram, 2013)

Marketing performance which is part of business performance shows the company's ability to maximize profits related to assets, equity, and capital (AlHakim & Lu, 2017; Reimann et al., 2010). More explicitly stated by Abd-Elrahman et al (2020) that service quality has a significant positive effect on organizational performance. Lebdaoui and Chetioui (2020) examine a model that uses customer service quality as a mechanism in the relationship between customer relationship management (CRM) practices and business performance.

Things that need to be considered include, the performance of service to customers which is often called service performance, (Wibisono, 2008) states that one way to find out the fulfillment of customer needs is to measure what is felt by the customer, not what is expected by the customer, and what perceived by the customer can be seen from the service performance provided by the company to consumers. (Loughman et al., 2018)

Communication between producers and consumers contributes both directly and indirectly in creating customer bonds with MSMEs, reflecting good MSME services and performance so that it can affect customer trust in these MSMEs (Laohasirichaikul et al., 2011)

Another component that MSMEs should not forget is that when service companies try to create customer trust, companies need to pay attention to relational benefits, because with the benefits felt by customers, they will have more confidence in the health service company (Yacout, 2010). To create customer trust, MSME management not only needs to understand consumer attitudes but also has to understand what consumers feel, so that hospitals can make strategies that suit market needs (Wazzan, 2007).

The study that will be carried out in this study is to look at the Research gap that occurs is research conducted by (Moliner, 2009) which states that in creating relationships with customers, a company such as MSMEs needs to establish relationship quality with customers by building good customer trust. significant effect in the creation of MSME performance increases. However, this research is not in accordance with that conducted by Solberg et al (2000) which states that customer trust has no significant effect on the performance of business organizations. Relationships with customers are crucial issues that need to be maintained (Setia et al., 2013). The salesperson's success in maintaining good relations will be considered as an important achievement for the company.

With the research gap data that occurred in previous studies (Moliner, 2009; Solberg & Nes, 2002 and Setia et al., 2013). as well as the business phenomenon that occurred in the Mimika MSME, namely the decline in the number of patient purchases in the last period of 2021, followed by a low percentage of old patients who returned to using services, indicating a problem that occurred in the Mimika MSME, so this study will add an intervening variable between customers trust and service performance, namely customer bonding, which is an emotional bond created by the company to customers (Cross, 1992).

Customer trust plays a key role in marketing services so as to create relationship quality with the company (Moliner, 2009; Sleiman et al., 2021). Empirical modeling to determine the extent to which service performance and customer bonding can foster customer trust as a step to build relationships with customers. In creating customer trust, companies need to build bonds with customers with specific techniques so as to create good long-term relationships with customers.

Perception of service performance is seen as an antecedent to customer bonding and performance. Testing of the customer bonding model is the most influential in creating relationships with customers (Ruben Chumpitaz Caceres et al, 2007). Good relationships between companies and customers can create strong organizational performance. The

influence of customer bonding on brand attitude, the effect of brand attitude on customer loyalty, relationship bonding on customer loyalty, brand attitude on relationship bonding and customer loyalty Relationship bonds show a positive correlation with customer loyalty (Tai, 2015; Udayana et al., 2021). ) Customer bonding can be applied in small and medium-sized businesses as well as to explain how marketing performance can be improved through customer bonding (Khoa, 2020).

Customer trust and service performance through the mediating role of customer bonds have a significant positive effect on organizational performance (Boateng & Narteh, 2016; Danish et al., 2018). Service Quality and Service Value with customer satisfaction. Customers who believe that a product/service can fulfill what is expected of them will tend to use the product/service more often than others, this is a small example of an emotional bond that unconsciously occurs between customers and companies (Gounaris & Venetis). , 2002; Perrien et al., 2008). Based on several previous studies, when customers believe in the products/services of a company they will tend to use the product/service repeatedly, and they have unconsciously built bonds with the company.

H1: Customer trust has a positive effect on customer bonding.

(Gounaris & Venetis, 2002) Customer bonding is the process of developing a relationship between the company and its customers where the company tries to maintain a relationship that has been well established and mutually beneficial to both parties. According to Cross (1992) one of the five levels of customer bonding related to service performance is identity, where the identity created by this company makes the company's relationship with its customers closer. Corporate identity can be created by providing what the customer needs and wants, so that customers will remember what the company provides.

H2: Service performance has a positive effect on customer bonding.

Accuracy in understanding customer needs is a strategic step for the success of a salesperson (Yamoah et al., 2016). This is not easy to do because consumer tastes tend to be dynamic.

The willingness of salespeople to share with customers is very important for customer satisfaction (Hajli & Lin, 2016; Kim & Min, 2015) both sharing experiences and sharing information. The seller is willing to share information about the advantages and disadvantages of a product or the advantages of the latest product compared to competing products. This willingness determines a suitable product profile for customers to consider (Zhu & Chang, 2015). In this case, the role of the expert is to provide information about the benefits and practicality of a product that can convince customers. Therefore, salespeople must update the latest information to keep them knowledgeable.

Binding customers can be done by giving special attention such as special discounts, special prices, and providing flexibility in payment times (Balci et al., 2019). Thus, the need for smart marketing and marketing records to improve marketing information. It is also necessary as well as information regarding price information including: product features, product design, brand reputation, price discounts, and credit facilities, all of which are expected to improve customer purchasing decisions which in turn can improve marketing performance (Manickam & Sriram, 2013)

H3 : Customer bonding has a positive effect on business performance.

Intra-organizational trust refers to the willingness of employees to trust managers (Dirks & Skarlicki, 2009) and corporate organizations (Audenaert et al., 2016; Vanhala & Dietz, 2015) based on the expectation that making specific decisions is important to employees, regardless of the ability to monitor or control workers (Dirks & Skarlicki, 2009; Guin ot & Chiva, 2019). Trust in managers indicates that employees believe that managers can apply high-level skills to solve certain problems and that managers have a positive influence on the work done (Davis et al., 2000). Finally, employees in the organization define employees' beliefs about a company organization that operates competently, pays attention to staff welfare, and treats stakeholders honestly and fairly (Vanhala & Dietz, 2015). Inter-organizational trust (I E ) refers to the expression of trust in business partners, clients and contractors, and networks. Companies believe that they will fulfill promises (Brower et al., 2009), behave or respond in a predictable and mutually acceptable manner (Castaldo et al., 2010). Business performance shows the company's ability to maximize profits related to assets, equity, and capital (AlHakim & Lu, 2017; Reimann et al., 2010) and profitability consists of Return on Assets (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), and Return on Sales (ROS) (Reimann et al., 2010)

Dayan & Di Benedetto (2010) found that higher team trust was significantly associated with higher new product success. More recent studies have also found a large positive correlation between team trust and team performance (Buvik and Tvedt, 2016; Chouetal., 2013; Lee et al., 2015).

H4 : Customer trust has a positive effect on business performance

Several studies have shown that positive perceptions of service quality have a significant effect on satisfaction (Alves & Raposo, 2010), and that positive perceptions of service quality have a significant effect on commitment (Ding, Hu, Verma, & Wardell, 2010; Rodríguez-Izquierdo, 2020). Abu Hasan et al. (2008) hypothesizes about the relationship between service quality and satisfaction in private universities. From the same point of view, research on students at a public university in Ghana, Mattah et al (2018) found a positive relationship between educational service quality, satisfaction and loyalty. In the case of a private university in Ireland, Prentice, McLaughlin, and Brady (2018) studied the relationship between service quality, value and satisfaction on student customer intentions and behavior, and found that perceived good service quality would have a significant positive impact. on satisfaction. In a study of Saudi Arabian private universities, Azam (2018) hypothesized the relationship between service quality and satisfaction dimensions and highlighted that there is a significant relationship between four dimensions (Assurance, Empathy, Reliability, Responsiveness) and customer satisfaction and behavioral intentions.

From the same perspective, Sumardi and Fernandes (2018) analyzed the relationship between management process alignment, service quality, organizational commitment, and high performance. They found that the mediating variable had a significant effect on service quality and organizational commitment. In addition, there is a relationship between the alignment of management processes and the performance of higher education in Makassar, Indonesia.

H5: Service performance has a positive effect on business performance,

High trust is significantly associated with higher new product success. More recent studies have also found a large positive correlation between trust and performance (Buvik and Tvedt, 2016; Chouetal., 2013; Lee et al., 2015).

In this study, trust theory was used to explore the relationship between consumer trust and their willingness to make a purchase. It has been theorized that higher levels of trust held by consumers result in higher levels of intention to purchase goods and services, especially online. The research model used in this study shows that trust is a key factor in examining the elements that affect consumer satisfaction, trust has a significant influence on consumer satisfaction. consumer satisfaction as a measure of how satisfied consumers are with the products or services provided. A higher level of consumer satisfaction is an indicator of a higher level of trust. Companies must be aware of several factors to build customer satisfaction, such as perceived value and trust. Gaining trust will ensure consumers are satisfied with the purchase decision

H6 : Customer trust has a positive effect through customer bonding on business performance

Service performance, customer engagement and related business performance are found in various literatures such as Abd-Elrahman et al (2020), Lebdaoui and Chetioui (2020), Aremu et al (2018), and Rodríguez-Izquierdo, 2020). Various research results show that service quality has a significant positive effect on organizational performance which cannot be ignored about customer engagement. A model that uses customer service quality as a mediation in the relationship between customer engagement and organizational performance. The findings suggest that customer service quality plays a mediating role between customer engagement and organizational performance

H7: Service performance has a positive effect through customer bonding on business performance

## 2. METHODS

Based on the unit of analysis, this study uses organizational units of analysis (organizations), which refers to the level of unity of the data collected during the data analysis stage (Now and Bougie, 2017). The problem statement is related to MSME Performance, then the unit of analysis is the organization. Individuals who are representative in the organization will be treated as a unit, in this case the MSME managers

In this study, there are variables used, namely (1) Customer Trust, (Tanner, Jr., 2007 and (2) Customer Bonding. (Gounaris, et al, 2002) (3) Service Performance (Sanjay K Jain et al, 2004) (4) Marketing Performance (Borisavljevic, 2016; Homburg et al., 2012) The measurement scale used is a Likert Scale from 1 to 5, where 1 = Strongly Disagree, 2 = Disagree, 3 = Disagree, 4 = Agree and 5 = Strongly Agree.

The target population is the MSME industry in Mimika based on the Krejcie and Morgan formula, which will be sampled (Sekaran and Bougie, 2010). The number of samples obtained as many as 210 MSME business actors with the fields of food, crafts, fashion and agribusiness in Mimika district, Papua province as shown in Table 1

Table 1. Demographic respondent

Demography	Frequently	%
Gender		
1. Man	114	54.3
2. Women	96	45.7

Demography	Frequently	%
<b>Age</b>		
1. < 20 years	28	13.3
2. 21 – 25 years	67	31.9
3. 26 – 30 years	43	20.5
4. 31-35 years	72	34.3
<b>Duration</b>		
1. < 2 years	23	11.0
2. 3-5 years	5	2.4
3. 6-8 years	42	20.0
4. 9-11 years	67	31.9
5. > 12 years	73	34.8
<b>Business field</b>		
1. Food Processing	114	54.3
2. Craft	64	30.5
3. Fashion	8	3.8
4. Agribusiness	24	11.4
<b>Number of employees</b>		
1. < 2 peoples	68	32.4
2. 3-5 peoples	86	41.0
3. 6-8 peoples	29	13.8
4. 9-11 peoples	9	4.3
5. > 12 peoples	18	8.6

Based on Table 1. shows that the majority of business actors in Mimika district are men as much as 54.3%, with an age range of 31-35 years, length of business 3-5 years (34.8%), food (culinary) business sector by 54.3% and the number of employees by 3-5 people as much as 41.0%.

Many business actors came from termination of employment, especially former (male) PT Freeport employees, most of whom are engaged in the food processing and handicraft business sector. However, other business sectors are still dominated by women entrepreneurs. However, if you look at the gender demography in Mimika Regency, the difference between men and women is not that much different. Another interesting thing is that many MSME actors are actually serious in pursuing their business fields, especially in the handicraft sector (crocodile skin, sculptors and the like).

The data used in this study is primary data, namely data collected directly by researchers by providing questionnaires that can be answered by respondents to answer problems and research objectives. Data collection in this study was carried out by distributing questionnaires to MSME actors in Mimika County, both on an Ultra Micro, Micro, Small and Medium scale, with the results of 210 questionnaires that were feasible to be processed. The data collection period is December 2021 and January 2022.

The data analysis method used to test the 7 hypotheses in this study used a statistical analysis tool Structural Equation Modeling-Partial Least Square (SEM-PLS). Based on the results of the final SmartPLS elimination, several indicators have a loading factor value above the validity requirement of 0.70.

Table 2 shows that the Average Variance Extracted (AVE) value is above 0.5, that the indicators are the right measuring tools to measure the variables, namely the Average Variance Extracted (AVE). The results of the validity of the research model by looking at the value of the cross loading. So it can be concluded that all constructs or latent variables already have good discriminant validity, where the construct indicator is greater than the indicators in the other blocks. From the results of the cross loading analysis, it appears that there is no discriminant validity problem.

**Table 2. Reliability & Cronbach's Alpha**

<b>Variable</b>	<b>Average Variance Extracted (AVE)</b>	<b>Average Variance Extracted (AVE)</b>	<b>Cronbach's Alpha</b>
Brand Trust	0.682	0.963	0.959
Customer Bonding	0.683	0.956	0.948
Services Performance	0.636	0.946	0.937
UMKM Performance	0.693	0.957	0.950

Source: Data processed (2022)

In table 2, the value of composite reliability, the model shows that for all constructs or latent variables are above the value of 0.7., it can be concluded that all latent variables have good reliability in accordance with the required minimum value limit.

Apart from measuring the outer model by assessing convergent validity and discriminant validity, it can also be done by looking at construct reliability or latent variables as measured by looking at Cronbach's alpha greater than 0.6. In table 2 the model shows the value of Cronbach's alpha where all constructs are greater than 0.60. Thus, it can be concluded that all latent variables have good reliability in accordance with the required minimum limit.

### **3. RESULTS AND DISCUSSION**

#### **3.1 Results**

The response of all respondents to the customer trust stated that they agreed with the existence of a customer trust in MSMEs indicated the number 3.6341, when viewed from the respondents' answers the largest was in the second question from the meet expectations dimension, namely about consumer confidence in MSME honesty to maintain so that it shows confidence in MSME honesty. to maintain and fulfill the agreements that have been made and fulfill the agreements that have been made and the fourth question from the reliable dimension, namely MSMEs have high integrity in establishing relationships with customers while the respondent's answer is low on the fourth question from the meet expectations dimension regarding the willingness of consumers to depend to MSMEs in the form of accepting risks or negative consequences that may occur

Table 3. Statistic descriptive

Variable	Mean	Std. Deviation
<b>Customer Trust</b>		
<i>Meet expectations</i>	3.667	1.002
<i>Reliable</i>	3.520	1.003
<i>Trustworthy</i>	<b>3.615</b>	<b>0.876</b>
<b>Service Performance</b>		
<i>Service quickly</i>	3,609	0.872
<i>Responsive</i>	3.506	0.963
<i>Being friendly</i>	3.874	0.863
<b>Customer Bonding</b>		
<i>Awareness</i>	3.881	0.985
<i>Advocacy</i>	3.954	0.874
<i>Relationship</i>	3.793	0.985
<b>UMKM Performance</b>		
<i>Market Coverage</i>	3.560	1.014
<i>Sales Volume</i>	3.748	0.895
<i>Profile</i>	3.787	0.804

The results of the research for general responses show that honesty and having integrity have the highest value, this shows that honesty and having integrity are the highest elements that must exist in SMEs in order to gain customer trust.

Service Performance states that the measure of service quality / service is the performance of the services / services received by the consumers themselves and consumers will only be able to judge the quality of the services they really feel. The largest response of respondents to reliable services with an average value of 3.7000 this shows doubts about reliable MSME services. Furthermore, the largest respondent's response to quality services with an average value of 3.6810 shows that MSMEs are hesitant to provide high-quality services. The largest respondent's response to problem solving with an average value of 3.4476 shows that MSME employees do not solve problems quickly.

The results of the research for general responses indicate that friendly service has the highest value of 3.9476, this shows that friendly service is the highest element that must exist in MSMEs in order to obtain service performance. The responses of all respondents to service performance agreed in MSMEs, which was indicated by the average number of .6843.

Customer bonding is defined as the process of developing a relationship between the company and its customers where the company tries to maintain a relationship that has been well established and mutually beneficial to both parties. Respondents' responses to building relationships with an average value of 3.9524 indicate a positive relationship between consumers and MSMEs. Respondents' responses to personal support with an

average value of 3.8333 indicate positive that Sharing personal advice or support for MSMEs is very important for consumers.

The results of the research for general responses show that the various prices and new products have the highest average value of. This shows that varying prices and new products are the highest elements that MSMEs must have in order to obtain customer bonding. On average, the responses of all respondents to customer bonding stated that they agreed with the existence of customer bonding in MSMEs which was shown at 3.8676.

The responses of all respondents to the performance of MSMEs stated that they agreed with the performance in MSMEs in Mimika Regency, the average number was 3.7071, when viewed from the answers of the respondents, the largest was in the fourth question from the profile dimension, namely about the services provided without being complicated, showing that MSME performance was maintained with good.

**Table 4. Mean, STDEV, T Values, P-Values**

	Original sample (O)	Average (M)	Standard Deviation (STDEV)	T-statistic ( O/STDEV )	P-Values
Brand Trust -> Customer Bonding	.320	.328	.069	4.652	.000
Services Performance -> Customer Bonding	.387	.382	.069	5.573	.000
Brand Trust -> SMSE Performance	.058	.052	.033	1.737	.041
Services Performance -> SMSE Performance	.052	.044	.042	1.253	.105
Customer Bonding -> SMSE Performance	.904	.917	.060	14.985	.000

From table 4. it can be seen that the value of the Original Sample (O), brand trust is 0.320, which means that it has a positive effect on customer bonding, so the better the level of brand trust, the higher the customer bonding. Then when viewed from the significance shown by the t-statistical value of  $4.652 > 1.96$ , and the probability value of the P-value is  $0.000 < 0.05$ . This means that the brand trust variable has a positive and significant effect on customer bonding. Likewise, the service performance of 0.387 which means that it has a positive effect on customer bonding, so the better the service performance, the better customer bonding. Then when viewed from the significance indicated by the t-statistic value, namely  $5.573 > 1.96$ , and the probability value at the P-value is  $0.000 < 0.05$ . For brand trust, it is 0.058, which means it has a positive effect on MSME performance, so the better the brand trust, the MSME performance will increase. Then when viewed from the significance indicated by the t-statistical value of  $1.737 > 1.96$ , and for the probability value the P-value is  $0.041 < 0.05$ . This means that the brand trust variable has a positive and significant influence on MSME customer performance.

Services performance is 0.052, which means it has a positive effect on MSME performance, so the better the service performance, the better customer bonding. Then when viewed from the significance indicated by the t-statistic value of  $1.253 < 1.96$ , and for the probability value the P-value is  $0.105 > 0.05$ . This means that the service performance variable has a positive and insignificant effect on MSME performance.

Customer bonding is 0.904, which means that it has a positive effect on MSME performance, so the better the customer bonding, the better MSME performance. Then when viewed from the significance indicated by the t-statistical value of  $14.985 > 1.96$ , and the probability value of the P-value is  $0.000 < 0.05$ . This means that the customer bonding variable has a positive and significant influence on MSME performance.

**Table 5. Mean, STDEV, T Values, P-Values**

	Original sample (O)	Average (M)	Standard Deviation (STDEV)	T-statistic ((O/STDEV))	P-Values
Brand Trust ->					
Customer Bonding ->	.289	.302	.069	4.184	.000
SMSE Performance					
Services Performance ->					
> Customer Bonding ->	.350	.350	.068	5.142	.000
SMSE Performance					

From table 5. it is said that the better the brand trust, the better MSME performance will be through customer bonding. With the Original Sample (O) value of 0.289, which means it has a positive effect, when viewed from the significance indicated by the t-statistic value of  $4.184 > 1.96$ , and the probability value of the P-value is  $0.000 < 0.05$ . This means that the brand trust variable has a positive and significant influence on MSME performance through customer bonding. The estimated parameter for testing the effect of service performance on MSME Performance through customer bonding is 0.651 indicating a CR value of 6.579 with a probability value  $< 0.05$ , it can be concluded that the hypothesis which states that "The more service increases through customer bonding, the higher MSME Performance" means that the customer bounding can mediate the influence of customer trust on MSME performance

### 3.2 Discussion

The test results can be seen that the service performance indicator, namely the being friendly indicator, has a stronger value effect than the other two indicators, this shows that the main key that shows good service performance when consumers receive friendly service. Although being friendly has a stronger influence, other indicators also play an important role in showing the service performance in MSME services, it can be concluded that to improve customer bonding,

The results showed that the parameter estimation for testing the effect of customer bonding on MSME performance could be proven statistically. (Yamoah et al., 2016). (Christian Homburg & Klarmann, 2007; Garrett et al., 2008) (Hajli & Lin, 2016; Kim & Min, 2015) (Zhu & Chang, 2015). (Balci et al., 2019). (Manickam & Sriram, 2013). Cross and Smith (2007), with the highest indicators, namely varying prices and new products that will affect MSME Performance

The parameter estimation for testing the influence of customer trust on MSME Performance, which means that the higher Customer Trust, the higher MSME Performance", because honesty and integrity are the highest elements that will support MSME Performance. The results of this study are in line with (Bursian et al., 2015; Rim & Dong, 2018) (Askvik & Jamil; 2013). (Goergen et al., 2013;; Rim & Dong, 2018). (Dirks & Skarlicki, 2009) (Audenaert et al., 2016; Vanhala & Dietz, 2015; Guin et al. & Chiva, 2019). (Davis et al., 2000). (Vanhala &

Dietz, 2015). (Castaldo et al., 2010). (Akgün et al., 2005; Dayan & Di Benedetto, 2010; Muethel et al., 2012) (Anderson & Srinivasan 2003).

MSMEs have not been able to provide the needs that consumers want, such as providing easy payments, discounted prices and product promotions to attract consumers to buy products/goods, the better the products sold, the level of purchasing decisions will also increase. The Covid 19 pandemic in Mimika Regency made sales of MSME products decreased because consumers prioritized using goods and services for their primary needs. decreased trust in goods and services sold by business actors. For this reason, MSME actors must improve product quality to increase consumer confidence and intensively communicate product quality.

The results of the study which show that service performance has an effect on MSME performance can be proven because friendly service is the highest element that supports MSME performance. The results of this study support the opinion of Abd-Elrahman et al (2020) Lebdaoui and Chetioui (2020) Singh (2016). Aremu et al (2018). Nazeer et al (2014) Mawoli (2016) (Alves & Raposo, 2010), (Ding, Hu, Verma, & Wardell, 2010; Rodriguez-Izquierdo, 2020). Mattah et al (2018) Brady (2018) Azam (2018)

MSME actors can improve service quality and add types of services such as delivery orders and online buying and selling services that can be easily accessed by consumers. In carrying out delivery services, business actors also tighten their service standards by improving and ensuring the cleanliness of their products. For services, services can be developed through online media and using online service activities so that they can be more effective and business can run as usual. Good service will be able to form consumer trust so as to create customer satisfaction and form consumer loyalty.

Low customer trust thereby reducing customer dependence. In this Pandemic period, MSME actors not only attract new customers but must maintain products and maintain existing customers, create customer satisfaction and ultimately create dependence on consumers.

Low customer trust thereby reducing customer dependence. In this Pandemic period, MSME actors not only attract new customers but must maintain products and maintain existing customers, create customer satisfaction and ultimately create customer dependence. Customers will not move to another because they already have confidence in our products. One way for SMEs to survive in the midst of declining sales is to maintain a strong and mutually beneficial relationship between service providers and customers that can build repeat transactions and create customer loyalty.

#### **4. CONCLUSION**

The results of hypothesis testing prove that customer trust and service performance that affect customer bonding and MSME performance, and customer bonding itself has a direct influence on MSME performance. Customer bonding has a significant influence as a mediator between customer trust and service performance on MSME performance in Mimika Regency, Papua.

Managerial Implications. First, Regional-Owned Enterprises (BUMD) in order to provide financing and physical infrastructure for MSMEs in order to increase business productivity. The provision of financing and business infrastructure is provided by BUMD from the allowance for the share of annual profits allocated to MSME actors in the form of loans, guarantees, grants, financing and the provision of other business infrastructure from CSR assistance. Development of physical infrastructure and facilities which includes the

procurement of MSME areas with low rent, showrooms for MSME products, warehousing and transportation, waste treatment units, information sites (websites) and the provision of other supporting facilities. Second, The Mimika Regency Government provides incentives in the form of ease of licensing requirements, reduced tariffs for infrastructure facilities, and other forms of incentives in accordance with the provisions of laws and regulations to the business world that provides MSMEs. Third, Prepare the development of superior local products from upstream to downstream as the business base of cooperatives and SMEs. Fourth, There is a need for a Roadmap for the Development of Micro, Small and Medium Enterprises (MSMEs) as a basis for systemic development.

This study has limitations in terms of sampling coverage, only limited to Mimika Regency, Papua. The easternmost province in Indonesia, especially with the level of economic development that is far behind, for example, compared to other districts on the island of Java. Likewise, the limitations in terms of the sharpness of the indicators of questions or statements that are not easy to understand by MSME actors are limited in terms of education, even though in distributing the questionnaires with assistance by surveyors, there are still difficulties in the field.

It is suggested to MSME actors to continue to apply Customer Trust and Service Performance because the results of the research conducted are known to have a positive effect on MSME Performance. In addition, one that can be stated is the importance of including cultural factors in further research. It is better to add the entrepreneurial side in further research. Cultural factors, for example, can be considered as moderating variables. The result is certainly expected to be better.

## CONSENT

As per international standard or university standard guideline participant consent and ethical approval has been collected and preserved by the authors.

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