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Model of Relationship Marketing on Professional Services: Empirical Study on Independent Surveyor Services Industry in Indonesia

Sufrin Hannan

*Graduate School of Management and Business
Bogor Agricultural University, Indonesia
Email: sufrin_hannan@yahoo.com*

Budi Suharjo

*Department of Mathematics and Graduate School of Management and Business
Bogor Agricultural University, Indonesia
E-mail: bsh_met@yahoo.com*

Kirbrandoko

*Graduate school of Management and Business
Bogor Agricultural University, Indonesia
Email: koko_kir@yahoo.com*

Rita Nurmalina

*Faculty of Economic and Management and Graduate School of Management
and Business, Bogor Agricultural University, Indonesia
Email: rita_ns@yahoo.com*

Abstract

The service industry currently protected by the government to impose restrictions on the activities of foreign independent surveyor services companies to operate in Indonesia, planned in 2015 the government will open the widest possible market for foreign surveyor companies to operate in Indonesia so the inspection service be open to foreigners.

Based on the background mentioned above, this journal is the beginning of a study that aims to understand the main factors that determine customer loyalty in the B2B professional service industries independent surveyor in Indonesian coal. This study will analyze the effect of service quality, customer value, expectation, satisfaction, trust, sharing information, relationship bond and customer characteristic of customer loyalty in the customer service industry in Indonesia independent surveyor. Scope of service activities, are independent surveyor on inspection services activity and the quantity and quality of coal are traded between sellers and buyers for export purposes.

Research conducted on independent surveyor service users in particular Coal mining company as producer, exporters, traders and buyers. This study categorized as quantitative research conducted by a review of the literature, the concept of empirical research and understanding of the research object. Work plans and research processes arranged systematically, starting from literature, industry-review, interviews and ends with the formulation of the research results.

SEM analysis aims to test and statistical models in the form of causal models. SEM analysis is based on the analysis Confirmatory Factor Analysis (CFA), a method that combines the correlation analysis, regression analysis, path analysis and factor analysis.

Keywords: Relationship Marketing, Perceived Quality, Information Sharing, Trust, Switching Barriers, Relationship Bonds, Loyalty

1. Introduction

The challenge for independent surveyor services industry in Indonesia in the future is quite heavy. Until now, the government has not opened the permit for the operation of services of foreign companies in the field of inspection, as listed in the Negative Investment List for foreign companies in Indonesia, except for the testing activities (testing). However, planned in 2015, the government will open the widest possible market for foreign surveyor companies to operate in Indonesia so the inspection service (inspection) be open to foreigners. Surely this makes the competition of independent surveyor services market in Indonesia, including the independent surveyor for coal export commodities will increase. Increased competition has to do with improving performance (performance) of which is to impose general conditions (Standard General Conditions) consistently and is subject to the laws or regulations in force. In the interest of international trade, generally impose Independent Surveyor Standard General Conditions (SGC) issued by the International Association of Superintendent (IAS) and the International Federation of Inspection Agencies (IFIA), London.

Kilpady (2005) states that the complex situation in the professional services industry interaction in the business to business (B2B) market is a variable such as reputation, experience, joint production and delivery of services. The adoption of marketing strategies oriented relationships or relationship marketing (RM) can play a role for the success of the business will come.

Based on Indonesian Coal Book 2012/2013 issued by the Indonesian Coal Mining Association (ICMA), that total Indonesian coal production in 2011 stood at 353.32 million tons. Of all mining companies that produce 353.27 million tons, there are 20 companies that produce a total of 247.96 million tons of coal (70.19% market share controlled production).

Based on data from the Indonesian Coal Mining Association (ICMA), from the production of 370 million tons of coal in 2011, growing 32.1% from the production in 2010, the realization of domestic demand is 67 million tons (18.11%) and the realization of exports reached 303 million tons (81.89%). While the main purpose of Indonesian coal exports are India, China, Korea, Japan and Taiwan.

Based on the above data, it is important to understand the customer's point of view in an effort to maintain relationships with service providers use an independent surveyor. Attention to the character of its business, it is necessary to do the deepening of the marketing industry. According to Hakansson (1978), Industrial Marketing or Business to Business (B2B) Marketing is currently gaining huge attention due to the increasing complexity of the relationship between the companies.

Problem Formulation

The main problem as a basis for setting a goal of this study is that with the increasing competition in the business service industry and customer demands independent surveyor to the professionalism of the higher professional services that result in the difficulty of maintaining long-term relationships with customers. In line with previous research related to maintaining relationship with customers, argued that relationship marketing in the B2B industry professional services industry in particular have complex issues related to the relationship between service providers and their clients (service provider-client relationship) in order to build long-term relationships. According to Brito (2011), outputs (outcomes) of relationship marketing, is customer loyalty, lifetime value, or customer portfolio. In this study, it is Customer Loyalty.

Buttle (1996) stated that the relationship management research requires industry-specific. Accordingly, these factors need to be tested in independent surveyor service industries to determine long-term relationship.

Research questions that can be developed are as follows:

1. How the role of perceived service quality, customer expectations perceived value, satisfaction, information sharing, trust, customer characteristics, switching barriers, and relationship bonds in building customer loyalty service provider-client relationship independent surveyor in service industries of coal in Indonesia
2. How the relationship building process.
3. What kind of customer loyalty that is expected to strengthen long-term relationships and what should be do by the service provider.

Research Objectives

Based on the background mentioned above, this dissertation aims to understand the main factors that determine customer loyalty in the B2B professional service industries independent surveyor in Indonesian coal.

Based on the description, identification and formulation of the problems mentioned above, this research is intended to:

1. To identify and examine the role played by perceived service quality, perceived value, expectations, satisfaction, information sharing, trust, customer characteristics and relationship bond as well as the relationship between the providers of professional services to their clients.
2. Build / develop a relationship-oriented marketing model that describes the relationship between these variables on customer loyalty.
3. Make recommendations through customer relationship marketing strategy in the long term the professional services industry in particular independent surveyor services industry in Indonesia.

Research Benefits

Benefits to be gained from this study, it can be seen from two sides of the benefits for the company and benefit from science side.

For companies, this study is expected to be a reference and guidance for:

1. Build relationships between companies and customers based on satisfaction, information sharing, trust and loyalty of customers so as to help the company in improving and maintaining relationships with customers.
2. Understanding the factors that influence customer loyalty into consideration for managers in independent surveyor service company in establishing cooperation with customers to improve business performance.
3. Improve the quality of service and satisfaction as well as develop a bond with the corresponding customers to obtain customer loyalty making it easier for companies to maintain relationships with customers and business growth planning in the future.

For Science, the results of this study will add to the empirical study on the integration of a variety of variables that influence customer loyalty, which is an academic reference in the field of Relationship Marketing (RM), particularly in the professional services industry.

Research Novelty

Research, especially in areas that require highly specialist independent researcher such as marketing specialists, auditors or surveyors are still lacking. This study conducted on independent surveyor professional services industry particularly in the field survey for the export of coal.

The novelty of this study is a Model of relationship marketing by integrating 14 (fourteen) factors, consist of: reliability, responsiveness, assurance, empathy, perceived quality, perceived value, expectation, satisfaction, information sharing, trust, switching barriers, relationship bonds, characteristic and customer loyalty. In this context, loyalty is not only influenced by service quality and satisfaction, but also influenced by trust, information sharing and relationship bonds, which was built between the independent surveyor and customers. In addition, there are barriers to switching to another provider. Customer loyalty research on professional services market is still relatively rare. In this study, seen by the customer loyalty ladder of loyalty to facilitate in directing strategies to build effective relationships.

Scope of Research

This study will analyze the effect of perceived service quality, perceived value, expectation, satisfaction, sharing information, trust, and customer characteristic of customer loyalty in the service industry in Indonesia independent surveyor. Scope of service activities is independent surveyor on inspection services activity and the quantity and quantity of coal traded between sellers and buyers for export purposes. Research conducted on independent surveyor service users in particular Coal mining company as producer exporters, traders and buyers.

2. Literature Review

The Concept of Relationship Marketing (RM)

Zeithaml *et al.* (2009) stated that relationship marketing is basically marketing represents a paradigm shift from a focus on the acquisition / transaction to focus on the retention / relationship. In the early 1990s when the concept of RM appears, Gronroos (1994) made a comparison between transaction marketing to relationship marketing.

Terminology of *Relationship Marketing* first proposed by Berry in 1983 (Berry, 2002). He believes that relationship marketing will attract customers, maintain (retain) customers and grow (develop) a variety of services. However, in the marketing process, more emphasis on strengthening relationships with customers, changing different customers entered into loyal customers and make customers feel that they like being in his own home or when you are dealing with us.

Relationship Marketing in B2B Markets

Arndt (1979) states that research on RM on B2B marketplace was first performed by Adler in 1966 when he introduced the concept of 'symbiotic marketing', at this point, improved efficiency and marketing effectiveness is a function of the distribution of resources between organizations (through licensing, franchising, joint ventures, etc.) in the supply chain. Arndt (1979) and then to expand the concept of 'symbiotic marketing' by introducing the idea of 'Domesticated markets' where he strengthen long-term relationships not only with suppliers or other companies, but also with key customers. Then, the group Industrial Marketing and Purchasing (IMP) was introduced and a series of systematic research efforts on the industrial market or business-to-business market (B2B). Flow from this research is that as a seller and buyer, both parties have gained experience in working with them and learning each of them be adapted in the workings of each, they are committed to each other to improve the relationship over time (Ford, 1980).

Relationships in B2B Marketing Services

Currently the service has been increased to a critical component of consumer purchased, although not a tangible product (Zeithaml and Bitner, 1996; Gronroos, 1994). Service quality as perceived by the customer and customer binding techniques commonly used by the supplier (Gounaris, 2005).

Considering its complex process of binding the subscriber, then the business market like this is necessary to manage the relationship, especially in the B2B market services company which is now experiencing very rapid growth (Filiatrault *et al.* 1997). In many B2B relations services firm, the sales are not entirely the marketing effort but wider than it is to build a sustainable long-term relationships.

B2B Marketing in Professional Services

Expertise and relationships to be a great resource sustainability competitiveness of professional services providers and clients require power continuously to develop the relationship (Bagdoniene and Jakstaite, 2009). Jaakkola and Halinen (2006) highlighted the characteristics of professional services is to have special knowledge / expert (specialist), has autonomy in decision-making, has its own settings and have the participation of the client and with a high degree of customization. Gummesson (1996) states that a qualified professional services, providing advice and solving problems, even if it includes a routine job for the customer.

Buyer-Seller Relationships in B2B Professional Services

According to Yorke (1990), common characteristics among the majority of professional services is a face-to-face contact between service providers and clients, personal contacts by service providers. This interaction causes the service provider and the client can communicate or conduct joint production and timely delivery of results (Gummesson, 1996). According Halinen (1997), when purchasing professional services, clients buy the knowledge and creativity, together with executive personnel services. Therefore, the ability of individuals have a significant effect on the perception of the quality of professional services and overall business relationship.

Professional services frequently in the form of projects (project-based) and has a term (deadlines) to be completed and have budgets (Karantinou *et al.*, 2001). Managing professional relationships are not only related to managing long-term relationships between the companies but also manage the day-to-day relationship during the project. Projects or contracts in this industry often win or lose, is determined by the key criteria used by clients in the selection and evaluation of the company.

Loyalty in B2B Services

At first, loyalty described simply as repeat purchases, which it is in the literature called behavior loyalty type. Loyalty based on this behavior has been dominated until the 1970s. However, a different approach then present the concept of loyalty is based on attitude, which reflects the concept of loyalty actually better. For example, Palmatier *et al.* (2006) find and support Reichheld (2003) that the Word of Mouth (WOM) in fact is the best thing that indicates intense loyalty.

In the concept of contemporary research, psychological factors / attitudes is emphasized. It is assumed that the emotional aspect is only important to the seller as a behavior. Attitudinal loyalty represents a higher-order, long-term commitment from the customer to the organization that can not be met simply by repeat purchases and this may indicate the use of services in the future or the willingness to recommend the company to others (Reichheld 2003). However, attitudinal loyalty is not a result of purchasing behavior. Rauyruen and Miller (2007) states that Day in 1969 was the first who proposed the concept of composite loyalty, where loyalty does not only look at the behavioral aspects, but also the dimensions of attitudes. The main argument is that the only behavioral loyalty alone will not be followed by the actual loyalty. (Rauyruen and Miller, 2007).

Based on the above, in this study used a combination of behavioral loyalty and attitudinal loyalty or called composite conceptualization of loyalty. Palmatier *et al.* (2006) defines Composite Loyalty is "a composite or multidimensional construct combining different groupings of intentions, attitudes, and seller performance indicators".

Approach used in this study that the commitment is part of the attitudinal loyalty. This understanding can also be seen from loyalty operations per dimensions identified by Bardauskaite (2011) as Table 1.

Table 1: Operations of Loyalty per dimension

Dimension	Loyalty Operationalization	
Behavioral	Behavioral Intentions	Intention to repeat patronage, an expectation of continuity, continued patronage, future usage, propensity or intention to stay
		Intention to increase patronage, intention to expand business
		Intention to contract renewal
		Cooperation
		Propensity to leave or switch
		Intention to wait for services
		Intention to invest
		Intention to cross-purchase
	Actual purchase behavior	Spending on preferred brand/total spending on all brands in category
		Switching Behavior
Attitudinal		Word-of-mouth, recommendations, referrals (intentions or behavior)
		Commitment
		Long-term relationship
		Loyalty to employee (affection, similarity, care, commitment)

In the context of Relationship Marketing in the B2B market, the concept of loyalty can be seen in the levels of loyalty (loyalty ladder) are sourced from Christopher *et al.* (1991), Payne *et al.* (1995) and McDonald and Christopher, (2003). In the RM concept, development relationships (relationship building), was defined as the long-term process. Consequently, marketers must develop a long-term development of the concept of loyalty by level ('a ladder of loyalty') to create the levels of relationships (relationship ladder),

Determinants of Loyalty

Antecedent of loyalty can basically be divided into two groups of factors. The first group is based on the perspective of psychological / affective response that is relational (trust, satisfaction and commitment) that determine loyalty, and the second is the perspective of economic / rational as switching costs and the attractiveness of the alternative to continue the relationship (Huang *et al.*, 2008). The majority of the literature to test the two groups and this factor also is the reference in this study.

Customer Value, Service Quality and Customer Satisfaction

Customer Value is a comparison between the received the attribute given to the process of exchange in marketing or a comparison between the benefits received compared to the cost incurred. Customers are loyal to the company survive if the perceived value received is greater than the value provided by competitors (Lam *et al.* 2004).

Rauyruen and Miller (2007) suggested that a high perception of the service quality is a very important factor that determines the future business as existing customers provide positive WOM and appreciate the buyer-supplier relationship. Consequently, is that service quality is needed as a condition of support for the successful long-term relationship in a competitive environment in the B2B services (Huang *et al.* 2008).

Satisfaction can be defined as a condition that consumers get the results of the overall evaluation of the relationship building aspect (Savert, 2002 in Casalo *et al.* 2011) and it has been considered as a key antecedent of trust (Bauer *et al.* 2002; Garbarino and Johnson, 1999). Several authors note, the biggest buyer satisfaction can create a higher level of trust. Thus it can be said that

trust in a company or product would be great if the level of satisfaction with the products provided by the company we are also larger. Thus, the level of trust as a consequence of the capacity of the company to satisfy customer needs (Selnes, 1998).

Trust

Trust is defined as the confidence (confidence index) in the desire to maintain trade relations / trade (Morgan and Hunt, 1994). Wilson (2007) noted that in many models of relationship, trust considered as the basic concepts and the relationship has always been the key to success. There are two definitions of trust that is often cited is the definition of Moorman *et al.* (1992) and Morgan and Hunt (1994). Moorman *et al.* (1992) defines trust as "a willingness to rely on an exchange partner in Whom one has confidence". Meanwhile, Morgan and Hunt (1994), defines trust as 'when one party has confidence in an exchange partner's reliability and integrity'. They are actually the same definition, but Morgan and Hunt out the word 'willingness' because they believe the word is not adding value to the definition.

Doney and Cannon (1997) build upon the literature of social psychology and equally defines trust as 'perceived credibility and benevolence of a target of of trust'. Important aspect of this definition is the concept of trust as 'belief, feeling or expectation about an exchange relationship ('an exchange partner'), which can be judged from the expertise, reliability and intentions of the partner. This definition reflects the two components of trust: credibility and kindness (benevolence). Credibility reflects the confidence the buyer that the seller has sufficient expertise to carry out the work effectively and reliably. Benevolence, confidence reflects the intention of the seller and the buyer that is beneficial to the buyer's motive (Ganesan, 1994).

Communication and Information Sharing

Communication is the number, frequency and quality of information sharing both formal and non-formal inter-exchange partner (Morgan and Hunt, 1994; Palmatier *et al.* 2006). This construct plays a big role in solving problems or disputes, aligning goals and opportunities to create new value. To achieve good output, high-quality communication should; relevant, timely and reliable: this is emphasized at every level of the organization and must flow both directions (Friman *et al.*, 2002). Palmatier *et al.* (2006) found that communication is one of the strategies to build relationships that are very effective. Suppliers can be more flexible and adaptive to the needs of the customer if the communication can be done with high quality (Hartmann and De Grahl, 2011).

Value Creation and relationship Development Strategy

In the context of Relationship Marketing, Shirshendu *et al.* (2009) argued that the aim of RM is to obtain long-term positive effects on the business with optimum use of resources through constant interaction, network expansion and cooperation among all members involved (employees, customers, suppliers, business partners, etc..) with full commitment to creating superior value for all the stakeholders in a trusted environment.

Zeithaml *et al.* (2009) suggested that in Relationship Marketing, there are several factors that influence the development of strong customer relationships (loyalty). The factor called the Relationship Drivers consisting of Switching Barriers (customer inertia and switching costs), Core Service Provision (satisfaction, perceived service quality and perceived value) and Relationship Bonds (financial bonds, social bonds, customization bonds and structural bonds).

Previous Research Studies

Fiol (2009), states that loyalty is a key variable to study the long-term relationship between the companies. The current development of the marketing services (services marketing), customers

consider that the perceived value and satisfaction is a central point for explaining customer loyalty as Figure 1.

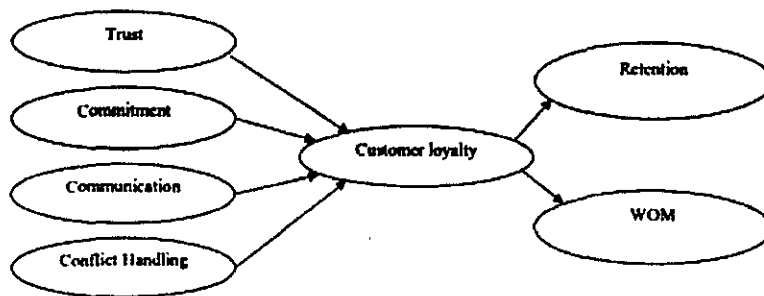
Figure 1: Model of Perceived Value, Satisfaction and Loyalty



Source: Fiol (2009)

According to Sohail (2012), The Antecedents of Customer Loyalty in Relationship Marketing is as Figure 2.

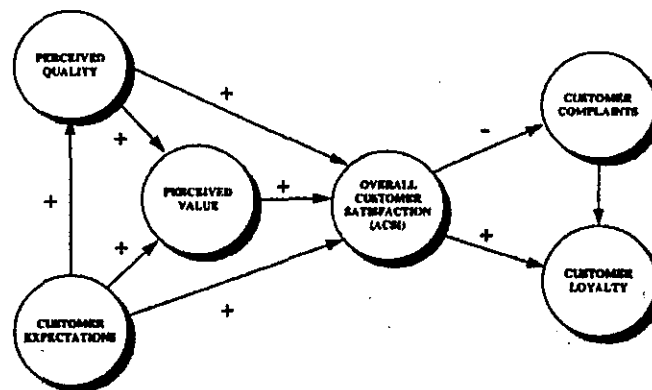
Figure 2: Antecedents Relationship Marketing and Customer Loyalty



Source: Sohail (2012)

Fornel *et al.* (1996), previously introduced a model of the American Customer Satisfaction Index (ACSI) in which the measurement model is based on the concept of customer satisfaction, as Figure 3.

Figure 3: Model of the American Customer Satisfaction Index (ACSI)



Source: Fornel *et al.* (1996)

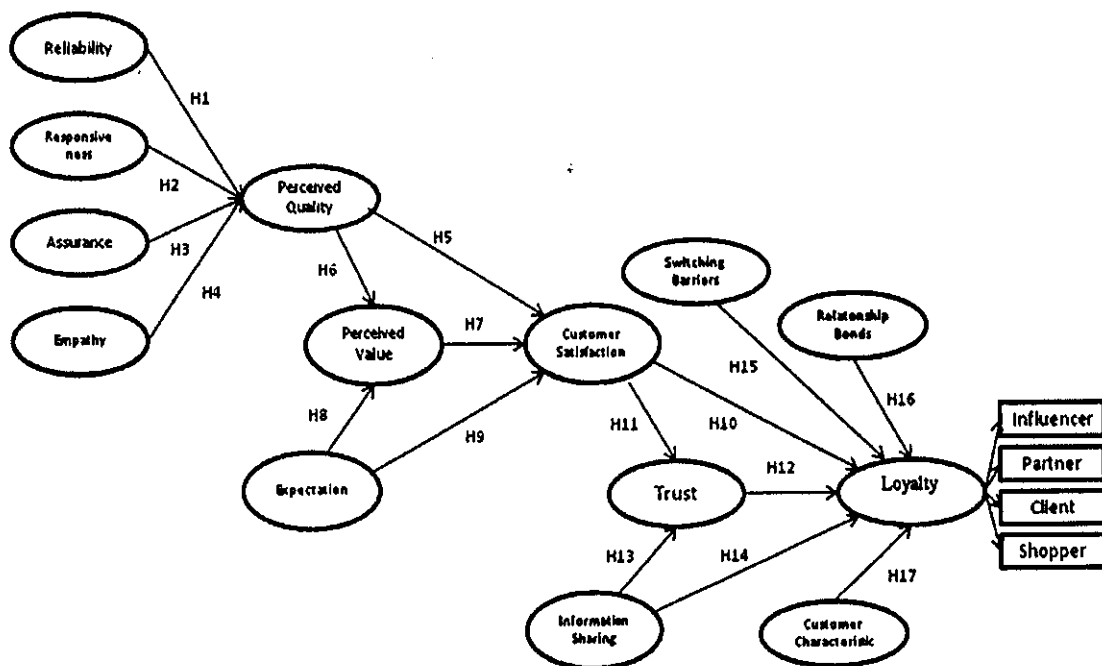
Conceptual Framework and Hypothesis Development

Based on the study of literature, conceptual framework formulated relationships influencing factors (antecedent) customer loyalty (Customer Loyalty) on B2B services provider of professional services in particular with the following hypothesis:

H1: Reliability has a positive effect on Perceived Service Quality

- H2: Responsiveness has a positive effect on Perceived Service Quality
 - H3: Assurance has a positive effect on Perceived Service Quality
 - H4: Empathy has a positive effect on Perceived Service Quality
 - H5: Perceived service quality has a positive effect on customer satisfaction
 - H6: Perceived service quality has a positive effect on perceived value.
 - H7: Perceived value has a positive effect on customer satisfaction
 - H8: Expectation has a positive effect on Perceived Value
 - H9: Expectation has a positive effect on customer satisfaction
 - H10: Customer Satisfaction has a positive effect on trust
 - H11: Customer satisfaction has a positive effect on customer loyalty
 - H12: Trust has a positive effect on customer loyalty
 - H13: Information Sharing has a positive effect on trust
 - H14: Information Sharing has a positive effect on customer loyalty
 - H15: Switching Barriers has a positive effect on customer loyalty
 - H16: Relationship bonds has a positive effect on customer loyalty
 - H17: Customer Characteristic has a positive effect on customer loyalty
- Based on the things mentioned above, then made the following conceptual framework:

Figure 4: Conceptual model of the Company-Customer Relationship



3. Methods

Location and Time Research

This research was conducted on exporting companies / coal mining surveyor independent service users in Indonesia as Indonesian Coal Mining Association members (APBI), which was recorded in 2012 and will be implemented collection of data from respondents in April - June 2013. In addition, research conducted also to coal trading companies (traders) and the direct purchaser (buyer) an international scale in Indonesia.

Data Collection Methods

This study categorized as quantitative research conducted by a review of the literature, the concept of empirical research and understanding of the research object. Work plans and research processes arranged systematically, starting from literature, industry-review, interviews and ends with the formulation of the research results.

Sampling Methods

The target population in this study is a coal mining company as exporters producers that are members of the Association of Indonesian Coal Mining (ICMA), traders and the purchaser (buyer). The unit of analysis is the company that in any measurement is represented by the use of decision makers in the corporate survey services.

Sample is the 75 respondents interviewed from each company ICMA member firms. Criteria of respondent is head of the company, management level or senior staf who contribute or influence the purchase decision in each company. Meanwhile, respondents from traders taken based on the number of traders operating in Indonesia and the buyer is taken by 5 companies in accordance 5 countries the dominant buying coal from Indonesia.

Sampling conducted by purposive sampling method. This technique is selected according to the research objectives which require respondents are decision-makers in a particular company that represents a group of companies which service users survey covering coal mining company as manufacturer exporters, trading companies (traders) and direct corporate buyers (end-buyer) coal.

Method of Measurement

Data were collected through questionnaires to the respondents predetermined targets. The data will be collected to measure latent variables and indicators as described in Table 2.

Table 2: Data Types, Variables, Indicators and Data Sources Research

Data	Latent Variabel	Indicator	Source
Primary data	a. <i>Reliability (Relia)</i>	<i>Accuracy, Expertise, Delivery</i>	Results of interviews with decision makers from each of the mining companies, traders and buyers of coal.
	b. <i>Responsiveness (Respon)</i>	<i>Informativeness, Speed, Supportiveness</i>	
	c. <i>Assurance (Assure)</i>	<i>Reputation, Security, Competency</i>	
	d. <i>Empathy (Empath)</i>	<i>Individual Attention, Understanding, Flexibility</i>	
	e. <i>Perceived Quality (PQ)</i>	<i>Customer's feeling, Performance</i>	
	f. <i>Perceived Value (PV)</i>	<i>Price-Quality Ratio, Customer's reaction to price</i>	
	g. <i>Expectation (Expectt)</i>	<i>Philosophies, Needs, Perceived Services Alternatives, Service Promises, Past Experience</i>	
	h. <i>Customer Satisfaction (CS)</i>	<i>Service features, Customer Emotion, Perception of Equity</i>	
	i. <i>Trust (Trst)</i>	<i>Credibility, Integrity, Benevolence</i>	
	j. <i>Information Sharing</i>	<i>Informal Sharing, Meaningful Information, Timely Information</i>	
	k. <i>Switching Barriers</i>	<i>Legal bond, Economic bond, Technological bond, Geographical bond, Time bond</i>	
	l. <i>Relationship Bonds (RelBnds)</i>	<i>Knowledge bond, Social bond, Cultural Bond, Ideological bond, Psychological bond</i>	
	m. <i>Customer Characteristic (CC)</i>	-	
	n. <i>Loyalty</i>	<i>Influencer, Partner, Client, Shopper</i>	

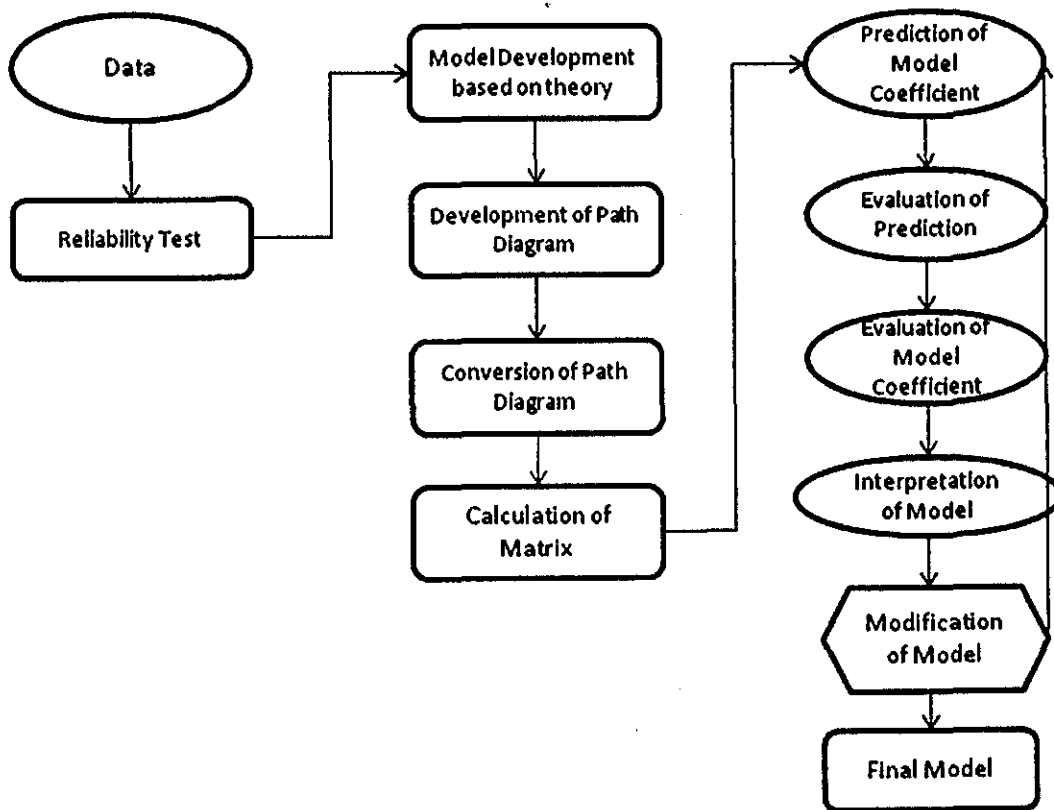
Secondary data	a. <i>Company Profile Organizational Structure and mines, traders and buyers</i>		Company financial report
	b. <i>Networking and business development plans</i>		
	c. <i>International trade patterns</i>		

Above variables, either exogenous or endogenous latent variables measured by the number of questions in which each question is made in accordance with the indicators given the response by using a Likert scale between 1 to 5 scale, where 1 = strongly disagree and 5 = strongly agree.

Processing and Data Analysis Methods

In this study, the method of analysis that will be used include Descriptive Statistics and modeling with the Structural Equation Model (SEM) to confirm the model that has been built. Stages of analysis to be performed described in Figure 5 below:

Figure 5: Stages of Data Analysis



Structural Equation Modeling (SEM)

SEM analysis aims to test and statistical models in the form of causal models. SEM analysis is based on the analysis Confirmatory Factor Analysis (CFA), a method that combines the correlation analysis, regression analysis, traffic analysis and factor analysis (Suharjo, 2007). While the software used in the SEM analysis was LISREL 8.5.1.

Type and Interpersonal Variables

Types of variables consists of independent variables are variables that describe or affect other variables (exogenous variables with the indicator 'x') and the dependent variable, ie the variable that explained or influenced by the independent variables, but also can be a variable that affects the (independent) in equation another (also called endogenous variables with the indicator 'y').

Direct relationship between the independent variables with the dependent variables can also be influenced by other variables such as moderating variables, ie variables that have an influence on the nature or direction of the relationship between variables and intervening variables, ie variables that affect the relationship between the independent variables with the dependent variables to be an indirect relationship.

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