



THE ROLE OF CUSTOMER SATISFACTION ON THE EFFECT OF SERVICE QUALITY AND CORPORATE IMAGE ON CUSTOMER LOYALTY

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ABSTRACT

This study tested and analyzed the effect of service quality and corporate image on customer loyalty by mediating customer satisfaction with customers of PT. Bank Rakyat Indonesia (Persero) Tbk. Bondowoso branch. The sample used in this study amounted to 172 respondents with a sampling technique that is purposive sampling. The data analysis used in this study is partial least square with the help of smartpls 3.0 software. The results of this study indicate that all direct influences on each pathway are significant. Customer satisfaction acts as a partial mediation on the effect of service quality and corporate image on customer loyalty.

Keywords: service quality, corporate image, customer satisfaction, customer loyalty

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INTRODUCTION

The world of banking is currently experiencing a competitive process demanding that every bank must retain customers and get new customers. Banks are financial institutions that are tasked with collecting funds from the public in the form of deposits and channeling in the form of loans to people who need funds. In the world, the banking industry in Indonesia has experienced very rapid development, in addition to the competitive situation of the business world which is increasingly tighter. Each bank is required to strive to create a sustainable competitive advantage in dealing with the emergence of new games (competitors) that are engaged in the banking industry. The ability of banks to compete occurs because of the struggle for productive resources, for example in deposits, savings, and lending which are sources of income from the bank. Many competitions are carried out by banks to attract more customers, namely in the form of gifts or promotions. Also, according to Widyastuti & Armanto (2013) competition can also take the form of new products and types of services supported by current technological developments. This is indicated by the emergence of new products with

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various attributes possessed by each bank such as providing high-interest rates, credit guarantees, various prizes, online facilities, phone banking, automatic teller machines (ATMs), and other facilities.

Customer loyalty in a bank is very important for banks because the loyalty of bank customers can win the increasingly fierce competition in the service business that is so fast-changing in the era of disruption and can survive and develop in the long term. As an important basis for customer loyalty, the Infobank Research Bureau with Marketing Research Indonesia (MRI) in 2018-2019 researched to measure the level of customer loyalty to the bank of choice. The research results indicated by PT. Bank Rakyat Indonesia (Persero) Tbk. in fifth place, this shows that the customer loyalty of PT. Bank Rakyat Indonesia (Persero) Tbk. still under other banks such as Bank Mandiri, Bank Danamon, Bank Central Asia, and Bank Negara Indonesia. The task for PT. Bank Rakyat Indonesia (Persero) Tbk. to increase customer loyalty, because loyal customers will increase the collection of funds for banks, in the form of demand deposits, savings, time deposits and other forms of savings, or launch bank funds in the form of loans or other services that generate income for banks.

Customer loyalty is a commitment that is needed by the company. According to Kotler & Keller (2012) states that there are six reasons why a company needs to get loyalty from its customers. First, customers are more prospective, which means loyal customers will give a big advantage to the company. Second, the cost of acquiring new customers is far greater than the cost of maintaining and retaining existing customers. Third, customers who already trust the company on an issue tend to be efficient if they have many loyal customers. Fourth, the institution's operating costs will be efficient if many have loyal customers. Fifth, companies can reduce the psychological and social costs caused by old customers who have had a lot of positive experience in the company or company products. Sixth, loyal customers will always defend the company and even try to attract and advise others to become customers.

LITERATURE REVIEW

Service Quality

Service quality is often conceptualized as a comparison of expectations with perceptions of the actual performance of these services (Zeithaml & Bitner, 2003). Quality must begin with customer needs and end with customer perceptions (Kotler & Keller, 2012). This means that the image of good quality is not based on the point of view or perception of the service provider, but based on the perspective on customer perceptions. Customers who will consume and enjoy the services of the company so that customers should determine the quality of services. The perceived value of quality is a comprehensive assessment of the superiority of service. service quality in this study adopted from Chalabi & Turan (2017); Farooq et al. (2018); states that measurement of service quality consists of tangibles, reliability, responsiveness, assurance, empathy.

Corporate Image

A broader definition of the corporate image is expressed by Abd-El-Salam et al. (2013), namely the general impression left in the minds of consumers as a result of a collection of feelings, ideas, attitudes, and experiences with companies that are stored in memory. The impression is then transformed into a positive or negative image according to the feelings and experiences of consumers in the company. Both positive and negative

images will then be recalled when the name of the company is heard or carried into consumer memory. The Corporate image in this study adopted from Kotler & Keller (2012) there is indicators in determining the corporate image, namely: personality, reputation, value, and corporate identity.

Customer Satisfaction

According to Kotler and Keller (2012), in general, satisfaction is the feeling of being happy or disappointed someone who arises because it compares the perceived performance of the product (or result) to their expectations. If performance fails to meet expectations, customers will be dissatisfied. If performance is by following expectations, customers will be satisfied. If the performance exceeds expectations, customers will be very satisfied or happy. Customer satisfaction in this study adopted from Aydin & Ozer (2005) that there are indicators in determining customer satisfaction, namely: overall satisfaction, expectation, and experience.

Customer Loyalty

Wulf et al. (2001) define loyalty as the amount of consumption and frequency of purchases used by a consumer of a company. Whereas according to Sheth & Mittal (2004) that customer loyalty is a customer's commitment to a brand, store, or supplier based on a very positive attitude and reflected in consistent repurchases. Customer loyalty in this study adopted from Cham & Easvaralingam (2011) that in the process of measuring customer loyalty can use three indicators, namely: belief, repast saving, and recommend to others.

HYPOTHESIS

There is a relationship between service quality on customer loyalty (Chalabi & Turan, 2017; Ganguli & Roy, 2011; Kampakakia & Papathanasiou, 2016; and Minh & Huu, 2016). In the research of Chalabi & Turan (2017) which aims to provide an understanding of how to create and capture value for customers and then strengthen customer loyalty towards the financial services provided. The results of the study showed a positive significant effect between service quality and customer loyalty. Furthermore, Kranias & Bourlessa (2013) research states that service quality in today's turbulent economic environment is a priceless asset that must be managed by banks to survive and gain competitive advantage, so that service quality provided by the company can have a significant impact on the customer loyalty. So, the hypotheses taken in this study are:

H₁: Service quality significant and positive influence on customer loyalty

There is an influence between corporate image and customer loyalty (Aziz, 2018; and Lu & Cai, 2009). Research by Aziz (2018) which shows that corporate image is positively related to customer loyalty in shipping services in Islamic banking in Malaysia. This supports previous research which stated that corporate image is a major influence on customer loyalty in the Islamic financial banking services sector. This finding also reinforces that the customer's feeling about service providers to pay attention to customers where customer loyalty is based on corporate image and commitment. The next study was carried out by Nguyen et al. (2018) on its findings indicate that life insurance service providers must focus on improving service quality and corporate image to obtain customer satisfaction that leads to customer loyalty. So, the hypotheses taken in this study are:

H₂: Corporate Image has a significant and positive effect on customer loyalty

There is a relationship between service quality and customer satisfaction (Ganguli & Roy, 2011; Kaura et al. 2015; and Minh & Huu, 2016). Ganguli & Roy (2011) show that the four dimensions of service quality are technology-based which has a positive and significant impact on customer satisfaction. This is an effort of the company to offer more focused services to increase customer satisfaction. Kaura et al. (2015) aim to examine the extent to which service quality can influence customer satisfaction, and the results show that service quality has a positive influence on customer satisfaction. So, the hypothesis that can be taken in this study are:

H₃: Service quality has a significant and positive effect on customer satisfaction

The corporate image affects customer satisfaction (Nguyen et al., 2018; Roche, 2014; and Cameran et al., 2009). Nguyen et al. (2018) show that direct corporate image relations have a significant effect on customer satisfaction on life insurance services in Vietnam. Furthermore, Cameran et al. (2009) which aims to explore the impact of corporate image and service quality on customer satisfaction in the professional service industry. So, the hypothesis that can be taken is:

H₄: Corporate image has a significant and positive effect on customer satisfaction

In the study of Seiler et al. (2013) show that customer satisfaction has a strong positive impact on customer loyalty. Furthermore, the Belás & Gabcová (2016) study aims to examine customer satisfaction, customer loyalty, and financial performance models of commercial banks in the Czech Republic. This survey was conducted on 459 respondents. The results of this study found that customer satisfaction is capable of impacting customer loyalty and this is in return for potential additional purchases from customers. So, the hypothesis that can be taken is:

H₅: Customer satisfaction has a significant and positive effect on customer loyalty

Caruana (2002) in his research stated that service quality has a significant influence on customer loyalty both directly and indirectly through among others through customer satisfaction. The relationship between service quality and customer loyalty can be in the form of a direct relationship or indirect relationship, namely by using customer satisfaction mediation. In the end, satisfied customers will show their loyal attitude, namely recommending service quality that is given by the company to others.

H₆: Customer satisfaction mediates the effect of service quality on customer loyalty

Gronross in Jasfar (2005) defines that corporate image as a representation of valuations from customers, both potential and disappointed. This customer assessment varies, both between individuals and between groups. The same was found in the study of Nguyen et al. (2018) who found that life insurance service providers or in this case services must focus on building and maintaining a corporate image to obtain customer satisfaction and then it will lead to customer loyalty. so, the hypothesis that can be taken is:

H₇: Customer satisfaction mediates the influence of corporate image on customer loyalty

METHODS

The type of research used in this study is explanatory research. Explanatory research is research to explain the position of the variables under study and the relationship between one variable and another (Sugiyono, 2014). The target population of this study is savings customers from PT. Bank Rakyat Indonesia (Persero) Tbk. Bondowoso branch. Ferdinand (2014) outlines some general guidelines that can be used to determine the number of samples to be taken in a study. One of them is SEM analysis requires a sample of at least 5 times the number of parameter variables to be analyzed. If in the Chi-Square test the SEM model is sensitive to the number of samples, good samples are needed ranging from 100-200 samples for the maximum likelihood estimation technique. Based on these guidelines, the number of sample members in this study is determined by multiplying the number of parameter variables by 5. The number of parameter variables that exist in this study is 35, then the number of sample members determined in this study was 175. The sampling technique was purposive sampling. Data collection techniques using a questionnaire.

The approach of inferential statistical data analysis used in this study is Partial Least Square (PLS). Ghazali (2006) argues that PLS is an alternative approach that shifts from the approach of The Structural Equation Model (SEM) to covariant-based variants. SEM generally tests causality or theory, while PLS is more predictive (Abdillah & Hartono, 2015)

RESULTS

Based on the test results of 172 questionnaires that can be processed with SmartPLS 3.0 software, it can be seen the t-statistic value on the direct influence of each variable.

Service quality has a significant and positive effect on customer loyalty with t-statistics more than t-table ($2.610 > 1.96$), then H_1 is accepted. The corporate image has a significant and positive effect on customer loyalty with t-statistics more than t-table ($2.398 > 1.96$), then H_2 is accepted. Service quality has a significant and positive effect on customer satisfaction with t-statistics more than t-table ($2,307 > 1.96$), then H_3 is accepted. The corporate image has a significant and positive effect on customer satisfaction with t-statistics more than t-table ($8,350 > 1.96$), then H_4 is accepted. Customer satisfaction has a significant and positive effect on customer loyalty with t-statistics more than t-table ($9,017 > 1.96$), then H_5 is accepted. Based on indirect influence, customer satisfaction can be mediated on the effect of service quality on customer loyalty, namely with t-statistics more than t-table ($2.217 > 1.96$), then H_6 is accepted. Customer satisfaction can be a mediation on the influence of corporate image on customer loyalty, namely with t-statistics more than t-table ($5,801 > 1,96$), then H_7 is accepted. Based on the results of indirect testing of these two lines, customer satisfaction acts as a partial mediation.

DISCUSSION

The results of this study support the results of previous studies conducted by Chalabi & Turan (2017); Ganguli & Roy (2011); Kampakakia & Papathanasiou (2016); and Minh & Huu (2016), who found that service quality can affect customer loyalty. Chalabi & Turan (2017) which states that service quality is one way to create and strengthen customer loyalty towards financial services. Ganguli & Roy (2011), tested the dimensions of service quality related to technology-based banking to be able to improve customer loyalty. The service process at the bank must be carried out continuously without interruption because the bank works on the principle of trust. When the value of a trust is high, it makes customers feel satisfied and ultimately customers become loyal. However, the findings of this study do not support the findings of Orel & Kara (2013) and Lee & Kao (2015) that service quality does not significantly influence customer loyalty. The difference in research results can be due to differences in customer perceptions of the banking company and the social conditions of the community in each different region.

The results of this study support the results of previous studies conducted by Aziz (2018) and Lu & Cai (2009) who found that corporate image can influence customer loyalty. Aziz (2018) states that the corporate image has a large influence on customer loyalty in the Islamic financial banking services sector. This characteristic of corporate image becomes a characteristic of a banking company that is closely related to the services provided to customers. However, the results of this study contradict the previous research conducted by Saputra (2013) who found that corporate image has a negative effect on customer loyalty, meaning that when corporate image the better the customer loyalty gets lower.

The results of this study support the results of previous studies conducted by Ganguli & Roy (2011; Kaura et al. (2015); and Minh & Huu (2016), who found that service quality can affect customer satisfaction. Ganguli & Roy (2011) stated that the service quality dimension can be used as a lever to improve service quality felt by technology-based banking and then be used to improve customer satisfaction, so it can be concluded that service quality at the service level, especially banking, is the spearhead to provide satisfaction to its customers. The results of this study corroborate the research conducted by Nguyen et al. (2018); Roche (2014); and Cameran et al. (2009) which shows that corporate image influences customer satisfaction. Cameran et al. (2009) found that the impact of corporate image on service industries is very large, this is evident that the corporate image in the form of real effectiveness of the company is the most important factor that explains customer satisfaction.

The findings in this study are in line with previous studies conducted by Belás & Gabcová (2016) and Seiler et al. (2013) who found that customer satisfaction affects customer loyalty. These results indicate that the ability of the company as a whole both directly and indirectly can provide a feeling of customer satisfaction so that customers provide positive value to the company. This finding also supports the results of the Karnias & Bourlessa (2013) study and Cristobel et al. (2007) which states that service quality does not directly affect customer loyalty but through mediation. Then, Caruana (2002) found that customer satisfaction acts as a mediation on the effect of service quality on customer loyalty. So that it can be concluded that customer satisfaction has an important role in improving service quality that is felt by a customer to be able to increase the customer loyalty.

The results of this study are in line with previous studies conducted by Nguyen et al. (2018) who found that customer satisfaction as a mediation on the influence of corporate image on customer loyalty. Besides, the results of this study indicate that customer satisfaction is useful for bridging corporate image and customer loyalty relationships. That is, when a customer is satisfied with the image of a company entrusted with some of his assets, then the customer has the trust and desire to continue making transactions with the company.

CONCLUSION

Service quality can improve customer loyalty. The better the service quality provided to customers, the higher the level of customer loyalty. Customer ability of PT. Bank Rakyat Indonesia (Persero) Tbk. Bondowoso branch in assessing the level of service received by looking at the physical form, reliability, responsiveness, assurance, and empathy able to increase customer loyalty to the company. Corporate image can increase customer loyalty. The better the corporate image in the eyes of the customer, the higher the level of customer loyalty. The ability of PT. Bank Rakyat Indonesia (Persero) Tbk. Bondowoso branch in emerging identity such as corporate characteristics, reputation, company value, and corporate identity can improve customer loyalty to customers.

Service quality can improve customer satisfaction. The ability of employees of PT. Bank Rakyat Indonesia (Persero) Tbk. Bondowoso branch in answering customers' questions is easily understood so that customers feel that trusting the company and the services provided are felt safe by customers, able to give a good impression to customers and increase customer satisfaction to the company. The corporate image can improve customer satisfaction. The ability of PT. Bank Rakyat Indonesia (Persero) Tbk. Bondowoso branch in providing more comfort than other banks and the company's reputation that is very good in the eyes of customers can have a great influence on the customer's satisfaction with the company.

Customer satisfaction can increase customer loyalty. The satisfaction obtained by customers of PT. Bank Rakyat Indonesia (Persero) Tbk. Bondowoso branch during the transaction with the company in terms of service, product, and image plays an important role in increasing customer loyalty to the company. Customer satisfaction can mediate the effect of service quality on customer loyalty. This shows that the satisfaction felt by the customers of PT. Bank Rakyat Indonesia (Persero) Tbk. Bondowoso branch because service while being a customer encourages customers to trust, continue to transact, and recommend to others as a form of customer loyalty to the company. Customer satisfaction can mediate the influence of the corporate image on customer loyalty. This shows that the satisfaction felt by the customers of PT. Bank Rakyat Indonesia (Persero) Tbk. Bondowoso branch based on perceptions of company image in the eyes of the public can be one of the factors that benefit companies in increasing customer loyalty to the company.

Suggestions from researchers for the management of PT. Bank Rakyat Indonesia (Persero) Tbk. Bondowoso branch, to further improve service quality that is given continuously because service is the spearhead to attract customers. This relationship is emphasized to increase customer satisfaction because if the customer is satisfied, the

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customer will be more loyal to the company. For the next researcher, to consider the respondents used are not only saves customers but all or other types of customers such as current accounts, customers, deposits, mortgage customers, credit customers, and so on. With different types of customers, the forms of measuring service quality, corporate image, and customer satisfaction differ in influencing customer loyalty. Besides, further researchers are expected to also consider other variables related to customer loyalty such as trust, self-service technology or CRM at PT. Bank Rakyat Indonesia (Persero) Tbk.

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