Exact Strategies to Increase Indonesian's Millenial Customer Loyalty towards Digital Banking Product

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A R T I C L E I N F O	ABSTRACT
Keywords: Service Quality Perceived Ease of Use Customer Satisfaction Customer Loyalty	The appearence of digital and millennial disruption in Indonesia has been affected to banking competition particularly at digital banking. This forced the banks should implement various right strategies to keep customers out of this competition. This research aims to revealed the right strategy to increase millennial customer loyalty towards digital banking through service quality and perceived ease of use, likewise to customer satisfaction as an intervene. This research included in causality type with descriptive quantitative method processed by SEM-LISREL to examined the hypothesis. The sample was 400 respondents spread throughout Indonesia. The technique used non-probability sampling with snowball type. Research found that service satisfaction and perceived ease of use affects the increasing in millennial customer loyalty either directly or indirectly. Customer satisfaction has direct affect to increase customer loyalty. Service satisfaction and perceived ease of use affects in achieving millennial's expectation. Appropriate strategy to use to improve customer loyalty based on this research is by develop digital banking services that worthy and irreplaceable to reached sustained competitive advantage and creates algorithms learning machine to accommodate banking information in one mobile application which is reliable and convenient.
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1.   Introduction

The terms that relate to digital banking has become a widely discussion in recent years. This topic is increasingly relevant to the banking world near future which affected by digital and millennial disruption. It is undeniable that almost all the banks have an ambitions and compete on digital banking through a revolution in the aspect of customer interaction (OECD, 2020). The inter-bank competition was triggered by changes in banking consumer behavior which dominated by the millennial generation, a very high internet usage in Indonesia and the enthusiasm of customers to use digital services (Citradi, 2019; Kumparan, 2017).

These phenomenon are also proven by data from Bank Indonesia which stated that the circulation of electronic money in Indonesia continues to increase since 2013 to 2019 (Bank Indonesia, 2020). However, in recent years the financial technology industry has become increasingly widespread and poses a threat to players in the domestic banking sector (Citradi, 2020). A survey conducted by Morgan Stanley showed that 20% of millennial respondents in Indonesia has choosen the financial technology services, compared to digital banking which only shows at 6%. The research noted that over the past year, digital transactions from fintech rose to 55% yoy, far ahead from the banks which only rose at 41% (Khadafi, 2019). This certainly inseparable from the ease on the opening financial technology accounts and less rule (Rakyat Merdeka, 2020).

Small number of digital banking users shows that there is a lack of customer loyalty to the bank, particularly from millennial generation. Through an observation process which carried out since June

2021 to January 2022, could be identified aspects which have crucial affect the loyalty of Indonesian's millennial in using digital banking and it seens that mostly of them felt less please with digital banking in Indonesia. This dissatisfaction mainly caused by poor service quality and the use of digital banking applications that are more complicated than financial technology applications.

Aaker (2000) and Oliver (1999) said that customer loyalty is an commitment held deeply by a customer to repeat/re-use products/services continuously in the future (Karunaratna & Kumara, 2018). Griffin (2002) and Oliver (1999) said that customer loyalty also refers to someone unwavering commitment to build and support their preferred product/service in the future to fulfill his or her needs (Rai & Srivastava, 2012). Customer loyalty could be seen as the strength correlation between individuals attitudes and repeat purchases, so companies need to focus on the value of products, services and even beyond the performance of the products/services that they offer in order to encourage customers to repurchase (Rai & Srivastava, 2012; Tobe & Thomas, 2012). According to Griffin (2002), loyal customers will make daily purchase and unaffected by attractiveness from competitors (Rai & Srivastava, 2012). Loyalty will shaped customer character to be more loyal to use the product/service. Thus, it will affect in increasing the company profits (Karunaratna & Kumara, 2018).

Several previous research were explained if service quality affects the customer satisfaction and loyalty (Darmawan et al., 2018; Kencana, 2020; Triyadi, 2020). Service quality has no affect to consumer satisfaction, but it affects on increasing consumer loyalty, consumer satisfaction also play role as mediating in affect the service quality to consumer loyalty (Soliha et al., 2019). Perceived ease to use has a direct and indirect affect to loyalty through satisfaction (Prabaningtyas & Andjarwati, 2014). Perceived ease to use and trust will affect the increasing customer satisfaction, but no with its loyalty (Tu et al., 2012).

DeLone & McLean (2003) and Petter et al. (2008) said that service quality is the overall support which service providers offer to their users to ensure the system could be applied both internally and externally (Falgenti & Pahlevi, 2013). Service quality is one of the important factors to captivate and maintenance customers cause service quality is an reflection of increasing customer satisfaction and expectations. Therefore, companies needs to minimize the gap between service quality and customer expectations and develop service quality to build an advantage (Kotler & Keller, 2018; Ladhari & Leclerc, 2013). Nur & Fritantus (2021) stated that good service quality has at least tangible, reliability, responsiveness, assurance, and empathy. Good customer service will provide knowledge and technical capacity, likewise with kindliness and civility to customers (Cook, 2017). Thus, good service quality will amaze customers and create bondage between customers and company (Evenson, 2018).

Davis (1989) and Mathieson (1991) said that percieved ease of use is a person's belief in technology/system that can be used easily and free from issue and also will not harm individual (He et al., 2018). The perceived ease of use also can be refers to a someone feeling of new technological innovations which considered easier to understand and use therefore it will lift the benefits easily (He et al., 2018). Consult (2002) added that the driving factors for the growth of electronic banking are revealed by perceived convenience which combine with tranquil provided to them, such as easy internet access, availability of secure electronic banking functions, high standards and need for banking services (Selase & Benedict, 2021). Davis (1989) described that the ease of use of an information system could be assess from several indicators, such as (1) Effortless to operate; (2) create efficiently for users; (3) adding users' capability (He et al., 2018).

Customer satisfaction is main indicators to reveal the successful in and its markets in order to fulfill customer needs (Suardana & Ridwan, 2021). Customer satisfaction is declared as a form of whole assessment that carried out by company related to someone's purchase experience of the product/service and continously felt from time to time (Mithas et al., 2016). Customer satisfaction also could be said as someone's feelings related to the fulfillment of their expectations for the product/service purchased (Kotler & Keller, 2018). In some cases, customer satisfaction can be used as a barometer to predict future customer behavior and develop networks to reach a wider range of potential customers (Hague et al., 2016; Hill et al., 2017). Therefore, companies need to continue to strengthen good connection with customers by build customer trust for the products/services offered, so they will get positive feedback and will develop the products/services offered based on customer orientation (Hill et al., 2017; Mulcahy et al., 2015). Tumanggor (2020) on his book said that customer

satisfaction could be achieved through product quality, service quality, price, delivery time/distribution and security. The achievement of customer satisfaction is strongly affect by the company's views on realizing customer perceptions and expectations, so it will impact to the better development of business (Wirtz & Lovelock, 2016).

2. Method

This research were include in type of causality research with descriptive quantitative method. This research has been done during June 2021 to January 2022 as to identified those aspects related to millennial generation's loyalty in the use of digital banking. Research intention was to reveal the connection between service quality, perceived ease to use and customer satisfaction in affecting Indonesian's millennial generation's customer loyalty in using digital banking.

Criteria for this population and sample were should be millennial generation who were born between 1982-2000 according to the theory of Howe & Strauss (Agati, 2012). The sampling technique was snowball sampling with a total of 400 respondents who are digital banking users in Indonesia according to ages criteria.

The data collection technique used a questionnaire and distributed by Google Form to respondents and processed by SEM-LISREL with help of LISREL 9.0 to examine the hypothesis.
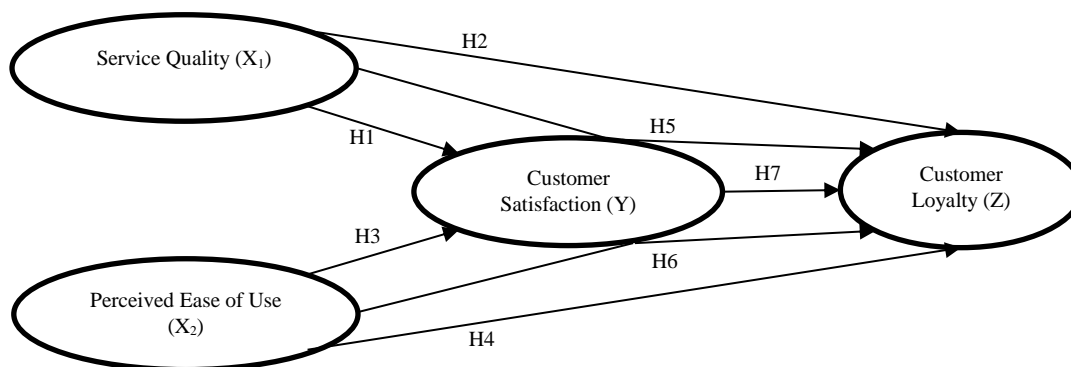
Figure 1. Conceptual Framework

Relates to conceptual framework, the research hypothesis could be conveyed as follow (1) service quality affects customer satisfaction, (2) service quality affects customer loyalty, (3) perceived ease to use affects customer satisfaction (4) perceived ease to use affects customer loyalty (5) service quality affects customer loyalty through customer satisfaction, (6) perceived ease to use affects loyalty through customer satisfaction and (7) customer satisfaction affects customer loyalty.

3. Result and Discussion

Evolved from 400 respondents' characteristics, it was found that the majority of respondents were women (54.5%) had an undergraduate degree (73.75%) and worked as private employees (40%). Meaning that the majority of millennial customers who use digital banking were female private employees who have good education background which make them need a digital banking application that make their life simply easy and fast.

Based on validity test, those indicator statements from research variables have Standardize Loading Factor value > 0.5, thus it can be illustrated that all of these statements were valid. Based on reliability test result, it shows that all research variables have CR value > 0.7 and VE value > 0.5. So the conclusion was the research variables were declared reliable.

Table 1
Reliability Test Results

Variable	Terms	
	CR ≥ 0.7	VE ≥ 0.5
Service Quality	0.99	0.88
Perceived Ease of Use	0.97	0.82
Customer Satisfaction	0.97	0.84
Customer Loyalty	0.97	0.85

Based on measurement model fit outcomes, was gained that Chi-Square = 1.781, df = 293, P-Value = 0.000, RMSEA = 0.053, and GFI = 0.90. Therefore, it could be stated as fit.

Table 2
Goodness of Fit Full Model

GoF Size	Result	
χ^2/df	1.781	Fit
RMSEA	0.053	Fit
RMR	0.017	Fit
GFI	0.90	Fit
NFI	0.99	Fit
NNFI	0.99	Fit
CFI	1.00	Fit
IFI	1.00	Fit
RFI	0.99	Fit
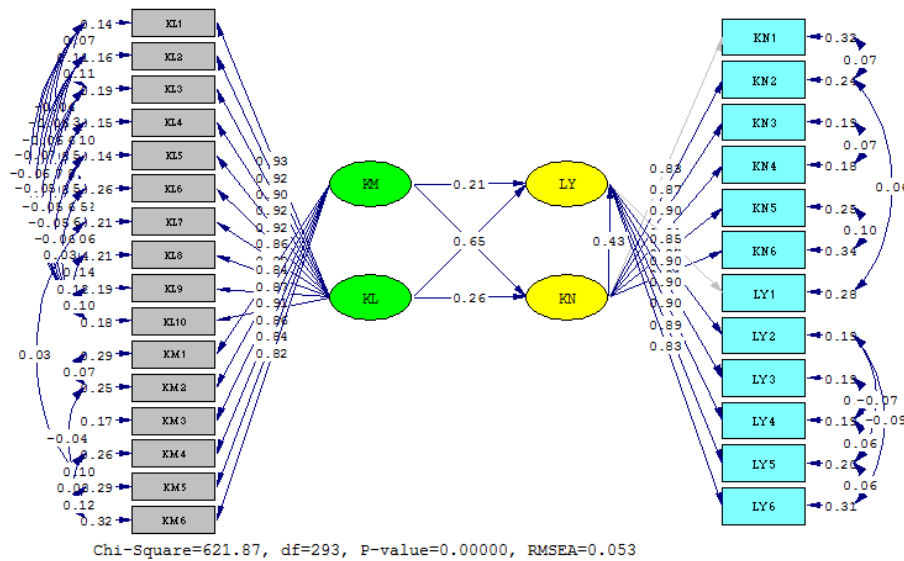
Chi-Square=621.87, df=293, P-value=0.00000, RMSEA=0.053
Figure 2. Structural Fit Model

According to R^2 test result, it showed that 88% of millennial customer loyalty can be explained through independent variables from this research, while the remaining of 12% was influenced by other variables outside of the research.

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Structural Equations


LY = 0.43*KN + 0.21*KM + 0.36*KL, Errorvar.= 0.12  , R² = 0.88
     (0.058)  (0.061)  (0.048)                (0.015)
      7.45     3.42     7.56                    8.02


KN = 0.64*KM + 0.26*KL, Errorvar.= 0.22  , R² = 0.77
     (0.067)  (0.060)               (0.027)
      9.56     4.30                   8.28
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Figure 3. Structural Equation Model

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The hypothesis test result was indicated that: Partially, the service quality and perceived ease of use have a positive and significant affect on customer satisfaction and customer loyalty; Partially, customer satisfaction were also has an positive and significant impact to customer loyalty. This proven by the presence of a T-value > 1.96 (T-table). This finding means that service quality, perceived ease of use and customer satisfaction are well necessary by banks in Indonesia to increase millennial generation customer loyalty in using the digital banking products.

The results from this research were also indicate that customer satisfaction are able to act as an perfect mediator to the impact of perceived ease of use on customer loyalty. These results are shown from the value of the indirect effect of perceived ease of use which is greater than its direct effect. However, in examine the indirect effect from service satisfaction to customer loyalty, then it shows different. Whereas the direct effect is greater than its indirect effect, so it can be concluded that customer satisfaction could only mediate the partial effect between service quality and customer loyalty.

Table 3
Hypothesis Test Results

Relationship	Estimates	T-Values	Information
Direct Effect			
Service Quality -> Customer Satisfaction	0.26	4.30	Positive & Significant
Service Quality -> Customer Loyalty	0.36	7.56	Positive & Significant
Perceived Ease of Use -> Customer Satisfaction	0.64	9.56	Positive & Significant
Perceived Ease of Use -> Customer Loyalty	0.21	3.42	Positive & Significant
Customer Satisfaction -> Customer Loyalty	0.43	7.45	Positive & Significant
Indirect Effect			
Service Quality-> Customer Satisfaction -> Customer Loyalty	0.11	3.72	Partially mediated
Perceived Ease of Use-> Customer Satisfaction -> Customer Loyalty	0.28	6.20	Fully mediated

3.1 Discussion

The research result which have been carried out has shown that there is a strong and positive impact which occured between service quality and customer satisfaction. This finding is in line with several previous research which stated that service quality affect the increasing in consumer (Darmawan et al., 2018; Kencana, 2020; Triyadi, 2020). This also confirmed that the theory from Kotler & Keller (2018) who defined the customer satisfaction will arise after obtaining service which lead to consumer expectations. This finding indicates that banks in Indonesia need to create new innovations in order to strengthening the digital banking services quality, so consumers will not easily swap to other facilities which offered by financial technology companies and keep using the services offered by digital banking.

The research result which have been performed has shown that there is a strong and positive impact which occured between service quality and customer loyalty. This outcomes were similiar to prior research which stated that service quality affect in increasing consumer loyalty (Darmawan et al., 2018). This also confirms the theory of Ladhari & Leclerc (2013) who defined the formation and development of service quality through service excellence will increase customer loyalty. This finding indicates that service quality is one of the factors which have been considered by customers to make repurchases, by offering the attractive features that will make millennial customers more loyal.

The research results that have been performed has shown that there is a strong and positive impact which occured between perceived ease of use and customer satisfaction. This outcomes was similiar to prior research which described if perceived ease to use affect the increasing of the consumer satisfaction (Meileny & Wijaksana, 2020; Tu et al., 2012). This also confirms the theory from Mathieson (1991) that explained if perceived ease to use will encourage the confidence for individuals in using information technology system will not be troublesome or require great effort to use (He et al., 2018). This finding indicates that customers are in line with existing services but in easy to use. In other words, if the ease of using digital banking services increases, it will increase the customer satisfaction aswell.

The research results which have been performed was indicated that there is a strong and positive impact which occured between perceived ease of use and customer loyalty. This outcomes was similiar

to several prior research that declared if perceived ease of use affect the increasing in consumer loyalty (Prabaningtyas & Andjarwati, 2014). This also confirms the theory of Davis (1989) which said that consumers believe that technology or system can be used easily and free of issue will have an impact to user loyalty (He et al., 2018). This finding indicates that digital banking customers in Indonesia, particularly to millennial generation are already satisfied with the features in it, so they have a tendency to use the service continuously and if it still consistence in the future, its likely that they will refers digital banking to their relatives and community.

The research result that have been conducted was indicated that there is a strong and positive impact which occured between customer satisfaction and customer loyalty. This results in line with several previous research who declared if consumer satisfaction affects the increasing in consumer loyalty (Soliha et al., 2019). This confirms the theory of Oliver (1999) which said that the more consumers meet their expectations when purchase or using services, the greater opportunity for them to repurchases the same product (Karunaratna & Kumara, 2018). These findings indicates that to increase customer loyalty in using digital banking, banks need to improve all aspects of digital banking services, so they will build the satisfaction towards the brands and services received and will create users loyalty.

The research result which have been performed was indicated that customer satisfaction partially mediates the influence of service quality towards customer loyalty. This results in line with previous research who declared that consumer satisfaction play its role as mediating the impact which occured from service quality to consumer loyalty (Soliha et al., 2019). This results indicates that service quality is one of element which considered by customers to make repeat purchases. Through the quality of digital banking services that are getting better, it will create satisfaction which leads to user loyalty.

The research result that have been performed was indicated that customer satisfaction perfectly mediates the influence of perceived ease of use towards customer loyalty. This outcomes was similiar to several research who declared that consumer satisfaction play role as an mediating affects from perceived ease to use towards loyalty (Prabaningtyas & Andjarwati, 2014). This finding indicates if the ease of use on digital banking really attracts the attention of millennial generation customers, through this offered, they will feel satisfied and continue to use the service and create digital transactions.

4.   Conclusions

Assumed from the analysis and hypothesis result, service quality and perceived ease to use will enhance millennial customer satisfaction and their loyalty in using digital banking, satisfaction will increase millennial customer loyalty in using digital banking, customer satisfaction could plays as mediating in increasing the impact occurred from service quality and perceived ease to use on millennial customer loyalty in using the digital banking.

Based on the result, Banks were advised to develop the digital banking services which are more valuable, confidentially, difficult to imitate and cannot be replaced in an effort to reach a sustained competitive advantage, the services development can be done through competitive products, such as implementing financial management and financial planning as easy as playing an alternate reality game, developing algorithms machine to find out customer behavior, accommodate stock and forex information in real time likewise become a reliable and easy mobile application. To enhance the quality of service, Banks need to provides 24-hour complaint services specifically for digital banking, improve the response of digital customer service, so customers will not have to be bother to coming directly to the Bank.

Banks need to continue to innovate and develop new products with more attractive appearance which according to consumer desire and fixing the features,reliability and performance by improving digital banking capabilities. Thus optimal comfort can be obtained from customers and achieve customer satisfaction. Banks were advised to consider its content in digital banking. The content in digital banking are expected to be ease to use and quickly respond to user desires without taking too long buffering. By making it easier to use, customers will also save waiting time when using the application. In addition to content, Banks management were also advised to provide an attractive appearance on the application, so the customers will not feel bored when using digital banking services. With the ease of accessing

digital banking content and appearance which is more attractive, it will make customers wants to use digital banking continuously.

For next researcher, its hoped to investigate other factors which affects the satisfaction and loyalty, such as brand image and products promotion and adding wider scope with different industries.

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