

Customer Satisfaction Factors and the Implication on Customer Loyalty of BNI in Border Zone Indonesia

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Abstract—Customer satisfaction and loyalty will be fulfilled since the company could provide the best products and promotions programs. The purpose of this study is to determine the effects of product and promotion on customer satisfaction and customer loyalty for BNI Bank in Indonesia, specifically in Nunukan, North Kalimantan. Path analysis will be used for analyzing this research which used 100 customers as respondents. The customers consist of 50 BNI Bank's customers. By using Smart PLS for analysis path coefficients, while by using SPSS for pre analyzing the validity and reliability test. This research examined that product quality and promotion program have positive significant effects on customer satisfaction. The promotion program has positive significant effects on customer loyalty, while product quality and customer satisfaction have no significant effect on customer loyalty.

Keywords: *product quality, promotion, customer satisfaction, customer loyalty*

I. INTRODUCTION

The bank has the main function as the party who has funds with those who need funds. Other functions of banks are also explained in article 1 paragraph (2) of Law no. 10 of 1998 concerning changes to Law No. 7 of 1992 concerning banking is a business entity that collects funds from the public in the form of credit or loans and other forms in order to improve people's lives. This is because banking is one of the financial systems that functions as a Financial Intermediary. Therefore, bank activities must run efficiently at various scales.

In Indonesia there are two types of banks based on ownership. These types are classified as government banks and private banks. Government banks and

private banks have in common, namely the general conditions of obtaining financing, technical money receipts, transfer mechanisms and others. But between the two also have a fundamental difference in terms of ownership, private banks are wholly in the power of government while private banks are wholly foreign private property.

Although different in terms of ownership, in an effort to improve the quality of bank management remains the same done by government banks and private banks. Each bank strives for optimal performance so as not to decline. The great influence on the condition of the quality of bank management becomes an important factor for banks to improve the service system offered.

The efforts made such as product improvement and innovative product updates and quality promotions that can attract public interest so they can compete. Efforts to improve the service system carried out at each bank will have a direct impact on customer satisfaction and will affect customer loyalty to the bank that is trusted.

II. LITERATURE REVIEW

2.1 Bank

Banks can be interpreted simply as a financial institution whose main activity is to collect funds from the public and channel these funds back to the community and provide other bank services. Whereas the definition of financial institution is every company engaged in the field of finance where its activities either only raise funds, or only channel funds or both raise funds and channel funds.(Kasmir 2011).

2.2 Government Bank

Both the deed of establishment and capital are owned by the government, so that the profits of this bank are owned by the government as well, while the regional government-owned banks (BPD) are located in level I and level II regions of each province.(Kasmir 2011).

2.3 Private Bank

National private-owned banks are banks that are wholly or mostly owned by national private companies and the deed of establishment is also established by the private sector, as well as profit sharing is taken by the private sector as well.(Kasmir 2011).

2.4 Product Quality

Product quality is the overall features and characteristics of a product or service on the ability to satisfy stated or implied needs.(Kotler 2005) if the company wants to maintain its competitive advantage in competition, the company must understand what aspects of the dimensions are used by consumers to distinguish the products offered by competing products.(Orville).

2.5 The relationship between product quality and customer satisfaction

Product quality is everything that can meet the needs offered by a company for use by consumers. Product quality can affect customer satisfaction. Satisfaction depends on the quality of a company's products, because if the higher the level of quality of eating products the higher the level of consumer satisfaction.(Kotler and Keller 2009).

2.6 The relationship between product quality and customer loyalty

Products sold offer good quality, consumers will buy and use them, if consumers are satisfied, consumers will be loyal. In order to be able to compete, and survive and develop, companies are required to be able to provide quality products that can meet the needs and desires of customers.(Pires, Stanton et al. 2006).

2.7 Promotion

Promotion is a marketing promotion that encourages promotions that increase information, increase / direct and direct the market for the company and its products in order to be accepted, buy and loyal to the products offered by the company offered.(Tjiptono 2002).

2.8 Relationship Promotion to the level of customer satisfaction

Promotion as a different form of activity to attract and get the attention of customers to buy products or services through personal selling, public relations, advertising sales promotions. Promotion of products or services helps in the best way to build relationships with

customers because everyone is looking for the best deal that suits them.(Khan, Ghauri et al. 2012).

2.9 Relationship Promotion to the level of customer loyalty

Research by (Grover and Srinivasan 1992), as well as (Pi and Huang 2011) explains that promotion has a positive effect on customer loyalty.

2.10 Customer Satisfaction

Consumer satisfaction is someone's feeling of pleasure or disappointment arising from comparing the perceived performance of the product (results) to their expectations. If performance is as expected, the customer will be satisfied. If performance does not meet expectations, the customer will be dissatisfied. If performance exceeds expectations, the customer will be very satisfied.(Kotler and Keller 1956).

2.11 The relationship between customer satisfaction and customer loyalty

Influence between customer satisfaction and loyalty, that satisfaction will lead to customer loyalty. One of the factors that influence the occurrence of customer loyalty. Consumers who have a high degree of authority will experience loyalty from these consumers. This satisfaction occurs due to the products used in accordance with the wishes or expectations of consumers. Satisfaction is a feeling of pleasure or disappointment that arises after comparing between his perception and his impression of the product's performance and its expectations.(Fandy 2008).

2.12 Customer Loyalty

Consumer loyalty is a deeply held commitment to buy or support a product or service that is preferred in the future even though the influence of the situation and marketing efforts have the potential to cause customers to switch.(Kotler and Keller 1956).

III. RESEARCH METHODS

The road map of this research could be done by path analyzing or by using the software of Smart Partial Least Square (PLS) with the steps as follows:

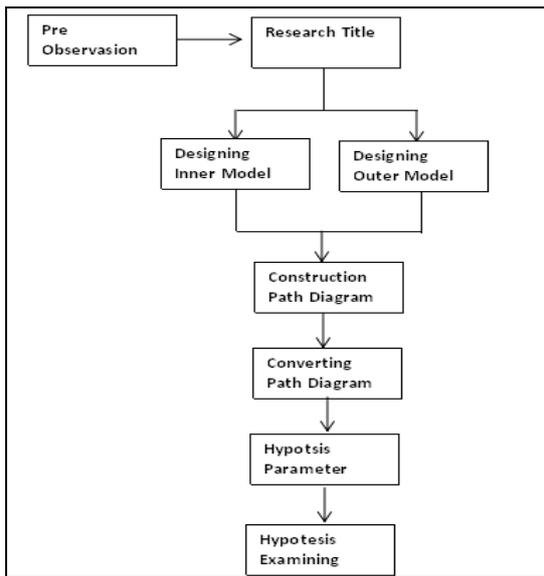


Fig 1 : Research Road Map

From Figure , the first steps to be done is literature reviews and followed by deciding a research title. The next step is designing the structural equation model or inner model and the followed by designing the measurement model (outer model) but it is not necessary to be done, because this is a pure quantitative research. Construction a path diagram or research model is the next step and then followed by converting a path diagram to regression formulation.

Based on the model, hypothesis parameter needs to be designed and its hypothesis needs to be examined with the steps as follows:

3.1 Pilot Test

This test consists of validity test and reliability with the purpose is to identify whether the questions are valid or reliable. Valid means the questions identified the right matters, while reliable means the questions will be answered by respondents consistently.

The criteria for valid instrument is since Pearson Correlation are greater than 0.3, the criteria for reliable instrument since Cronbach's Alpha greater than 0.6

3.2 Designing Structural Model

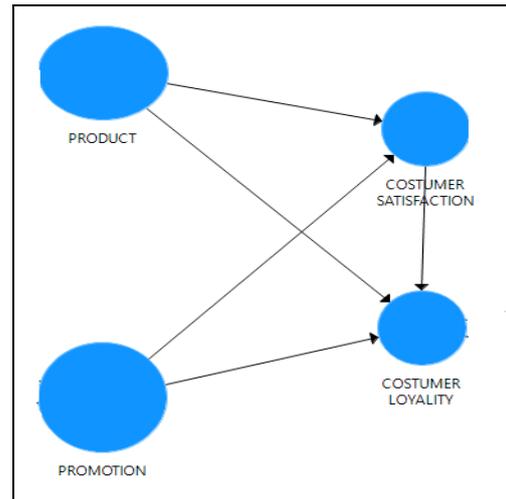


Fig 2: Model Design

Whereas :

α_1 = direct influence X1 to Y1

α_2 = direct influence X2 to Y1

∂_1 = direct influence X1 to Y2

∂_2 = direct influence X2 to Y2

∂_3 = direct influence Y1 to Y2

3.3 Designing the measurement model (outer model)

This is a pure quantitative research, so there is no designing the measurement model or outer model.

3.4 Constructing Path Diagram

For constructing the path diagram, the regression needs to be estimated by using PLS with the data as follows:

This research is to analyze the influences between the independent variables and the dependent variables, so the formulation can be built as follows:

$$Y_1 = \alpha_1 X_1 + \alpha_2 X_2 + \epsilon_1 \tag{1}$$

$$Y_2 = \partial_1 X_1 + \partial_2 X_2 + \partial_3 Y_1 + \mu \tag{2}$$

Whereas :

ϵ_1 = error term of Y1

μ = error term of Y2

X1 = Quality product

X2 = Promotion

Y1 = Customer Satisfaction

Y2 = Customer Loyalty

3.5 Data Collected

The data collected by using accidental random sampling technic by distributing questioners to all of respondents which generated by some variables such as product quality, promotion, customer satisfaction and customer loyalty of BNI in Nunukan Indonesia.

The next steps is testing of the validity and reliability of instrument by using SPSS 21 version for ensure the all of the items of questioners are

appropriate. For analysing the data Path Analysis instrument is used by using SmartPLS 3.20 version with the steps such as designing the structural model (inner and outer model), constructing a path diagram, converting a path diagram to regressions, hypothesis parameter, and examining the hypothesis.

The reasons using SmartPLS 3.20 version are this research using small sample only 50 respondents, this research is path analysis research, using SmartPLS is quite easy because the data is not necessary normal, and linier, moreover not only significance of direct effect but also the significance of indirect effect can be resulted.

IV. RESULTS AND DISCUSSION

4.1 Results

Based on the result of survey for 50 respondents, the structural model can be designed, path coefficient, T-Statistic can be explored by using SmartPLS 3.20 Version.

Before analysis to be done, the requirements are validity test and reliability test.

1) Validity and Reliability

By using SPSS 25 version, the results can be displayed as follows:

Table 1: BNI Validity Test

Items	Pearson Correlation	Description
X1.1	0.601	Valid
X1.2	0.471	Valid
X2.1	0.377	Valid
X2.2	0.471	Valid
X2.3	0.533	Valid
X2.4	0.583	Valid
Y1.1	0.620	Valid
Y1.2	0.754	Valid
Y1.3	0.675	Valid
Y2.1	0.705	Valid
Y2.2	0.584	Valid
Y2.3	0.581	Valid
Y2.4	0.723	Valid

Source : survey, processed 2021

Based on data tested, it could be decided that all of the items are valid, because all of the Pearson Correlation are greater than 0.3

Table 2: BNI Reliability Test

Items	Cronbach's Alpha	Description
X1.1	0.861	Reliable
X1.2	0.868	Reliable
X2.1	0.867	Reliable
X2.2	0.865	Reliable
X2.3	0.863	Reliable
X2.4	0.863	Reliable
Y1.1	0.867	Reliable

Y1.2	0.863	Reliable
Y1.3	0.865	Reliable
Y2.1	0.863	Reliable
Y2.2	0.868	Reliable
Y2.3	0.881	Reliable
Y2.4	0.865	Reliable

Source : survey, processed 2021

Based on data tested, it could be decided that all of the items are reliable, because all of the Cronbach's Alpha are greater than 0.6

2) Designing Structural Model

Based on the variables were be decided such product quality, promotion, customer satisfaction and customer loyalty, so the structural model can be built as follows:

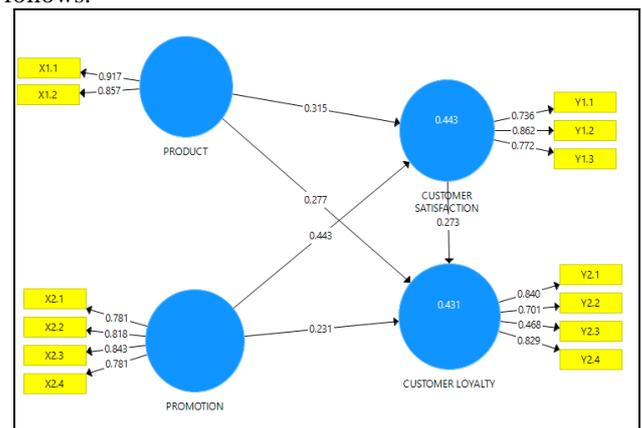


Fig 3: BNI Path Coefficient

Source : survey, processed 2021

From Figure 3, the coefficient can be mentioned as follows:

$\alpha_1 = 0,315$, $\alpha_2 = 0.443$, $\beta_1 = 0.277$, $\beta_2 = 0.231$, $\beta_3 = 0.273$

3) Designing the measurement model (outer model)

From the Figure 3, the outer model can be measured as fo follows:

- $\alpha_1 = 0,315$, it means that when the quality product increase leads customer satisfaction increase
- $\alpha_2 = 0.443$, it means that when the promotion increase leads customer loyalty increase
- $\beta_1 = 0.277$, it means that when the quality product increase leads customer loyalty increase
- $\beta_2 = 0.231$, it means that when the promotion increase leads customer loyalty increase
- $\beta_3 = 0.273$, it means that when the customer satisfaction increase leads customer loyalty increase

4) Constructing Path Diagram

Using by SmartPLS the bootstrapping result can be explored as follows:

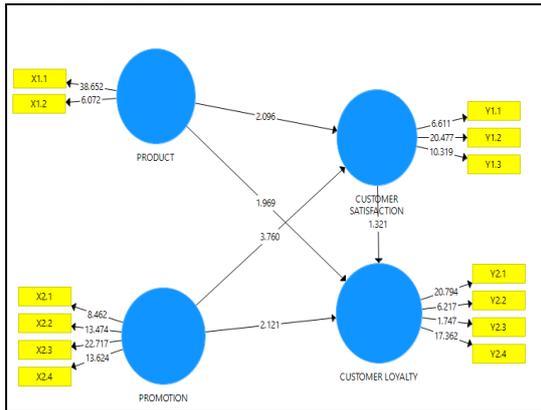


Fig 4: BNI Bootstrapping and T-Statistic

Source : survey, processed 2021

From the Figure 4, path coefficient and T-Statistic can be estimated as follows:

Table 3: BNI Path Coefficient

Path Coefficients						
	Mean, STDEV, T-Values, P-Val.	Confidence Intervals	Confidence Intervals Bias Co...	Samples	Copy to Clipboard	Excel Format
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (O /STDEV)	P Values	
CUSTOMER SATISFACTION -> CUSTOMER LOYALTY	0.273	0.256	0.207	1.321	0.193	
PRODUCT -> CUSTOMER LOYALTY	0.277	0.265	0.141	1.969	0.055	
PRODUCT -> CUSTOMER SATISFACTION	0.315	0.293	0.151	2.096	0.041	
PROMOTION -> CUSTOMER LOYALTY	0.231	0.247	0.109	2.121	0.039	
PROMOTION -> CUSTOMER SATISFACTION	0.443	0.475	0.118	3.760	0.000	

Source : survey, processed 2021

From the Figure 4 and Table 5, path structural model formulation can be explored as follows:

$$Y1 = 0.315X1 + 0.443X2$$

$$Y2 = 0.277X1 + 0.231X2 + 0.273Y1$$

The most dominant effect on customer satisfaction is promotion, while the most dominant effect on customer loyalty is product.

4.2 Discussions

5) Examining the Hypothesis

All hypothesis need to be examined by using SmartPLS 3.2 version. The criteria of hypothesis examination is since the P-Value less than 0.05, so H0 is rejected and Ha is accepted. It means the hypothesis is accepted.

6) Examining Hypothesis 1

Hypothesis 1

There is significant effect between quality product and customer satisfaction in BNI Nunukan.

From the Table 4, it can be showed that P-Value is 0.041, so this P-Value is less than 0.05 so H0 is rejected and Ha is accepted or it can be decided that **there is significant effect between quality product and customer satisfaction**

This result is supported by the respondent

descriptions that more than 60 percent have middle up level of income or their income between Rp 10 million to 15 million, and the customer at this level of income usually concern on quality of product. Moreover, in this bank more than 70 percent respondent prefer the BNI product which provided competitive returns for the customers. It is also confirmed by Kotler and Keller who stated that Satisfaction depends on the quality of a company's products, because if the higher the level of quality of eating products the higher the level of consumer satisfaction. (Kotler and Keller 2009).

For these reasons, It can be decided that there is significantly effect between product quality and customer satisfaction.

7) Examining Hypothesis 2

Hypothesis 2

There is significant effect between promotion and customer satisfaction

From the Table 4, it can be showed that P-Value is 0.00, so this P-Value is less than 0.05 so H0 is rejected and Ha is accepted or it can be decided that **there is significant effect between promotion and customer satisfaction.**

This result is supported by the respondent descriptions that more than 60 percent have middle up level of income or their income between Rp 10 million to 15 million and they have their own business. These customers usually interest on any activities and especially for their business, including in choosing to save their fund. Moreover, in this bank more than 70 percent respondent interest on the BNI product because of interesting promotion done by BNI. It is also confirmed by Khan, Ghauri et.al. who stated that Promotion of products or services helps in the best way to build relationships with customers because everyone is looking for the best deal that suits them. (Khan, Ghauri et al. 2012).

For these reasons, it can be decided that there is significantly effect between promotion and customer satisfaction.

8) Examining Hypothesis 3

Hypothesis 3

There is significant effect between quality product and customer loyalty in BNI Nunukan.

From the Table 4, it can be showed that P-Value is 0.055, so this P-Value is greater than 0.05 so H0 is accepted and Ha is rejected or it can be decided that **there is no significant effect between product and customer loyalty.**

This result is supported by the respondent descriptions that more than 60 percent have middle up level of income or their income between Rp 10 million to 15 million and they have their own business. These customers usually not easy to loyal to one bank because several reason such as, firstly

they have high level expectation quality of product, secondly they have to distribute the financial risk, so although the quality has positive effect for the customer loyalty, but it is only slightly positive effect and not significant. Moreover, in this bank more than 75 percent respondent interest on 1 or 2 the BNI products. This study refused the argument from Pires, Stanton et.al. who argued that companies are required to be able to provide quality products that can meet the needs and desires of customers and it leads the customer loyal. (Pires, Stanton et al. 2006).

For these reasons, it can be decided that there is no significantly effect between product quality and customer loyalty.

9) *Examining Hypothesis 4*

Hypothesis 4

There is significant effect between promotion and customer loyalty in BNI Nunukan.

From the Table 4, it can be showed that P-Value is 0.039, so this P-Value is less than 0.05 so H₀ is rejected and H_a is accepted or it can be decided that **there is significant effect between promotion and customer loyalty.**

This result is supported by the respondent descriptions that more than 60 percent have middle up level of income or their income between Rp 10 million to 15 million and they have their own business. These customers usually interest on any activities and especially for their business, including in choosing to save their fund. These customers also have very high level of promotion quality, and surprisingly more than 75 percent the respondent interest on BNI promotion. This result confirmed by Grover and Srinivasan and also Pi and Huang who argued that promotion has a positive effect on customer loyalty.

For these reasons, it can be decided that there is significant effect between promotion and customer loyalty.

10) *Examining Hypothesis 5*

Hypothesis 5

There is significant effect between customer satisfaction and customer loyalty in BNI Nunukan.

From the Table 4, it can be showed that P-Value is 0.193, so this P-Value is greater than 0.05 so H₀ is accepted and H_a is rejected or it can be decided that **there is no significant effect between customer satisfaction and customer loyalty.**

This result is supported by the respondent descriptions that more than 60 percent have middle up level of income or their income between Rp 10 million to 15 million and they have their own business. These customers usually interest on any activities and especially for their business, including in choosing to save their fund especially regarding to the quality product and the quality of promotions.

Unfortunately, these customer behavior especially to fulfill their satisfaction. Although the BNI already provided appropriate quality of product and promotion, actually only less than 50 percent fill satisfied to the product and promotion from BNI Nunukan. This result to refuse Fandy argument that satisfaction occurs due to the products used in accordance with the wishes or expectations of consumers. Satisfaction is a feeling of pleasure or disappointment that arises after comparing between his perception and his impression of the product's performance and its expectations (Fandy 2008)

For these reasons, it can be decided that there is no significant effect between customer satisfaction and customer loyalty.

V. CONCLUSION

.Based on the result and discussion, it can be concluded as follows:

1. The product quality and promotion has significant effect on customer loyalty in BNI Bank Nunukan.
2. The promotion has significant effect on customer loyalty in BNI Bank Nunukan, while product and customer loyalty have no significant effect on customer loyalty.

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