

Customer Satisfaction on Company Image and Its Impact on Loyalty of Banking Service Industry Customers in Bali

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Abstract-As the development of the research made by Andres Kuusik,(2007), the primary purpose of this research was to examine the effect of the customer satisfaction, the company image, switching barrier, and the loyalty of the customers with the banking as an empirical hypothesis. This research found that the loyalty of the banking service customer was directly affected by the consumer satisfaction after doing the purchase. Meanwhile, the image of the company and switching barrier will affect the loyalty of the consumers of the banking service. The other results showed that the consistency of the relation of the customer satisfaction will not make the consumer to choose different brands, but the consumer satisfaction of banking services industry has the significant influence on the customer loyalty. The results of the analysis explained the relation between customer satisfaction with image and switching barrier and also the relation between the customer satisfaction, image and switching barrier with the customer loyalty. Based on the result of this study, it is expected that the study can be helpful in solving the problems and making decisions related to the program marketing services as the best strategy that can be applied effectively in the market place. The data collected were primary data which were collected by questionnaire. The sampling technique was carried out by using purposive sampling and 200 customers of insurance in Bali were the respondents of the research. The model was examined by using two-step approach to structural equation modeling (SEM).

Keywords: *customer satisfaction, company image, switching barrier, consumer loyalty, structural equation modeling (SEM).*

I. INTRODUCTION

The growth and development of banking in a certain country are certainly undergone various stages. Each of them has different characteristics that can be observed from the economical condition, business characteristics and opportunities, as well as the expectations and demands of the community for the bank services. The stages typically begin with a consolidation and reorientation stage, followed by restructuring and development

stages, which are further enhanced to lead to a further development stage based on innovative attitudes which are oriented to the needs of the community, and fulfilled by different competition climates compared with the previous period [1]

In the current era of globalization, the banking field is required to show better performance and service. Since the deregulation was implemented, related to the the development of banking in Indonesia, it can be estimated that the situation and condition of the banking business industry will be more competitive in the future [2].

Competition is getting harder after the foreign banks compete for customers in the same market. This is in line with what Lovelock (2004) states that the service sector is the largest sector that experiences changes due to the rapid changes experienced by other factors, one of which is technological changes that directly increase the climate of competition in the industry.

Customer satisfaction is a post-sale evaluation after taking and choosing the alternatives that at least give the same results or exceed the customers expectations (Engel, 1990). Customer satisfaction is the level of one's feelings after comparing the performance or results he/she feels compared to his/her expectations [3]. Dissatisfaction arises when the results obtained do not meet the customer expectations. Customer satisfaction will affect the company image and switching barrier [4]. In addition, customer satisfaction will influence the behavior to rebuy the services from the same service provider [5]. According to Oliver [6], the form of consumer attitudes towards the provision of services based on prior expectations about the company's performance and the attitude affect the customer loyalty.

Some previous studies on customer loyalty included customer satisfaction as the only determinant of loyalty. A research by Anderson, et al. [7] is one of them. Another example of research which only included customer satisfaction as the only determinant is the research conducted by Caruana [8] that used customer satisfaction as a mediating factor that connected service quality and loyalty. Furthermore, the research found that service quality positively influenced loyalty through customer satisfaction.

Unlike the previous research conducted by other researchers, this study refers to Andres Kuusik's research [9]. It did not set customer satisfaction as the only factor in creating customer loyalty, but also tested two other variables that had not been tested in the research of Anderson, et al. [7] namely, switching barrier and company image. The high level of customer satisfaction did not necessarily result in repeat purchases and increased sales, which is in accordance with Griffin's findings [10]. In contrast to the customer satisfaction that has been very well known and the model of which has been developed by Zeithalm et al. [11], the customer loyalty does not have any model that has been widely accepted. Related to the influence of company image on the customers, in the study of Bloomer, et al. [12], it was concluded that image did not have a direct impact on customer loyalty, but became a moderator variable between customer quality and loyalty. Nguyen [13] proved in his research that corporate image positively influenced customer loyalty in three sectors (telecommunications, retail and education). Aydin [14] explained that corporate image came from a function of consumer consumption experience and customer satisfaction directly affected perceptions of the company or company image. This is similarly expressed by Anddreasen and Lindestand [15] who emphasized that corporate image influences the performance of perceived quality, customer satisfaction and customer loyalty. Another factor that influences customer loyalty is switching barrier. Thus, the statements of the problem raised in this study are as follows.

1. What is the effect of customer satisfaction on company image?
2. What is the effect of customer satisfaction on switching barrier?
3. What is the effect of customer satisfaction on customer loyalty?
4. What is the effect of the company image on the customer loyalty?
5. What is the effect of switching barrier on customer loyalty?

To answer the research questions, the following hypotheses were developed.

- H1 : Customer satisfaction influences the company's image.
- H2 : customer satisfaction influences the switching barrier.
- H3 : Customer satisfaction influences customer loyalty.
- H4 : Company image influences customer loyalty.
- H5 : Switching barrier affects customer loyalty.

II. RESEARCH METHODS

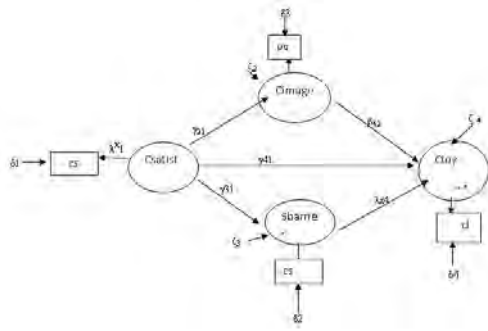
A. Sampling & Data Collection Techniques

This research was designed to obtain data about the effect of customer satisfaction, company image, switching barrier and customer loyalty in the banking services industry in Bali. The sampling method used in this study was nonprobabilistic sampling with purposive sampling, that is, each element in the population did not have the same probability to be chosen as a sample or in other words, the selection of sample members was not random and subjective [16]. The number of samples needed to test the model using SEM was between 100-200. This research used survey method.

B. Structural Model Testing

In this study, the proposed hypotheses were tested by using Structural Equation Modeling (SEM). It is a multivariate technique that combines aspects of multiple regression and factor analysis to estimate a series of simultaneous dependency relationships. Furthermore, this study used a two-step approach to SEM which was used to test the proposed structural model. In the two-stage approach to SEM, the measurement model is first estimated, then determined in the second stage when the structural model is estimated.

After the testing of the measurement model was conducted, the next step was testing goodness-of-fit which measures the degree of suitability between the models hypothesized with the data presented. A two-step approach to SEM was conducted to test the proposed structural model as shown in Figure 1. In the two-stage approach to SEM, the measured model was first estimated, then determined in the second stage when the structural model was estimated. In this study, the maximum likeness estimation (MLE) is used to test the model parameters with the average value of raw data as inputs.



III. RESULTS AND DISCUSSION

In this study, the testing of the goodness-of-fit structural model or the overall model were carried out on suitability types, namely absolute fit measures, incremental of fit measures, and parasimonious fit measures. The first type, the absolute fit measures, measures the degree to which the overall model predicts the covariance matrix or correlation observed. In this study, the absolute fit measures testing was carried out with the suitability index of chi-square statistics (χ or CMIN), GFI and RMSEA. The second type is the incremental fit measures which compare the proposed model with the basic model which is commonly called a null model. In this study, the incremental fit measures were carried out by looking at the AGFI and CFI suitability index. The third type is the parsimonious fit measures which link the suitability level of the model to the estimated number of coefficients to obtain the level of suitability. In this study, the testing of parsimonious fit measures was carried out by looking at the conformity index of normed chi-square (CMIN / DF).

The first structural model test which was conducted was a structural model that was hypothesized by using AMOS 6 statistical analysis tool with the number of the data of 190. The results of the structural model testing output obtained suitability indexes. The relations among variables is shown in Table 1, while the structural model which was the original model which was proposed can be seen in Figure 1.

Table 1. Results of Structural Model Testing

Goodness-of-fit				
Type Goodness-of-fit	Indeks Tipe Goodness-of-fit	Cut-off value	Model Result	Note
Absolut fit measures	χ^2 statistic (CMIN) Prob. χ^2 GFI RMSEA	Expected to be small ≥ 0.05 ≥ 0.90	10.61 0	Good

		≤ 0.08	0.062 0.970 0.061	Good Good
Incremental fit measures	AGFI CFI TLI	≥ 0.90 ≥ 0.94 ≥ 0.95	0.941 0.912 0.776	Good Good Marginal
Parsimonious fit measures	Normed χ^2 (CMIN/DF)	≤ 2.00	1.981	Good

Relations between Variables				
Hypothesis	Relations	Non-standardized Estimate	C.R.	Standardized Estimate
H1	Cimag \leftarrow csatisf	0.270	2.379**	0.220
H2	Sbarrie \leftarrow Csatisf	0.174	2.130**	0.200
H3	Cloy \leftarrow Csatisf	0.298	2.216**	0.254
H4	Cloy \leftarrow CImage	0.287	3.254***	0.279
5 a)	Cloy \leftarrow Cbarrier	0.291	2.014**	0.691

* significant at the level of significance (α) 10%
 ** significant at the level of significance (α) 5%
 *** significant at the level of significance (α) 1%

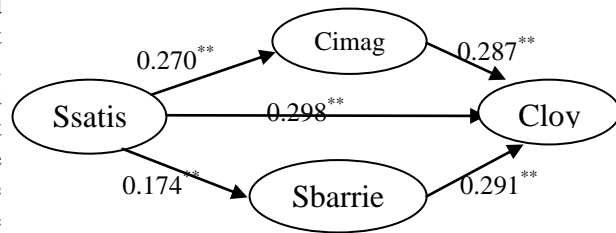


Figure 2: Structural Model

As shown in Table 1, the value of χ^2 (Chi-Square) was 10.610 with the significance level of 0.01 indicating that the null hypothesis which states that there is no difference in the sample covariance matrix and the estimated population covariance matrix cannot be rejected. Thus, it is statistically acceptable or in other words, it is a good model.

Other goodness-of-fit indices such as RMSEA, GFI, relative χ^2 (CMIN / DF), TLI and NFI, AGFI showed a good suitability value on the model, because the index value met the requirements of the critical value specified. Although the model has shown goodness-of-fit which is statistically acceptable, the test results of structural model 1 showed the value of degree of freedom of 6. Therefore, the relation between variables will be significant at the level of significance (α) 1%, if it has a value of C.R. which was greater than or equal to 3.143 (C.R. ≥ 3.143), significant at the level of significance (α) 5%, if it has a value of C.R. which is greater

than or equal to 1.943 (C.R. \geq 3.143), and significant at the level of significance (α) 10% if it has a C.R. value. greater than or equal to 1.440 (C.R. \geq 1.440).

IV. RESULTS AND DISCUSSION

After the goodness-of-fit of structural model testing was acceptable, the next stage was testing the hypotheses proposed by evaluating the direction and level of significance of the causality relationship between the variables in the research model. The hypotheses or causality relationships testing between variables in the structural model was carried out by looking at the direction and significance.

In this study, the testing of the causality relationship between variables was carried out by one-sided test at a significance level (α) of 1%, 5%, up to a maximum of 10%. This is based on the statement of Hair et al., (1998) which states that the determination of critical values depends on the theoretical determination of the predicted relationship. If a positive or negative relationship is hypothesized, a one-way significance test can be performed.

Analysis of the direction and significance level of the relation between the hypothesized variables were based on the results of the structural model test 1. The result of structural model test 1 showed the degree of freedom value of 6. Therefore, the relation between variables will be significant at the level of significance (α) 1%, if it has a C.R. value which is greater than or equal to 3.143 (C.R. \geq 3.143), significant at the level of significance (α) 5%, if it has a value of C.R. which is greater than or equal to 1.943 (C.R. \geq 3.143), and significant at the level of significance (α) 10%, if it has a C.R. value. which is greater than or equal to 1.440 (C.R. \geq 1.440). The results of this study found that the customer satisfaction create customer loyalty. The customers who are satisfied tend to make the company image become good in the eyes of the customers and the tendency to move to other brands to be low. A good corporate image will create loyal customers. This research is in line with the research conducted by Nguyen [17] which proves in his research that company image positively influences customer loyalty in three sectors (telecommunications, retail and education). Aydin [18] explains that company image comes from a function of consumer consumption experience and customer satisfaction directly affects the perceptions of the company or company image. The similar thing is

also expressed by Anddreasen and Lindstand (1998) who emphasize that company image influences the performance of perceived quality, customer satisfaction and customer loyalty. Another factor that influences customer loyalty is switching barrier.

V. CONCLUSION

The results of this study indicates that customer satisfaction will lead to a commitment to remain loyal, reduce the switch to other brands. Company image becomes a consideration for consumers when they will make purchases or will become customers in the banking services industry. The company image will be a good consideration in creating customer loyalty which will have an impact on the possibility of customers not moving to other brands, because there is a risk that the consumers bear when moving to other brands.

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