

## RELATIONSHIP BETWEEN MARKETING, SERVICE QUALITY, AND SATISFACTION ON CUSTOMER LOYALTY OF BANK SYARIAH MANDIRI BANYUWANGI

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**Abstract:** The purpose of this study is to examine the effect of the relationship between marketing, service quality, and satisfaction on customer loyalty of Bank Syariah Mandiri in Banyuwangi district. The samples consist of 150 customers of Bank Sharia Mandiri Banyuwangi. Samples were chosen by accidental sampling. Data were analyzed using multiple regression. The research findings reveal that relationship marketing, quality of service, and customer satisfaction have positive and significant effect on customer loyalty.

**Keywords:** relationship marketing, service quality, satisfaction, loyalty

### 1. Introduction

Competition in the banking world is not only based on products but also on service and maintaining relationships with customers. This happens because the product is easier to replicate compared to maintaining relationship marketing, service quality, and customer satisfaction. Customer-oriented relationship marketing programs aim to increase customers' positive feelings towards the bank to increase satisfaction and strength of relationships (Leverin and Liljander, 2006). The company's success in fostering relationship marketing with customers is influenced by trust, communication, complaint handling, and bonding with customers.

Relationship marketing strategies alone are not enough to obtain and maintain bank customers. As a service company, a bank cannot be separated from the role of service to customers. The basis for loyalty lies in customer satisfac-

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tion, where service quality is the main input (Lovelock and Wirtz, 2011). The image of a banking company depends on how the Front-liner serves the customers. The bank's efforts to provide quality services include tangibility, reliability, responsiveness, assurance, and empathy (Parasuraman et al., 1988 in Tjiptono, 2012).

Customer satisfaction is the basis for customer loyalty (Lovelock and Wirtz, 2011). The customer who has a high loyalty does not only have a potential to be a word of mouth advertiser, but also to be loyal to the product and service the company has to offer for a long time and will use the product repeatedly. Customer loyalty becomes the company strategy in facing tight competition. Torres and Kline (2006), concluded customer satisfaction as individual perceptions about the performance of company products and services related to customer expectations.

Bank Syariah Mandiri (BSM) is the first Islamic bank that is present in Banyuwangi Regency. The tight business competition is a challenge for BSM in Banyuwangi district to be able to maintain customer loyalty amidst the emergence of other Islamic banks in the regency. Fostering long-term relationships with customers, providing the best service and creating customer satisfaction is an effort that can be made by BSM in cultivating customer loyalty. In 2018, BSM has received an award from Infobank Magazine in collaboration with Marketing Research Indonesia (MRI) as it has succeeded in providing optimal services. Optimizing bank services can be seen from the high level of customer satisfaction, loyalty and attachment to these banks.

Several previous studies have examined the variables that affect customers' loyalty. These include service quality, relationship marketing, customer satisfaction and loyalty. Ndubisi (2007) found that Malaysian bank customers tend to be loyal if the marketing relationship is established. Alrubaiee and Nazer (2010) found that marketing relations had an effect on the loyalty of bank customers in the Amman Jordan region. According to Kashif et al. (2016) dimensions of service quality and satisfaction were found to significantly contribute to the loyalty of Pakistani Islamic banking customers. Makanyeza and Chikaze (2017) found that service quality and satisfaction have a positive direct effect on the loyalty of bank customers in Zimbabwe.

Based on the description of the background of the problem, it is important to analyze the relationship between relationship marketing, service quality, customer satisfaction, and loyalty to Bank Syariah Mandiri. The results of previous studies indicate that banking loyalty is determined by several factors, including relationship marketing (Ndubisi et al., 2007), service quality (Makanyeza and Chikaze, 2017), and satisfaction (Alrubaiee and Nazer, 2010). From a number of previous studies that have been mentioned, no one combines relationship marketing variables, service quality, and satisfaction in a way that affect customer loyalty. In addition, this study uses indicators that are different from previous studies in measuring relationship marketing. Therefore, this study is expected to complement previous studies.

## 1.1 Literature Review and Hypotheses Development

### 1.1.1 Relationship Marketing and Loyalty

Building the long-term relationship with the customer is the best way in creating customer loyalty (Tjiptono, 2008). Relationship marketing in the banking industry, is defined by Walsh in Leverin and Liljander (2006) as activities carried out by banks to attract, interact, and retain more high-value or profitable customers aimed at increasing customer profitability while providing better service for customers. The dimensions of the relationship marketing includes conflict handling (Dwyer et al., 1987; Ndubisi et al., 2007), communication (Ndubisi et al., 2007; Morgan and Hunt, 1994), bonding (Sin et. al. 2002), and trust (Morgan and Hunt, 1994).

Relationship marketing is found as having significant and positive effect on the bank customers' loyalty in Malaysia (Ndubisi et al., 2007). Iriani (2010) found that relationship marketing influences positive significance to the customer loyalty of Bank BNI and Bank BCA. Referring to previous research findings, the proposed hypothesis is:

$H_1$ : relationship marketing influences customer loyalty

### 1.1.2 Service Quality and Loyalty

Service is an activity or benefit given by a party to another party in order to satisfy needs and desires, is basically intangible, and does not result in ownership of something and its production can or cannot be associated with a physical product (Kotler, 2011). Service quality is the quality of service that we provide to customers (Rangkuti, 2017). Providing good quality service benefits the company in ways such as distinguishing the company from competitors, improving company image, minimizing price sensitivity, increasing profitability, increasing customer satisfaction and retention, having the maximum number of loyal customers, enhancing the company's reputation, and having good relationships with customers/internal suppliers (Rangkuti, 2017).

Makanyenza and Chikaze (2017) found that service quality and satisfaction has a direct, significant, and positive influence to the bank customer loyalty in Zimbabwe. Kashif et al. (2016) found that customers of Sharia Bank in Pakistan are satisfied with the service quality offered. Accordingly, the following hypothesis is proposed:

$H_2$ : service quality influences customer loyalty

### 1.1.3 Satisfaction and Loyalty

Satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance or outcome to expectations (Kotler and Keller, 2016). Customer satisfaction is the commitment held to buy or support the product or service preferred in the future although the influence situation and the marketing effort has a potential to cause the customer to shift preference (Kotler and Keller, 2009:138). Minh and Huu (2016) found that customer satisfaction has a significant positive influence to customer loyalty. Satisfaction has a significant positive impact on the loyalty and is able to mediate between service quality relationship and customer loyalty (Makanyenza and Chikaze, 2017). These arguments support the following hypothesis:

$H_3$ : customer satisfaction influences the customer loyalty.

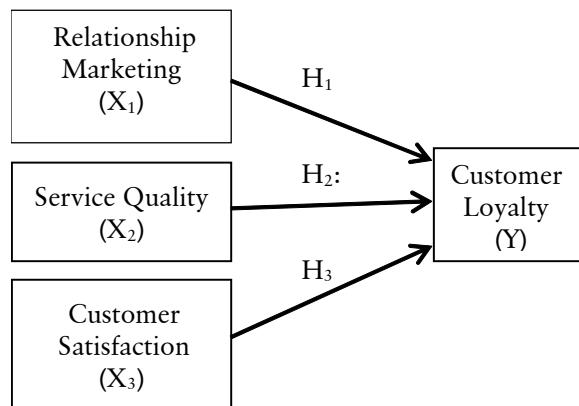


Figure 1 Depicts the Relationship between Variables Examined in the Current Study

$H_1$ : relationship marketing influences customer loyalty (Ndubisi et al, 2007; Alrubaiee and Nazer, 2010; Iriani, 2010).

$H_2$ : service quality influences customer loyalty (Kashif et al, 2016; Makanyeza and Chikaze, 2017)

$H_3$ : customer satisfaction influences customer loyalty (Alrubaiee and Nazer, 2010; Kashif et al, 2016; Makanyeza and Chikaze, 2017)

## 2. Research Method

The population of this study is the customers of Bank Syariah Mandiri (BSM) in Banyuwangi Regency. This research was conducted from June to July 2018, involving 150 respondents. Relationship marketing variable measurement consists of trust, communication, bonding, and complaint handling. Service quality variable measurement consists of the tangibility, reliability, responsiveness, assurance, and empathy. The measurement of satisfaction variable adopts the versions of Fornell *et al.* (1996) that includes whole satisfaction, hope confirmation to the customer, and comparison of ideal situation. The last variable of loyalty adopts the concepts by Griffin (2005) that covers doing the purchase regularly, positive word of mouth, and customer who recommended the BSM. The research hypothesis was analyzed using multiple regression.

### 3. Results and Discussion

#### 3.1 Results

The data from 150 respondents show that most of the respondents were men (58.6%), Moslems (98.7%), between 26-35 years old (32.7%), work as entrepreneurs (42%), and have IDR2,500,000 – IDR5,000,000 (around US\$ 200-USD350) monthly income (36%).

The value of the validity test was between 0.474 and 0.844. It can be concluded that in general, the validity values showed a significant result, because the  $\alpha$  value is  $< 0.05$ . So, the data had met the assumption of validity. Reliability test showed that the value of Cronbach alpha started from 0.753 to 0.827. It can be concluded that the research instrument in the form of questionnaire was reliable because the  $\alpha$  value is more than 0.70.

The results of multiple regression testing are shown in Table 1. It can be seen that all independent variables have a significant influence on customer loyalty. These three variables positively and significantly have an influence on loyalty (Y). Thus, H1, H2, and H3 are accepted.

Table 1 The Summary of Direct Effect Test Result

H	XY	Coefficient	t-value	Notes
H <sub>1</sub>	X <sub>1</sub> → Y	0,105	3,001*	+ H <sub>1</sub> accepted
H <sub>2</sub>	X <sub>2</sub> → Y	0,065	2,410*	+ H <sub>2</sub> accepted
H <sub>3</sub>	X <sub>3</sub> → Y	0,170	2,260*	+ H <sub>3</sub> accepted

Note: \* significant at 5% level

X<sub>1</sub> = Relationship Marketing  
X<sub>2</sub> = Service Quality  
X<sub>3</sub> = Customer's Satisfaction  
Y = Customer's Loyalty

#### 3.2 Discussion

Relationship marketing is significantly and positively affecting customer's loyalty. It means that relationship marketing done by the bank can build the loyalty of the customer. The result of this research is in line with Ndubisi et al. (2007), Iriani (2010), and Alrubiee and Nazer (2010).

Service quality has a positive and significant effect on customer loyalty. The application from the optimal service quality concept gave visible results as shown by the increase of customer loyalty (Kashif et al., 2016; Makanyeza and Chikaze, 2017).

The satisfaction has a significant positive effect on customer loyalty. It means when the satisfaction is high, the loyalty would increase and vice versa. This result supports the previous researches by Kashif et al., 2016; Makanyeza and Chikaze, 2017; and Alrubaiee and Nazer, 2010.

## 4. Conclusion and Implication

### 4.1 Conclusion

The results of the multiple regression test show that relationship marketing has significant positive effect on customer loyalty. Service quality has significant positive effect on customer loyalty. Customer satisfaction has significant positive effect on customer loyalty.

We noticed two limitations pertaining in this study. First, our samples were generated from those with relatively low-income earners who might not have strong motivation to use the banking services. Second, the selected customers are classified to have shorter period of customership. Accordingly, the next researcher is expected to focus on those with relatively higher income or middle income people group. The future study may choose respondents who have been at least three years as customers. By doing this, we may expect that more experience in relationship marketing and bank service quality could have better determination on the level of customer satisfaction and loyalty to the bank.

### 4.2 Implication

This study provides findings relating to relationship marketing, service quality, and customer satisfaction on loyalty. However, this study also has limitations. The sample in this study was the majority of respondents who were customers over one year, so that the assessment of the majority of respondents to relationship marketing, service quality, satisfaction, and loyalty of BSM was considered to be less than optimal because respondents had only become BSM customers for one year.

For the next researcher, it is expected to choose respondents who have been at least 3 years as customers. The reason being that these customers will have had more experience with banks for relationship marketing and service quality, and is expected to be better in assessing customer satisfaction and loyalty than those who had only become customers for at least one year.

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