



## Quality of service, Satisfaction and How its Effect on Customer Loyalty

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### Submission Info :

Received 18 September 2020

Accepted 14 October 2020

Available online 04 November 2020

### Keyword :

Quality of Service  
Satisfaction  
Customer Loyalty

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### Abstract

This study examines the quality and satisfaction of the service that affects customer loyalty at the Makassar City unit of Bank Rakyat Indonesia. Another aim of this research is to study and evaluate the variables that have a dominant effect on client loyalty. Clients who often make transactions at this bank unit are the population in this analysis. Considering that the community was very high in size, sampling was conducted to collect 59 customers. The use of multiple linear regression analysis techniques with the aid of the SPSS application analyzes the data used to test the research hypothesis. The findings showed that the quality of service impacts customer satisfaction, but it also influences customer loyalty, on the other hand. The value of r square shows 31.89 percent, so that it can be applied by using different variables to maximize the effect on consumer satisfaction for the next study. The intervening consumer satisfaction variable often shows actual results and is a supporting factor for customer loyalty.



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## 1 Introduction

Banking institutions are one of the financial institutions in our country which, among other things, play a very important role in supporting the activities of the national economy and in promoting the rate of economic growth, in particular in stimulating national development. Banking works in the form of savings by raising funds from the public and then channeling them back to the society in the form of loans. As awareness increases, the demands and requirements of the banking product services group also increase. The banking sector offers stimulus in the form of remuneration provided to customers so that people want to save their money at the bank. These triggers can be in the form of ease of opening a savings account, high interest rates, gifts or souvenirs, free transfer fees between accounts, security guarantees for customer deposited funds, ATM facilities spread across Indonesia, and the ease with which customers can withdraw and deposit cash without restriction every day.

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The banking market situation is also becoming more complicated, with banks requiring extra effort to find new customers and maintain current customers. This company's success is largely measured by the ability of the company to deliver quality services. In reusing banking services, service quality is reflected in customer satisfaction. In order to decrease the churn benefit, the technical support and marketing departments must cooperate to have the best customer experience. Churn rate is the number of clients that turn to using the goods of rivals. Thus, since attracting customers needs five times the cost of retaining current customers, the best potential business should be able to retain their customers. (Syahnur et al., 2018). Experience demonstrates that a stronger custom based on the future of a bank would be constructed by pleased and loyal clients. It is hoped that clients will not be exposed to shifts in interest rates by expanding customer-based and that banks will still achieve satisfactory margins for company stakeholders.

Kotler & Keller, (2012) Service involves the sense of any action or advantage offered to another party by a party that is simply intangible and does not result in possession of anything. The role and purpose of a service in the business world is to optimize customer satisfaction. (Lee & shets, 1991). Fitzsimmons, (1994), This investigator indicates that the expected comparison is service quality. If the demands surpass the client's expectations, in this case the client, then the service is felt to have outstanding quality and a nice surprise as well. It is considered unacceptable if expectations do not conform to service and if expectations remain as perceived, quality is simply at a satisfactory level.

Tjiptono & Chandra, (2011) The level of service has a close relationship with the satisfaction of customers. Quality gives clients an opportunity to forge a good relationship with the company. In the long run, this kind of bonding helps the company to carefully consider the desires and needs of its clients. Thus, by maximizing a friendly client experience and minimizing or removing negative customer encounters, the organization can maximize customer satisfaction. Customer satisfaction, in turn, may produce client loyalty or loyalty to businesses that provide satisfactory service. Service quality is also one of the essential characteristics of the service sector, such as banking, in addition to safety and security concerns and quality-based costs. Of course, professional service is not limited to warm smiles, but more than that, from tellers or customer service officers. Based on (Parasuraman, 1997; Lupiyoadi, 2001) In order to understand service quality, known as the SERVQUAL model, there are five dimensions that are important, namely tangibles, efficiency, reactivity, assurance and empathy. The main keys to growing customer satisfaction, which in turn contributes to customer loyalty, are these five dimensions of service quality.

Loyalty is an ancient term historically used to describe a country, an ideal or an individual's enthusiastic loyalty and devotion. But this concept has recently been used in a business sense to identify loyal customers who continue to subscribe to a brand in the long run, by repeatedly and better yet exclusively purchasing and using goods and services, and by voluntarily recommending products. To his friends and colleagues, the business (Lovell et al., 2007). Customer loyalty is highly affected by purchase decisions in which buying decisions are comparison processes carried out by prospective buyers to combine their knowledge with a choice of two or more alternative goods and choose one of them. (Said et al., 2020) In making buying decisions, smart businesses should consider the variables that affect market awareness from outside and within themselves.

If the method of providing services from the BRI Unit to debtors is in line with what is viewed by clients, BRI Unit discounted debtor satisfaction will be generated. Therefore, because of various factors, such as the perceived subjectivity of the debtor and the bank, the service rendered in a manner that is different from that perceived by the debtor can create a void (Parasuraman, 1997). Umar, (2002) There are five gaps in the claims, namely: (a) The difference between customer expectations and perceptions of management. As a consequence of management ignorance of what sort of service quality the debtor actually wants, this discrepancy emerges. (b) The difference between management's perceptions of customer preferences and the requirements for service quality. This difference exists because, while their opinion is not necessarily right, managers set service quality requirements based on what they think debtors want. (c) A difference between the requirements for service quality and the services presented. In services whose delivery mechanism is highly dependent on staff, this gap typically exists. (d) The difference between the actual delivery of services and external correspondence to debtors. Promises delivered will not only raise standards that serve as a standard of the quality of service to be obtained by debtors, but also raise the perception of services to be delivered to the debtor. (e) The difference between the service planned and the service actually obtained. This discrepancy occurs because of discrepancies between the performance of the service rendered by debtors and the anticipated performance of the service or

the debtor's interests. The five gaps listed above must be carefully handled because they may result in a failure to provide debtors with quality facilities or services.

Research conducted by (Enjel Yevianti, 2005) observed customer satisfaction, reliability, responsibility, assurance, empathy, and tangibility. The results obtained indicate that simultaneously reliability, responsibility, assurance, empathy, and tangibility affect customer satisfaction at the Bank BNI Bulukumba Branch, and partially show that service quality in the form of responsibility gives the most significant contribution to the level of customer satisfaction. Research (Jamaluddin, 2007) shows a positive and significant effect simultaneously between physical appearance, reliability, responsiveness, assurance, and empathy in increasing customer satisfaction at BRI Bank Panakkukang. Abedniya & Zaeim's research (2011) measure the perceived quality of customer service by using the difference between customer expectations and perceptions in the context of the banking system between customer expectations and perceptions in the conventional Islamic context banking system in Malaysia. In Islamic countries like Malaysia, Religion is a crucial factor because it will affect customer attitudes. The results showed differences between customer expectations and perceptions of the essential dimensions of service quality.

This study uses a model of confirmation or disconfirmation of service quality and customer satisfaction that evaluates customers' loyalty. Oliver (1980) explains that customer behavior is a customer's responsibility in assessing how much their evaluation is fulfilled for the services and products they have specified. The service that customers perceive generally describes customer feelings on the comparison of perceived performance and their expectations of service (Kotler, 2003). Wangenheim (2003) explains that customers' quality of service is the result of a comparison of customers between disconfirmation model concepts across customer relationships with service providers. Based on the framework, it can be hypothesized that:

**H1** : Service quality affects customer satisfaction.

**H2** : Service quality affects customer loyalty.

**H3** : Customer satisfaction affects customer loyalty.

**H4** : Service quality has an indirect effect on customer loyalty through customer satisfaction.

## 2 Research Method

This research approach is a case study supported by a survey collecting information about factors related to research variables, namely the variable service quality, customer satisfaction, and loyalty. Kerlinger (1995) states that survey research is research conducted on large and small populations by studying sample data from the community. The research location is in the BRI Office Unit Mangasa Somba Opu Makassar. This research is explanatory, aiming to analyze the effect of customer satisfaction service quality on customer loyalty, and then systematically present the data so that it is easier to understand and conclude.

This research population is all customers of BRI Unit Mangasa Somba Opu Makassar, who are still active in making transactions. The sample is a subset of the community, consisting of several populations (Sugiyono, 2014). Sampling is done considering that the existing population is vast, so it is impossible to study the entire community, so a representative population is formed. The sample size is calculated using the Slovin formula, with a population (n) of 229 people with an error rate (e) = 10%, then the sample size (n) is 59 people. The sample to be taken from the population uses a random sampling technique because it is carried out randomly without paying attention to the strata in the community and members of the homogeneous population.

To meet society's demands for service, it is appropriate for the BRI Unit to pay attention to service quality and customer satisfaction by referring to the dimensions of service quality. The dimensions of service quality (Parasuraman, 1997) are tangibles, reliability, responsiveness, assurance, and empathy. While the sizes of Satisfaction (Kotler & Keller, 2012) Customer Satisfaction (Y1) is a feeling of pleasure after comparing expectations and bank performance, providing accurate and satisfying information and satisfaction because banking services do not disappoint. Dimensions of Customer Loyalty according to (Hill, 1999) and (Griffin, 1995), namely: trust, psychological, switching costs, word-of-mouth and cooperation.

### 3 Result and Discussion

#### Result

The test results show that there is a significant influence between the relationship between the service quality variable and customer satisfaction with a significance level of  $P < 0.05$ , which shows the effect of  $P = 0.16$ . These results explain that  $H_0 = \text{Accepted}$  and  $H_1$  is rejected. These results clarify that the service quality performed by BRI Bank Mangasa Somba Opu Makassar Unit fully supports customer satisfaction, and variables  $X_1$  and  $Y_1$  have a significant and positive relationship.

In the Scatter Plot test, the graph shows the simultaneous effect of service quality on customer loyalty. With a regression coefficient of  $P = 0.16$ . This indicates that the significant and positive influence between the two is shown in the graph. Increasing the quality of +1 also increases customer loyalty by +1 and vice versa. There is a unidirectional increase, which explains that  $H_0 = \text{accepted}$  and  $H_1 = \text{rejected}$ .

The results of the test show that there is a significant influence between the variable relationship between Customer Satisfaction ( $Y_1$ ) and Customer Loyalty ( $Y_2$ ) with a significance level of  $P < 0.05$ , which shows the effect of  $P = 0.32$ ; these results explain that  $H_0 = \text{Accepted}$  and  $H_1$  rejected.

There is a partial relationship between service quality and customer loyalty; direct data processing results show insignificant results. The coefficient value of Service Quality as Predictors and Customer Loyalty as the dependent variable is  $P > 0.05$  or  $P = 0.103$ , indicating that  $H_0 = \text{Rejected}$  and  $H_1 = \text{Accepted}$ .

The results of testing the coefficients of the X and Y variables show that the variable  $Y_2$  (Customer Loyalty) to the  $X_1$  variable (Service Quality) is  $P = 0.000$ , Variable  $X_1$  (Service Quality) with a significance level of  $P = 0.016$ , and Variable  $Y_1$  (Customer Satisfaction) shows a group of significance equal to  $P = 0.32$ ; The regression coefficients are as follows:

$$\text{Customer Loyalty} = 0.337 (X_1) + 0.297 (Y_1)$$

The value of  $b_0 = 0$  means that if customer satisfaction = 0, the quality of service at the BRI bank unit Mangasa somba opu = 0, and the BRI Bank unit Mangasa somba opu does not provide customer satisfaction. On average, customer loyalty of the BRI bank unit Mangasa Somba the opu, is 0.

The value of  $b_1 = 0.337$  means that every time the quality of service changes by 1%, in general, the level of customer loyalty will increase by 0.337.

The value of  $b_2 = 0.297$  means that every time customer satisfaction changes by 1%, in general, the level of customer loyalty will increase by 0.297

The value of  $R^2$  is equal to 0.316 or 31.6%. This means that the regression line can explain the actual distribution of data by 31.6%.

Based on this equation, it can be seen that the value of customer loyalty is the result of estimation which is determined by the amount of  $Y_1$  and  $X_1$ ; thus  $R^2 = 31.6\%$ , it can be interpreted that the ability of the variables  $Y_1$  and  $X_1$  to explain the variation of the dependent variable Customer Loyalty  $Y_2$  is specific, the remainder is explained by other factors not taken into account in the model.

#### Discussion

One of the main objectives of marketing activities is often seen from the achievement of customer loyalty through a marketing strategy (Dick & Basu, 1994; Siregar, 2004). Customer loyalty is an essential part of customer repeat purchases (Caruana, 2002). According to Reichheld & Sasser (1990), customer loyalty positively correlates with business performance (Beerli et al., 2004). Customer loyalty increases value in business and attracts new customers (Castro & Armario, 1999; Beerli et al., 2004). In the short term, improving customer loyalty will bring profit to sales. Yield is the primary motive for business consistency because, with profits, the wheels of business turnover from the variety of products and services offered, and the expansion of the markets served (Soeling, 2007). In the long run, improving loyalty will generally be more profitable; that is, customers are willing to pay higher prices, provide cheaper services, and recommend to new customers.

Customer satisfaction is the key to creating customer loyalty. The benefit received by the company by achieving a high level of customer satisfaction is that it can increase customer loyalty. Besides, other services can prevent customer turnover, reduce customer sensitivity to prices, reduce marketing failure costs, reduce

operating costs caused by increasing the number of customers, increase advertising effectiveness, and improve business reputation. (Fornell, 1992).

The indirect test results explain that the relationship between Service Quality and Customer Loyalty is significant and positively valued. This means that the loyalty factor is fully supported by exemplary service quality. This is under several previous research results that explain the same thing: efforts to improve the service quality system, which will be much more useful for business continuity. According to the research conducted by Wharton Business School, this improvement effort will make consumers more loyal to the company (Lupiyoadi & Hamdani, 2006). The concepts of service quality, satisfaction, and loyalty are related to one another. Theoretically, the process can reference this study, where service quality affects loyalty both directly and indirectly through customer satisfaction.

Another factor of concern that is not entirely contained in the research is how the image of BRI Bank itself is a significant concern in the data collection process and interviews that it turns out that the effect of an image can raise ratings and make BRI Bank customers loyal. This is inseparable from the collective working role that has been carried out by BRI Bank employees in creating a conducive atmosphere in supporting their performance in providing services to its customers. The results of data processing show that both are very significant both simultaneously and partially. Service quality has a considerable impact on customer satisfaction, and customer satisfaction is an intervening variable in shaping customer loyalty. The two variables studied are vital in shaping customer loyalty; the most dominant factor is service quality. It illustrates that the primary key to forming satisfaction lies in making the formulation of improving service quality better.

The crisis that hit Indonesia in 1998 put the economy in ruins. The lethargy towards economic activity is increasingly felt, forcing economic actors to increasingly have to strive to get out of the existing problem, especially in the banking world, similar conditions are also handled, apart from that all banking world apart from selling banking products itself is also demanded to be able to improve further—competitiveness in terms of services. The persuasive approach is one of the alternatives to market services currently being pursued by a unit of the Makassar City BRI Bank, Upgrade performance skills to increase selling value amid competition in the banking world. So this situation becomes the essential milestone for improving the image of a BRI bank unit in Makassar City.

Aaker (2003) argues that perceived quality is a customer's perception of a product or service's entire quality or superiority concerning the intended purpose. Parasuraman, Zeithaml & Berry (2001) stated that perceived quality affects consumer satisfaction and loyalty. Companies' various efforts to make consumers served to feel satisfied and to make customers loyal. One way that can be done is to build a positive brand image in consumers' eyes (Randal, 2001). Sivadas & Baker-Prewitt argued that the main objective of measuring customer satisfaction is customer loyalty. Good building facilities and a comfortable atmosphere are also a significant concern and note in compiling this study that the facilities provided by a BRI bank unit in Makassar City also support their customer satisfaction. It is an introductory note that many more things make customers in one of the Makassar City BRI Bank units loyal. This is an introductory note in the future for revision in this writing

#### **4 Conclusions**

Service quality has a significant effect on customer satisfaction; in this case, a unit of the Makassar City BRI Bank has shown increasingly maximum performance in offering the best service quality; the same thing confirms previous studies' results that good service quality affects customer satisfaction. Service quality indirectly contributes significantly and positively to customer loyalty. Customer satisfaction, which is the intervening variable, also shows significant results and supports the customer loyalty factor.

About 60% of the variables that are not explained in this study form customer loyalty. This is a note so that in the future, these other factors can be a reference for re-examination in addition to the satisfaction and service quality variables in forming loyalty. Improving the company's image is also an important note that needs to be improved in the banking world's competitive era to provide added value to customer loyalty of a unit of BRI Bank Makassar City.

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