

The Effect of Service Quality and Complain Handling of Customer Satisfaction In Customer Loyalty in Bank X

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Abstract:- The main objective of this research is to analysis the factors that influence customer loyalty. The object of this research is Bank X. The research problems are refer to the business phenomena in Bank X and some research gap based on previous researches. Therefore, the research problems are : “ How to develop a customer loyalty, could be achieved complied with the particular expectation”. The purpose of this research is to investigated the path of customer loyalty. Formulated models this research aim to give critical understanding in concept and measurement of customer loyalty. This research measure service quality, complain management, and customer satisfaction as antecedents and have consequence to customer loyalty. Besides the theoretical model, the researcher subsequently had compiled three hypothesis for this research. Purposive method had been used to gain valuable data in this study. Researcher used 300 respondents and all of them are customer of Bank X. All data of this researched had been analyzed by Structural Equation Model with computer program Lisrel 8.80. The main findings of this research showed that service quality has a positive impact on customer satisfaction. Complain management also has a positive impact on customer satisfaction towards customer loyalty had a significant (positive) impact. The final conclusion of customer loyalty research can be recommended as crucial implications for management. Researcher believe that the approach used in this study can help bank managers gain useful insight regarding the relative contribution of each of specific complain management dimension to the customer satisfaction, and customer loyalty.

Keywords:- Service Quality, Complain Management, Customer Satisfaction, and Customer Loyalty.

I. INTRODUCTION

Increasing competition in the banking industry to quickly adjust to the development of the surrounding community. This was marked by the increasingly widespread expansion of foreign banks trying to enter the banking market in Indonesia. The banking industry is currently competing to improve services to customers, by providing facilities that facilitate these customers in conducting financial transactions. One example is the application of e-Banking or the ease of making transactions by not coming directly to the bank, for example through sms banking, namely transactions using the Short Message

Service (SMS) facility or also conducting financial transactions via the internet.

Bank (x) as one of the business actors in the banking industry cannot be separated from the phenomenon of change arising from the intensity of competition to win the hearts of their customers. Currently the behavior of bank customers in Indonesia is increasingly unpredictable, there are customers who want low interest rates or high interest rates, low administrative costs and there are also customers who want financial transactions that are fast, efficient, comfortable and easy to access, whenever , and wherever.

This study aims to discuss how the influence of service quality on customer satisfaction, handling complaints against customer satisfaction and customer satisfaction on customer loyalty.

II. THEORITICAL REVIEW

A. Quality of Service

Good service is one of the requirements for success in a service company. The quality of service in service companies is often conditioned as a comparison between the services expectation and the services received in real. Liu and Wu (2007) state that companies are able to provide good services to their customers or customers have the greatest opportunity to be continuously visited by their customers. Parasuraman (1988) describes several dimensions that are used to measure service quality, especially in the banking sector, namely Reliability, Emphathy, Efficiency, Procedure, Assurance and Responsiveness.

Relationship between Service Quality and Customer Satisfaction. LeBlanc and Nguyen (1988) state that the provision of good services will give satisfaction to customers. Gounaris et al., (2003) said that in a financial institution, the perception of services quality is one of the important factors that determine customer satisfaction. The better quality of services, the higher satisfaction of customer.

B. Complaint Handling

Kau and Loh (2006) stated that handling of the company means the embodiment of the company's strategy and tactics in facing the superiority of competitors' strategies and tactics. Handling complaints can be an important instrument in controlling conflict between

companies and customers about dissatisfaction. Straus and Seidel (2006) say that complaint handling by banks is a tool to boost the profitability of the bank concerned.

The relationship between Complaint Handling and Customer satisfaction. Fornell and Wernerfelt (1987) said that if a customer submits a complaint, a good responses from the bank will be able to make the customer change his attitude from dissatisfaction to satisfaction. When a customer submits his complaint, the customer gives the bank an opportunity to fix it, and interestingly if the bank can handle the complaint properly, it will be able to increase the satisfaction of the customer.

C. Customer Satisfaction

Kotler (1997) states satisfaction as an act of one's feelings after comparing the performance or results that he gets the expectation. So the level of satisfaction is a function of the difference between perceived performance and expectations, the more appropriate between the performance or results obtained with expectations, the higher the satisfaction will be obtained. Demitriades (2006) said customer satisfaction can be related not only on

customer ratings of the reliability of service delivery, but also from customer experience with the service delivery process.

Relationship between Customer Satisfaction and Customer Loyalty. Bloemer and Ruyter (1997) state that satisfaction is the basis for the emergence of loyalty. Satisfaction has a positive and significant influence on loyalty which will create the passion to use the service in the future. LeBlanc and Nguyen (1988) said that there is a positive and significant influence between customer satisfaction and customer loyalty.

D. Customer Loyalty

Foster and Cadogan (2000) stated the attitude of the customer in determining his choice to continue to use the products or services of a company. The attitude determines these choices to make a commitment and repurchase the company.

E. Thinking Framework

The thinking framework for this research is as follows:

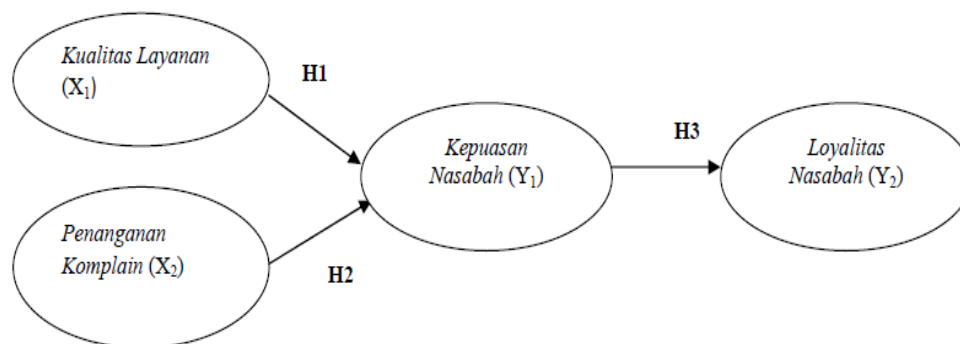


Fig 1:- Thinking Framework

F. Hypothesis

Based on these problems and literature related to this research, the following three hypotheses could be drawn as it follows :

- H1: Allegedly the quality of service has a positive effect on customer satisfaction
- H2: Allegedly the handling has a positive effect on customer satisfaction
- H3: It is suspected that customer satisfaction has a positive effect on customer loyalty

III. METHODOLOGY

The research is explaining the positions of the variables to be researched as well influence between one variable with another variable or by to see the effect of independent variable (service quality and handling the complaints) to the variable dependent, that is customer loyalty and satisfaction.

Quality of Service (X₁). Quality of service is all forms of activities carried out by the company to meet consumer expectations. The service quality variable has 4 indicators,

namely: Reliability as measured by the ability of employees in the company to minimize the mistakes that will appear in the transaction process, Emphaty as measured by the ability of employees to be pleasant to customers by giving good attention or services, Efficiency that is measured from the ability possessed by employees to take down the transactions quickly and accurately. (not in), Financial access as measured by the ability of the company in providing tools or machines that are useful to facilitate transactions and services to customers.

Complaint Handling (X₂). Handling complaints is the ability and willingness of companies to do handling quickly any complaints that come from customers. Then how complaints can be resolved satisfactorily to customers and how simple and easy procedure for filing complaints for customers. The service quality variable has 4 indicators, namely: The quickness of complaint handling as measured by the company's readiness in handling complaints from customers, the faster the complaints from customers receive follow-up, the more they can grow the satisfaction of the customer and vice versa, Satisfactory resolution of the problem as measured by adjusting complaints that satisfy

the customer will satisfy the customer and how the procedure for submitting complaints is simple and easy for the customer, The simplicity of procedure for filing a complaint that is measured from the ease in the procedural or bureaucratic process that is as simple and as easy as possible for customers who want to file a complaint with the bank.

Customer Satisfaction (Y1). Customer satisfaction is the result of a customer's final evaluation of a banking products by comparing these products with similar products from a competitor's bank, whether the product it receives is in accordance with its expectations. The customer satisfaction variable has 3 indicators, namely: The right choice shows the right choice, which is measured from the feelings arising from customers in choosing a company as their business partner, whether the company is right or not, Conformity expectations indicate the appropriateness of expectations, as measured by customer feelings arising from the company's ability to meet all expectations, Facility satisfaction shows the satisfaction of the facility as measured by the feeling of satisfaction from the customer of the facilities that have been provided and the company's willingness.

Customer Loyalty (Y1). Customer loyalty is the attachment of customers to a brand, shop, manufacturer, provide services, or other entities based on favorable attitudes and good responses, like a repeat purchase. Customer loyalty as measured by the attitude of customers in determine the choice to keep using the product or service of the company. The customer satisfaction variable has 4 indicators, namely: Recommendations measured by the customer's willingness to invite others to make a purchase or use the product, Purchases represent are measured by the customer's willingness to buy the products offered by the company, The first choice measured by the customer's willingness to make the company the first choice for his decision, Word of mouth is measured by the willingness of customers to talk about good things about the product from the company to others.

IV. RESULTS AND DISCUSSION

A. *The Descriptive Data Analysis*

The sample is part of the number and characteristics possessed by the population (Sugiyono, 2008: 81). The sample in this study were 115 customers conduct banking transactions at bank X. The sampling technique will be used in this research by using purposive sampling method, namely sampling based on criteria certain. The criteria set out in this sample are deposit customers who has been a deposit customer at Bank X for 4 years. The reason why it was chosen customers who have been deposit customers for 4 years because they can be considered as loyal customers and have done or have experience doing banking transactions are expected to answer the questions / questionnaires submitted (Bloemer et al., 1998).

B. *Validity test*

According to Ridgon and Ferguson (1991) and Doll, Xia and Torzadeh (1994) in Yamin and Kurniawan (2009: 36), a variable is said to have validity good for a latent construction if: The value of t factor load (loading actor) is greater than the critical value (> 1.96 or practically > 2); and The standardized factor loading is greater than or equal to 0.7.

C. *Reliability Test*

Reliability is closely related to the consistency of manifest variables in measuring latent construction. According to Yamin and Kurniawan (2009: 36), construction reliability said to be good if the value of reliability constraints > 0.7 and the extracted variance value > 0.5 . From table 1 several things can be known, namely: Service Quality has a significant positive effect to Customer Satisfaction, it can be seen from the value of t arithmetic = 3.74 which is greater than t table 1.96. The estimated value verify that Service Quality has a significant positive effect on Customer Satisfaction of 0.42. Handling of Complaints has a significant positive effect to Customer Satisfaction, it can be seen from the value of t arithmetic = 4.32, which is greater than t table 1.96. The estimated value verify that the Handling of Complaints is significantly positive for Customer Satisfaction of 0.62. Customer satisfaction has a significant positive effect to Loyalty it can be seen from the value of t count = 2.62 which is greater than t table 1.96. The estimated value verify that Customer Satisfaction has a significant positive effect on Loyalty of 0.25.

Path analysis dari Structural model

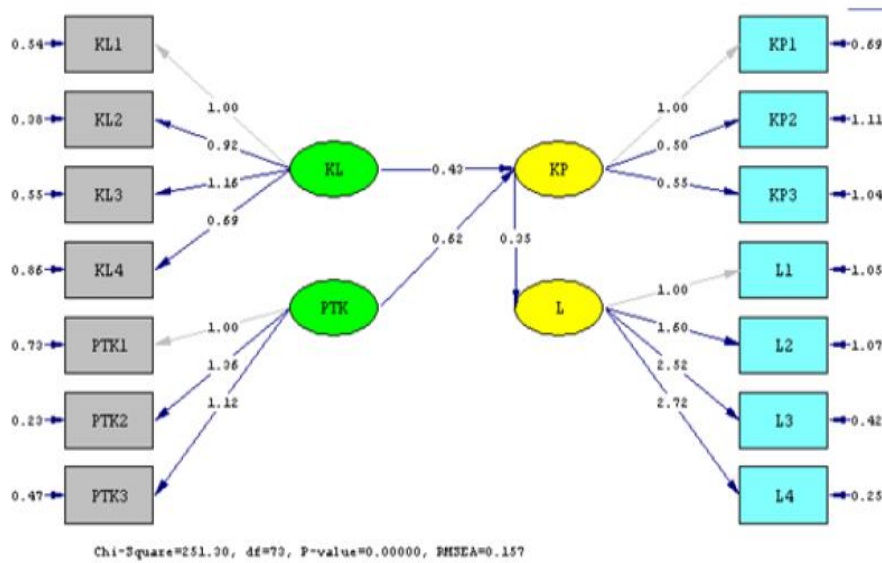


Fig 2

No	Hipotesis	Pengaruh	Estimate	t _{hitung}	t _{tabel}	Keterangan
1	H1	Kualitas Layanan → Kepuasan Nasabah	0,42	3,74	1,96	Positif Signifikan
2	H2	Penanganan Komplain → Kepuasan Nasabah	0,62	4,32	1,96	Positif Signifikan
3	H3	Kepuasan Nasabah → Loyalitas	0,25	2,62	1,96	Positif Signifikan

Table 1

V. DISCUSSION AND CONCLUSION

A. Discussion

From the several tests results and analyzes, the following conclusions that could be drawn like this :

- Based on the analyze descriptively by analyzing the mean value of Service Quality, and the mean value of Customer Satisfaction which is the mean variable Service Quality is 3.48 and the mean variable Customer Satisfaction is 3.52. It can be concluded that the average respondent agree to every question of Service Quality and Customer Satisfaction.
- Based on the analyze descriptively by analyzing the mean value of Handling Against Complaints, and the mean value of Customer Satisfaction where the mean variable Handling Against Complaints is 3.65 and the mean variable Customer Satisfaction is 3.52. It can be concluded that the average respondent agrees to each question on Handling Complaints and Customer Satisfaction. The results of data processing prove that the Handling of Complaints has a positive effect to Customer Satisfaction.
- Based on the analyze descriptively by analyzing the mean value of Customer Satisfaction and the mean

value of Loyalty which is the mean Customer Satisfaction variable is 3.52 and the mean variable loyalty is 3.49. It means that the average respondent agree to each question Customer Satisfaction in Loyalty. The results of data processing verify that Customer Satisfaction has a positive effect to Loyalty.

B. Conclusion

Based on the results of discussion, it can be explained the conclusions from the results of this research, as follow as :

- Based on the results of data processing verify that Service Quality has a positive effect on Customer Satisfaction. These results indicate that customers feel satisfaction to make transactions in Bank X.
- Based on the results show that the customer feels satisfaction to make transactions in Bank X, if the customer has a positive perspective on the process of Handling Complaints at Bank X.
- These results indicate that if consumers are satisfied to make a transaction at Bank X, it will affect loyalty at bank X. Thus, the third hypothesis states that customer satisfaction affects the loyalty can be accepted.

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