Examining the Relationships between Service Quality, Corporate Image, Customer Satisfaction, and Customer Loyalty for an Indonesian Bank

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This research aimed to discover the effect of service quality, corporate image, and customer satisfaction on customer loyalty. The primary data used in this study was obtained from a structured questionnaire sent to 98 customers of Bank BJB Saharjo, Jakarta Branch. Quantitative research was achieved using AMOS program to develop a structural equation model. The results of the study showed that service quality had a positive impact on customer loyalty, however corporate image had a negative effect on customer loyalty. Service quality and corporate image have a positive effect on customer satisfaction. Customer satisfaction is a positive determinant of customer loyalty. Thus, this paper supports previous empirical analysis and improves knowledge on improving relationships with bank customers.

Keywords: Service Quality, Corporate Image, Customer Satisfaction, Customer Loyalty

JEL Classification: M31

1. Introduction

The banking business has an intense competition for this industry, so companies must continue to look for ways to survive in this business. Competition in the banking world is increasingly felt at an international level. Various methods are used to attract as many customers as possible, such as friendliness of the bank officers and improving the quality of the provided services. Customer loyalty is currently a concern for many companies, especially in the banking sector, because of its important effect for the continuity of a business. In this case, by paying attention to the determinants of customer loyalty, it becomes clear that customer satisfaction, which is considered as a loyalty controller, is necessary but not enough for creating customer loyalty. Service quality and corporate image are one of the main points for many people in making important decisions regarding future purchases.

Regarding the basis for this study, BJB bank has the challenge of acquiring new customers and retaining old customers. For this aim, the bank has to develop the trust of customers, so that they will continue

to use the services of the BJB bank and then want to recommend the bank to others. To deal with this, the bank BJB needs to improve its performance in an effort to increase customer satisfaction.

Based on the background of the importance of a company image, service quality, and customer satisfaction in developing and influencing loyalty in the banking industry and looking for further influence, in this paper we will examine the effect of service quality, corporate image on customer loyalty, with mediating variables on customer satisfaction for BJB bank Saharjo Jakarta Branch.

2. Literature Review

According to Kotler and Armstrong (2010, pp.28-30), marketing is a social and managerial process that makes individuals and groups obtain what they need and want by creating, offering and exchanging valuable products and services with other parties. Service quality, according to Tjiptono (2008), is the fulfillment of consumer needs and desires as well as the accuracy of delivery to offset consumer expectations. Good service quality arises due to of service strategies related to company policies. The service strategy must be continuously developed to be maintained and improved, especially in order to create customer loyalty. Corporate image is an image created and positioned by the company in consumers' mind. The creation of a corporate image can be done in two ways, namely through the perspective of infrastructure and the perspective of external imagery that has been implemented by the company.

To create an infrastructure image, the company must emphasize the vision and mission offered to its customers. Whereas, external images are able to go through; customer satisfaction, product quality, tangible image, advertisements, public relations, sponsorships opportunities, events and social responsibility. Thus, "external images can be interpreted as long-term activities between companies and interacting consumers" (Ene and Özkaya, 2014).

The definition of customer satisfaction according to Kotler (2014: 150) is: "Feelings of pleasure or disappointment that arise after comparing the actual performance (results) of purchased to the expected performance (or expectations)". From this definition, it can be said that if the product performance is not in line with the expectations or if the expectations are set too low, the customer will feel dissatisfied and end up disappointed; whereas if the performance is in line with expectations, the customer will be satisfied, but if a good's or service's performance exceeds customer's expectations, then the customer will feel happy and satisfied.

Loyal consumers are consumers who have characteristics such as making repeated purchases of the same business entity, notifying others about the satisfaction obtained from the company, and showing indifference to offers from other competing companies (Subagio, 2012).

Research conducted by Rahman (2012) regarding "service quality and corporate image has an effect on customer perception" and as Ishaq (2012) noted "company image, perceived value and service quality have gained important meaning in consumer retention strategies". In this study, we propose that corporate image, service quality and consumer satisfaction are the determining factors of customer loyalty.

Farida (2010) discusses the integration of relational ties, relationship's quality, customer satisfaction, and customer loyalty in state-owned banks in Central Java, particularly in Semarang City, Surakarta City, and Cilacap City. The SEM results of Farida's (2010) study indicate that the relevance of company image and customer satisfaction have a significant effect on customer loyalty. Thus, based on this framework, the purpose of this study will be to understand and analyze the relationships between bank customers through corporate image, service quality and customer satisfaction on customer loyalty.

3. Research Premises

Based on the formulation of the problem described earlier regarding the exploration of the relationships between variables: Service Quality, Corporate Image, Customer Satisfaction and Customer Loyalty. Theoretical framework proposed in this study is illustrated in Figure 1.

3.1. Hypotheses

According to the results of Mahardika's research (2014), service quality has a positive and significant relationship to customer satisfaction. Moreover, Tjiptono (2008, p.85) simply states that service quality is defined as a measure of how well the level of service provided is able to meet customer expectations. In this study, the hypothesis of the influence of service quality can be formulated on customer satisfaction as follows:

H1: Service quality has a positive influence on customer satisfaction.
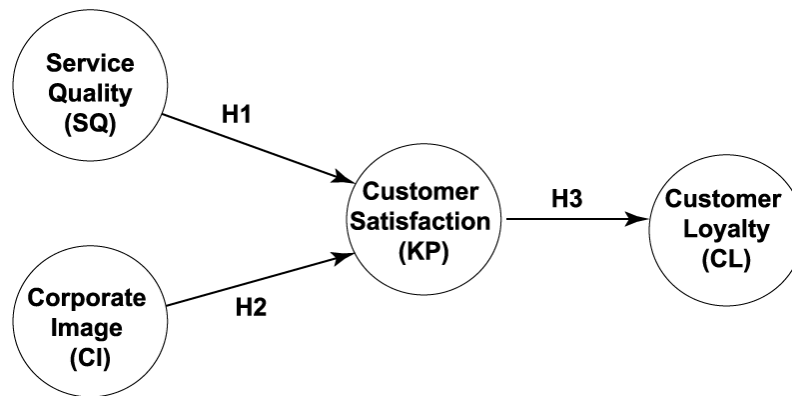
Figure 1 *Theoretical Framework*

According to Jefkins (2004), company image is the image of an organization as a whole, so it is not an image of the product and service. For companies, images can also be interpreted as community perceptions of company identity, a person's perception of the company is based on what they know or they think about the company concerned. Company image disclosed by Salam et al. (2013) as a general impression left in the minds of consumers as a result of a collection of feelings, ideas, attitudes and experiences with companies that are stored in memory. The impression is then transformed into a positive or negative image according to the feelings and experiences of consumers in the company. In this study the hypothesis of the influence of corporate image can be formulated on customer satisfaction as follows:

H2: Corporate image has a positive influence on customer satisfaction.

Customers with very high levels of satisfaction will be more loyal, loyalty to a company automatically implies they will spend more money with the company (Williams and Naumann, 2011). Mohsan et al. (2011) argue that customers will tend to recommend service providers when they are satisfied with the services provided and when they have a good attitude towards them. According to Kotler and Armstrong (2015, p.49) keeping loyal customers is economical for a company. Loyal customers use more company products and for a longer time. Losing loyal customers can mean losing future revenue streams to these customers. Customer loyalty and repeat purchase decisions are factors that have a high influence on the company's profitability and growth (Palmatier et al., 2006). Consumer intention to buy and they actually purchasing products and services depends on service quality, service satisfaction and trust in the seller (Carrillat et al., 2009). In this study the hypothesis of the influence of customer satisfaction on customer loyalty can be formulated as follows:

H3: Customer satisfaction has a positive influence on customer loyalty.

4. Research Methodology

This study uses quantitative methods. The primary data used in this study was obtained directly through the distribution of questionnaires addressed to the customers of PT Regional Development Bank of West Java and Banten, Tbk Saharjo Jakarta Branch. In this study, the population was represented by bank customers of the Saharjo Branch Office. The respondents had to concur with the condition of being a customer for at least 3 years to ensure that the customer has experience in conducting transactions with the BJB bank of the Saharjo Branch Office. The population included this study with that complied with this characteristic consisted of 67 current account customers and 46 savings customers. In this study the data collection method implied a questionnaire, while processing statistics in this study was achieved using structural equation model (SEM) in AMOS.

5. Analysis and Results

Analysis of Structural Equation Model (SEM) intended to test the models and hypotheses developed in this study. First, the goodness of fit of the model was examined, based on the results included in Table 1, according to Hair et al. (2010) specifications for cut-off criteria.

Table 1. *Goodness of fit full model*

Goodness-Of-Fit Index	Cut-Off Value for good fit	Result analysis	Model evaluation
X^2 – Chi Square	-	197.111	Fit
Probability	p-value > 0.05	0.062	Fit
RMSEA	≤ 0.08	0.04	Fit
GFI	≥ 0.95	0.701	Marginal
AGFI	≥ 0.90	0.626	Marginal
CMIN/DF	≤ 2.0	1.173	Fit
TLI	≥ 0.95	0.919	Fit
CFI	≥ 0.95	0.935	Fit

The model examined in this paper involved the exploration of the hypotheses between four key concepts: service quality, corporate image, customer satisfaction, customer loyalty. The model's results are shown in Figure 2 and Table 2.
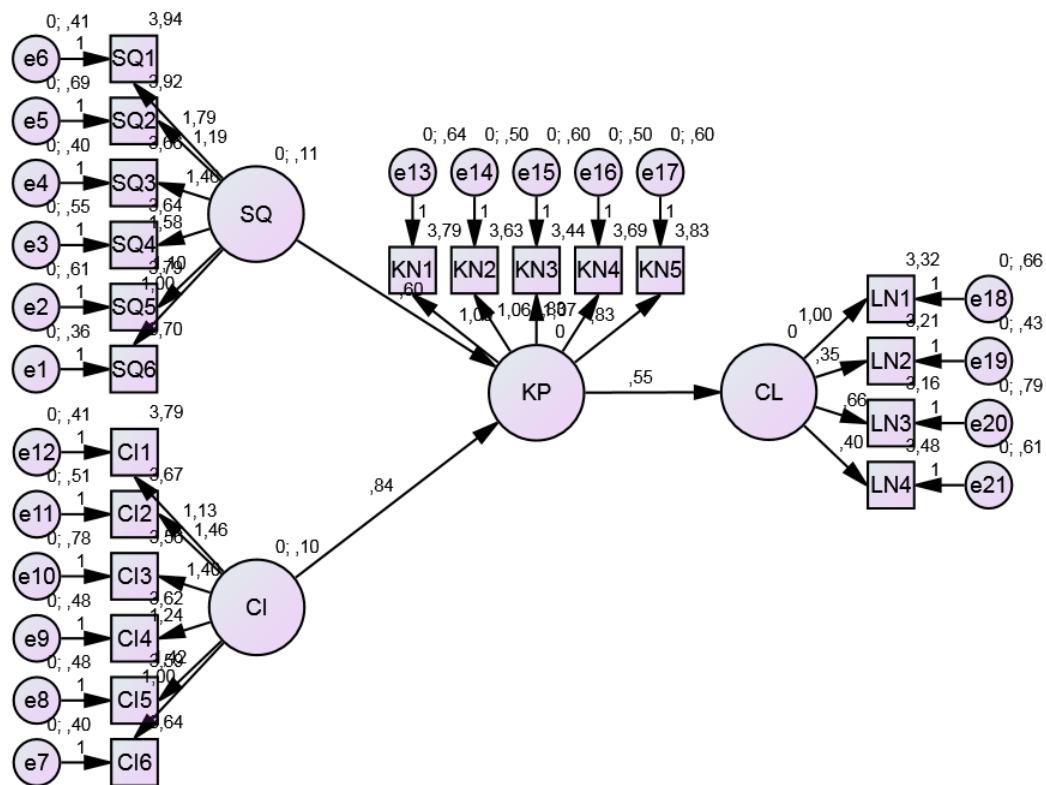
Figure 2. *Structural Equation Model (SEM) Test Results*
Notes: SQ = service quality, CI =Corporate Image , KP = customer satisfaction, CL = Customer loyalty

Table 2. *Hypothesis testing results*

Hypothesis			Standardized Estimate	S.E.	C.R.	P	Hypothesis Result at a p< 0.1
Service Quality (SQ)	→	Customer Satisfaction (KP)	0.595	0.292	2.039	0.041	H1 is supported
Corporate Image (CI)	→	Customer Satisfaction (KP)	0.850	0.498	1.706	0.088	H2 is supported
Customer Satisfaction (KP)	→	Customer Loyalty (CL)	0.563	0.269	2.091	0.037	H3 is supported

Based on the results presented in Figure 2 and Table 2, we can conclude that the following hypotheses were supported:
H1. Service Quality has a positive effect on Customer Satisfaction.
H2. Corporate Image has a positive impact on Customer Satisfaction.
H3. Customer Satisfaction has a positive impact on Customer loyalty.

Thus, this study re-affirms the importance of service quality, corporate image, customer satisfaction for developing customer loyalty for bank customers.

6. Discussion and Conclusions

The results of hypothesis testing show that both Service Quality and Corporate Image have positive and significant effects on Customer Satisfaction. Moreover, Customer Satisfaction has an impact on Customer Loyalty. These hypotheses' results support previous research and previous results explored through empirical analyses (Palmatier et al., 2006; Williams and Naumann, 2011; Salam et al., 2013; Mahardika, 2014).

Therefore, this paper adds to the theoretical framework of customer relationships with bank customers, loyalty development, and the premises of customer satisfaction. For further research, it is expected to be able to add samples of branches at the bank BJB so that the number of observations becomes more numerous.

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