

Increasing Customer Loyalty Based on Service Quality and Customer Experience for Bank Pembangunan Daerah Kaltimara Customers

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Abstract. *This study aims to analyze how to improve Customer Loyalty based on Service Quality and Customer Experience for BPD Kaltimara customers. The population in this study were all customers of Bank Pembangunan Daerah Kaltimara, Tarakan Branch. The sampling technique used purposive sampling with the criteria of respondents who had used the services of Bank BPD Kaltimara, Tarakan Branch, so that 125 respondents were obtained. Statistical analysis was carried out using Partial Least Square Structural Equation Modeling (PLS-SEM). The results of the analysis showed that Service Quality and Customer Experience had a positive and significant effect on Customer Loyalty. In addition, the results of the analysis also showed that Service Quality and Customer Experience had a positive and significant effect on Customer Satisfaction. However, the results of the analysis found that Customer Satisfaction did not mediate the effect of Service Quality and Customer Experience on Customer Loyalty. This shows that customer satisfaction does not play a role in mediating the effect of service quality and customer experience on customer loyalty. In other words, although customers are satisfied with the quality of service and experience received, this satisfaction does not support a significant increase in customer loyalty.*

Keywords: *Customer; Experience; Quality; Satisfaction.*

1. Introduction

Banking is the lifeblood of a country's economy, because without banks, economic activity becomes fragile. When the banking sector grows rapidly, it has an impact on the development of the national or global economy. In order to grow and explore growth, banks must be able to provide the best service to their customers. In Indonesia, competition between banks is getting tighter. The proof is, many state-owned and private banks offer various banking products that offer different utilities and services to customers and encourage them to save. Banks as financial institutions are certainly not free from common problems that can also affect the corporate sector. Therefore, the role of banks in the service sector is very useful in improving the quality of service and customer satisfaction. Through this, bank management understands the aspects that affect the quality of service.

Service excellence depends on the uniqueness and quality of the service. Above all, the service must reflect the needs and desires of the customer. This is because the service that is directly felt and enjoyed by the customer is immediately evaluated whether it is in accordance

with their expectations and assessments. Quality must start with customer needs and end with customer perceptions (Kotler, 2017). Through the quality of service shared by the company, it will increase customer loyalty in order to make repeat purchases. According to Richard Oliver in Ratih Hurriyati (2015), customer commitment persists deeply to re-subscribe or make repeat purchases of selected products or services consistently in the future. This is in line with research from Zikir et al (2019) which found that service quality has an effect on customer loyalty.

Customers' views on service quality are an overall assessment of service excellence. In providing services, banks must meet at least five indicators of Service Quality to retain customers, namely tangibles, reliability, responsiveness, assurance, empathy (Steven Darwin et al., 2014). This was also stated by Lestari (2020) where customer satisfaction is the beginning of service quality, so the relationship between service quality and customer satisfaction is very closely related. Therefore, the better the Service Quality, the higher the Customer Satisfaction towards service satisfaction. This is in line with the findings of Zikir et al (2019) who obtained research results that service quality has an influence on customer satisfaction.

In evaluating satisfaction, customers often look at the added value of the efficiency of the product or service obtained from the product (service) purchasing process. The amount of added value received by customers through the product (service) purchasing process is the answer to the question of why customers choose. Customers are always looking for the maximum value that a product (service) can offer.

When customers are satisfied, they will remain loyal to the product when they buy it. Therefore, banks must prioritize service quality in order to continue operating. Service quality has a significant impact on customer satisfaction, also affects customer trust, facilitates the creation of customer loyalty and benefits the bank itself. Companies can get new customers through loyal customers. Because the behavior of loyal customers recommends the company. This makes loyal customers a valuable asset for the company. Satisfied customers tend to remain loyal to the company, so customer satisfaction produces customer loyalty.

Service quality can be understood as an effort to meet customer needs, and provide accurate information according to consumer expectations (Kusumasitta, 2014). Because when consumers feel that the quality of service is in accordance with their expectations, they feel satisfied, trust and commit to their customers. This is in line with the findings of Warsito (2018) who found that customer satisfaction has an influence on customer loyalty. Customers who trust and are involved are willing to show repeat purchase intentions, buy goods/services more often and are more loyal to those goods/services.

Satisfaction and loyalty can also be influenced by customer experience, According to Sahir Hafni Syafrida (2020) if consumers are impressed with a product and get a positive experience they will always remember the product and customers will make repeat visits or consumption at the Bank. For this reason, it can be concluded that, if the customer's memory is so attached to a product or service that they have received, then the best service to customers by making them happy and satisfied is an effective way to increase customer loyalty.

Today's customers want something more than just a product or service, they want a pleasant experience for maximum satisfaction as expected (Kuo et al., 2009). A positive customer experience can be interpreted as customer satisfaction (McLean & Wilson, 2019) which will have a direct impact on customer satisfaction and customer loyalty. This will be formed through several successful experiences when making a purchase. This experience causes customers not to want to switch to another bank and ultimately creates customer satisfaction (Jaiswal & Singh, 2020) and customer loyalty (Micu et al., 2019). This satisfaction and loyalty will last a long time as long as there are no repeated purchase failures (Nguyen et al., 2020).

Several previous studies still show a research gap, where there are still differences in results between one study and another. Fida (2020) has confirmed that Service Quality has a positive effect on Customer Loyalty. However, different research results were found by Nugraha and Astarin (2023), finding that there was no significant influence between Service Quality and Customer Loyalty.

Another study conducted by Zaid & Patmawa (2021) found that Customer Experience has a positive and significant effect on Customer Loyalty. However, different research results were found by Felita and Japarianto (2015) which showed that the Customer Experience variable has a positive but insignificant effect on Customer Loyalty. The existence of the research gap above encourages researchers to include Customer Satisfaction as a mediating variable or intervening variable. This is very reasonable because high Customer Satisfaction will be able to increase Customer Loyalty.

2. Research Methods

The research method is a way for the author to analyze data. The definition of the research method according to Sugiyono (2014:4) is: "The research method is basically a scientific method used to obtain objective, valid, and reliable data with the aim of finding, proving, and developing knowledge so that it can be used to understand, solve, and anticipate problems." From the definition above, it can be concluded that the research method is a way of solving research problems that is carried out in a planned and careful manner with the intention of obtaining facts and conclusions in order to understand, explain, predict, and control the situation. The research method is also a way of working to understand and explore the target object. The method used in this study is a quantitative research method. The type of research used is explanatory research which is associative.

3. Results and Discussion

3.1. The Influence of Service Quality on Customer Loyalty

The results of the study show that Service Quality has a significant effect on Customer Loyalty. This shows that the Service Quality felt by BPD Kaltim tara customers can influence Customer Loyalty. This means that the higher the Service Quality of customers, the more comfortable customers will feel in using banking services, and they will be happy to recommend others to visit the bank so that it will have an impact on Customer Loyalty. This study is in line with research conducted by Fida (2020) which states that Service Quality has a positive effect on

Customer Loyalty. This can be interpreted that the higher the level of customer Service Quality, the more Customer Loyalty will increase.

Based on this study, the results of the analysis of the service quality path to customer loyalty presented in table. 4.9 show that service quality has an influence on Customer Loyalty with a positive influence of 0.327. This proves that when customers get service quality that is able to meet or exceed their expectations, their loyalty will increase, which is seen from when customers feel confident and safe in using banking services, customer loyalty will increase because customers prioritize trust and security in their financial affairs.

3.2. The Influence of Customer Experience on Customer Loyalty

Customer Experience influence on Customer Loyalty. This shows that the experience felt by BPD Kaltimara Customers can influence Customer Loyalty. This means that the higher the Customer Experience, the higher the Customer Loyalty. This study is in line with research conducted by Zaid & Patmawa (2021) which states that Customer Experience has a positive and significant effect on respondents' Customer Loyalty. This can be interpreted that the better the Customer Experience experienced, the higher the respondent's loyalty.

Based on this study, the results of the analysis of the customer experience path towards customer loyalty presented in table 4.9 show that customer experience has an influence on Customer Loyalty with a positive influence of 0.321. This proves that if customers feel a pleasant and satisfying experience, for example customers feel the experience of being served by bank officers who provide accurate information about products and services then their loyalty will increase.

3.3. The Influence of Service Quality on Customer Satisfaction

Service Quality influence on Customer Satisfaction. This shows that the Service Quality felt by BPD Kaltimara customers is able to influence Customer Satisfaction. This means that when customers feel that the Service Quality provided meets or even exceeds their expectations, it will increase their level of satisfaction with the product or service. Thus, it is important for BPD Kaltimara to focus on improving the Service Quality provided to Customers as part of their marketing strategy.

This study is in line with research conducted by Nugraha and Astarin (2023) which states that Service Quality has a significant positive impact on Customer Satisfaction. This can be interpreted that the higher the level of customer Service Quality, the higher the Customer Satisfaction will be.

Based on this study, the results of the analysis of the service quality path to customer satisfaction presented in table 4.9 show that service quality has a fairly large influence on customer satisfaction with a positive influence of 0.421. This proves that when customers feel that the Service Quality provided meets or even exceeds their expectations, it will increase their level of satisfaction with the product or service.

3.4. The Influence of Customer Experience on Customer Satisfaction

Customer Experience influence on Customer Satisfaction. This shows that the Customer Experience felt by BPD Kaltimara customers is able to influence Customer Satisfaction. This means that when customers get a good and memorable experience, it will give rise to recognition and from this recognition will increase their satisfaction with the product or service.

This study is in line with research conducted by Zaid & Patmawa (2021) which states that Customer Experience has a positive and significant effect on Customer Satisfaction. This can be interpreted that the higher the level of Customer Experience, the higher the Customer Satisfaction will be.

Based on this study, the results of the analysis of the customer experience path to customer satisfaction presented in table 4.9 show that customer experience has a fairly large influence on Customer Satisfaction with a positive influence of 0.433. This proves that when customers get a good and memorable experience such as a shared experience competent staff are able to provide services that meet or exceed customer expectations., then it will increase their satisfaction with the product or service.

3.5. The Influence of Customer Satisfaction in Mediating Service Quality and Customer Experience on Customer Loyalty

Customer Satisfaction does not have an influence as a variable that mediates the indirect influence of Service Quality and Customer Experience on Customer Loyalty. This shows that customer satisfaction does not play a role in mediating the influence of service quality and Customer Experience on customer loyalty, where when customers are satisfied with the quality of service and experience received, but this influence does not support increasing customer loyalty. It is possible that even though customers are satisfied with the quality of service and experience, their expectations may have been exceeded. In other words, the quality of service and experience provided may have met or even exceeded customer expectations, so that satisfaction is no longer a factor influencing loyalty.

This study is not in line with the study conducted by Nugraha and Astarin (2023) who found that Customer Satisfaction can mediate the impact of Service Quality on Loyalty, and this study is also not in line with the study conducted by Risalatin Hijjah and Anindya Ardiansari (2015) who found that satisfaction can mediate Customer Experience on customer loyalty through positive influence.

Based on this study, the results of the analysis of the indirect effect of Customer Satisfaction in mediating Service Quality and Customer Experience on Customer Loyalty presented in table. 4.10 shows that Customer Satisfaction does not have an influence as a variable that mediates the indirect influence of Service Quality and Customer Experience on Customer Loyalty because the total influence of the Service Quality variable on Customer loyalty through Customer satisfaction is 0.008, with the direct influence value of the Service Quality variable on Customer loyalty of 0.327, which means that the total influence of Customer experience on Customer loyalty through Customer satisfaction is smaller than its direct

influence (0.008 < 0.327). In addition, the total influence value of the Customer Experience variable on Customer loyalty through Customer satisfaction is 0.008, with the direct influence value of the Customer experience variable on Customer loyalty of 0.321, which means that the total influence of Customer experience on Customer loyalty through Customer satisfaction is smaller than its direct influence (0.008 < 0.321).

With these results, it can be concluded that customer satisfaction does not play a role in mediating the influence of service quality and Customer Experience on customer loyalty, where when customers feel satisfied with the quality of service and experience received, this influence does not support increasing customer loyalty. Customer loyalty appears to be directly influenced by service quality and customer experience without the mediating role of satisfaction. Therefore, banks should focus on directly improving service quality and customer experience to achieve higher loyalty.

4. Conclusion

Based on the research questions focused on the relationship between Service Quality, Customer Experience, Customer Satisfaction, and Customer Loyalty of Bank BPD Kaltimara Customers, the conclusion of this study can be summarized as follows: Service Quality has a positive and significant effect on Customer Loyalty. Service quality in the context of Banking means that the quality of service provided by BPD Kaltimara must be able to meet or exceed customer expectations to build their loyalty. In this study, Assurance is the service quality indicator with the highest influence, which means that Bank BPD Kaltimara has shown excellence in creating a sense of security and confidence in customers. This is the most important aspect in banking services because customers prioritize trust and security in their financial affairs. The findings of this study confirm that Service Quality has the highest influence in forming Customer Loyalty. So that improving Service Quality provided to customers is an important strategy in strengthening relationships with Customers and maintaining competitive advantage in the context of Banking. Customer Experience has a positive and significant effect on Customer Loyalty, providing an understanding that positive customer experience, characterized by accessibility, staff competence, customer recognition, personalization, and respect for time. In this study, competence is an indicator of Customer Experience with the highest influence, this means that the ability of BPD Kaltimara staff in providing services has been in accordance with customer expectations so that it can create a pleasant and satisfying experience for customers in building customer loyalty. *Service Quality* has a positive and significant effect on Customer Satisfaction. High service quality, measured by tangibility, reliability, responsiveness, assurance, and empathy, plays a key role in meeting or exceeding customer expectations, ultimately increasing their satisfaction. Banks that successfully improve these aspects in their services will be able to achieve higher levels of customer satisfaction.

5. References

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