

Effect of Product Quality and Service Quality towards Loyalty through Customer Satisfaction at the Taplus BNI Medan Petisah Sub Branch

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ABSTRACT

One of the services industries that engage in finance is the banking industry. The main activities of banks generally do raise funds from the community and channel it to the community. The purpose of this research is to see the effect of product quality and service quality towards loyalty through customer satisfaction. This research is a study that tests the relationship of more than two variables. The population in this research is the customer of the Taplus BNI Medan Petisah Sub Branch with sample withdrawal method using purposive sampling with hypothesized testing device using structural equation modeling (SEM)-partial least square (PLS). The first test results show the product quality effect towards the customer satisfaction with p-values 0.000, the service quality effect towards the customer satisfaction with p-values 0.000. Furthermore, customer satisfaction is significantly effect towards loyalty. In the results of the study also showed that the product quality does not have a significant effect towards loyalty with p-values 0.413 and service quality does not have a significant effect towards loyalty with p-values 0.057. The product quality and service quality is not able to give direct effect towards loyalty. The loyalty is established when the bank customer is able to feel the level of satisfaction he hoped. In terms of creating satisfaction, the bank needs to improve the service quality to the customer, and further give the customer trust for the product used.

Keywords: Product Quality, Service Quality, Loyalty, Customer Satisfaction

INTRODUCTION

The existence of banking companies is very important along with the development of a very modern era, especially in terms of increasing the economic growth of a country. With the development of today's business world, many banking companies use all its capabilities to continue to balance the competition against its competitors. The service industry is one of the important factors to increase the source of economic growth. Nowadays the service industry is growing rapidly, and many companies are starting business in the service sector. The service industry is an economic activity by providing services to its customers. One of the services industries is the financial services industry. The financial services industry is growing and growing because it is supported by technological sophistication. All companies that are engaged in financial services are racing and competing to remain able to survive and grow by presenting superior products.

One of the financial services industries is banking. The main activity of the bank in general is to conduct its business activities by raising funds from the community and channel it to the

community. BNI Bank is one of the largest financial services companies in Indonesia.

In carrying out its business, BNI in the branch office of Medan Petisah seeks to increase the number of customers in order to increase the revenue of the company. One way to increase the company's revenue is to retain customers and add new customers. Customers who can survive as desired by the company are customers who have been loyal to the products and services provided. According to Rahmayanty (2010) Interpreting loyalty is about the percentage of people who have ever purchased a certain timeframe and made a re-purchase since the first purchase. From the statement mentioned by Rahmayanty (2010) can be withdrawn conclusions about the customer loyalty is the comparison of customers who save money since the beginning of saving and increasing the number of savings in a long time.

In the context of banking services, Saladin (2012) stated that bank loyalty is defined as bias (non-random) which is a behavioral response, expressed in a long time with some decision making that sees one bank from a group of banks that is a process and psychological function that produces a brand commitment. If the customer can feel satisfied and loyal, then indirectly the customer can be a means of free promotion in the long term and will eventually give profit to the bank.

Korn (2013) believes that customer satisfaction is influenced by quality of service and product quality. The model of quality service is very popular and used as a reference marketing research is by model Servqual. The servqual Model defined by Prasuraman (1985) defines the quality of service as an assessment or global attitude relating to the superiority of a service, but customer satisfaction is the respondent of the assessment. The quality of the integrated service should know what is the customer needs and end it by adjusting the customer's perception.

Responsiveness is the desire of service providers in the ability to provide

assistance to customers quickly and responsively. In this dimension that will be seen is how responsive the bank employee is in addressing the emerging issues. Assurance is a guarantee that can be given by the bank to the customers who include the ability, courtesy, and attitude of the employees who can be trusted. Further on empathy is the level of concern for banks in the form of attention to customer needs and wishes. Empathy is the attitude and behavior of employees, employees greet and employee ethics in communicating.

Kotler & Amstrong (2012) stated that the quality of the product is how much a product will be capable of demonstrating its function, including the durability of the product, reliability, accuracy, ease of operation and repair of its products and product attributes. Product quality is understood as a goal that is very difficult to understand because customers' expectations will always change. In a quality standard on the product offered to the customer, the customer will demand again to be obtained better quality standards of product again, and so on.

Performance in question is whether the quality of the product is able to give an overview of the actual state. Range and type of features are the main functions of the banking products offered. Reliability and durability is the reliability of the banking products to be offered and how long the bank product can be enjoyed by the customer.

One type of product owned by BNI is tabungan plus product. BNI Taplus is a savings product that provides progressive interest with an attractive interest rate and is calculated on the basis of daily average balance. In addition, BNI Taplus also provides debit card facilities, as well as e-banking services through BNI ATM, BNI phone banking, BNI SMS banking, BNI internet banking and BNI mobile banking. To measure the quality level of the product at BNI Branch Office of the Medan Petisah, researchers have pre-surveys to customers

to be able to provide about the picture of the product taplus BNI.

Based on the results of the survey of 30 customers who are saving, it is seen that how many customers declare the product provided by BNI branch Office of the servant Petisah not able to provide product privileges and needs for customers. This is because the products offered by the majority of state-owned banks are almost the same, but each bank has its own individual circle.

In addition, supporters of Taplus products such as ATM machines often occur error. Customers feel disappointed with the service of products such as automatic teller machine (ATM) which often happens error. Withdrawal of money on ATM machines often occur errors and it does not work. The condition of the account is debited but money is not out. This will make the customer feel disappointed because the amount of the savings is reduced but the money taken is not out.

In addition to ATM error, when customers want to activate mobile banking often experience system interruption. So the process to activate mobile banking is longer and sometimes it does not work, when the customer has been waiting too long. This will reduce the value of added products owned by BNI and will make customers become disappointed.

LITERATURE REVIEW

2.1 Product Quality

Product is everything both in the form of tangible and intangible which is considered to have value in a market and from the product can provide a benefit and satisfaction for those who enjoy the product.

According to Kotler & Armstrong (2012), it says that "product quality is how much a product will be capable of demonstrating its function, including the durability of the product, reliability, accuracy, ease of operation, and repair of products and their product attributes". The quality of the product has a role to attract interest to its customers against the company of the product or service provider.

2.2 Service Quality

The quality of services is the expected level of excellence and control over the level of excellence to fulfill the wishes of customers (Tjiptono, 2011). Meanwhile, according to Sunyoto (2012), "Quality of service centered on the effort to fulfill the needs and wishes of consumers and the accuracy of delivery to compensate the expectations of consumers, namely the suitability between expectations with management perception, the suitability between the perception of consumers' expectations with employee standards, the suitability between the employee standards of service with the services provided by the promised service. From that sense, the quality of service means how the company to focus on its customers.

2.3 Loyalty

Griffin (2010) Defines loyalty is a customer's commitment to endure deeply to re-subscribe or re-purchase, but the purchase is consistently in the future. Loyal customers have four characteristics, including:

1. Make Recurring Purchases Regularly

Loyal customers, will always buy products produced by the company. It doesn't matter though it has some changes, but is based on a change comparable to that of a previous product or more beneficial and quality.

2. Buy Line of Products and Services

The decision to buy line products or products produced by the same company is a decision of a buyer when feeling confident that the company produces a quality product.

3. Referring to Others

The way to get new clients is a loyal customer willing to give a positive influence about the product that the company produces to new prospective customers.

4. Showing Immunity to Competitors' Pull

The best customer will be the main target of the competitor company to welcome it. Of course this is not desirable by a company if the customer is seized by a competitor. But customers who have high loyalty, they will

be immune to the pull or influence of companies that produce similar products.

2.4 Customer Satisfaction

Satisfaction according to Kotler & Keller (2012), is: "Satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product or Service's perceived performance (or outcome) to expectations". From this sense, it can be known that customer satisfaction is a happy or disappointed by the customer when enjoying and after enjoying a product or service.

There are several ways to be able to measure whether the customer is satisfied or not, by:

1. Complaints and Advice System

Every company or organization in the business is necessary to provide a facility to the customer to be able to respond to the company. The company needs to provide complaints system facility when customers feel the disappointment of the product or service they have enjoyed and can provide advice or feedback in order to make improvements to the product/service. It is important for the company because in maintaining the customer to keep using the product or service is to fulfill the needs and wishes of the customer according to their expectations.

2. Ghost Shopping (Mystery Shopping)

This can be done to know the satisfaction of a customer. In this case the company can employ some people in relation as a spy company. The company provides direction to pretend to be a potential buyer. It intends to assess the quality of the products and services of the company's employees. A Ghost Shopper must do an assessment of how the company and its competitors in serving the customer's specific demands and answering customer inquiries.

3. Lost Customer Analysis

The company needs to communicate to customers who have stopped using products or services or even have moved to competitors. This needs to be done so that the company knows why it happened, so

that the future can be improved to improve the satisfaction of its customers. But in this case the client will be difficult to request a willingness to respond. Because customers are no longer interested and feel not to benefit if they give input for the company.

4. Customer Satisfaction Survey

The company can conduct customer satisfaction surveys through various methods that can be applied. One such method is by means of a direct interview with the customer. Through the survey the company will immediately get feedback from the customer, and the customer can give a positive impression because the company is considered to care to the customer.

RESEARCH METHODS

3.1 Types and Properties of Research

The research used in this study is associative research. According to Sugiyono (2012), associative research is a study conducted to determine the relationship between two or more variables. In this study, researchers used a quantitative approach. Quantitative Data is obtained through the distribution of polls or questionnaires determined by the number of samples in this study.

Thus, this research is a quantitative descriptive study. Data obtained through research population samples will be analyzed according to the statistical method used and then to be interpreted.

3.2 Location and Research Time

This research was conducted in the BNI branch office in Medan Petisah, North Sumatera Province and its research time began from March 2019 to July 2019.

3.3 Population and Samples

Populations and samples can be used as data sources. The population is a set of individuals who characterize an object in a region. Manannya Sugiyono (2012) "The population is an area of generalization consisting of objects or subjects that have certain qualities and characteristics

established by researchers to be studied and then withdrawn in conclusion".

In this study the population was 356 people. The population number is a customer who is saving on Taplus products in BNI Helper branch office in Medan Petisah with an average balance of last 3 (three) months (December 2018 to February 2019) > 500 million.

The number of indicators in this study is 34 indicators, so the magnitude of the sample when multiplied by 5 is 170 respondents. Of the total of 170 samples that have been determined, then researchers use accidental sampling, namely the technique of sampling based on coincidence, i.e. customers who by accident/incidental meet the researcher can be used as a sample, if viewed by the person who happened to be found suitable as a data source.

3.4 Data Analysis Methods

Path analysis is a statistical analysis technique developed through multiple regression analyses. According to Sarwono (2007) Path Analysis is a direct development of multiple regression forms with the aim of providing an estimate of the level of interest (magnitude) and the significance of the relationship level of hypothetical importance in a variable set.

RESULT

Hypothesis Testing

To see whether a hypothesis is acceptable or rejected including the value of the significance of the constrak, t-statistic, and p values.

Table 1. Significance Intervariable Research

Information	Original Sample (O)	T Statistics ((O/STDEV))	P Values	Results
Customer Satisfaction-> Loyalty	0.666	9.451	0.000	Significant
Service Quality-> Customer Satisfaction	0.413	5.572	0.000	Significant
Service Quality -> Loyalty	0.172	1.904	0.057	Not Significant
Product Quality-> Customer Satisfaction	0.410	5.428	0.000	Significant
Product Quality -> Loyalty	-0.066	0.820	0.413	Not Significant

Source: Research Result, 2020 (Processed Data)

Based on Table 1, it can be known that the relationship between service quality and loyalty is insignificant and the relationship between product quality and loyalty is insignificant.

The product quality effect towards the customer satisfaction with p-values 0.000, the service quality effect towards the customer satisfaction with p-values 0.000. Furthermore, customer satisfaction is significantly effect towards loyalty. In the results of the study also showed that the product quality does not have a significant effect towards loyalty with p-values 0.413 and service quality does not have a significant effect towards loyalty with p-values 0.057

Table 2. Indirect Effect Between Research Variables

Information	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
Service Quality -> Loyalty	0.275	0.270	0.055	4.967	0.000
Product Quality -> Loyalty	0.273	0.275	0.059	4.659	0.000

Source: Research Result, 2020 (Processed Data)

Based on Table 2, it can be seen that big indirect effect of service quality on loyalty is 0.275 and significant with p-values=0.000 < α =0.05. Similarly, the big indirect effect of product quality on loyalty is 0.273 and significant with p-values=0.000 < α =0.05.

Based on the large total effect between variables, it can be known the significance level between variables shown in Table 3 below.

Table 3. Significance Based on The Total Effect Between Variables

Information	Original Sample (O)	T Statistics ((O/STDEV))	P Values	Results
Customer Satisfaction-> Loyalty	0.666	9.451	0.000	Significant
Service Quality-> Customer Satisfaction	0.413	5.572	0.000	Significant
Service Quality -> Loyalty	0.448	5.064	0.000	Significant
Service Quality-> Tangibles	0.866	34.282	0.000	Significant
Service Quality -> Word Of Mouth	0.043	0.731	0.465	Not Significant
Product Quality-> Customer Satisfaction	0.410	5.428	0.000	Significant
Product Quality -> Loyalty	0.207	2.220	0.027	Significant

Source: Research Result, 2020 (Processed Data)

CONCLUSION AND SUGGESTION

The first test results show the product quality effect towards the customer satisfaction with p-values 0.000, the service quality effect towards the customer satisfaction with p-values 0.000. Furthermore, customer satisfaction is significantly effect towards loyalty. In the results of the study also showed that the product quality does not have a significant effect towards loyalty with p-values 0.413 and service quality does not have a significant effect towards loyalty with p-values 0.057. The product quality and service quality is not able to give direct effect towards loyalty. The loyalty is established when the bank customer is able to feel the level of satisfaction he hoped. In terms of creating satisfaction, the bank needs to improve the service quality to the customer, and further give the customer trust for the product used.

Based on the results of the discussion and observation during the study, the author presents several suggestions as an evaluation material for the management of the company and for later researchers who want to develop similar research.

1. For Bank Negara Indonesia, the branch of Medan Petisah.

a. BNI branch office of the Medan Petisah is expected to always improve the quality of the network that impacts the customer satisfaction in transacting with the purpose of upgrading the branch base fee of all customer transactions both in the outlet and through e-channel.

b. BNI Branch office need to improve the ability of officers in educating customers about the features and services that are owned by BNI Taplus so that customers get

accurate information about the products and services owned by BNI Taplus.

c. In terms of increasing customer satisfaction, before offering products to customers, BNI Branch Office helper Medan Petisah should be able to offer products that correspond to the profile and needs of customers by knowing the customer's profile so that the customer is increasingly getting satisfaction impacting customer loyalty.

d. In the case of increasing the trust of customers, BNI Branch Office helper Medan Petisah must be able to ensure the security and confidentiality of customers so that the customer believes that the bank can provide optimal results from every placement of funds made by customers in the bank so that the product BNI Taplus can reflect the superior product of one of the largest and trusted banks in Indonesia.

e. In terms of increasing customer satisfaction, bank employees are expected to provide maximum service to the customer, in the event that the customer is in a rushed or urgent condition, the bank employee must be able to immediately handle and serve the customer properly.

f. In an effort to increase customer funds in the bank, BNI branch office Medan Petisah should be able to offer products that provide optimum return so that customers never think to accept offers from other banks and also give attention and build a good relationship with the customer.

g. To improve the capability and professionalism of employees, BNI branch Office of the Medan Petisah should be able to increase customer satisfaction and loyalty by means of providing training to all of the employees of BNI Auxiliary Branch Office

of Medan Petisah so the increase in the number of customers is increasing.

2. For further researchers

a. For further research development, it is advisable that researchers can further add trust variables (trusts) as research variables to be tested for their influence on customer loyalty. So the research results will be more comprehensive.

b. The research object in the upcoming research needs to be expanded not on BUMN banks only, but by comparing with private banks.

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