

Behavioral Intentions as an Impact of Customer Satisfaction In Retail Banking

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Abstract: This study investigates customers behavioral intentions as an impact of customer satisfaction retail banking which measured by marketing relationship activities and customer orientation of service employee (COSE) using structural equation modelling (SEM). This study was conducted among 400 customer of commercial bank in Lampung with proportional distribution. The essence of this study is that customer will have the intentions to behave positive or negative sense based on the level of customer satisfaction as marketing relationship activities and customer orientation of service employee. Beside that, this study indicates that customer satisfaction as an intervening between marketing relationship and customer orientation of service employee toward behavioral intentions. Overall, bank managers must create their employees to have customer-oriented attitude by establishing long-term relationship based on marketing relationship activities.

Keywords: Marketing Relationship, Customer Orientations of Service Employee, Satisfaction, Behavioral Intentions, Retail Banking, Lampung.

1. Introduction

The Indonesian banking industry is now a potential business whose development tends to be good. This is seen in terms of the number of national banks and foreign banks that appear like mushrooms in the rainy season.

In general, the main indicators of the performance of Commercial Banks in Lampung Province in Q2 2018 showed a downward trend, although in terms of risk management it was relatively stable. Beside that, commercial bank assets in Lampung as of June 2018 recorded a growth of 5.83% (yoy) which was relatively lower than the position in the first quarter which reached 10.06%. DPK individual sector in Lampung Province recorded a growth of 10.29% (yoy) in Q2 2018, exceeding overall DPK growth of 6.85% (yoy). (Bank Indonesia, 2018). These growth indicates that the household sector is still a main driver of performance bank at once as main source of bank funding in Lampung.

Bedi (2010) explain the market has changed drastically and has become largely customer centric. From sellers market the banks have been forced to operate in the buyer's market. The change has made the customer a king. Facing the increasingly fierce business competition situation in the banking industry, banks will survive if they can create value and give satisfaction to their customers through the delivery of quality services and competitive prices. (Weitz and Jap (1995), Armstrong et al. (2015). Banks have focused to develop strategies to differentiate themselves from their competitors and providing their customers with high quality banking services and highly technology innovative products. (Bedi, 2010)

The main purpose of marketing relationship activities in retail banking is to create customers with high satisfaction (Buttle and Maklan, 2015). When customers are satisfied with the service during the transaction process and are satisfied with the services they receive (we called customer orientation of service employee - COSE), it is likely that customers will have the intention to behave positive perceptions, willingness to pay more, propensity to switch, external response to problem and internal response problem (Zeithaml et al., 1996)

Behavioral intentions in this study is focus by customer intention behavior towards banking services as the result of the the customers satisfaction process in banking services. Satisfaction that customers feel about banking services has an impact on positif or negative behavioral intention, depending on how much satisfaction customers feel.

The purpose of this study are to identify effect of: (1) relationship marketing toward satisfaction; (2) customer orientation of service employee toward satisfaction; (3) relationship marketing toward behavioral intentions; (4) customer orientation of service employee toward behavioral intentions; and (5) satisfaction toward behavioral intentions.

2. Literatur Review

2.1 Behavioral Intentions

The intention of behaving customer is defined as the behavior of customer's intention to the banking service which are the result of customer satisfaction process toward banking services. Customer's satisfaction with banking services can have an impact on the behavior of customers' high or low intentions, depending on the level of the customer's satisfaction (Ikhsan et al., 2018)

Customers will be aware of the value in the product or service at a certain time, such as when they want to make a purchase decision, or when they feel use of the service. Its means, the higher the customer feels satisfied with the service that is perceived, it will lead to behavioral intentions that benefit the bank. Conversely, the lower the satisfaction that customers feel from a service will lead to behavioral intentions that harm the bank (Brady and Cronin Jr, 2001)

According to Zeithaml et al. (1996), there are five dimensions of behavioural intentions, namely: (1) attitudinal loyalty; (2) switch propensity; (3) willing to pay more; (4) external response, and (5) responses to the company (internal response). Zeithaml et al. (1996) giving emphasis that behavioural intentions consists of favourable or unfavourable. Favourable behavioral intentions namely positive word of mouth (saying positive and recommending the service to others), paying a price premium, spending more money with the company, and remaining loyal. While, unfavourable behavioural intentions namely leaving the company, spending less money with the company, spreading negative word of mouth, and taking legal action.

2.2 Satisfaction

Many studies of literature and research results that measure the level of satisfaction of such banking customers, such as in Moutinho and Brownlie (1989); Levesque and McDougall (1996); Naser et al. (1999); Moutinho and Smith (2000); and Meuter et al. (2000); Mihelis et al. (2001).

Some academics has been give definitions of customer satisfaction. Spreng et al. (1996) describe satisfied customers when they have compared perceptions of service performance with expectations. Tse and Wilton (1988) state satisfaction and

dissatisfaction are customer responses to perceived discrepancies between previous expectations (or other performance norms) and the actual performance of the product perceived after use. Tse and Wilton (1988) also describe two main variables that determine customer satisfaction, namely expectations and perceived performance. If perceived performance exceeds expectations, consumers will be satisfied, but if otherwise consumers feel dissatisfied. Kotler and Keller (2012) state consumer satisfaction is feeling happy or disappointed after comparing the perceived performance compared to expectations. It can be concluded that consumer satisfaction is generated from the comparison process between perceived performance and expectations which results in a disconfirmation paradigm.

In retail banking, providing services with a focus on customer orientation continue to be strengthened every day, with more and more banks choose customer satisfaction as a key performance indicator. Mihelis et al. (2001) created a hierarchical structure of customer satisfaction dimensions tested in the banking industry in Greece, namely: (1) personnel of the bank; (2) products; (3) *image of the bank*; (4) service; and (5) access. Measurement of customer satisfaction adopted by Mihelis et al. (2001) and this research measure customer satisfaction in the retail banking in Lampung, Indonesia. So, it can explain or support customer satisfaction theory and become one of the marketing strategies in the banking industry to create customers who have optimal satisfaction.

2.3 Marketing Relationship

Shostak (1983) first time introduced the term marketing relationship by giving emphasis to the advanced stage to get new consumers by building relationships between consumers and companies so that consumers remain loyal to the company. Morgan and Hunt (1994) describe marketing relationships referring to all marketing activities that are directed at building, developing and maintaining the success of relationship exchanges.

The academics have conducted a lot of research on voluntary marketing to produce various definitions, although the core of the definition has the same meaning, that is, companies that are able to retain customers longer will have better performance than companies that always rely on new consumers. (Gummesson (1997); Parvatiyar and Sheth (2000); Palmatier (2008).

Wilson et al. (2012) provide one of the main goals of marketing relationship that is to build and maintain customers who are committed and profitable for the company and at the same time can minimize the time and effort spent on less profitable customers.

Some literature has produced theories that support the basics of marketing relationships, namely *trust* (Morgan and Hunt (1994); Veloutsou et al. (2002); *commitment* (Grossman and Randi (1998); (Chan and Ndubisi (2004); *conflict handling* (Dwyer et al. (1987); Chan and Ndubisi (2004); and *communication* (Crosby et al. (1990); (Morgan and Hunt (1994); Chan and Ndubisi (2004). The four dimensions become one of the sustainable business growth strategies by relying on mutualistic symbiotic relationships with consumers that enable a business to understand its needs clearly, create and provide the best value ((Ndubisi, 2003).

This study was adopted dimension of marketing relationship from Oly Ndubisi (2007), namely *commitment*; *communication*; *conflict handling*; and *trust* because there is similarity of analysis units (customer bank in Malaysia and customer bank in Indonesia).

2.4 Customer Orientation of Service Employee (COSE)

The theory of COSE was first introduced by Hennig-Thurau (2004) who distinguished between individual knowledge, personal will, and social benefits as a general employee behavioural precondition. This theory was later known as COSE consisting of three dimensions: (1) employee customer-oriented skills; (2) employee motivation to serve the customer; and (3) the employee's authority in his own decision-making.

Hennig-Thurau and Thurau (2003) state that an employee could only behave in a customer-oriented way in the fullest sense if all the dimensions were present, in which the employee is motivated, competent, and allows to treat customers according to their needs. With regard to the dimensions of consumer orientation skills of service workers, Hennig-Thurau and Thurau (2003) proposed that employees' technical and social skills were considered separate dimensions of COSE in addition to the motivation and the authority dimensions. To serve the customers, employee motivation should consist of three elements, i.e. the positive valence of customer-oriented behaviour and the consequences associated with such behavior from the employee, employee self-perception to be customer-oriented (Vroom, 1964), and employee expectations in achieving desired outcomes through such behaviour.

Hennig-Thurau and Thurau (2003) state that an employee can only behave totally in a customer-orientation way whenever all the dimensions are present: (1) having motivation, (1) competence, and (3) possibility to treat customers in accordance with their need. Concerning the skill dimension of service employee's orientation to customer, Hennig-Thurau and Thurau (2003) suggest that employee's social and technical skills are separate dimensions of the service employee's orientation to customer, beside authority dimension and motivation dimension. Technical skill refers to the knowledge and the motoric skill which the service employee should have in order to meet the customer need in the process of personal interaction (Argyle and Kendon (1967). Social skill stresses on the ability of service employee in concluding the customer's opinion along the interaction (Mead, 1934); (Flavell, 1968). The authority to make decisions concerning the concept of empowerment which is intensively discussed in service literatures such as (Bowen and Lawler III, 1995); (Spreitzer, 1995) refers to organization's "goal" of giving the authority to the employee while authority to make decisions is regarded as subjective. From the perspective of methodology, such a concept indicates that the validity of discriminant is in the dimension of service employee's orientation to customer ((Fornell and Larcker, 1981) where all dimensions significantly relate to the whole construction of service employee's orientation to customer.

This study refer to Hennig-Thurau (2004) to selecting dimensions such as employee customer-oriented skills and employee motivation to provide service to customers by eliminating the employee authority dimension in decision making because it is less relevant. Selection of the dimension is based on the measurement of customer orientation, measured by the service of actors (how employees' perception who are customer-oriented).

3. Methodology

This study use a questionnaire as a data collection. Overall is 56 questions, 17 questions for marketing relationship, 9 questions for COSE, 18 questions for satisfaction, and 12 question for behavioral intention. All questions are validity and reliability. Analyzing and interpreting the data obtained in the field using Structural Equation Modelling (SEM). Total sample of 400 respondents were drawn proportionately from

each bank in Lampung, Indonesia. We selecting 71 customers of DPK state own, 243 customers of DPK BPR and 10 customers credit of state own and 76 customers credit of BPR.

In this study there are some forms of relationship or equation to be tested. Overall, structural and measurement models formed in this study are as follows:

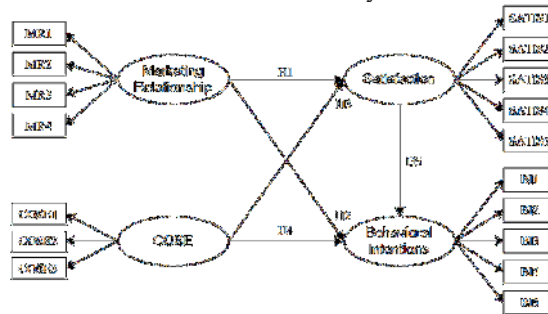


Fig.1. Research Model

4. Result

4.1 Construct Validity and Reliability

The measurement model was evaluated for overall fit using tests of validity and reliability. Construct validity was test using confirmatory factor analysis (CFA), reliability test was using construct reliability (CR) and Variance Extracted (VE).

Table 1. Validity and Reliability Test (First Order)

Const ruct	Dimen sion	λ	e	C R	V E
MR	MR1	0	0	0	0
		.96	.08	.98	.94
	MR2	0	0		
		.98	.04		
MR3	MR3	0	0		
		.97	.06		
	MR4	0	0		
		.98	.04		
COS	COSE	0	0	0	0
	1	.98	.04	.99	.97
	2	.99	.02		
	3	.98	.04		
SATI	SATIS	0	0	0	0
	1	.90	.20	.98	.89
	2	.93	.13		
	3	.97	.06		

	SATIS	0	0		
4		.99	.02		
	SATIS	0	0		
5		.92	.16		
BI	BI1	0	0	0	0
		.69	.52	.88	.60
	BI2	0	0		
		.89	.21		
	BI3	0	0		
		.77	.40		
	BI4	0	0		
		.84	.30		
	BI5	0	0		
		.65	.58		

The measurement results show that all indicator in the dimension are declared valid and reliabel. The validity test was satisfied as loading factor value are greater 0.7 and VE are greater 0.5 (Fornell and Larcker (1981). The reliability test was satisfied as CR value varies from 0.98 (marketing relationship); 0.91 (COSE); 0.98 (Satisfaction) and 0.87 (behavioral intentions) (Hair et al. (2014).

4.2 Result

The model stucture illustrates the relationship among constructs. The value of X^2 394.16 with df 105 (Good), P-Value 0.000 (poor), GFI $0.90 \geq 0.90$ (Good) RMSEA $0.08 \leq 0.08$ (Good), Normed X^2 $3.7 < 5$ (Good), NFI $0.96 > 0.90$ (Good), NNFI $0.96 > 0.90$ (Good), CFI $0.97 > 0.90$ (Good), RFI $0.95 > 0.90$ (Good), AGFI 0.85 (Good) and PNFI 0.74 (Marginal) are in the range of 0 – 1.

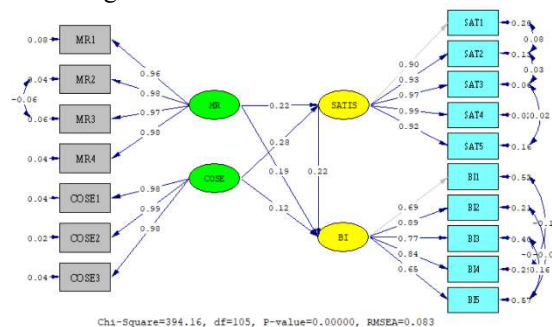


Fig.2. Model of Behavioral Intention

From the structural model, marketing relationship influences customer satisfaction with the coefficient value 0.22 and t-value 4.39. COSE influences customer satisfaction with the coefficient value 0.28 and t-value 5.52. Marketing relationship influences behavioral intentions with the coefficient value 0.19 and t-value 3.55. COSE to behavioral intentions with the coefficient value 0.12 and t-value 2.32. Customer satisfaction influences behavioral intentions with the coefficient value 0.22 and t-value 4.15. It means all the inter-construct relationships are significant because the t-value greater than the cut off 1.96. Based on the structural equation of customer satisfaction the value of R^2 is found

0.16, meaning that marketing relationship and COSE contribute 16% to the creation of customer satisfaction. The structural equation of behavioral intentions the value of R^2 is found 0.16 meaning that marketing relationship, COSE, and customer satisfaction contribute 16% to create behavioral intentions. Customer satisfaction becomes a mediating in the relationship of marketing relationship and COSE toward the behavioral intentions because the value of direct, which is initially significant, the value is still significant but decreasing after being added customer satisfaction. See Table 2

Table 2. Single Mediation Test

Relationship	Direct		Indirect	
	C	t	C	t
	coef	-val	coef	-val
MR → SATIS → BI	0	4	0	0
COSE → SATIS → BI	.25	.42	.05	.07
MR → BI	0	3	3	3
COSE → BI	.19	.51	.03	.34

Overall, the hypothesis testing from the research model are satisfied. COSE becomes the most dominant in creating customer behavioral intentions through customer satisfaction. That is, customers will have positive behavioral intentions to the bank if the bank is able to provide satisfaction with the support of employees who have customer-oriented behavior.

5. Conclusion

From the result of this research, it can be concluded that marketing relationship and COSE have become significant effect to customer satisfaction and behavioral intention. Furthermore, customer satisfaction affects to behavioral intention. Customer satisfaction is an intervening function between marketing relationship and COSE to behavioral intention. This study explains that customer satisfaction while enjoying bank services will be determined by the behavior of employees who are customer oriented and carry out activities to establish long-term relationships with customers.

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