Impact of Service Quality on Satisfaction, Loyalty, and Word of Mouth Customers for Improving Service of PT. Bank Pembangunan Daerah Bali

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Abstract: *Competition in the banking industry in the global era is getting tougher. One issue that is still hampering PT. Bank Pembangunan Daerah Bali (PT. BPD Bali) progress in addition to capital, brand awareness, human resource competency. This is evident from the fact that PT. BPD Bali won 10 Bank Pembangunan Daerah (Local Development Bank) with service excellence. Though the quality of service will largely determine customer satisfaction. If customer satisfaction can be achieved, it is not impossible that customers will be loyal and participate in recommending financial services provided by PT. BPD Bali. The purpose of this study is to analyze the effect of service quality on customer satisfaction, loyalty, and word of mouth. This research is an explanatory research with a quantitative approach. The study population is all registered customers who have savings and or credit at the head office of PT. BPD Bali, with a sample of 70 people. The sampling technique is done by combining purposive sampling with convenience sampling. Data were collected through a questionnaire which was then analyzed by SEM-PLS analysis techniques. Whereas in the second year data collection by questionnaire will be continued with a SWOT analysis, so that internal factors and external factors and strategies that can be carried out for developing service quality at PT. BPD Bali. The results showed that the quality of service had a positive and significant effect on customer satisfaction, loyalty, and word of mouth. Therefore it is necessary to conduct further research on strategies to improve service quality at PT. BPD Bali, considering the quality of service will have a very high impact on the development of PT. BPD Bali.*

Keywords: bank strategy, customer loyalty, customer satisfaction, quality of service, word of mouth

1. Introduction

The banking industry is growing rapidly along with globalization and increasing public demand for financial services. It also resulted in banking competition in collecting third party funds and lending can not be avoided. The number of bank offices operating in Bali Province until August 2018 totaled 1,024 offices [1]. The bank office consists of state banks, regional government banks, national private banks, and foreign and joint venture banks.

One issue that is still hampering PT. BPD Bali's progress in addition to capital, brand awareness, human resource competency (HR), low productive credit composition, and PT. BPD Bali service network issues, is service quality (Infobanknews.com). During the course of the assessment period 10 BPD Info bank best service excellence, has never presented the name of PT. BPD Bali, which shows the lack of service quality [2].

The Info bank Research Bureau sees PT. BPD Bali main weakness in service quality as a result of the low quality of front office staff, such as customer service and tellers. Mystery shopper monitoring from Marketing Reserarch Indonesia (MRI) states that BPD services are moving very slowly. The ability of front liner officers at BPD such as customer service, tellers, and telephone officers, is very low with stagnant quality. The score achieved by BPD in terms of overall excellent service (overall) was also supported by an assessment of physical aspects, such as banking hall equipment, room comfort, and automatic teller machines (ATMs). Problems that arise in the absence of PT. BPD Bali into the top 10 of the Regional Development Bank's prime services, can be caused by service problems from BPD Bali's own service units. Scoring scores do not necessarily describe all service units, because PT. BPD Bali's customer profile in general is slightly different for each service area. For this reason, as an initial step, research on service quality at the head office of PT. BPD Bali.

PT. BPD Bali should not only rely on the status of local government share ownership, because competition in nine districts is getting tighter. The economic potential of each district has been calculated, not only Denpasar and Badung as a tourism barometer, almost all of Bali is also being hunted by competitors of PT. BPD Bali.

The demand for service quality in relation to satisfaction in each regional segment is relatively different. However, the head office is certainly a gateway and a pilot service quality of a company, including PT. BPD Bali. Good service quality at the head office, can be a role model for service delivery at all branch offices, sub-branch offices, to cash offices.

2. Literature Survey

2.1 Quality of Service

Service quality was first developed by Parasuraman [3]. The service quality dimension model highlights the main conditions for delivering the expected service [3][4]. The research identified five gaps that caused the failure of service delivery. The gap between perceived services and expected services is related to customer perspectives on the five dimensions of service quality, namely physical evidence, reliability, responsiveness, assurance, and empathy [5].

Service quality can be identified through the following indicators [6]:
1) Tangibles (physical evidence), for example where employees look neat when working, so that customers feel comfortable seeing and interacting with employees when using services.
2) Reliability, namely the ability of employees to provide services immediately, accurately and satisfactorily.
3) Responsive, which is the employee's response to consumer complaints.
4) Assurance (guarantee), is the ability to provide confidence and trust in consumers.

2.2 Customer Satisfaction

Customer satisfaction is the fulfillment of customer expectations. The general definition refers to the expectancy disconfirmation paradigm [7]. Hope will be the standard for assessing the actual performance of a product or service. If what the customer expects is fulfilled, a confirmation will occur, or the customer is satisfied. If what is expected by the customer is not fulfilled, then there will be a disconfirmation, either a positive disconfirmation, or a negative disconfirmation [7].
Indicators used to measure satisfaction variables are [8]:
1) The right choice is the feeling of the customer in choosing the company as its partner is the right choice.
2) Conformity of expectations, namely customer feelings about the company's ability to meet its expectations.
3) Facility satisfaction is a feeling of customer satisfaction with the completeness of the facilities provided by the company.

2.3 Loyalty

Consumer loyalty is consumer loyalty to companies, brands and products [9]. Loyalty as a liking attitude towards a brand that is presented in a consistent purchase of that brand over time [10]. Consumer loyalty is a customer commitment to a brand, store or supplier based on the very positive nature of long-term purchases [5]. From this understanding it can be interpreted that loyalty to the brand is obtained because of the combination of satisfaction and complaints. While customer satisfaction comes from how much the company's performance to generate satisfaction by minimizing complaints in order to obtain long-term purchases made by consumers.

Consumer loyalty is a consumer's commitment to a market based on a positive attitude and is reflected in consistent repurchases [11]. Indicators of consumer loyalty are:
1) Trust is a response to consumer confidence in the market.
2) Emotion commitment is a psychological commitment of consumers to the market.
3) Switching costs are consumer responses about the burden received when changes occur.
4) Cooperation is consumer behavior that shows the attitude of working with the market.

2.4 Word of Mouth (WoM)

The process of word of mouth marketing takes place by giving people a reason to talk about products and services, and making the conversation easier [12]. The focus of word of mouth marketing is that people become more emotional because someone's willingness to talk about the brand is more related to their emotional connection with the brand.
Word of mouth measured with the following indicators [13]:
1) The willingness of consumers to talk about positive things about the company's service quality to others.
2) Recommendation of company services to others.
3) Encouragement of friends or relatives to make purchases of company services.

3. Problem Definition

Companies often claim to have done the best for their customers. What the company has done is not always in accordance with customer expectations, resulting in a gap between the perception of the company and the customer in assessing service quality. For this reason, this study also intends to see how the satisfaction of the customers of the Head Office of PT. BPD Bali in receiving services that have been provided. Customer satisfaction is very important, but not merely as a marketing goal. Satisfaction as a stepping stone with the aim of developing relationships is based on a long-term benefit structure. For this reason, the study will also look at the relationship of service quality, satisfaction, trust, and WoM, as well as the relationship between these variables. Furthermore, it is also necessary to analyze the internal and external factors that affect the quality of service at PT. BPD Bali. So that it can be summarized as a strategy for optimizing the quality of service and customer satisfaction of PT. BPD Bali.

4. Method

Analysis of the impact of service quality on customer satisfaction, loyalty, and word of mouth at PT. BPD Bali will be carried out with SEM analysis. Where previously the data will be collected by questionnaire instrument. The research conceptual framework is as shown in Figure 1. below.
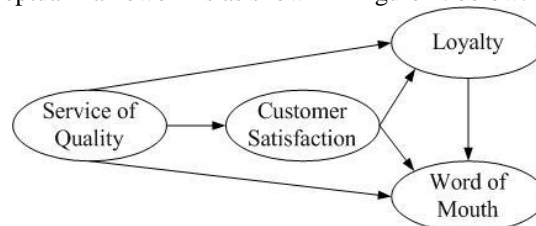

Figure 1: Research Concept Framework

This study uses primary data types, by collecting data from the customers of PT. BPD Bali, so that the population in this study are all customers who enjoy services, and are registered to have savings and or credit at the head office of PT. Bali BPD Bank. The sample size for SEM with a maximum likelihood estimation model is 100-200 samples [14], or as many as five times the number of indicators (5x14 indicators = 70 samples). The sampling process or sampling technique is carried out in two stages, namely by combining the purposive sampling technique with convenience sampling.

5. Results and Discussion

5.1 Description of Respondents Perceptions of Research Variables

Description of respondents 'perceptions based on statements in the research questionnaire is needed to know accumulatively how respondents' perceptions about each research variable. Respondents 'perceptions are described based on the percentage of respondents' answers to the research statement using the mean value (mean) of each respondent's overall perception items. To be able to interpret a perception index can use the three box method criteria [15]. Furthermore, range of the following three box method criteria: 10-40 percent are expressed as bad/low appreciation; 41-70 percent expressed as moderate appreciation; and 71-100 percent expressed as good/high appreciation [15].

Table 1: Respondents' Perception of Research Variables

Variable/Indicator	Perception	Mean	Criteria
Service Quality (X1)	81.43	4.07	Good
Tangibles (X11)	80.29	4.01	Good
Reliability (X12)	79.71	3.99	Good
Responsive (X13)	83.14	4.16	Good
Assurance (X14)	82.57	4.13	Good
Customer Satisfaction (X2)	80.19	4.01	Good
Right choice (X21)	82.57	4.13	Good
Conformity of expectations (X22)	82.00	4.10	Good
Facility satisfaction (X23)	76.00	3.80	Good
Loyalty (Y1)	78.57	3.93	Good
Trust (Y11)	82.29	4.11	Good
Emotion commitment (Y12)	76.57	3.83	Good
Cooperation (Y14)	76.29	3.81	Good
Word of Mouth (Y2)	82.95	4.15	Good
Willingness to talk (Y21)	82.29	4.11	Good
Recommendations (Y22)	85.14	4.26	Good
Encouragement of other parties (Y23)	81.43	4.07	Good

Based on Table 1 it can be seen that the variables of this study as a whole are rated well by respondents. This shows a contradiction that although the service of employees at PT. BPD Bali is not yet among the best at the national level, but customers have rated it good.

5.2 Evaluation of the Outer Model

An indicator can be said to be valid (convergent validity) if it has a loading factor above 0.6 and AVE above 0.5 for the intended construct. The complete convergent validity test results are presented in Table 2.

Table 2: Convergent Validity Test Results
(Outer Loading and AVE)

Indicator	Variable			
	X1	X2	Y1	Y2
X11	0.732			
X12	0.726			
X13	0.841			
X14	0.886			
X21		0.831		
X22		0.780		
X23		0.841		
Y11			0.818	
Y12			0.814	
Y13			0.706	
Y14			0.742	
Y21				0.862
Y22				0.863
Y23				0.810
AVE	0.639	0.669	0.595	0.714

Where: service of quality (X1); customer satisfaction (X2); loyalty (Y1); word of mouth (Y2); tangibles (X11); reliability (X12); responsive (X13); assurance (X14); right choice (X21); conformity of expectations (X22); facility satisfaction (X23); trust (Y11); emotion commitment (Y12); switching cost (Y13); cooperation (Y14); willingness to talk (Y21); recommendation (Y22); encouragement of other parties (Y23).

Table 2 shows that all research indicators have a construct above 0.6 with the construct. Similarly, the Average Variance Extracted (AVE) value greater than 0.5, it can be said that all research indicators are valid.

Discriminant validity measurements from measurement models can be assessed based on cross loading measurement indicators with their constructs. Table 3 presents a comparison between the correlation indicators of a construct with the correlation of these indicators with other constructs.

Table 3: Discriminant Validity Test Results

Indicator	Variable			
	X1	X2	Y1	Y2
X11	**0.732**	0.506	0.417	0.556
X12	**0.726**	0.530	0.383	0.581
X13	**0.841**	0.571	0.469	0.565
X14	**0.886**	0.630	0.488	0.528
X21	0.477	**0.831**	0.495	0.590
X22	0.767	**0.780**	0.500	0.563
X23	0.425	**0.841**	0.464	0.554
Y11	0.446	0.447	**0.818**	0.525
Y12	0.465	0.590	**0.814**	0.472
Y13	0.380	0.300	**0.706**	0.279
Y14	0.403	0.457	**0.742**	0.544
Y21	0.644	0.619	0.550	**0.862**
Y22	0.564	0.638	0.593	**0.863**
Y23	0.556	0.501	0.377	**0.810**

Where: service of quality (X1); customer satisfaction (X2); loyalty (Y1); word of mouth (Y2); tangibles (X11); reliability (X12); responsive (X13); assurance (X14); right choice (X21); conformity of expectations (X22); facility satisfaction (X23); trust (Y11); emotion commitment (Y12); switching cost (Y13); cooperation (Y14); willingness to talk (Y21); recommendation (Y22); encouragement of other parties (Y23).

Table 3 shows the construct indicator correlation has a higher value than the correlation indicator with other constructs, so it is said that the construct has a high discriminant validity.

Cronbach's Alpha measures the lower limit of the reliability value of a construct, whereas Composite Reliability measures the full value of the reliability of a construct [16]. Cronbach's Alpha or Composite Reliability value must be greater than 0.7, but if the results are close to 0.7 (such as 0.6), it is still acceptable in exploratory studies [17]. The results of the construct reliability test can be seen in Table 4.

Table 4: Cronbach's Alpha Value and Composite Reliability

Variable	Cronbach's Alpha	Composite Reliability
Quality of Service (X1)	0.808	0.875
Customer Satisfaction (X2)	0.754	0.858
Loyalty (Y1)	0.775	0.854
Word of Mouth (Y2)	0.801	0.882

Table 4 shows the Cronbach's Alpha and Composite Reliability values of each construct is greater than 0.70 so it can be said that the gauges used in this study are reliable.

5.3 Evaluation of the Inner Model

The structural model in PLS needs to be evaluated using R-square for the dependent variable and its significance value based on the t-values at each path.

Table 5: R-square value

Variable	R-square
Service Quality (X1)	
Customer Satisfaction (X2)	0.493
Loyalty (Y1)	0.392
Word of Mouth (Y2)	0.603

Table 5 shows the R-square value of 0.493 for the construct of customer satisfaction. This means that the variability of the construct of customer satisfaction can be explained by the construct of service quality by 49.3 percent, the remaining 50.7 percent is explained by other factors. Furthermore, the construct of loyalty is explained by the construct of service quality and customer satisfaction by 39.2 percent, while the remaining 60.8 percent is explained by factors other than both. While the word-mouth construct variability is explained by the construct of service quality, customer satisfaction, and loyalty by 60.3 percent, and the remaining 39.7 percent is explained by other factors. Based on R^2 in Table 6.5 it can be calculated Q^2 or Stone Geiser Q-Square test, namely:

$$Q^2 = 1 - \{(1 - 0,493)(1 - 0,392)(1 - 0,603)\}$$
$$= 1 - \{(0,507)(0,608)(0,397)\}$$
$$= 0,877$$

Q^2 calculation results of 0.877 so that it can be said to have a high predictive prevalence, so the resulting model is feasible to use to predict. A figure of 0.877 can be interpreted that a word of mouth variation of 87.7 percent can be explained by variations in service quality, customer satisfaction, and loyalty variables, while the remaining 12.3 percent is explained by other variables outside the model.

5.4 Effects among Variables

To find out the influence between variables, it is necessary to analyze the direct effect, the indirect effect, and the total effect between the research variables. The results of the analysis related to the influence between the research variables are presented in Table 6.6.

Table 6: Direct Effect and Indirect Effect

	Original Sample	Standard Deviation	T Statistics	P Values
Direct Effect:				
X1 → X2	0.702	0.701	0.077	9.149
X1 → Y1	0.258	0.229	0.128	2.013
X1 → Y2	0.349	0.350	0.136	2.572
X2 → Y2	0.417	0.452	0.128	3.272
Y1 → Y2	0.319	0.299	0.122	2.616
Indirect Effect:				
X1 → Y1	0.293	0.316	0.096	3.067
X1 → Y2	0.348	0.339	0.093	3.749
X2 → Y2	0.094	0.111	0.061	1.542

Where: service of quality (X1); customer satisfaction (X2); loyalty (Y1); word of mouth (Y2).

5.5 Discussion

The results showed that service quality had a positive and significant effect on customer satisfaction, loyalty, and word of mouth at PT. BPD Bali. Furthermore satisfaction and loyalty are also significant mediators of the effect of service quality on word of mouth.

The results of interviews with several customers of PT. BPD Bali Branch Office Renon chosen randomly as supporting data interpretation shows that in general, the services of PT. BPD Bali Branch Office Renon has indeed been well. However, customers complained about the long waiting time, considering that bank operational time is also working hours. As we know, PT. BPD Bali is a bank that is the location of the regional treasury for provincial governments, as well as regency/city governments, so that government financial transactions also go through PT. BPD Bali. This also causes the queue to get longer service. Need to be a consideration for managerial PT. BPD Bali to improve service quality through increasing the number of officers and optimizing existing facilities. For example, there are some tellers that are empty because of employee limitations.

As we know that now is a digital era, current services needed by customers, not just limited to financial transactions directly through employees, or only limited to transactions on ATM machines. Indeed PT. BPD Bali has developed m-banking, but going forward PT. BPD Bali needs to expand and increase its debit card capacity so that it can be used for payment transactions at various outlets and shopping centers.

6. Conclusion

Based on the results of this study concluded that service quality has a positive and significant effect on customer satisfaction, loyalty, and word of mouth at PT. BPD Bali. Likewise customer satisfaction has a positive and significant effect on loyalty, and word of mouth at PT. BPD Bali. Loyalty also has a positive and significant effect on word of mouth at PT. BPD Bali.

7. Future Scope

In accordance with the results of the study, as for the things suggested, among others, that PT. BPD Bali needs to make efforts to improve the quality of employee services so that it can directly increase customer satisfaction, loyalty, and word of mouth. Given that word of mouth is a promotional medium that does not require additional costs and has no

risk. Further research needs to be done to develop a strategy to improve the quality of service of PT. BPD Bali.

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