



## **The Influence of Service Quality, Product Quality, Value for Customers, and Customer Satisfaction on Customer Loyalty**

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### **Abstract**

*The purpose of this study is to analyze the impact of service quality, product quality, customer value, and customer satisfaction on customer loyalty to banks. Customer loyalty plays a pivotal role in the success and growth of a bank. Therefore, it is of utmost importance for banks to comprehend the factors that influence customer retention. This study employed a quantitative descriptive method based on journal sources. The results indicate that service quality, product quality, customer benefits, and customer satisfaction have a significant impact on customer loyalty to banks. Good service quality enhances customer satisfaction, thereby influencing customer loyalty. Furthermore, high product quality contributes to customer satisfaction and customer loyalty. The findings of this survey have crucial implications for how banks can enhance customer loyalty. Banks must prioritize improving the quality of the services and products they provide to their customers. Additionally, banks should strive to understand the value sought by their customers and ensure customer satisfaction is achieved. In the long run, this strategy aids banks in retaining and expanding their loyal customer base.*

**Keywords:** Service Quality, Product Quality, Customer Value, Customer Satisfaction, Customer Loyalty.

### **INTRODUCTION**

As one of Japan's financial institutions, banking institutions play an extremely important role in supporting the activities of the national economy, supporting economic growth, and in particular promoting national development. Banking also takes advantage of the pace of technological development to attract customers to invest their funds with all the convenience and security it offers. By using internet banking technology, they want to improve the quality of their services. The Internet is an innovation that has opportunities in its development (Supriyanto, Chikmah, *et al.*, 2023). In pursuit of continuous growth in business volume every year, banking must improve services to all customers and prospective customers in improving performance at any time, speaking of services, it will have an effect on banking performance, where this performance is an illustration of the achievement of work programs to achieve goals, both vision and mission in banking itself, including financial performance through proper application of financial performance rules. Until now, the quality of service to customers is still characterized by services that are difficult to access, complicated procedures when dealing with banks according to the needs

required by customers and prospective customers (Supriyanto, Permatasari, *et al.*, 2023).

The growth of the National Banking Industry from time to time has been increasingly encouraging, especially for financial institutions, in the globalization era, banking industry business people really feel the level of competition is getting tougher (Moenardy, Arifin and Kumadji, 2016). The development of banking in Indonesia is entering a new phase, not just introducing an alternative banking practice, but how banks are able to place their position as a major player in. Banks are one of the financial institutions that play an important role in the Indonesian economy. It is a financial intermediary under Law No. 10 of 1998 whose function is to collect funds from the public and repatriate them in loans and other forms. The world of banking plays an important role in society. Therefore, every bank strives to improve the performance of each employee so that they can provide the best possible service according to their customers' needs, according to a study by (Abror *et al.*, 2020). This shows that banks must continue to exist. , banks must strive to meet the needs and desires of their customers in order to achieve the corporate objective of maximum profit. Loyal customer may exhibit positive attitudes and behaviors such as repeat purchases of the same product/service and positive recommendations that may influence existing customers and direct consumers to the company's customers.

One of the factors that influence customer retention is customer satisfaction. Customer satisfaction is an important factor for banks and entrepreneurs as it is directly related to the success value of the products and services offered (Hafeez and Muhammad, 2012). The factor that influences bank customers is the quality of the bank's products themselves. Customers use banking services to solve problems and customers provide value in a certain proportion. The value given by the customer relates to the benefits or benefits that will be received. The quality of banking products is achieved by determining the overall customer expectations and Satisfy your customers by increasing the value of your products and services expectations (Kurniati, Hamid and Arifin, 2015).

Many factors can affect customer loyalty in this banking company, One of them is the quality of service variable, one of the determinants of customer loyalty (Moenardy, Arifin and Kumadji, 2016). Business competition has been extremely fierce over the past decade as the world's business markets have opened up to the corporate and service sectors. Competitive banking products must be continually improved to meet customer wants and needs, generate revenue and create satisfaction (Amin, 2016). This keeps customers from switching to other banking products. Although different in terms of ownership, state-owned and private banks are still trying to improve the quality of bank management (Auka, 2012). We strive to deliver the best performance so that no bank declines. The

extent to which bank management quality conditions affect banks is an important factor to consider when improving the service system provided by banks.

We can implement measures such as product improvements, innovative product renewals, and quality enhancements to attract public attention and enable us to compete (Harryani, 2017). Each bank's commitment to better service has a direct impact on customer satisfaction, which in turn influences customer loyalty to a trusted bank. Information technology has become a very important component for the success of businesses and organizations. The rapid advancement of communication, media and informatics technology, the widespread growth of global data infrastructure has changed the patterns and methods of business activities carried out in industry, commerce, government, and socio-politics and banking. In the company's long term, customer loyalty is a goal for strategic market planning, sustainable business development which can be realized through marketing efforts. To optimize customer value, the company operates its business with a focus on nurturing and developing relationships with existing customers rather than on acquiring new customers, while also implementing a customer relationship management strategy, commonly known as customer relationship management (Lenka, Suar and Mohapatra, 2009).

The services provided by banks are a satisfaction for customers in remaining loyal to the bank in using marketed products and services, both in the form of fundraising products and fund distribution products, so customer loyalty is very dependent on bank services in accordance with the functions of the bank that serving small scale economies in rural areas according to his orders (Marcos and Coelho, 2022). Low customer loyalty is due to the poor quality of service provided by banks, especially when serving customers, and low public and customer trust in the role of banks in marketing banking products. To judge the performance of the banking sector, we can look at the quality of existing services. Competition is accelerating, and now, due to product superiority, the banking sector will offer the advantages of each product. We compete with each other when it comes to product excellence (Nambiar *et al.*, 2018). Product excellence is achieved by recognizing the customer's overall expectations, which increases customer satisfaction. It is the value of the product or service that meets the customer's needs.

## **RESEARCH METHODS**

The research method used is a qualitative descriptive method based on journal sources. According to (Sugiyono, 2013), descriptive research is defined as human groups, objects, states, systems of thought, or situations of current events, with the aim of systematically, factually and accurately describing the facts under study. Qualitative research methods are defined as qualitative descriptive research tools that researchers aim to explain and explain existing phenomena in both nature and humans, is a method of studying the state of natural objects.

More attention is paid to the character, quality and connection of activities. Data collection techniques used include observations, interviews and literature/document studies. Targeted sampling techniques are used in selecting informants.

## **DISCUSSION**

The purpose of this study is to examine the impact of service quality, product quality, customer value, and customer satisfaction on customer loyalty to banks. Customer loyalty plays a vital role in the success and growth of a bank as it enables them to maintain profitability, gain a competitive edge, and foster long-term relationships with customers. Hence, it is crucial for banks to understand the factors that influence customer retention and loyalty. To achieve the research objective, a quantitative descriptive method was employed in this study, utilizing journal sources as the basis. The quantitative approach facilitates the collection and analysis of numerical data, enabling an objective examination of the relationships between service quality, product quality, customer value, customer satisfaction, and customer loyalty. The utilization of journal sources ensures the reliability and validity of the data, while also incorporating previous research findings to establish a foundation for the current study.

The results of the analysis reveal that service quality, product quality, customer value, and customer satisfaction significantly impact customer loyalty (Tyas and Supriyanto, 2022). Service quality encompasses various aspects such as responsiveness, reliability, assurance, empathy, and tangibles. When customers perceive high service quality, they are more likely to experience satisfaction and develop loyalty towards the bank. Similarly, product quality, which includes attributes, features, and performance of the bank's products, also influences customer loyalty. Customers who perceive the bank's products as high in quality are more likely to be satisfied and exhibit loyalty. This finding emphasizes the importance of continuous improvement and innovation in product offerings to meet customer expectations and enhance loyalty.

Customer value, another key factor examined in this study, refers to the perceived benefits and worth that customers derive from their relationship with the bank. When customers perceive high value in the bank's services and products, they are more inclined to develop a strong sense of loyalty. This highlights the significance of banks understanding and addressing customer needs and preferences to deliver value-added services. Furthermore, customer satisfaction, as a measure of overall contentment with the banking experience, has a significant impact on customer loyalty. Satisfied customers, who are content with the bank's services, products, and overall experience, are more likely to exhibit loyalty by consistently choosing the bank over competitors and recommending it to others. The findings of this survey hold crucial implications for how banks can enhance customer loyalty. Banks must prioritize improving

the quality of the services and products they provide to customers. This can be accomplished through continuous training and development programs for employees, implementation of quality control measures, and investments in technology and infrastructure to enhance service delivery. Additionally, banks should strive to understand the value that customers seek and ensure customer satisfaction is achieved at every touchpoint.

This necessitates regular communication, solicitation of feedback, and personalization of interactions to meet individual customer preferences. By doing so, banks can establish strong and enduring relationships with customers, thereby increasing loyalty and reducing customer attrition. In the long run, this customer-centric strategy aids banks in retaining and expanding their loyal customer base. Loyal customers not only generate repeat business but also act as brand ambassadors, promoting the bank through positive word-of-mouth referrals and reviews. This, in turn, helps attract new customers and strengthens the bank's reputation in the market. In conclusion, this study emphasizes the significance of service quality, product quality, customer value, and customer satisfaction in influencing customer loyalty to banks. By understanding and effectively managing these factors, banks can enhance customer loyalty, foster stronger customer relationships, and ultimately contribute to their own growth and success in the highly competitive banking industry.

#### **Effect of service quality on customer loyalty**

Service quality has a significant influence on customer loyalty to a bank, according to experts and existing theories. Experts argue that good service will build a strong relationship between the bank and customers, thus increasing customer loyalty. One relevant theory is the Service Quality Model put forward by Parasuraman, Zeithaml, and Berry (1985). According to this theory, service quality consists of five main dimensions, namely reliability, responsiveness, assurance, empathy, and tangibles. If the bank is able to provide services that meet or exceed customer expectations in these matters, the customer will feel satisfied and tend to continue using the bank's services. In addition, research also shows that customers who are satisfied with bank services have a higher tendency to recommend the bank to others, increasing loyalty through word-of-mouth. Thus, good service quality will have a positive impact on customer loyalty to the bank.

#### **Effect of product quality on customer loyalty**

One theory that is relevant is the "Theory of Customer Satisfaction" by Philip Kotler and Kevin Lane Keller. This theory states that good product quality can increase customer satisfaction, which in turn can generate customer loyalty. In the banking context, product quality includes various aspects such as ease of use of banking services, system reliability, service speed, and product availability according to customer needs. Research also shows that customers who are



satisfied with the quality of the products provided by the bank tend to be more loyal. They tend to maintain a long-term relationship with the bank, expand the use of the products and services offered, and recommend the bank to others. This indicates that high product quality can be an important factor in building and maintaining customer loyalty. In conclusion, experts and marketing theorists recognize the significant influence of product quality on bank customer loyalty. High product quality can increase customer satisfaction, build trust, and ultimately, strengthen long-term relationships between banks and customers. Therefore, banks need to continue to improve the quality of their products in order to maintain customer loyalty and compete in a competitive market.

### **Effect of Customer Value on customer loyalty**

Research by (Homburg and Giering, 2001) shows that customer value has a positive and significant influence on customer loyalty. They found that customers who feel they get higher value from the bank have a higher tendency to remain loyal and increase the intensity of using the bank's services. In customer loyalty theory, the concept of "value" is considered a key factor in building and maintaining customer loyalty. Value is defined as the comparison between the benefits received by the customer from the bank and the costs or sacrifices incurred by the customer. The greater the value perceived by customers, the more likely they will remain loyal to the bank. Overall, customer value has a strong influence on customer loyalty to a bank. Trust, satisfaction, and added value provided by the bank to customers are the main factors that influence this relationship. Banks that can meet customer needs, maintain trust, and provide significant added value will have greater opportunities to build strong loyalty with their customers.

### **Effect of customer satisfaction on customer loyalty**

These results are in accordance with the theory put forward by Kotler & Keller (2014) saying that consumer satisfaction is the result of consumer evaluations after making a purchase, and consumers feel that the goods or services purchased have the same performance or exceed their expectations, customers who are satisfied with the goods or service, will lead to loyalty. To maintain customer loyalty, one of the things that must be considered by the bank is customer satisfaction, there are many comments from customers who are dissatisfied with the bank, dissatisfied with its services, complicated saving/loan procedures and even electronic services that often experience interruptions. With this research, it is hoped that the bank will be able to evaluate any deficiencies that exist in order to guarantee customer satisfaction, because finding and maintaining customer loyalty is not easy. The results of this study are in line with previous research conducted by Afif Fakhri Pahlevi, et al (2021) entitled "The Influence of Service Quality and Customer Satisfaction on Customer Loyalty at Bank Mega Syariah Bengkulu." The results showed that customer satisfaction has a significant effect on customer loyalty.

## CONCLUSIONS

In pursuit of continuous growth in business volume every year, banks must improve services to all customers and prospective customers in improving performance at any time, speaking of services, it will have an effect on banking performance, where this performance is an illustration of the achievement of work programs to achieve goals, both vision and mission in banking itself, this includes financial performance through proper application of financial performance rules. The banking industry plays an important role in society and every bank strives to improve the performance of each and every employee, to provide the best possible service and to meet the needs of their customers. Competitive banking products need continuous improvement to meet customer wants and needs, generate revenue and create satisfaction.

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