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HOW TO BUILD CUSTOMER SATISFACTION: A CASE OF SERVICE QUALITY PERCEPTIONS OF CUSTOMERS IN RETAIL BANKING WITH IMPORTANCE-PERFORMANCE ANALYSIS

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Ridho Bramulya Ikhsan[1]*, Listya Ayu Saraswati[2]: How to Build Customer Satisfaction: A Case of Service Quality Perceptions of Customer in Retail Banking with Importance-Performance Analysis-- Palarch's Journal Of Archaeology Of Egypt/Egyptology 17(7),. ISSN 1567-214x

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ABSTRACT

Importance-Performance Analysis is a tool to measure customer satisfaction based on the quality of service received that helps banking industry to map the level of customer satisfaction based on the level of importance and expectations. The purpose of this study is to identify the level of customer satisfaction of banking in Lampung Province. The research method was a survey of 400 banking customers in Lampung province. In analyzing the data, we used an Importance-Performance Analysis approach. The results indicated there are 5 indicators of concern: satisfaction on bank interest, satisfaction on the cost of products and services provided, trust that the bank will meet future needs, service system problems, and opinions about the location of the bank.

INTRODUCTION

Customer satisfaction is important for every company because it has become part of the central concept in marketing theory and practice, and it is essential for business activities. Customer satisfaction, however, is not an easy thing to achieve, given the very rapid business competition today. In addition, not all companies have understood and known its potential in meeting the needs and desires of customers.

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 (Armstrong, Kotler, Harker, and Brennan (2015); Weitz and Jap (1995). Customer satisfaction creates a harmonious relationship

between the bank and the customer, enabling repeat purchasing and the creation of loyalty and willingness to give recommendations that benefit the bank.

Customers, every time they make transactions, have expectations while using and enjoying the services they buy or the services they pay. Expectations between one and another customer are different so a more personal approach is needed. The main purpose of marketing activities is to create customers with high satisfaction. In fact, banks are more focused on the concept of total satisfaction. When customers are satisfied with the service during the transaction process and are satisfied with the service they receive, it is likely that customers will re-purchase, recommend and hold off competitors.

This study aims to identify the satisfaction of banking customers in Lampung province based on the quality of service received by customers using Importance-Performance Analysis (IPA). The main purpose of this tool is to diagnose the performance of service attributes received by customers and ultimately provide input to bank management (Dwyer, Cvelbar, Edwards, and Mihalic (2012).

LITERATURE REVIEW

Customer Satisfaction

Many studies of literature and research results that measure the level of satisfaction of such banking customers, such as in Kamal, Ahmad, and Khalid (1999); Luiz and Anne (2000); Luiz and Brownlie (1989); Meuter, Ostrom, Roundtree, and Bitner (2000); Levesque & McDougall (1996). They conclude that the attributes that exist in the quality of service is to form customer satisfaction using banking products and services.

Some experts have provided definitions of customer satisfaction. Spreng, MacKenzie, and Olshavsky (1996) explained satisfied consumers arise when consumers have compared perceptions about the performance of a product or service with expectations. Tse and Wilton (1988) said that satisfaction and dissatisfaction are the customer's response to the perceived mismatch between the previous expectations (or other performance norms) and the actual performance of the perceived product after its use. Tse and Wilton (1988) described two main variables that determine consumer satisfaction: expectations and perceived performance. If perceived performance exceeds expectations then the consumer will be satisfied, but if otherwise consumers are not satisfied. Kotler and Keller (2011) also explained consumer satisfaction is feeling happy or disappointed after comparing perceived performance with expectations. From some experts' opinion it can be concluded that consumer satisfaction results from the process of comparison between perceived performance with expectations that produce a disconfirmation paradigm.

Fornell, Johnson, Anderson, Cha, and Bryant (1996) stated that: 1) overall customer satisfaction is the result of an evaluation of current consumption experience derived from the reliability and standardization of services; 2) total customer satisfaction is the result of comparison of satisfaction level of similar business; and 3) overall customer satisfaction is measured by experience with overall expectations indicators, expectations related to habits, and expectations related to service reliability. Oliver and DeSarbo

(1988) stated that the level of satisfaction arises because of the special transactions between producers and consumers which is a psychological condition generated when the emotional factors encourage expectations and are adapted to the previous consuming experience. In addition, Zeithaml, Berry, and Parasuraman (1996) stated that customer satisfaction is a comparison between expected service and performance.

For companies engaged in banking, providing services with a focus on customer orientation continues to be strengthened every day, with more and more banks choosing customer satisfaction as a key performance indicator. Therefore, customer satisfaction must be translated into a number of measurable parameters related to the jobs (Deschamps and Nayak (1995). Mihelis, Grigoroudis, Siskos, Politis, and Malandrakis (2001) created a hierarchical structure of customer satisfaction dimensions tested in the banking industry in Greece.

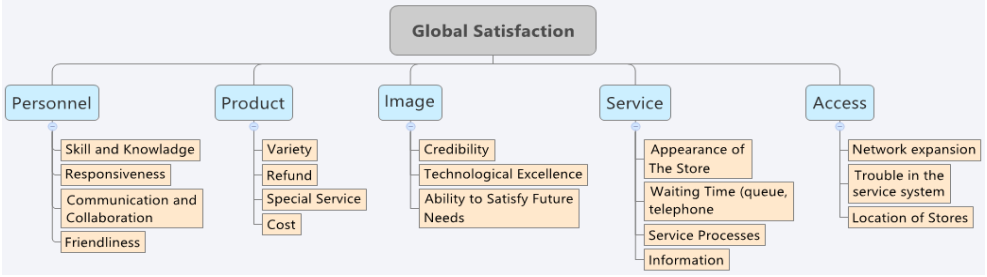

Figure 1. Hierarchical structure of customers' satisfaction dimensions
Source: Mihelis et al. (2001)

Service Quality in Bank

Parasuraman, Zeithaml, and Berry (1994) described the quality of service perceived was how big the perception gap between the desire with the reality received. Gronroos (1984) explained the quality of service is a function of what the customer actually receives (technical quality), and how the service is delivered (functional quality). Quality of service in the retail banking environment has been the focus of a number of studies, but none of the studies have used Gronroos' service quality model as a framework for developing a method of measuring customer service quality perceptions (Abdullah and Francis (2002). More than 30 years ago, Gronroos (1978, 1982, 1983) was the first to announce the results of consumer assessment on the quality of service consisting of two dimensions of technical quality and functional quality (Abdullah and Francis (2002). Gronroos proposed that the comparison between expectations and perceptions in service play a role in shaping customer ratings.

Gronroos (1978, 1982, 1983, 1984, 1990, 1993) explained there are three dimensions of service quality that are different but interrelated. First, technical quality is the result of the exchange process, and that is what the customer receives. Second, the functional quality of the exchange process is how the services are provided. Third, all interactions between the organization and the customer.

The functional quality dimension consists of seven attributes, including employees who have: 1) behavior; 2) attitude; 3) accessibility; 4) appearance; 5) consumer contact; 6) internal relationships; and 7) thoughts about the service. The technical quality dimension consists of five attributes that are interconnected:, employees who 1) have technical capabilities; 2) have

knowledge; 3) have technical solution; 4) understand the computerized system; and 5) understand the quality of the machine (Gronroos (1982, 1983).

Abdullah and Francis (2002) conducted research on service quality in the retail banking sector with the framework of Gronroos (1983) to develop methods of measuring customer service quality perceptions. After benchmarking, data analysis and comparing with the literature on service quality at the bank, a new model for measuring service quality in banks was named *SYSTRA-SQ* scale (SYStem and TRAnsactional Service Quality scale). *SYSTRA-SQ* is one of the new methods of measuring the quality of service in banks (Abdullah and Francis (2002). The model is a development of Gronroos (1983) service quality model consisting of 12 factors affecting service quality.

Importance-Performance Analysis

Importance-Performance Analysis offers a number of advantages to evaluate consumer acceptance of marketing programs (Martilla and James (1977) and measures the level of service satisfaction (Zeithaml, Parasuraman, and Berry (1990). The Importance-Perfomance Analysis method assists in measuring the level of conformity in order to know how much the customer feels satisfied with the company's performance, and how much the company understands what the customer wants for the services they have been given. The presence of Importance-Performance Analysis has been widely accepted and used in various studies because of its ease of application and the appearance of the results of the analysis facilitate the proposed improvement of performance.

In analyzing the Importance-Performance a cartesian diagram consisting of 4 quadrants are mapped for all variables affecting service quality. Matzler, Sauerwein, and Heischmidt (2003) explained that the attributes in Quadrant I, evaluated high both in satisfaction and importance, represent opportunities for gaining or maintaining competitive advantages. In this area a bank should ‘keep up the good work’. Low satisfaction on highly important attributes demands immediate attention (Quadrant II). To enhance overall satisfaction, a bank should concentrate on these attributes. If they are ignored, this poses a serious threat. Quadrant III contains attributes both low in satisfaction and importance. Typically, it is not necessary to focus additional effort here. These products or service attributes are of ‘low priority’. Attributes located in Quadrant IV are rated high in satisfaction but low in importance. This implies that resources committed to these attributes would be better employed elsewhere. High performance on unimportant attributes indicates a ‘possible overkill’.

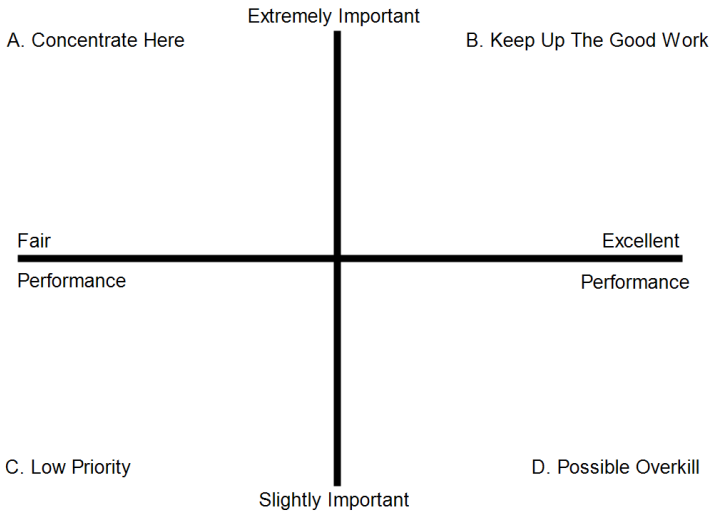

Figure 2. Diagram Importance-Performance Analysis
Source: Martilla and James (1977)

MATERIALS AND METHODS

This research used a questionnaire as a data-gathering tool; therefore, it is necessary to test its validity and reliability. The next stage was analyzing and interpreting the data obtained in the field using descriptive analysis. The total sample of 400 customers were drawn proportionately from each bank in Lampung, Indonesia. The distribution of questionnaire was carried out randomly regarding its categories: 71 customers of DPK state own, 243 customers of DPK BPR and 10 customers credit of state own and 76 customers credit of BPR.

Questionnaire items used to measure the level of customer satisfaction of banking services in Lampung were adopted from Abdullah and Francis (2002) by using a 10 point Likert scale. Furthermore, the collected data was analyzed using an Importance-Performance Analysis matrix.

RESULTS AND DISCUSSIONS

To meet customer satisfaction is something that should be done consistently by the banking industries. Banking seems to be 'forced' to be able to read consumers' needs. If this can be done, the company will be able to compete and even become a business leader.

Data Description

Table 1. *Value of Service Quality Index*

Dimensions and Indicators	Indicator Index Value
Quality system services	**71.43**
1. **Listening to customer complaints**	70.88
2. **Ease of accessing services**	68.24
3. **Availability of services**	71.24
4. **Speed of response**	74.39
5. **Appearance of the bank**	72.38

Quality of service behavior	**68.41**
1. **Employees who have manners**	71.84
2. **Friendly employees**	72.76
3. **Helping customers**	63.83
4. **Understanding the customer**	66.59
5. **Listening to customers**	67.02
Quality of service machine	**67.95**
1. **ATM facilities**	74.54
2. **ATM capacity**	67.05
3. **Easy computerized system**	64.64
4. **ATM damage**	65.58
Accuracy of transaction services	**69.97**
1. Consistency of transaction system	68.62
2. Accuracy of transaction result	69.34
3. Accuracy of debit	70.30
4. Security of transactions	71.62
Value of Service Quality Index	

Source: Primary data processed (2018).

Based on Table 1, the first dimension of the service quality construct is the quality of the service system. The quality of the service system may arise from the bank's concern for listening to customer complaints, providing convenience for customers in accessing services, providing excellent service in every transaction that customers conduct, speed to respond to customer needs related to banking services and good interior and exterior bank appearance.

The results showed that all five indicators had an index value of 71.43 and belonged to the high category. This means that customers have felt the quality of a good service system. In other words, the customers feel their complaints are heard by the bank, are given the best service in every transaction, the speed of responding to any complaints from customers as well as the support of comfortable interior and exterior design of the bank. However, the service system quality indicators that still contain weakness compared to other indicators is the ease of accessing the services. Overall, the average value of service system quality dimensions of 7.13 illustrates that customer ratings of service system quality dimensions tend to be positive because they are greater than 5.5 which is the midpoint of 10 point anchors. These results reinforce the results of tests conducted by Abdullah and Francis (2002) that the quality factor of the service system is the strongest among other factors.

The second dimension of the quality of service constructs is the quality of service behavior. The quality of service behavior reflects customer ratings arising from employees who apply courtesy to customers, are friendly, help clients who find it difficult to make transactions, understand customers' needs, and have empathy by listening to customer complaints.

The results showed that all five indicators had an index score of 68.41 and were of the medium category. This means that customers have not fully felt the quality of good service behavior of bank employees. In other words, customers get less attention and help from bank employees when they have difficulty in making transactions. The costumers think the employees lack understanding of customers' needs and desires and lack empathy in listening

to customer complaints. However, the perceived quality of service behavior is better than other indicators that are polite and friendly. Overall, the average value for the service quality dimension of 6.83 illustrates that customer ratings of service quality dimensions tend to be positive because they are greater than 5.5, which is the midpoint of 10 point anchors.

The third dimension of the service quality construct is the quality of machine service. The quality of machine services is focused on equipment and machines related to the reliability of the machine in its performance to serve the customer. This means that banks provide facilities that can help customers by providing ATMs with adequate amount and minimal damage and ease in operating computerized banking system services.

The results showed that all four indicators had an index value of 67.95 and were of the medium category. This means that customers have not fully felt the quality of a good machine service. In other words, customers feel that the current available ATM is less quantitative and often has trouble and difficulty in accessing computerized system of banking services such as the use of e-banking services. However, the perceived quality indicator of machine service compared to other indicators is the availability of ATM facilities. Overall, the average value for the machine service quality dimension of 6.78 illustrates that customers' rating of service machine dimensions tended to be positive because they are greater than 5.5 which is the midpoint of 10 point anchors.

The fourth dimension of the quality of service constructs is the accuracy of transaction services. This dimension focuses on the accuracy of the system and bank employees at work. In addition, it could be from the customers' experience of frequent fraudulence in transactions caused by bank employees or the system itself. The accuracy of this system occurs if the system used is consistent without any system errors or faults, accurate in the results of transactions and debit services directly from the savings results accurately to those recorded in the savings account book, and ensures the security of transactions made by the customer.

The results showed that all four indicators had an index value of 69.97 and were of medium category. This means that customers have not fully felt the accuracy of good transaction services. In other words, the customers feel that the existing transaction system still often experienced interruption and recording the results of each transaction error. Nevertheless, the perceived accuracy of perceived transaction services compared to other indicators is the accuracy of the system debit and transaction system security. Overall, the average value for transaction service accuracy dimensions of 6.99 illustrates that customer ratings of transaction service accuracy dimensions tend to be positive because they are greater than 5.5 which is the midpoint of 10 point anchors.

Importance-Performance Analysis

Descriptive analysis is conducted to explain the level of customer satisfaction on services provided by the bank. In the Importance-Performance Analysis will be depicted attributes of banking products or services that need to be increased or reduced to maintain customer satisfaction and develop an effective marketing program. Satisfaction will be determined by customer perceptions of the performance of products or services in meeting customer

expectations. Customers are satisfied if their expectations are met by the bank.

Conformity Level of Importance and Performance

Table 2. *Conformity Level*

Service Quality Attributes		Importance	Performance	Conformity Level
KSL1	Listening to customer complaints	2827	2426	85.8%
KSL2	Ease of accessing services	2724	2328	85.5%
KSL3	Service availability	2837	2445	86.2%
KSL4	Speed of response	2959	2573	87.0%
KSL5	Appearance of the bank	2879	2497	86.7%
KPL1	Employees who have good manners	2854	2066	72.4%
KPL2	Friendly bank employees	2894	2106	72.8%
KPL3	Helping customers	2541	2150	84.6%
KPL4	Understanding the customer	2647	1855	70.1%
KPL5	Listening to customers	2666	2275	85.3%
KLM1	ATM facilities	2954	2094	70.9%
KLM2	ATM capacity	2660	1870	70.3%
KLM3	Easy computerized system	2570	1781	69.3%
KLM4	ATM damage	2613	2220	85.0%
ALT1	Consistency of transaction system	2737	2338	85.4%
ALT2	Accuracy of transaction result	2767	2368	85.6%
ALT3	Accuracy of debit	2794	2007	71.8%
ALT4	Transaction security	2839	2055	72.4%
			Conformity Level Mean	

- **100% - 95%** → **Very good;**
- **94% - 85%** → **Good;**
- **84% - 70%** → **Acceptable; dan**
- **< 70%,** → **Poor**

Source: Primary Data Processed. 2018

To realize quality services sourced from customers, banks must be able to identify customers so that they can understand the levels of perceptions and expectations of customers on the quality of service. Customer satisfaction is a comparison between perceptions and expectations of banking services perceived by customers.

Based on the calculation result (Table 2), it can be seen that the average level of conformity between performance and importance is 79.3% which is in the range of 84% - 70% so it can be concluded that overall the customers judge the attributes of service quality are acceptable. That is, customers judge that the quality of services provided by the bank are acceptable to make customers satisfied. This result was confirmed with the value of customer satisfaction index (see Table 1.1) of 66.51 in the medium category; it can be confirmed that the customer's perception of satisfaction was in line with the level of

conformity between performance and importance that were interpreted well enough by the customers.

Level of Importance and Performance Analysis

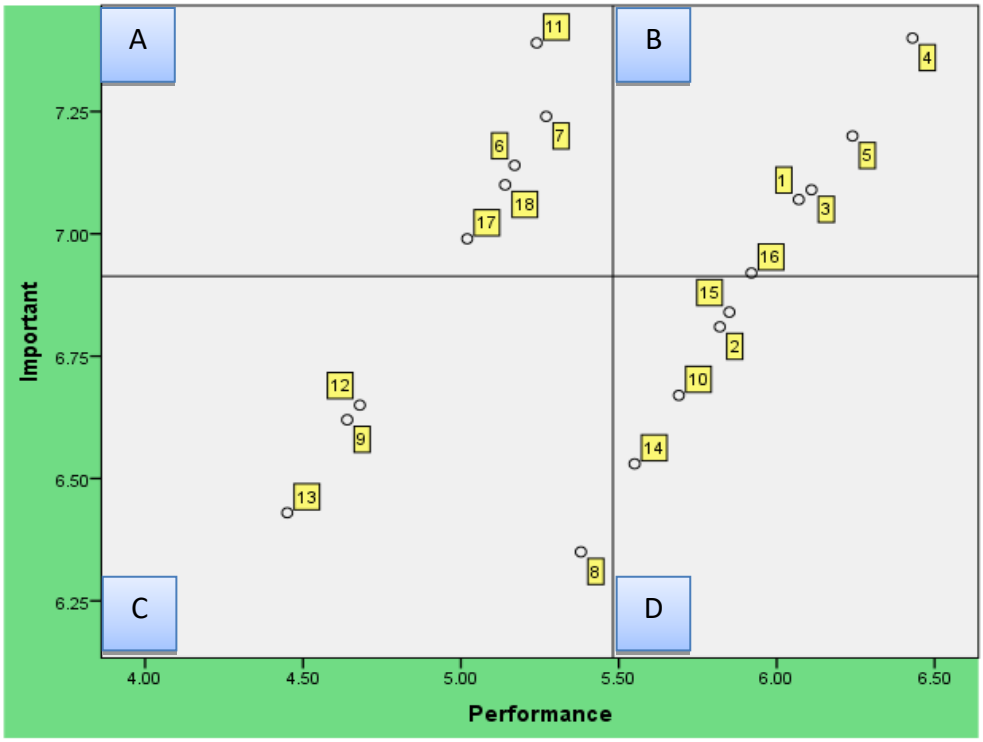

Figure 3. Importance-Performance with attribute of quality of banking service

The mean perception value of each attribute was the foundation to determine whether the performance of banking institutions in Lampung was good or not yet in the attributes measured, that is by comparing to the average of the mean of all attributes (X = 5.48). The mean value of importance of each attribute is the basis for determining whether the attribute being measured was important or not important, by comparing it to the mean of the overall attribute (Y) and the result was 6.91.

The mean of performance and important values were used to analyze the data in the Importance-Performance Analysis in Figure 3. **Quadrant A** had a level of satisfaction that was still very low so that was a top priority for improvement. The five attributes included in Quadrant A were sorted according to their priority level: friendly bank employee attributes (KPL2), attributes of courtesy employees (KPL1), transaction security attributes (ALT4), attribute of debit accuracy (ALT3) and ATM facility attributes (KLM1).

Quadrant B was a quadrant expected by the customer and the attribute was in accordance with the perceived customer. Quadrant B was the expected quadrant of the customer and the attributes were in accordance with the perceptions of the customer. Attributes in Quadrant B were sorted according to their priority level to be maintained: attributes listening to customer complaints (KSL1), service availability attributes (KSL3), response rate attributes (KLS4), bank appearance attributes (KSL5), transaction result accuracy attributes (ALT2).

Quadrant C was a low priority quadrant which means that this quadrant contains attributes that were considered less important by the customer and the reality of performance was not too special. Ordering of attributes in Quadrant C according to the priority level for improvement were: customer assistance attributes (KPL3), customer understanding attributes (KPL4), ATM capacity attributes (KLM3), and easy computerized system attributes (KLM3).

Quadrant D was considered less important which means this quadrant had a low importance level, but had a high performance implementation level. Ordering of attributes by priority level to be reduced in performance due to excessive attributes are: ATM damage attributes (KLM4), customer listening attributes (KPL5), transaction system consistency attributes (ALT1) and service access privileges attributes (KSL2).

CONCLUSIONS

Descriptively, service system quality dimension is highest compared to three other dimensions, namely service quality behavior, machine service quality, and transaction service accuracy, so it can be concluded that the quality of service system was something that was considered important for the customer because it was related to employee behavior and banking ethics in providing services. The better the behavior and ethics of bank employees in serving the customers, the higher the customer rating was on the quality of the service system. In this case, the banks had a high responsibility in maintaining excellent service based on customer expectations.

Importance-Performance Analysis results showed that the attributes of friendly bank employees, employees who had good manners, transaction security, debit accuracy and ATM facilities were attributes that were considered to have a low level of satisfaction. Attributes such as listening to customer complaints, service availability, response speed, bank appearance, and transaction result accuracy were attributes that were considered capable of providing satisfaction to the customer for the services provided by the bank.

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