

Causative Factors of Consumer Engagement in National Commercial Banks in Padang, Indonesia

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Abstract:

This study investigated the causative factors of customer engagement in national commercial banks (BCA Bank, BRI Bank, Mandiri Bank, BNI Bank, CIMB Niaga Bank) in Padang, Indonesia. Data source were primary data obtained from questionnaire of the respondent customers. Results of Structural Equation Modeling (SEM) showed that customer engagement in national commercial banks in Padang were influenced by the service performance and customer relationship management through customer satisfaction in Padang as the mediating variable.

Keywords: customer relationship management; service performance; customer satisfaction; customer engagement.

JEL Classification: G21; G23.

Introduction

After the financial crisis of 1997-1998 there were a lot of government banks and private banks in Indonesia which had to be closed because of the deteriorating financial condition caused by a violation of the rules and regulations made by the management. However, various efforts and attempts have been made by the government to public confidence in the Bank to be good, people are willing to re-use the services of the Bank. The efforts taken by the government include improvement efforts and restructuring of the banking industry by changing the structure of ownership and deregulation in the banking sector. This situation resulted in the change of competition, so that industry performance has endeavored to increase, the level of profitability has improved as indicated by increasing return on assets (ROA). But it does not indicate the true performance because approximately 40% of revenues are still derived from securities that zero risk assets (SBI and government bonds), although the ratio of operating expenses to operating income which reflects the level of efficiency is also increased. The capital adequacy ratio of ten large banks average has been above 8% and non-performing loans below 5%.

This indicates that the big banks do not have the ability to better appeal in the profit of small banks or foreign banks owned by the same as a bank owned by the State. This means that large banks in Indonesia do not have market power that caused them to get excess profit (Sucianti and Naomi 2009). With the attention of Indonesian

Bank and the government to the banking industry, banking performance should continue to rise with several countries in the ASEAN banking, but in reality the performance of banks remains relatively stagnant.

The growth in credit transactions of third party fund in national commercial bank (BCA Bank, BRI Bank, Mandiri Bank, BNI Bank, CIMB Niaga Bank) in Padang tends to decrease. Indonesian Bank of Padang showed the growth of third party funds in 2016 only amounted to Rp.34,1 trillion or slowed by 7.87% compared to 2015 which reached 11.3%.

On the other hand, then the transaction volume of bank credit and the addition of debit transaction banking in national commercial banks in Padang tends to decrease, this is caused by incapacity of bank in building customer engagement, where 65.9% of customers feel less bound by the bank, because of their activities with banks only in the savings or deposits and demand deposits. While 22.2% of customers feel bound by the bank because it has no credit loans collateral in the bank, in which to refund the monthly use of savings bank account number/deposit/current accounts with customers in the bank, so the savings credit transactions continue to be made each month. Similarly, 1.9% of customers feel very attached, because they have a home or car ownership loan, so that their bank account is only for the loan repayment.

This phenomenon indicates that customers have less engagement characterized by having several savings accounts in several banks, so there is a decision process (discharge) at the bank, but saving money (credit) on the other bank by the same customer. These conditions encourage customers tend to be rational loyalist. Customers who do not have a loan at a bank, is less tied to the commercial bank, making it less profitable for the bank. On the other hand, this phenomenon also shows the lack of success in establishing a common banking customer engagement through retention efforts as well as the creation of programs migration barrier on both products.

1. Literature review

The phenomenon of the lack of engagement to customers and banks can also be derived from the presence of some elements such as the lack of confidence of customers related to the bank (confident), customers are less credible associated with the bank (integrity), customers are less felt served with passion or enthusiasm (passion) and customers are less proud associated with the bank (pride). Some researches related to bank have been conducted (Boedi 2019, Wati 2019).

Patterson (2016) explained that customer satisfaction affects customer engagement. Companies which are able to maintain the satisfaction of their customers will be able to increase the number of customers, in addition to the performance of services and relationship. This means that the banking industry's perception of service performance is very close to the customer, so the perception of service performance tends to directly influence the engagement of customer.

Then Kumar and Gangal (2012) explained that there is a positive effect of customer satisfaction on customer engagement, low engagement of national commercial banks customers tends to be caused by lower customer satisfaction. It refers to the results of a survey conducted by Marketing Research Indonesia 2014 in four cities, Jakarta, Bandung, Pekanbaru and Banjarmasin. Customers are less satisfied, indicated by dissatisfaction with aspects of service personnel front liner, such as officer security guards over the service so that it does not make the customer comfortable. As well as customer service representative, teller and a telephone receiver that their skills could not keep abreast of ever-increasing customer expectations.

Chen (2011) stated that customer relationship management is a comprehensive approach to create, maintain and enhance relationships with consumers where customer retention is much cheaper for companies than to find new customers. Companies should always strive to offer new opportunities to create more individualized relationship between the seller and the customer (Hunt 2011). This was confirmed by the results of research Mohagar and Gashemi (2011). Thus, it costs five times to get a new customer than to retain someone who is already a customer.

Furthermore, Bena (2010) explained that the customer satisfaction of a bank has several dimensions, namely satisfaction at the time of transaction, ease of access to the bank, the satisfaction on the quality of relationships, bank reactions on complaints of customers, satisfaction in service promotions bank, satisfaction at the communication, satisfaction of operational hour. Besides, the dimensions of the bank's customer satisfaction are the satisfaction of the branch of service, satisfaction in product and service quality, satisfaction on the availability of branches in a particular location, the satisfaction in e-banking, branch personnel satisfaction in hospitality, satisfaction at the development of the ATM network. Kumar and Ganggal (2012) found that the dimensions of the bank's customer satisfaction are the bank branch, account number management, handling of inquiry.

Navaratnase and Elangkumaran (2014) conducted a study on the customers of commercial banks that service performance is a significant positive impact on customer satisfaction, therefore maintaining high quality

services in commercial banks will have customer satisfaction very well where low quality service will cause a decrease in satisfaction customers, and also can lead to loss of customers.

Teimuori (2013) analyzed the impact of service quality dimensions on customer satisfaction in the banking industry in Iran. Results found that the dimensions' responsiveness have the greatest impact on customer satisfaction and loyalty. Among the dimensions of service performance, and the two dimensions of reliability and empathy do not have a significant impact on customer satisfaction. Taleghani (2011) conducted a study in Saudi showed that the intensity of the relationship and customer satisfaction is 90%. In other word, 81% of the change of customer satisfaction can be explained by the benefits of the relationship. Khandabi (2014) also conducted research on banks in India about the influence of relationship marketing on customer satisfaction which shows that the dimensions of the marketing relationship have positive and significant impact on the level of customer satisfaction. Dimension "trust" has the greatest influence and dimension "shared values" have the lowest effect on customer satisfaction. Puriwat and Tripopsalkul (2014) conducted research on the effect of service quality on customer engagement various industries in Thailand. Results found that the performance of services has a significant positive relationship towards customer engagement. The study by Goetz (2014) showed that the moderating had positive results and significant impact on customer engagement on brand image and relationships.

Furthermore, Malthouse (2013) found that the customer relationship management must evolve if it wants to survive in the market, by producing the contact point of engagement desired customer and deliver value for both companies and consumers. Soliman (2011) found that the relationship with customer relationship management performance affected positively and significantly on financial institutions. Bena (2010) also found that customer satisfaction in banking management services focus on service to the customer satisfaction evaluation approach in banks in Romania.

Yao (2011) used framework to analyze the data collected from a questionnaire survey and found that factors of assurance and tangibles had significant effect on customer satisfaction. Dharmayanti (2006) conducted a study on savings customers of Mandiri Bank in Surabaya branch. Result found that the interaction between service performance and customer satisfaction as mediating variables can better explain variations in customer loyalty than each variable.

Furthermore, Kumar (2010) provided a comprehensive framework that can eventually lead to more efficient marketing strategy to contribute better long term for the customer. Result found that it is very important for banks to obtain useful feedback about the response time and the perception of quality of service to customers. Retail bank, which in turn will help in taking positive steps to maintain a competitive advantage research is very helpful for new banks in India.

Hawari and Ward (2006) conduct research on the impact of service quality automatically on financial performance and the mediating role of customer satisfaction with the bank in Australia. Result showed that customer satisfaction was confirmed as a mediator in the relationship between the automated service quality and financial performance. Caruana (2002) also conducted research on the influence of the quality of service and a mediating role in customer satisfaction. The study found that customer satisfaction mediates the relationship in service quality significantly.

Muniz and O'Guinn (2001) argued that communities can strengthen customer loyalty and customer commitment. According to Reichheld (2000) and Zhang (2010) community of customers is the most excellent tool to bind and create customer loyalty. Hunt (2000) also stated that the commitment was instrumental in developing customer loyalty.

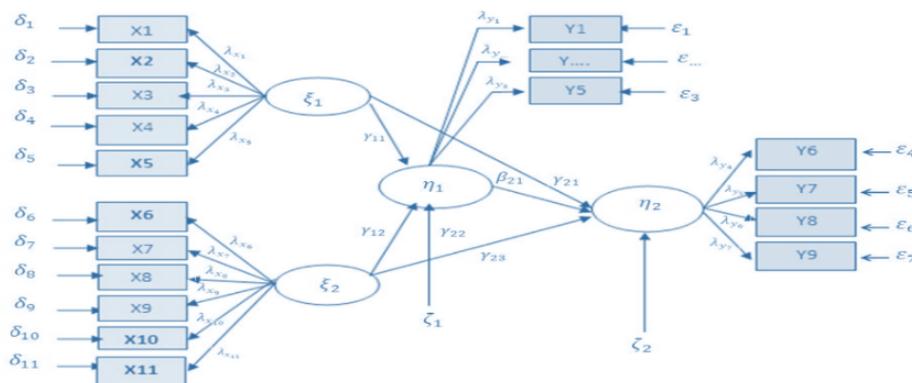
From the previous description, it was conducted a study on causative factors of consumer engagement in national commercial banks (BCA Bank, BRI Bank, Mandiri Bank, BNI Bank, CIMB Niaga Bank) in Padang and factors that act as a mediator variable on customer engagement.

2. Methodology

This research is descriptive which aims to describe and examine the relationship service performance and customer management as independent variable that affect the customer satisfaction and customer engagement as dependent variable with Structural Equation Modeling (SEM). The unit of analysis in this study are customers of the national commercial banks (BCA Bank, BRI Bank, Mandiri Bank, BNI Bank, CIMB Niaga Bank) in Padang. Based on the description of the theory, hypotheses and framework can be formulated as follows:

- H1: there is an effect of service performance on customer satisfaction in national commercial banks in Padang.
- H2: there is an effect of customer relationship management on customer satisfaction in national commercial banks in Padang.
- H3: there is an effect of customer service performance on attachment in national commercial banks in Padang.
- H4: there is an effect of customer relationship management on customer engagement in national commercial banks in Padang.
- H5: there is an effect of customer satisfaction on customer engagement in national 6 commercial banks in Padang.
- H6: there is an effect of service performance on customer engagement and customer satisfaction as mediating in national commercial banks in Padang.
- H7: there is an effect of customer relationship management on customer engagement and customer satisfaction as mediating in national commercial banks in Padang.

Figure 1. Framework based on SEM model



Where: ξ_1 = service performance; ξ_2 = customer relationship management; η_1 = customer satisfaction; η_2 = customer engagement; X1 - X5 = Manifest (Dimension) of service performance; X6 - X11 = Manifest (Dimension) of customer relationship management; Y1 - Y5 = Manifest (Dimension) of customer satisfaction; Y6 - Y9 = Manifest (Dimension) of customer engagement.

3. Research findings and discussions

Table 1. R² Value

Servqual	R Square
Customer relationship management on customer satisfaction	0.628284
Customer satisfaction on customer engagement	0.541781

Source: SPSS 18.0 processing

Table 2. Summary of inter-variable decomposition effect

	Customer Satisfaction	Customer Engagement
Service Performance	-0.012260	-0.051563
Customer Relationship Management	0.794272	0.574431
Customer Satisfaction		0.799777

Source: SPSS 18.0 processing

The reliability value of each variable research was very greater than 0.7 and met the criteria of composite reliability. The result of discriminant validity test using the output test of average variance extracted (AVE) was greater than 0.5, thus all latent variables in this study had a very good discriminant validity. Cross loading value obtained (0.880051) also showed a good level of discriminant validity with X1 dimension on variable service

performance, which was greater than cross loading value X1 with customer relationship management of 0.536453, satisfaction variable of 0.441053, and customer engagement variable of 0.281430. The value of the cross loading dimension with its variable was greater than the cross loading with other variables. Based on discriminant validity test results, the square root value of AVE on latent variable was greater than 0.7 and the correlation value with all other latent variables that have good discriminant validity.

Table 3. Summary results of hypothesis test

Hypothesis	Variables	Standardize/ Determination coefficient	T/F-value	Statistical inference
H1	Service Performance -> Customer Satisfaction	0.006224	0.316189	Rejected
H2	Customer Relationship Management -> Customer Satisfaction	0.784808	28.510207	Accepted
H3	Service Performance -> Customer Engagement	-0.032170	4.389801	Accepted
H4	Relationship Management -> Customer Engagement	0.566707	21.471630	Accepted
H5	Customer Satisfaction -> Customer Engagement	0.019310	2.109292	Accepted
H6	Service Performance -> Customer Satisfaction -> Customer Engagement	0.767299	71.887576	Accepted
H7	Customer Relationship Management -> Customer Satisfaction -> Customer Engagement	-0.088217	3.250602	Accepted

Source: SPSS 18.0 processing

The square root value of AVE on service performance variable was 0,746, greater than the correlation value between service performance with other variables of 0,669. The square root value of AVE on customer relationship management variable was 0,796, greater than the correlation value between customer relationship management with other variables of 0,786. The square root value of AVE on customer satisfaction variable was 0,769, greater than the correlation value between customer satisfaction with other variables of 0,730. The square root value of AVE on customer engagement variable was 0,754, greater than the correlation value between customer engagement with other variables of 0,539. Thus, the square root value of AVE was greater than the correlation value of other variables. This means that all the latent variables in this study had good discriminant validity. The AVE values for all variables in the study were ranged from 0.55 to 0.63. This proved that the AVE values of the research variable were greater than 0.5. The results indicated that all the indicators and dimensions of the variables had a good convergent validity. Thus, indicators and valid dimensions' measure each of the latent variables.

Furthermore, the value of R² indicated that the customer satisfaction variable can be explained by the service performance variable of 62.8%, the rest was explained by other variables. The customer engagement variable was explained by the customer satisfaction variable of 54.2%, the rest was explained by other variables.

T-statistics value of 0,3161 on first hypothesis (H1) was smaller than t-table of 1,645 at confidence interval of 95%, and df = 326, thus the first hypothesis was rejected. There was no influence of service performance on customer satisfaction. The second hypothesis (H2) stated that partially, there was an effect of customer relationship management on customer satisfaction, where t-statistics value of 28,51 was greater than t-table of 1,645 at confidence interval of 95% and df = 326. Partially, there was a positive and significant effect of customer relationship management on customer satisfaction. The third hypothesis (H3) stated that partially, there was an effect of service performance on customer engagement, where t-statistics value of 4,389 was greater than t-table of 1,645 at confidence interval of 95%, alpha level of 5%, and df = 326. There was a positive and significant effect of service performance on customer engagement.

T-statistics value of 21,47 on fourth hypothesis (H4) was greater than t-table of 1,645 at confidence interval of 95%, and df = 326. It indicated that there was a significant effect of customer relationship management on customer engagement. T-statistics value of 71,88 on fifth hypothesis (H5) was greater than t-table of 1,645 at confidence interval of 95%, alpha level of 5%, and df = 326. It indicated that there was a positive and significant effect of customer satisfaction on customer engagement. T-statistics value of 3,25 on sixth hypothesis (H6) was greater than t-table of 1,645 at confidence interval of 95%, alpha level of 5%, and df = 326. It indicated that there was an effect of service performance on customer satisfaction on customer engagement with customer satisfaction as mediating variable.

The beta value of -0.0122 on hypothesis 6 and 7 was greater than the effect of service performance on customer engagement total value of -0.05156. This proved that customer satisfaction variables mediate the effect of service performance on customer engagement negatively. It means that customer satisfaction decreased the effect of service performance on customer engagement. T-statistics value of 2,1 on seventh hypothesis (H7) was

greater than t-table of 1,645 at confidence interval of 95%, alpha level of 5%, and df = 326. It indicated that there was an effect of customer relationship management on customer engagement with customer satisfaction as mediating variable.

Conclusion

From the research, we can conclude several things as follows:

- There was no significant effect of service performance on customer satisfaction in national commercial banks in Padang;
- There was a positive and significant effect of customer relationship management on customer satisfaction in national commercial banks in Padang;
- There was a positive and significant effect of customer service performance on customer engagement in national commercial banks in Padang;
- There was a positive and significant effect of customer relationship management on customer attachment in national commercial banks in Padang;
- There was a positive and significant effect of customer satisfaction on customers attachment in national commercial banks in Padang;
- There was a significant indirect effect of customer service performance on customer engagement in national commercial banks in Padang with customer satisfaction as mediating variables;
- There was a significant indirect effect of customer relationship management on customer engagement in national commercial banks in Padang with customer satisfaction as mediating variables.

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