UDC 336

IMPACT OF MARKETING COMMUNICATION, CONSUMER PERCEIVE VALUE TOWARDS ISLAMIC BANK CUSTOMER'S TRUST AND LOYALTY IN PALEMBANG, INDONESIA

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ABSTRACT

The purpose of this present research is to examine and analyze the impact of marketing communication and consumer perceived value towards Islamic bank consumer's trust and loyalty in Palembang, Indonesia. The respondents were 370 Islamic bank consumers. The respondents were selected based on random sampling technique. By accidental sampling was obtained 370 respondents. The analysis technique employed was the Strucutural Equation Model (SEM) approach, particularly AMOS program. The result showed that marketing communication had a negative relationship with consumer's trust but consumer perceived value influenced consumer's trust. Neither marketing communication nor customer perceived value had direct relationship with consumer's loyalty, which means that consumer's trust was a mediating variable to consumer loyalty. Islamic banks should change their marketing communication strategy in order that customer believe that Islamic banks hada lot of experience, good performance (operational ability) and would not hide important information from their customers. Islamic banks should treat all customers equality, and practice honesty and credibility. The banks should provide helpful, clear and personalized information for consumer. Taking advantage of information technology, nowadays, banks can offer a more personalized means of communication, such as via email or social media. All means of communication should be treated as relationship-enchancers, offerring customer useful and needed advice and information.

KEY WORDS

Marketing communication, consumer perceived value, consumer trust, consumer loyalty.

Indonesian Islamic banking has become The Biggest Retail Islamic banking and un-doubtful sharia bank in the world. Indonesian Islamic bank becomes a reference for Islamic bank in the world (Indonesian Bank, 2016). In contrast to its reputation as the biggest retail banking in the world, market share of Islamic bank in Indonesia is only 5% of domestic market share.

When compared to neighboring countries, Brunei Darussalam and Malaysia, Indonesia is very far behind. Brunei is the country that has the largest market share of Islamic banks in the world reaching 57% of the domestic market share, while Malaysian Islamic banks reach 23.8% of the domestic market share (The Malaysian Reserve, 2017).

One strategy to increase market share is to develop customer loyalty (Kotler, 2010). Customer loyalty will cut down fee company should spent, increase sales of another product and help spreading information about company (word-of-mouth). These allow company to generate higher profit. In the long run, customer loyalty develops competitive advantage and expands market share (Kotler, 2010).

Communication between company and its customers affects customer loyalty (Pritandhari, 2014). Type of communication company should develop to reach out to its customers is integrated marketing communication, which is communication application which aims at improving marketing process in a company (Kennedy, 2006). Marketing communication has influence towards bank customer's loyalty (Pritandhari, et.al, 2014).

Various studies show that marketing communication affects customer loyalty (Pritandhari, Riani, Laksmi, 2014). Marketing communication has a direct effect on cellular card (Yuniaris, 2011; Darmawangsa, Agus, Ardani, 2015), and insurance and banks (Ball, Coelho, Machas, 2004) customers' loyalty. However, Darmawangsa, Agung, Andani (2015) showed that marketing communication does not have influence towards bank customer's loyalty. It shows discrepancy in whether or not marketing communication has influence towards customer loyalty.

Customer loyalty can be developed by identifying value customers are interested in (Neil, 2007). The higher value a customer obtains from a product, the higher his or her loyalty towards the product is, creating emotional bound between customer and a product, and positive impression to develop relationship. Without this emotional bound, it is impossible to develop relationship between a product or company and customers (Barnes, 2004; Robinette, 2001).

Various study in the banking industry show a relationship between customer value and loyalty (Paililati, 2007; Karjaluoto, et.al, 2012; Rahi, 2016). However, some studies show that there is no relationship between customer value and customer loyalty (Youjae and Hoseong, 2003, Suhari, Redjeki and Handoko, 2012).

One strategy to develop customer loyalty and maintain an existing customer loyalty is to analyze how customer loyalty towards company is developed (Chen and Dillon, 2008 and Shabazz, 2008). Trust is a major determining factor of commitment to develop relationship (Morgan dan Hunt, 1994). True loyalty can only be obtained and long-lasting when it is developed based on trust (Griffin, 2003)

Several studies show that trust influences loyalty (Yuniaris, 2011; Singh and Sirdesmukh, 2000). Trust has a direct and significant influence towards loyalty of customers of telecommunication service, insurance company and banks (Rasheed and Abadi, 2014). Trust, commitment, communication and complaint-handling have a positive influence towards loyalty (Ndubisi, 2014). At the opposite, several researches show that trust has negative influence towards customer loyalty (Haq, 2012).

LITERATURE REVIEW

Loyalty is a deep commitment to re-purchase or re-subscribe to a product or service in the future, in a way that results in the repetition of the same brand or the purchase of the same brand, although situational influences and marketing efforts have the potential to cause behavior move (Oliver, 1999). Loyalty can be interpreted as behavior expressed through routine purchases for some time based on decision-making units (Griffin, 2003).

Loyalty can be reflected through four dimension (Griffin, 1995) such as to make a regular repeat purchase, buy across product line, immunity from competitor's product, and word-of mouth-promotion.

Marketing communication is companies activities to inform, persuade and remind consumer directly or inderectly about their products and brands (Kotler and Keller, 2008). According to Shimp (2014), various forms of marketing communication consist of elements of advertising, sales promotion, publicity, events and so on. In subsequent developments, Kotler (2012) suggested that the marketing communication mix consisted of six main forms of marketing communication, namely:

- Advertisement, any form of paid non-personal presentation and promotion of ideas, goods or services carried out by certain sponsors,

- Sales promotion, a variety of forms of short-term incentives to encourage trials or purchase of a product or service,

- Events or experiences, activities of company sponsors and programs designed to create a day or special brand relationship interaction,

- Public relations and publicity, a form of program designed to promote or maintain a company or product image,

- Direct selling, the use of letters, telephone, facsimile, electronic mail or the internet to communicate directly or request a response or dialogue from specific consumers or prospective consumers,

- Personal sales, face-to-face interactions with one or more potential buyers with the aim of making presentations, answering questions and procuring requests.

According to Kotler & Keller (2012), customer value is a set of benefits expected by customers of certain products or services and total customer costs is a set of costs expected by customers that are issued to evaluate, obtain, use, and dispose of products or services. According to Sweeny and Soutar (2001), customer perceived value is identified by four dimensions, namely:

- Emotional value, utility that comes from feelings or affective/ positive emotions arising from consuming products,
- Social value, a utility derived from the product's ability to improve the customer's self-social concept,
- Quality/ performance value, the utility obtained from the product due to short-term cost reduction and long-term costs,
- Price/ Cost, utility obtained from the perception of the expected performance of a product or service.

Roig, et.al (2005) who conduct research at financial entities explained that six dimensions of customer perceive value are functional value of establishment, functional value of the personnel, functional value of the service, functional value price, emotional value, and social value.

Trust is the assessment of a person's relationship with another person who will make a transaction in accordance with the expectations that apply in an uncertain environment (Ba and Pavlou, 2002). Shaw (2002) stated that customer trust is built by three factors, situation, genesis of the past and company's credibility. According to Utami (2015), customer trust consists of three dimensions, namely expectation, belief and attitude.

METHODS OF RESEARCH

The research design was explanatory research that analyzed the causal realationship among marketing communication, consumer perceive value, consumer trust and loyalty of Islamic bank customers in Palembang City. The data collection method was survey and the research instrument was questionnare. There are two independent variable in the study, namely marketing communication and consumer perceive value. The mediating variable was consumer trust, and the dependent variable was loyalty. These variables were measured using semantic differensial scale.
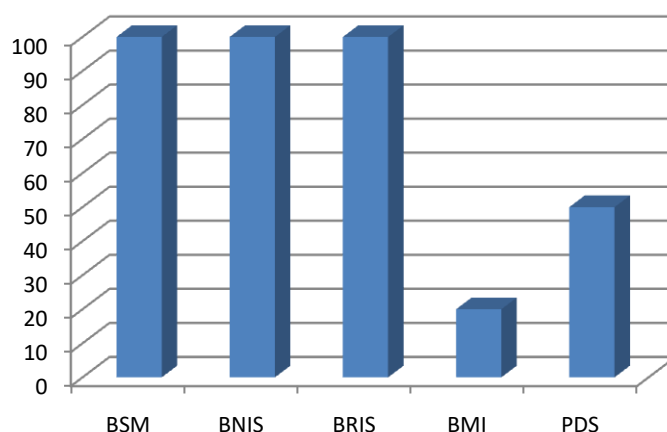

Figure 1 – Respondents of the Research (Source: Primary Data, 2019)

The population of this research was 116,097 Islamic bank consumers and their data were obtained from Financial Service Authority (OJK) in March, 2017. Based on random sampling method, 370 customers from five Islamic banks in Palembang were selected as respondents. The data analysis technique conducted was Strucutural Equation Model (SEM) apporach, more particularly AMOS program.

This research involved 370 Islamic banks in Palembang, namely Bank Mandiri Syariah, Bank Negara Indonesia Syariah, Bank Rakyat Indonesia Syariah, Bank Muamalat Indonesia and Panin Dubai Syariah as respondents. Majority of the respondents were female (190 respondents), while the remaining 180 were male.
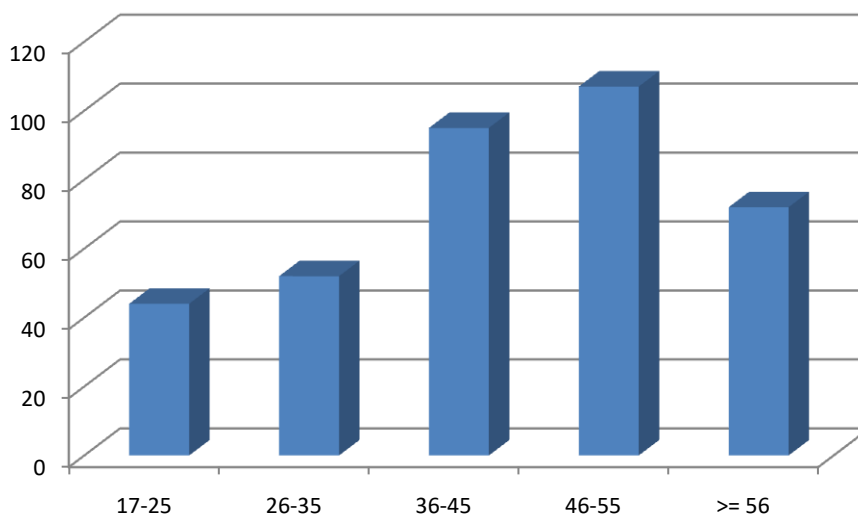

Figure 2 – Respondents' Age (Source: Primary Data, 2019)

Respondents of this research were individuals between 17 and 65 year old. Majority of respondents were between 46 and 55 years old (28.9%), and between 36 and 45 years old (25.7%). 19.5% of the respondents were above 56 years, 14.1% of them were between 26 and 35 years old, and 11.9% of them were between 17 and 25 years old.

RESULTS AND DISCUSSION

The first step of data processing was validity and reliability test. Construct validity used in this research was convergent validity and variance extracted. Convergent validity was obtained by dividing construct latent indicator to high variance proportion. It is significant when standardized loading estimate equals or higher than 0.50 (Ghozali, 2017).

Based on the table 1, standardized loading estimate of all indicators should equal to or be higher than 0.50. It means that in terms of statistics all loading factors were significant and valid.

Validity can be measured using Average Varience Extracted (AVE) Value. Average Variance Extract was an indicator of latent construct set that is a summary of convergence indicator. Average Variance Extracted is obtained based on the following standardized loading value.

$$AVE = \frac{\sum_i \lambda_{ij}^2}{\sum_i \lambda_{ij}^2 + \sum_i Var(\varepsilon_i)}$$

Where: $\sum_i \lambda_{ij}^2$ is sum of standarized loading[2] and $\Sigma\varepsilon j$ is measurement error where 1-(standard loading)[2].

Table 1 – Loading Factor

Indicator	Dimension	Variable	Estimate
Bank engagement on the ad	Advertisement	Marketing Communication	0.722
Message structure on the ad			0.680
Format of the ad			0.742
Actress figure on the ad			0.756
Advertisement media			0.747
Symbol of the ad			0.730
Intensity of lottery prize	Promotion	Marketing Communication	0.741
Intensity of souvenir gift			0.820
Intensity of promotional activity			0.834
Attitude of bank staff	Bank staff	Marketing Communication	0.518
Explaination of bank staff			0.558
Fairness of banks staff explaination			0.859
Performance of bank staff			0.789
Sponsorhsip participation on public activity	Publicity	Marketing Communication	0.783
Participation on bank exibition			0.855
Intensity relationship reportation			0.834
Equipment support transaction secret	Functional value of establisment	Perceived value	0.740
Installation of instrument supporting transaction rapidity			0.801
Equipment Lay-out			0.813
Bank staff work ability	Functional value of professionalism	Perceived value Perceived value	0.741
Service quality proven			0.837
Service appropriate expectation			0.834
Profit sharing suitable to expectation	Fairness value	Perceived value	0.836
Profit sharing fairness		Perceived value	0.836
Happiness feeling after transaction	Emotional value	Perceived value	0.816
Happines feeling because free of usury			0.778
Social environment assesment	Social value	Perceived value	0.811
Prideness after transaction			0.734
trust in Islamic bank's service quality	Expectation	Trust	0.805
Trust in Islamic bank's serve customer satisfaction			0.772
Islamic bank would understand customer need	Believe	Trust	0.812
Islamic bank's ability to provide good service			0.792
Islamic bank does not hide urgent information			0.758
Islamic bank have good intend to maintain customer satisfaction	Attitude	Trust	0.828
Islamic bank would pay attention to customer complain			0.798
Islamic banks would maintain their reputation			0.791
Always be Islamic bank customer despite other bank offer	Retention	Loyalty	0.818
Choose Islamic bank as priority of financial service			0.830
Repeat financial transaction in Islamic bank	Repeat purchase	Loyalty	0.760
Use Islamic bank as service financial			0,809
Purchase other saving product	Buy accross product line	Loyalty	0.835
Intent to use other financial product in Islamic bank			0.762
Recommend Islamic bank to familiy	Recomend other	loyalty	0.852
Recommend Islamic bank to friends and others			0.838

Standardized loading estimate value should equal to or be higher than 0.50. Table 2 showed that all loading factors were significant.

The next step was construct reliability test of which objective is to test consistence of data and data reliability. Construct reliability between 0.6 until 0.7 can be accepted. Construct reliability is measured based on the following formula:

$$CR = \frac{\left(\sum\limits_{i=1}^{n} L_i\right)^2}{\left(\sum\limits_{i=1}^{n} L_i\right)^2 + \sum\limits_{i=1}^{n} e_i}$$

Critical ratio value should equal to or be higher than 0.50. Table 3 showed that in terms of statistics, all of the loading factors were reliable.

Table 2 – Average Variance Extracted

Variable	Dimension	AVE	Mean
Marketing communication	Advertisement	0.533	Valid
	Promotion	0.639	Valid
	Bank staff	0.501	Valid
	Publicity	0.887	Valid
Consumer value	Functional value of establisment	0.617	Valid
	Functional value of professionalism	0.653	Valid
	Fairness value	0.701	Valid
	Emotional value	0.636	Valid
	Social value	0.598	Valid
Consumer trust	Expectation	0.622	Valid
	Believe	0.620	Valid
	Attitude	0.650	Valid
Consumer loyalty	Retention	0.679	Valid
	Repeat purchase	0.616	Valid
	Buy across product line	0.639	Valid
	Recomend other	0.714	Valid

Table 3 – Critical Ratio

| Variable	Dimension	Critical Ratio	Mean
Marketing communication	Advertisement	0.872	Reliable
	Promotion	0.841	Reliable
	Bank staff	0.924	Reliable
	Publicity	0.793	Reliable
Consumer value	Functional value of establisment	0.828	Reliable
	Functional value of professionalism	0.849	Reliable
	Fairness value	0.759	Reliable
	Emotional value	0.570	Reliable
	Social value	0.528	Reliable
Consumer trust	Expectation	0.767	Reliable
	Believe	0.830	Reliable
	Attitude	0.848	Reliable
Consumer loyalty	Retention	0.809	Reliable
	Repeat purchase	0.762	Reliable
	Buy across product line	0.779	Reliable
	Recomend other	0.893	Reliable
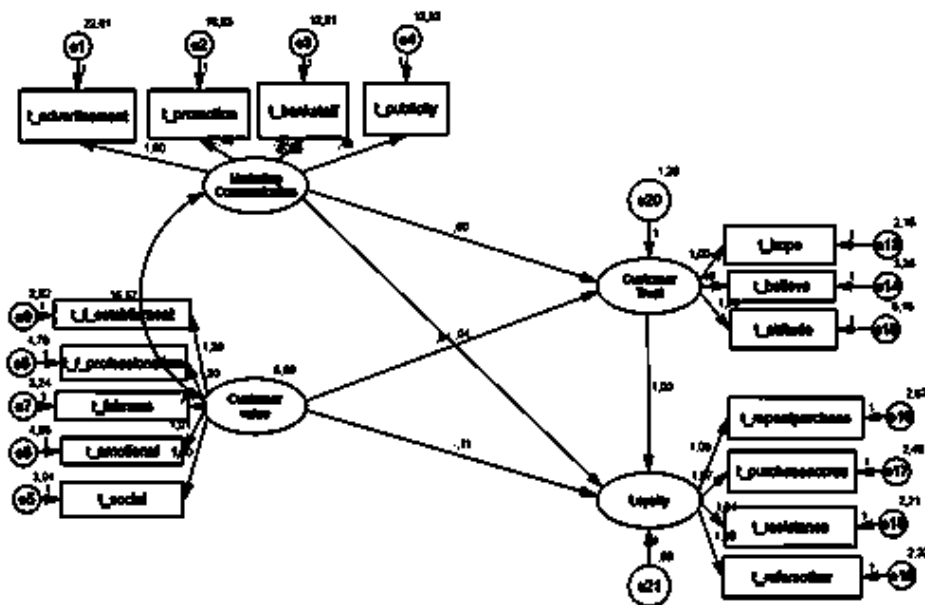
Figure 3 – Full Model (Source: Primary Data, 2019)

Table 4 – Evaluation Results of SEM Model Fit

No	Fit Measurement	Cut off Value	Test Result	Description
1	Chi Square	Expected small	557,392	Good fit
2	GFI	> 0.90	0.839	Marginal fit
3	AGFI	> 0.90	0.776	Marginal fit
4	RMSEA	$\leq$ 0.08	0.113	Marginal fit
5	CFI	> 0.90	0.911	Good fit
6	TLI	> 0.90	0.891	Marginal fit
7	PNFI	> 0.90	0.730	Marginal fit

Source: Ghozali, 2017.

Based on Table 4, both Chi square and CFI value had Good fit, while GFI, AGFI, RMSEA, TLI, and PNFI were marginal fit. It indicates that data processing had been applicable in SEM Full Model.

Table 5 – Relationship on Structural Model Test

Relationship			Estimate	S.E	C.R	P
Customer trust	<---	Marketing Communication	-0.003	0.043	-0.075	0.940
Customer trust	<---	Customer Value	0.836	0.115	0.265	***
Loyalty	<---	Marketing communication	0.036	0.038	0.955	0.340
Loyalty	<---	Customer value	0.115	0.133	-0.864	0.387
Loyalty	<---	Customer trust	0.027	0.104	0.873	***

Table 5 showed that marketing communication had a negative influence towards customer trust. CR score was -0.075 and was not significant.

Marketing communication has a positive influence towards loyalty (0.955). It is in line with previous studies conducted by Ball, Coelho and Machas (2004), Yuniaris (2011), Prithandhari, et.al (2014) and Darmawangsa, Agung, Andari (2015).

Furthermore, Table 5 also showed that customer value has a positive and significant influence towards customer trust (0.265). It supports Rasheed and Abadi (2014)'s study.

Customer value has a negative influence towards customer loyalty (-0.864). It is at the opposite of previous studies conducted by Ishaq (2011), Rasheed and Abadi (2014), and Deghan, Alizadeh and Alamouti (2015).

There is a strong and significant relationship between customer trust and customer loyalty (0.873). It is in line with Rasheed, Abadi, Amoumen (2014), and Yuniarsih (2011)'s study.

CONCLUSION

Based on the findings, empirically, customer value has a negative influence towards loyalty of Islamic bank's customers. The result of analysis was -0.864 (significance= 0.38). It is in line with Utami (2015)'s study focusing on computer users in Aceh. The study showed that customer value has a negative and non-significant influence towards loyalty.

The findings of this study did not support Deghan, Alizadeh and Alamouti (2015)'s study. The empirical study conducted in retail stores in Teheran showed that there is a significant relationship between customer value and loyalty. As an addition, the findings of the study are at the opposite of Pailiati (2007) who conducted an empirical study on bank customers in South Sulawesi and argue that value bank customers obtained from service the banks provided has a significant and positive influence towards bank customer's loyalty. The findings of the study are also different from those of Ishaq (2011), Sugiati, Thoyib, and Hadiwijoyo (2013), Rasheed and Abadi (2014), and Rahi (2016).

Based on the respondents' preference, the Islamic banks have yet to provide value the respondents expected to get. The observations showed that service took a long time and as the consequence, the respondents felt that the Islamic bank staffs did not value their customers' time. The respondents also mentioned that similar to conventional banks, Islamic banks are still using bank interest as reference. Most respondents stated that Islamic bank service is taking longer time than that of conventional banks, and transaction is time-consuming. In addition, Islamic bank staffs are less accommodating compared to conventional bank staffs, and they do not apply principles of syariah to their appearance, attitude or service. Respondents also reported that Islamic banks charge higher fee than conventional banks. At last, Islamic banks can hardly keep up with technology-based financial service (fin-tech, financial technology).

Based on the findings of this study, customer trust has a positive and strong influence towards loyalty of Islamic bank customers. The result of analysis showed that the score is 0.980 (significance= 0.000). The study also provides evidence that customer trust is a mediating variable. Islamic banks should gain customer trust first, by fulfilling their expectations, prior to conducting syariah marketing communication. Companies can improve customer trust, according to Singh and Sirdeshmukh (2002), by making sure that they meet customer's expectation creating a positive image in their customer's head; this positive image will eventually result in attitude or action . Islamic banks should convince customers that they are well-experienced, able to provide professional and satisfying service, emphasize on honesty and integrity, and can provide important information for customers.

To gain and maintain positive reputation, Islamic banks should spread information about charity programs they participate in, for example donation to victims of natural disaster and orphanage, as well as donation to religious activities in universities.

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