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Which Consumer Groups Are More Loyal? Evidence in Indonesian Banking Industry

NI LUH PUTU INDIANI¹ (*corresponding author*), I MADE PULAWAN²,
and NI MADE SANTINI³

¹ Senior Lecturer, Post-Graduate Program of Master Management, Warmadewa University, Indonesia
e-mail address: indi_arca@yahoo.com

² Senior Lecturer, Economic Faculty, Warmadewa University, Indonesia

³ Senior Lecturer, Economic Faculty, Warmadewa University, Indonesia

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ABSTRACT

Inconsistent findings in service quality-loyalty relationship motivated researchers to investigate moderating constructs in this relationship. Yet, no study examines the moderating role of customers' characteristics, specifically in banking industry. This study conducted this moderation analysis to fill this research gap. A survey was conducted to collect data using questionnaire as instrument. 450 valid samples were obtained from customers of commercial banks in Indonesia. Data was analyzed using Partial Least Square. The results showed that service quality and customer satisfaction significantly influence loyalty. Satisfaction-loyalty link is stronger for higher-income customers who show higher loyalty than low-income customers. Satisfaction-loyalty link is stronger for younger customers, yet their level of loyalty is lower compared to older customers, whose level of loyalty increases in a higher percentage than increase in satisfaction, indicating that factor other than satisfaction might contribute in escalating the loyalty level. Service quality-loyalty link is moderated only by age, which is stronger in younger customers, yet at the same level of satisfaction, older customers show higher loyalty. As customer characteristics influence the strength of satisfaction-loyalty and service quality-loyalty link, the study findings assist bank executives in formulating targeted retention policy for each customer segment.

INTRODUCTION

Indonesia's economy growth in 2019 hit the lowest point in the last two years, grew 5.02 percent compared to year 2018 and 2017 respectively at 5.17% and 5.07% (Badan Pusat Statistik Republik Indonesia, 2019). Declining investment and low commodity prices which also weakened global demand, dragged growth down in 2019. This decline was also influenced by global economic slowdown driven by trade war between the United States and China. The country's economy affects banking industry perform-

nce, where Indonesian banking industry was also experiencing slow growth. It was reflected in a number of indicators: asset and loan growth in 2019 were 7.07% and 7.89% respectively, compared to 8.65% and 12.69% in 2018 (Financial Service Authority Republic of Indonesia, 2019). Amidst slow growth, competition has become even tighter with continuing increase in the number of fintech operating in Indonesia. Loan growth of these finteches reaching 98% during the year (AFTECH, 2019). In a changing business environment and increasingly fierce competition, customer satisfaction is key to ensure firm's viability. In banking industry where customer contact is at the core of business process, customer satisfaction is essential for bank success. Customer satisfaction plays an important role in maintaining customers' loyalty, which leads to higher bank performance. Loyal customers have a tendency not to switch bank, conduct various banking activities in one bank, and recommend their bank to others (Indiani et al., 2016).

Reviewing the relationship between satisfaction and loyalty, previous studies reported inconsistent findings. While a number of studies found satisfaction significantly influences customer loyalty, insignificant relationship were confirmed by Zahara (2007), Ouyang (2010), Tarus and Rabach (2013). The result of a survey conducted as a preliminary study seemed to support the latter finding. From 50 saving customers, 51 percent have a saving account in another bank. It is noteworthy, as majority of them said they were satisfied with their first bank service. While from 50 loan customers, 42 percent seek loan at other banks, despite claiming that they had no complaints with the loan service of their first bank. This indicates that satisfaction does not necessarily improve loyalty. Satisfied customers may not show loyalty towards the bank. This phenomenon is in contradiction with expectancy disconfirmation theory and previous studies' findings which found that satisfaction significantly improves loyalty. The inconsistent findings and field survey result led to the assumption that there are moderating factors in the relationship between satisfaction and loyalty. Walsh et al. (2008) stated that the relationship between satisfaction and loyalty is not always empirically proven, and the influence of satisfaction on loyalty is rather complex which indicates that moderating influences exist in this relationship.

Consumer behaviour theory in particular information processing and social role theory provide foundation in determining potential moderating variable in satisfaction-loyalty link. Information processing theory states that consumers' ability to process information decreases with age, so that older customers only rely on a limited source of information which is past experience or satisfaction in determining whether to remain loyal or switch provider. This becomes the basis in examining age as a moderating variable. In social role theory, it is stated that women are more likely to maintain relationships with service providers than men, it is believed that their level of loyalty would be higher than men. This is the foundation of gender examination as a moderating variable. Thus, this study analyzed the moderating effect of customer demographic characteristics in satisfaction-loyalty relationship. As mentioned by Laroche et al. (1986) that differences in demographic characteristics are the cause of differences in consumer behavior. Preferences and attitudes in consumption activities differ between consumer groups. Aside from satisfaction-loyalty relationship, previous study findings also showed inconsistency in service quality-loyalty relationship. While a number of studies found that service quality significantly enhances customer loyalty, studies by Chotivanich (2014), Indiani et al. (2016), Darwin and Kunto (2014), found insignificant relationship. Using the same rationale as in the previous assumption, this inconsistency might be moderated by customers' demographic characteristics. There are a number of studies analyzing service quality, yet to the knowledge of the present authors, no study to date examines the moderating role of customers' demographic characteristics (age, gender, education, and income) on service quality-loyalty relationship, specifically in banking industry.

Studies analyzing moderation effect in service quality-loyalty relationship examined moderating impact of *firm-related aspects* such as: CRM, public relations, corporate image, and brand equity; *consumer perception aspects* such as: trust, commitment, switching cost, service convenience; and *consumer characteristic aspects* such as: involvement, main bank status and wealth. Studies seem to overlook the possible moderating role of customers' demographic characteristics in the relationship between service quality and loyalty. To fill this research gap, this study investigated the moderating role of customers' demographic characteristics on service quality-loyalty link. The findings not only improve understanding of service quality-loyalty relationship patterns in different demography groups, but also assist executives in formulating segmentation and targeting strategy, also targeted retention policy for each customer segment.

1. LITERATURE REVIEW & HYPOTHESES DEVELOPMENT

1.1 Customer satisfaction-loyalty relationship

Loyalty is customer willingness to continue subscribing to a company in the long run, by continuously purchasing and consuming the company's products and services, as well as voluntarily recommending the company to their colleagues. Loyal customers are exceptionally important asset for the company. Customer satisfaction is consumer's cognitive situation regarding the parity between the actual performance of consumed product or service with the expected performance. It is consumers' evaluation that reflects their overall assessment on product or service. Customer satisfaction is an important factor that shapes loyalty, customers who are highly satisfied show a high commitment to the firm. Levy (2014) and Yaya et al. (2011) found that customer satisfaction with mobile banking service raises customer loyalty. Ismail (2014) found that customer satisfaction encourages customer loyalty in the context of Islamic banking. Boonlertvanich (2019) found that customer satisfaction in bank service significantly improves both customer attitudinal loyalty as well as behavioral loyalty. Based on the empirical study, the following hypothesis is formulated:

H1: Customer satisfaction has a positive and significant influence on customer loyalty

1.2 Service quality-customer satisfaction-loyalty relationship

Service quality is the result of a comparison between the services that consumers expect and the services actually received by consumers (Parasuraman et al., 1985). When the level of service received is higher than the expected level of service, service quality is high. But if it happens otherwise, service quality is in the low category. Service quality is reflected by five dimensions: tangible aspects, reliability, responsiveness, assurance, and empathy. Service quality is an important factor that significantly increases customer satisfaction. Ilyas et al. (2016) found that service quality specifically reliability, responsiveness, and assurance has positive and significant impact on customer satisfaction in Islamic banking context in Pakistan. Levy (2014) found that quality service emphasizing on convenience significantly increases customer satisfaction in Israeli banking industry. Chotivanich (2016) found similar finding that service quality significantly improves satisfaction in service sector.

Service quality is also an important antecedent of customer loyalty. Yaya et al. (2011) studied Spanish banking industry, found that high service quality demonstrated by efficiency, good system and performance, and privacy is able to retain customers from switching to other banks. Ismail (2014) found that service quality increases customer loyalty in the context of Islamic banking in Batam Indonesia. Boonlertvanich (2019) studied antecedents of customer loyalty in commercial banks in Thailand, found that service quality has the highest impact on customer loyalty over other antecedents, and this relationship is fully mediated by customer satisfaction. The empirical studies underlie the following hypotheses formulation:

H2: Service quality has a positive and significant influence on customer satisfaction

H3: Service quality has a positive and significant influence on customer loyalty

1.3 The moderating role of customer characteristics on satisfaction-loyalty link and service quality-loyalty link

Customer demographic characteristics includes age, gender, income, and education. These factors could strengthen or weaken the influence of customer satisfaction on loyalty. Age. Based on information processing theory, consumers' ability to process information decreases with age. Therefore, older customers rely on a limited source of information which is quality of service or satisfaction in determining whether to remain loyal or switch provider. On the other hand, younger customers use more information cue to make decisions, including to determine their loyalty to service provider. Thus, the influence of satisfaction on loyalty will be stronger in older consumers. Examining relationship between service convenience and customer loyalty in retail industry, Rahman and Khan (2014) found that older customers' loyal-

ty is determined by less service convenience elements than in younger customers. Qayum et al. (2013) found the impact of satisfaction on loyalty is stronger for older customers in mobile phone industry. Walsh et al. (2008) found that age does not have moderation effect in satisfaction-loyalty link. In light of the preceding discussion, it is proposed that:

H4a: Age significantly moderates the influence of satisfaction on loyalty, and the effect is stronger in older customer.

H5a: Age significantly moderates the influence of service quality on loyalty, and the effect is stronger in older customer.

Gender. In social role theory, it is stated that women are more likely to maintain relationships with service providers than men (Lee et al., 2017), it can be assumed that women's loyalty is influenced by combination of factors and not solely satisfaction. Therefore, satisfaction-loyalty link will be weaker in women compared to men. Men are also more risk-taker than women and are expected to engage in a more risky behaviour (Walsh et al., 2008). As switching provider contains risk, we expect that men will be more likely to switch provider as their level of satisfaction changes. It means that satisfaction-loyalty link in men is stronger compared to women. Some studies found that gender moderates satisfaction-loyalty link. Ndubisi (2005) found that gender significantly moderates the influence of satisfaction on loyalty, where female customers tend to be more loyal. Lee et al. (2017) found that gender has significant moderating effect in satisfaction-loyalty link, with female customers emphasize interpersonal relationship more than male customers. Rahman and Khan (2014) found that loyalty in female and male retail customers are influenced by different elements of service convenience. Therefore, it is proposed that:

H4b: Gender significantly moderates the influence of satisfaction on loyalty, and the effect is stronger in male customer.

H5b: Gender significantly moderates the influence of service quality on loyalty, and the effect is stronger in male customer.

Education and Income. In the context of information processing theory, consumers with higher income generally have higher level of education (Evanshitzky and Wunderlich, 2006), thus they have better access to information and are better able to process information. Conversely, consumers with lower level of education and lower income have less access and ability to process information that they tend to avoid cost of thinking (Walsh et al., 2008), thus using fewer amounts of information such as satisfaction or service quality, to make a decision whether to remain loyal or switch provider. It means that satisfaction-loyalty link in lower-income customers is stronger than in higher-income customers. Some studies found that education and income moderate satisfaction-loyalty and service-quality links. Dong (2010) found that income weakens the effect of satisfaction on loyalty, means higher earners tend to be less loyal. Lee et al. (2017) found that satisfaction-loyalty link is greater in lower-income customers. Qayyum et al. (2013) found the opposite that income significantly moderates the satisfaction-loyalty link and service quality-loyalty link in mobile phone industry, and these effects are stronger in high-income customers. Walsh et al. (2008) found that satisfaction with product assortment-loyalty link is stronger in higher income customers, while satisfaction with employee-loyalty link is stronger in lower-income customers. In terms of education, Rahman and Khan (2014) found that higher-educated customers' loyalty is influenced by more service convenience elements than lower-educated customers. In light of the preceding discussion, it is proposed that:

H4c: Education significantly moderates the influence of satisfaction on loyalty, and the effect is stronger in lower-educated customer.

H4d: Income significantly moderates the influence of satisfaction on loyalty, and the effect is stronger in lower-income customer.

H5c: Education significantly moderates the influence of service quality on loyalty, and the effect is stronger in lower-educated customer.

H5d: Income significantly moderates the influence of service quality on loyalty, and the effect is stronger in lower-income customer.

The research conceptual framework is illustrated in Figure 1.

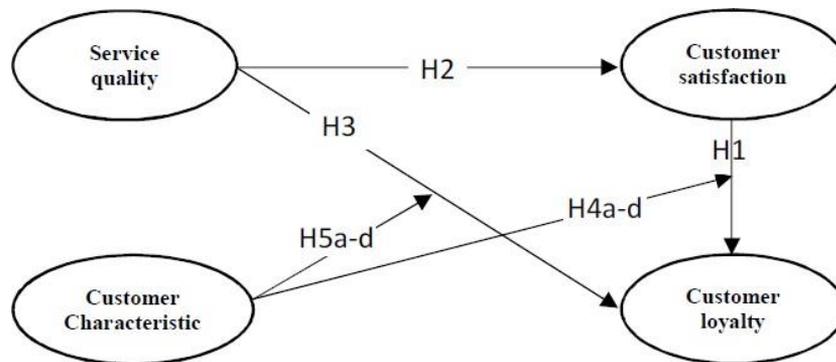


Figure 1. Conceptual Framework

2. RESEARCH METHOD

2.1 Sampling and data collection

The population in this study is bank customers in Indonesia. Samples were taken from five populous cities in Indonesia. Dense population indicates high economic activity, so that majority of the population have a bank account. Thus, cities are the proper area to observe in order to obtain an accurate and comprehensive picture of consumer behaviour in banking industry. Sampling technique used was purposive sampling, where sample criteria was customers who have used bank services for more than 1 year. This is based on the consideration that in a year period, customers would have sufficient amount of experience with the bank service. Therefore, customers' assessment on measurement item statements for service quality, satisfaction, and loyalty would be more accurate. The instrument used in data collection was questionnaire. The measurement scale uses Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). This study received 450 valid samples, which have met the minimum sample requirement mentioned in Hair et al. (2010).

2.2 Data analysis

Data analysis was conducted with partial least square (PLS) technique, which combines multiple regression and factor analysis to perform a simultaneous examination upon either the relationship between the measured variables and the latent constructs or the relationship between latent constructs. PLS analysis was conducted in two stages. The first stage examined the measurement model by testing measurement item validity and reliability of each construct. The second stage was examination of the structural model to analyze the paths significance between constructs. PLS was also used to examine the moderation effect, where each demographic characteristic: gender, age, education, and income is tested individually in the model.

3. RESULTS

3.1 Respondent characteristics

There was a rough parity between the number of male and female respondents. Respondents are predominantly young consumers aged 20 to 30, and over 60 percent had a college degree, as shown in Table I. Large parts of respondents belongs to lower-middle income category, constituting 61.1 percent of the respondents.

Table 1. Respondent Characteristics

<i>Customer characteristics</i>	<i>Percentage</i>
Gender:	
Male	51.9
Female	48.1
Age:	
<20 years old	0.5
20-30 years old	44
31-40 years old	23.6
41-50 years old	19.9
>50 years old	12
Education:	
Below high school	3.2
High school Diploma	25.5
Bachelor	7.4
Master	55.1
Doctor	7.9
	0.9
Monthly income:	
< IDR 2.500.000	26.4
IDR 2.500.001 - 7.000.000	61.1
IDR 7.000.001 - 15.000.000	8.3
> IDR 15.000.000	4.2

Source: primary data processed (2020)

3.2 Measurement model evaluation

As displayed in Table II, the results showed p value <0.001 for all indicators, meaning that all indicators measure the construct significantly. The loading factor value of each indicator is above 0.5, means that all indicators represent their latent constructs well. The results showed the AVE value of each construct is 0.6 and above, indicates that all constructs have adequate convergence. The CR value of each construct is 0.9 and above, means that all indicators consistently reflect the same latent construct (Hair et al., 2010).

Table 2. Construct Validity

<i>Construct</i>	<i>Measurement item</i>	<i>p-value</i>	<i>Loading factor</i>	<i>AVE</i>	<i>CR</i>
Service Quality (X1)	X1.1 Prompt service	<0.001	0.80	0.56	0.94
	X1.2 Employee has adequate professional knowledge	<0.001	0.79		
	X1.3 Error free transaction	<0.001	0.54		
	X1.4 Comfortable waiting area	<0.001	0.72		
	X1.5 Appealing interior	<0.001	0.54		
	X1.6 Transaction security	<0.001	0.76		
	X1.7 Bank has good reputation	<0.001	0.71		
	X1.8 Employee's trustworthiness	<0.001	0.75		
	X1.9 Good response to customer queries	<0.001	0.84		
	X1.10 Courteous in providing service	<0.001	0.80		
	X1.11 Employee's willingness to assist customer	<0.001	0.85		
	X1.12 Employee considers customer wishes and needs	<0.001	0.80		
Customer Satisfaction (Y1)	Y1.1 Satisfied with product quality	<0.001	0.87	0.78	0.91
	Y1.2 Satisfied with bank service	<0.001	0.89		
	Y1.3 Overall satisfaction in conducting transaction with the bank	<0.001	0.89		
Customer Loyalty (Y2)	Y2.1 Bank is customer's only choice for future banking activities	<0.001	0.90	0.81	0.93
	Y2.2 Never seriously considered switching bank	<0.001	0.90		
	Y2.3 Recommend bank to others	<0.001	0.89		

Source: primary data processed (2020)

Discriminant validity measures the extent to which a construct differs from other constructs, and whether a construct is unique and explains phenomena that is not explainable by other constructs. The results showed that the AVE square root value of each construct is greater than the construct's correlation with other constructs, as shown in Table III, which indicates a good discriminant validity.

Table 3. Discriminant validity

<i>Construct</i>	<i>Satisfaction</i>	<i>Loyalty</i>	<i>Service quality</i>
Satisfaction	0.882		
Loyalty	0.702	0.897	
Service quality	0.778	0.646	0.748
Diagonal value: Sq. root of AVE; Non-diagonal value: inter-construct correlations			

Source: primary data processed (2020)

3.3 Structural model evaluation

In hypothesis testing, H_0 is rejected at the significance level of 0.1 or if p value < 0.1; as mentioned by Cramer and Howitt (2004) that the threshold applied in social science research commonly ranges from <0.01 to 0.1. Table IV shows that hypothesis 1 is accepted, indicating a significant influence of customer satisfaction on loyalty. Hypothesis 2 and 3 are accepted, confirming positive and significant influence of service quality on customer satisfaction and loyalty.

Table 4. Hypothesis Testing

<i>Construct</i>	<i>Path Coefficient</i>	<i>p value</i>	<i>Conclusion</i>
Satisfaction -> Loyalty	0.50	<0.001	Significant
Service Quality-> Satisfaction	0.78	<0.001	Significant
Service Quality -> Loyalty	0.27	<0.001	Significant
Age*Satisfaction □ Loyalty	-0.20	<0.01	Significant
Gender*Satisfaction □ Loyalty	0.03	0.37	not significant
Education*Satisfaction □ Loyalty	-0.04	0.32	not significant
Income*Satisfaction □ Loyalty	0.15	0.03	Significant
Age*Service Quality □ Loyalty	-0.18	0.01	Significant
Gender* Service Quality □ Loyalty	0.01	0.48	not significant
Education* Service Quality □ Loyalty	-0.06	0.25	not significant
Income* Service Quality □ Loyalty	-0.09	0.15	not significant

Source: primary data processed (2020)

Hypotheses 4 is partially accepted, age has negative and significant moderation effect on satisfaction-loyalty link, income has positive and significant moderation effect, while gender and education show insignificant effect. Negative and significant moderation of age indicates that the relationship between satisfaction and loyalty is stronger in younger customers where loyalty is predominantly determined by satisfaction and less of other factors. As shown in Figure 2 that in younger customers (front-part of the graph), satisfaction-loyalty relationship graph is more diagonally-shaped where increase in satisfaction is followed by increase in loyalty in a rather consistent ratio. While in older customers (back-part of the graph), the graph shows bent line where level of loyalty increases in a higher percentage than increase in satisfaction, indicating that factor other than satisfaction might contribute in escalating the loyalty level.

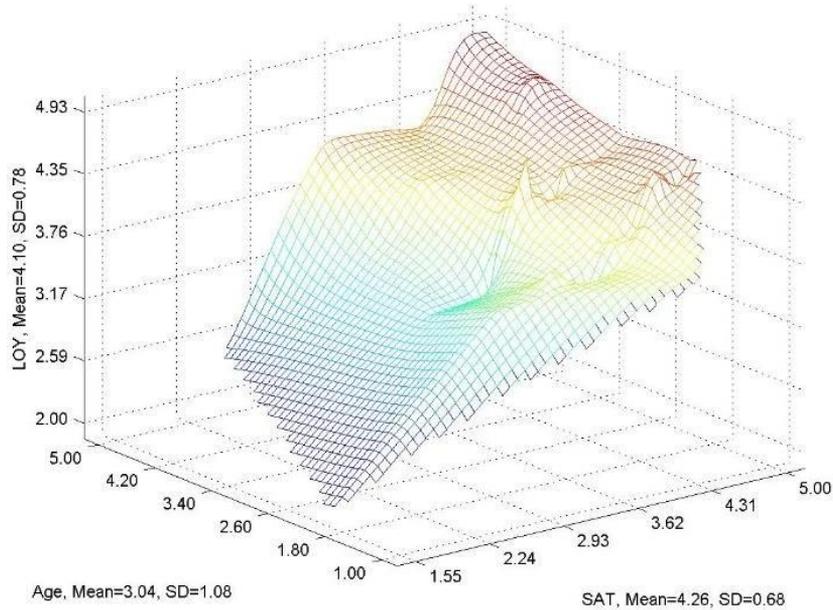


Figure 2. 3D Graph for Age Moderating Effect

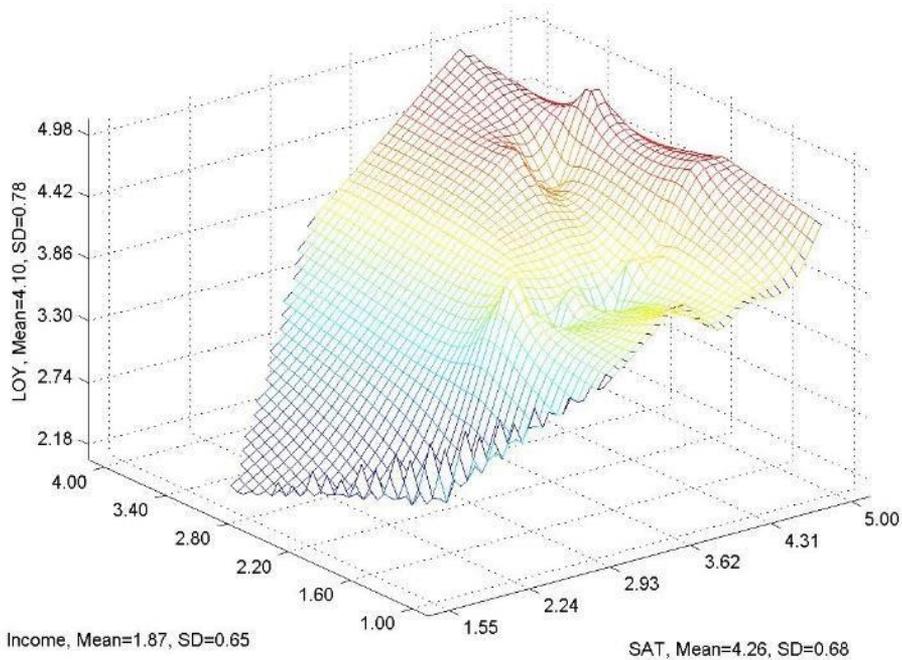


Figure 3. 3D Graph for Income Moderating Effect

Income shows positive and significant moderation effect in satisfaction-loyalty link, which indicates that satisfaction-loyalty link is stronger in higher-income customers. As shown in Figure 3 that in higher-income customers (back-part of the graph), satisfaction-loyalty relationship shows straight diagonal line where loyalty increases in consistent ratio as satisfaction increases. While in lower-income customers, loyalty increases in a lower fashion than in higher-income customers which means that at the same level of satisfaction, low-income respondents have lower loyalty.

Hypotheses 5 is partially accepted, only age has significant moderation effect on service quality-loyalty link; while income, gender, and education show insignificant effect. Negative and significant moderation of age indicates that the relationship between service quality and loyalty is stronger in younger customers where loyalty is predominantly determined by satisfaction and less of other factors. As shown in Figure 4 that in younger customers (front-part of the graph), satisfaction-loyalty relationship graph is diagonally-

shaped, where improvement in service quality is followed by increase in loyalty in a rather consistent ratio. While in older customers (back-part of the graph), the graph shows bent line where loyalty increases in a higher percentage than increase in satisfaction, indicating that factor other than satisfaction might contribute in escalating the loyalty level. In contrast, Figure 5 shows insignificant moderation of gender, where there is very little difference between older and younger respondent in the strength of service quality-loyalty relationship.

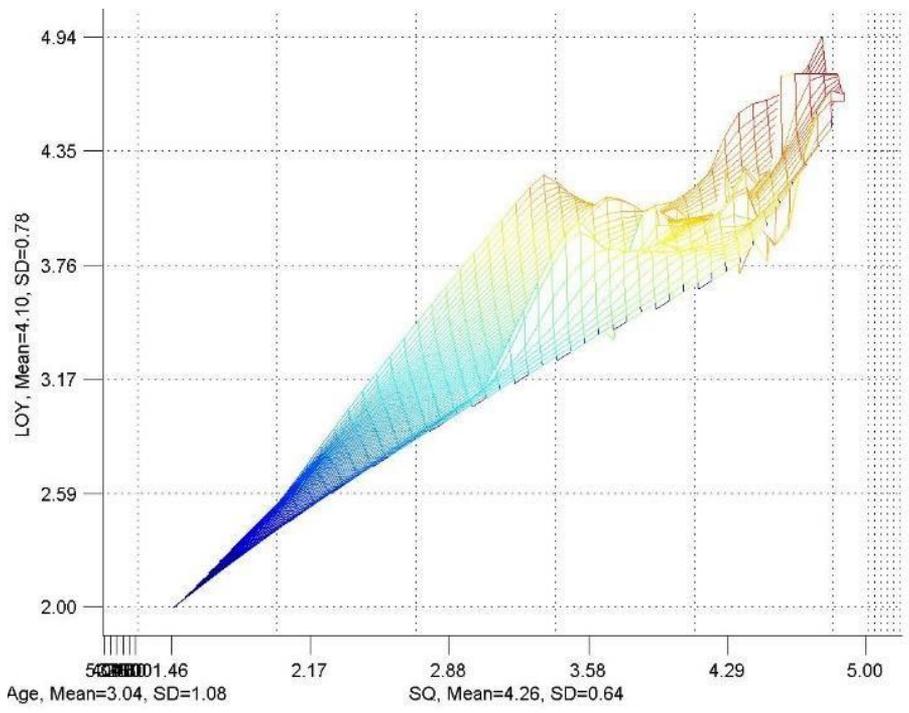


Figure 4. 3D Graph for Age Moderating Effect

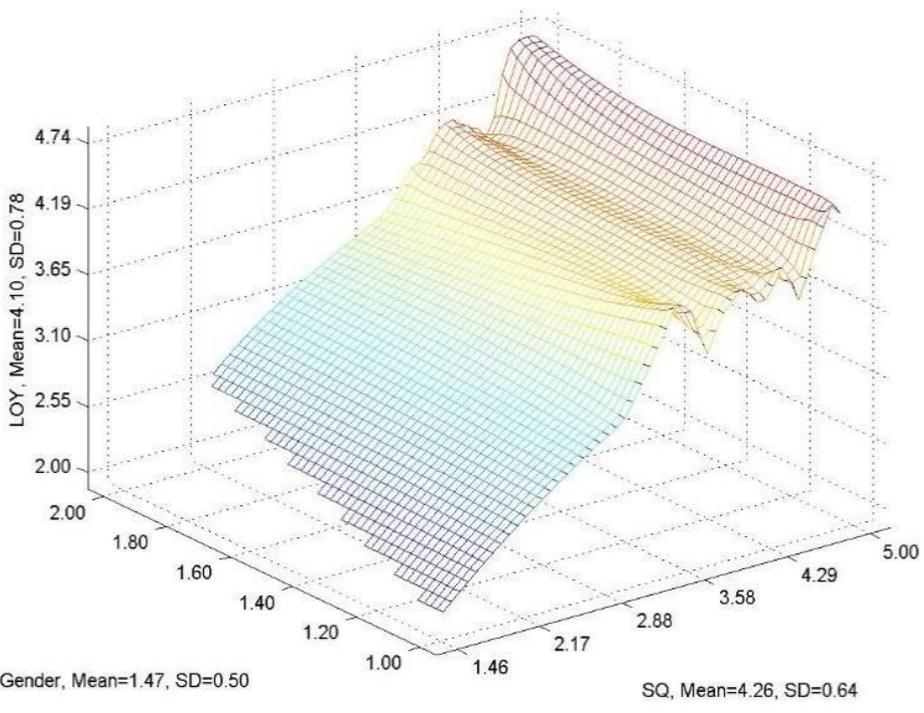


Figure 5. 3D Graph for Gender Moderating Effect

4. DISCUSSION

4.1 Influence of service quality on customer satisfaction

The results show that service quality has a positive and significant influence on customer satisfaction. This means that improvement in bank service quality leads to increase in customer satisfaction. This is due to the nature of bank offering which is predominantly services rather than tangible goods. Thus, to achieve customer satisfaction, bank which is a service firm is highly dependent on the quality of its service. In addition, service quality becomes significant in improving customer satisfaction since business competition is not merely in the scope of core products, but banks are also competing to provide excellent service to enhance overall offering value. It aims to create positive and enjoyable experience for customers. Nowadays, almost all industries including banks add service aspects in their core offerings to provide a pleasant total experience to customers. In satisfying customers, focusing only on the quality of core product is no longer sufficient amidst increasingly fierce business competition and higher customer expectation.

4.2 Influence of customer satisfaction on loyalty

The results show that customer satisfaction has a positive and significant effect on customer loyalty. The higher customer satisfaction with service quality and transaction experience, the higher customer loyalty which is shown in customer retention, referral, and preference. Satisfaction is a crucial factor in retaining customers due to increasingly fierce competition in Indonesia's banking industry. Currently, Indonesia is ranked as the country with the highest number of banks in Southeast Asia with 1.652 number of banks (Financial Service Authority Republic of Indonesia, 2020). These banks evidently strive to survive in the industry by offering a range of attractive products and excellent services. Thus, consumers are exposed to plenty of attractive choices to choose from, which raises customer bargaining power. To retain customers, banks are required to create a switching barrier by increasing customer satisfaction. Customers who are satisfied with product quality and service quality will not simply switch banks due to the costs that may arise when switching banks (Tesfom and Birch, 2011). Costs are not only in the form of material costs, but also non-material costs, such as the effort and time that must be expended to learn new products or systems, efforts and time to establish interpersonal relationship with new bank employees, and adapt to different practice between previous and recent bank.

4.3 Influence of service quality on customer loyalty

The results show that service quality has a positive and significant influence on customer loyalty. It is due to high involvement nature of the decision making. Choosing for a bank is a high-involvement purchase decision as it comprises financial risks that is related to consumer financial planning, and psychological risks related to security of consumer funds. Bloemer et al. (1996) mentioned that the level of customer involvement in purchase decision making is a determining factor of customer loyalty. Customers engaged in high-involvement purchase will be more likely to continue long-term relationship with the firm. In high-involvement decision making, the stages are more complex than in low-involvement one which does not require much information search. The stages involve searching for extensive information from internal and external sources, careful evaluation of several alternatives, and allocating time and resources to make the best decision. Due to substantial amount of time and resources expended in making such decision, and high-involvement product is generally an important product for consumers, post-purchase behavior will be largely determined by customer evaluation of the product quality. Thus, customers' decision to remain loyal or to switch is determined predominantly by the quality of bank services. Floh and Treiblmaier (2006) also found that the bank service quality strongly affects loyalty as customers are highly involved in the decision making.

4.4 Moderating role of customer characteristics on satisfaction-loyalty link

The relationship between satisfaction and loyalty is stronger in younger customers where loyalty is predominantly determined by satisfaction and less of other factors. While in older customers, level of loyalty increases in a higher percentage than increase in satisfaction, indicating that factor other than

satisfaction might contribute in escalating the loyalty level. There might be higher barrier for older customers to switch bank as was found by Tesfom and Birch (2011), that at the same level of satisfaction they tend to be more loyal than younger customers. The barrier or switching cost might include the cost of searching information about other banks, unfamiliar bank products, and banking practices that might be different with the current one. Younger customers tend to be more tech-savvy, therefore they have better access to information than older customer. Thus, they are betterable to search for attractive alternatives than older customers (Tesfom and Birch, 2011). Reluctance to search for information in older people causes them to perceive a higher switching cost compared to younger people.

Income shows positive and significant moderation effect, which indicates that satisfaction-loyalty relationship is stronger in higher-income respondent. While in lower-income respondent, loyalty increases in lower fashion than in higher-income respondent, which means that lower-income respondents have lower loyalty. It indicates that lower-income customers look for more information cues other than their current satisfaction in determining their loyalty. Lower-income customers tend to look for a better interest rate and more attractive deal that gives higher monetary value (Huang et al., 2014). As a slightly higher monetary gain gives more value to lower-income customers than higher-income ones. Akbar (2013) found that customers who are more concerned about prices are less loyal, and high-income customers are found to be more loyal than low-income ones. In addition, because of their higher transaction value, higher-income customers tend to be more loyal as they are given priority service which includes more facilities, better service, and higher interest rate for their saving. These act as a barrier that keeps higher-income customers from switching bank. As found by Yanamandram and White (2006) that the fear of losing relational benefits makes customers decide in favor of staying with the bank.

4.5 Moderating role of customer characteristics on service quality-loyalty link

Age has negative and significant moderation effect, indicates that the relationship between service quality and loyalty is stronger in younger customers where loyalty is predominantly determined by satisfaction and less of other factors. While in older respondent, loyalty increases in a higher percentage than increase in satisfaction, indicating that factor other than satisfaction might contribute in escalating the loyalty level. In social exchange theory, it is mentioned that older people value interpersonal experience such as opportunities for recognition, and familiarity that satisfy emotional and psychological needs, more than younger people. Customers who value social interaction with service provider are less sensitive to satisfaction decrease (Walsh et al., 2008). Thus, when older costumers receive good service from bank employees, this not only increases satisfaction but also creates strong interpersonal relationship. Thus loyalty in older customers is not only driven by satisfaction but also by pleasant interpersonal experience, therefore older customers tend to be more loyal than young consumers.

Gender and education were found insignificant as moderators in satisfaction-loyalty link and service quality-loyalty link. The strength of those links does not differ between female and male customers. We initially expected that male customers will be more likely to switch bank if their level of perceived service quality or satisfaction changes, as they are more risk-taker. It seems that both male and female customers perceive similar level of risk associated in banking activities and risk of switching banks, due to high-involvement decision making characterizing bank service purchase. In terms of education, we initially expected that customers with higher level of education are more likely to switch bank if their level of perceived service quality or satisfaction changes, as they have better access to information and are better able to process information. The insignificant moderation of education might be caused by information technology in this information age where information is widely available and easily accessible to anyone, not limited only to highly educated people. In addition, the ability to process information might not be determined only by education but also by experience, with majority of respondents already in productive ages and currently working, their cognitive abilities would certainly be improved. Therefore, both highly-educated and low-educated customers have equal access to information and possibly similar ability to process information to make decision whether to stay or switch bank.

CONCLUSION

Key antecedents of customer loyalty

In general, this research provides insight into satisfaction-loyalty relationship in its interactions with consumer characteristics. The study findings can be summarized as follows. First, customer satisfaction has a positive and significant effect on customer loyalty. Banking industry allows high degree of differentiation in product type, internet banking features, and facilities. Therefore, banks compete with differentiation strategy rather than low-cost strategy that is likely used in commodity marketing. With differentiation strategy characterizing banking industry, customer satisfaction becomes important switching barrier. While in industry characterized by low-cost competition, low cost is the switching barrier. Second, service quality positively and significantly influences customer satisfaction and loyalty. Banking industry is a trust industry, where trust could be gained through quality service which led to customer loyalty. In Indonesia there are 92 million people or over a half number of adult citizens do not use banking service (Bain and Company, 2019), indicating relatively low level of trust in bank. Therefore, once customers choose a bank and receive high quality service, they have higher sense of trust, and will most likely remain loyal to the bank.

Third, satisfaction-loyalty link is significantly moderated by age and income, where older customers and higher-income customers show higher loyalty. Wider zone of tolerance might explain the higher loyalty level in older customer, as older customers tend to have lower threshold or are more tolerant (Mittal and Kamakura, 2001). While in higher-income customers, top-priority service they receive from the bank acts as a switching barrier that keep them loyal than lower-income customers. Fourth, service quality-loyalty link is significantly moderated only by age, where older customers show higher loyalty. Older customers value interpersonal relationship, therefore when receiving high quality service, their loyalty is higher.

Managerial implications

As service quality enhances customer satisfaction and loyalty, banks could increase customer loyalty and satisfaction by ensuring that service quality aspects are in excellent performance. Those aspects are: employees should always be willing to assist customers, be responsive to customer queries, courteous in assisting customer, have adequate knowledge about bank's products, consider customer wishes and needs, provide prompt service, employee should also be trustworthy, ensure safe and error-free transactions, and bank should have comfortable service areas.

The results also show that customer characteristics influence the strength of satisfaction-loyalty link and service quality-loyalty link. Therefore, it could become the basis for targeted retention strategies. Lower-income customers are less loyal, as they tend to engage in more price-conscious activity, banks could direct this customer segment to take advantage of online service as it has lower cost than offline service. Some price incentive and gift that oblige longer saving period could also be offered to reduce switching behavior. In young customers, satisfaction-loyalty link is stronger but loyalty level is lower than older customers. It indicates that satisfaction predominantly determine young customers' decision to stay loyal or switch banks. Therefore, banks need to improve their satisfaction level by ensuring high quality service with aforementioned indicators. Bank needs to provide quality services that are suited to their needs and available in online platform. Considering today's consumers tend to be more active in using technology and this trend is more visible in young consumers (Indiani and Fahik, 2020).

Limitations and future research

This study has some limitations and there are abundant opportunities for further research. First, the research results cannot be generalised and applied equally well to other industries because the unique characteristics of an industry could alter a set of factors that influence customer loyalty. Second, with this study's descriptive nature, there was no manipulation or control of the antecedents of customer loyalty as it would be in experimental design; thus, conclusions on the relationship between constructs in this study require further and continuous research. Future research could examine moderating effect of switching cost and degree of involvement on satisfaction-loyalty relationship.

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