

## The Effect of Service Quality, Marketing Mix and Brand Image on Customer Loyalty in Banking Industry

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### Abstract:

The growth of banking is currently accelerating significantly. The rapid expansion and development of technology, information, machinery, and heavy equipment, particularly communication technology, is to blame for this transition. This study aims to examine how customer loyalty in Islamic banks is impacted by marketing mix, brand image, and service quality. This study uses quantitative methods. The research was carried out between June and August of 2022. Active users of Islamic banks make up the research sample. Primary data were used in this investigation, and they were obtained by employing a questionnaire and a random sample technique. The consumers of Islamic banks are the subject of this study. The findings of this study suggest that customer loyalty in Islamic banks is positively and significantly influenced by the marketing mix, brand image, and service quality, partially and simultaneously.

**Keywords:** marketing mix, brand image, service quality, loyalty, customer, bank.

### Introduction

The growth of banking is currently accelerating significantly. Due to the quickening expansion and development of technology, information, machinery, and heavy equipment, particularly communication technology, this transformation has taken place. Changes in people's behavior occur as a result of rapid changes. With the existence of technology, people can easily get information. Especially about the world of banking in Indonesia. The first Islamic financial institution existed in 1963 in the village of Mir Ghamr, one of the areas in the Egyptian region called Mit Ghamr Saving Bank, or commonly called Mit Ghamr Bank, which was pioneered by an economist named Dr. Ahmad El Najjar. These financial

institutions are particularly effective in both raising money from the general public in the form of savings or zakat and giving money to those with little means (Kasmir, 2003).

Marketing was one of several elements that contributed to the growth of the banking industry in Indonesia. Players in the industry would benefit from effective and ethical marketing; one of the affected industries is the banking sector. The practice of developing and exchanging bank products or services with the goal of satisfying client needs and wants is known as "bank marketing." Islamic banking growth increases every year, as can be seen from 2015-2022. In 2008, Islamic Commercial Banks (BUS) had 5 units of banks and 581 units of offices. The Sharia Business Unit (UUS) has 27 units of banks and 241 units of offices. Islamic People's Finance Banks (BPRS) has 202 offices and 131 bank units. Islamic Commercial Banks (BUS) had 12 bank units and 1990 office units in 2015. There are 22 bank units and 311 office units in the Sharia Business Unit (UUS). Sharia People's Financing Banks (BPRS) has 446 offices and 163 bank locations (source: OJK, 2015).

It was reported that there was a growth of 20.33% from Rp. 296.26 trillion at the end of 2022 to Rp. 356.50 trillion at the end of 2016, according to data from the Association of Indonesian Sharia Banks (Asbisindo). Moreover, it achieved Rp 249.09 trillion in terms of funding, gaining 16.40% from Rp 213.99 trillion the year before. Meanwhile, the acquisition of third-party funds in December 2016 reached Rp. 279.33 trillion, or grew 20.83% from the December 2015 position of Rp. 231.17 trillion. As for the profit position in December of Rp. 2.09 trillion, it grew by 17.46% from the December position of Rp. 1.78 trillion. According to Law No. 21 of 2008 about Islamic Banking, a bank is a business institution that gathers public funds in the form of savings and distributes them to the general public in order to raise the standard of living for many people. Islamic banks, which include sharia commercial banks and sharia-financed banks, operate their business operations in accordance with sharia principles.

In the world of Islamic finance, all transactions must be legal and free of any form of interest. This is so because Islamic banking employs contracts that abide by Islamic law and a profit-sharing mechanism (Kotler & Armstrong, 2008). Islam forbids usury since it is harmful to one party and is therefore not allowed in the Islamic banking industry. Islamic banks are needed to display items that have a brand image that consumers can remember in order to build brand loyalty in the context of today's fiercely competitive marketplace (Kotler & Keller, 2008). An earlier study found that brand image is a collection of brand connections that customers build and retain in their brains. Customers who are used to using certain brands have a tendency to consistently represent such brands (Luturmas, 2022).

## Literature Review

The term "marketing mix," refers to a group of tactics that make up the foundation of a business's marketing strategy and influence consumer behavior (Rizal & Abdurahim, 2014; Tjiptono, 2015). The marketing mix is a group of tactical marketing tools that can be controlled that the business uses in combination to elicit the desired response in the target market (Siregar et al., 2022; Suryani et al., 2022). The associations and customer perceptions of certain brands are referred to as brand image (Mardalis, 2005). Consumers typically choose products from well-known companies because they feel secure doing so. A product can be distinguished from those of rivals by its brand name (Parlina et al., 2022). Their distinctiveness gives them a significant competitive advantage. Repeat purchases are encouraged by well-known brands (Taufik et al., 2022). A brand has influence (Tannady et al., 2022). The value of your brand will increase as you strengthen it, which will also strengthen your business (Prajna, 2015). Service quality is a dynamic state involving goods, services, people, procedures, and environment, and it either meets or exceeds expectations (Rahayu & Tannady, 2015). The totality of a product or service's features and qualities that have an impact on how well it can meet explicit or implied needs is known as service quality (Rangkuti, 2004). Literally, loyalty refers to a person's loyalty to an object (Tannady & Purnamaningsih, 2023). Customers that are loyal to a brand have an optimistic outlook toward it, are dedicated to it, and plan to keep buying from it in the future (Risdiyanto & Saputra, 2016).

## Methodology

This study uses quantitative methods. The research was carried out between June and August of 2022. Active users of Islamic banks make up the research sample. A questionnaire was employed as the major data gathering tool for this

investigation. In this study, a checklist-style Likert scale was used to rate respondents' responses to questions.

### Case studies

Based on gender, as many as 44 people, or 44% of respondents, are male, and the remaining 56 people, or 56% of respondents, are female. This explains why the majority of the respondents are women. Sharia age category is 3% under 18 years old, while those aged between 18 and 25 years are 45%, respondents aged 26 to 50 years are 48%, and 4% of respondents are over 50 years old. the majority of respondents, as many as 46 people or 46%, had the last bachelor's degree, while the rest, namely having the last education in SD, SMP, or SMA, were 29 people or 29%, diplomas were 18 people or about 18%, and Masters or S3 were 7 people or about 7%. Students account for 20% of the population, or approximately 20 people. Respondents who have jobs more than 47%, or about 47 people, are in the private sector; as much as 10%, or about 10 people, are civil servants; as many as 17%, or about 17 people, are self-employed; and the remaining 6%, or about 6 people, are housewives. Respondents who were customers for less than 1 year were 41, or 41%; respondents who were customers for 1–2 years were 40, or 40%; respondents who were customers for 3–4 years were 18, or 18%; and the number of respondents who became customers for 4 years was as much as 1 person, or around 1%.

According to the study's findings, it makes sense why 2 respondents indicated they strongly disagreed and 3 respondents claimed they were neutral. According to the aforementioned findings, Islamic banks' offerings satisfy their customers' needs. 9 respondents said they did not agree, 2 said they strongly disagreed, 7 said they were impartial, and 2 said they did not agree. According to the aforementioned findings, Islamic banks grant consumers' wishes. 71 respondents said they strongly agreed, 24 respondents said they agreed, and 5 respondents said they were unsure. The answers that strongly agree and agree 95% indicate that opening an account with an Islamic bank is quite inexpensive. Six respondents declared themselves to be neutral, 70 declared themselves to be highly in agreement, and 24 declared themselves to be in agreement. According to the statistics above, the monthly administration fee is beneficial and equitable for customers if the choice is selected strongly agreeing or agreeing 94% of the time. Three respondents said they were neutral, one said they disagreed, and one said they were not sure. Forty-six respondents said they agreed, while 56 said they strongly agreed. According to the aforementioned statistics, the answers that strongly agree and agree 96% indicate that Islamic banks are situated in a prime area. One respondent said they did not agree, 10 respondents said they were impartial, 11 respondents said they strongly disagreed. According to the aforementioned findings, Islamic banks have a sizable number of ATMs. 3 respondents declared themselves to be neutral, 58 declared themselves to be highly in agreement, and 39 declared themselves to be in agreement. The choices that strongly agree and agree 97% indicate, according to the results above, that the promotions run by Islamic banks adhere to Sharia norms. Five respondents said they were impartial, while one responded that he strongly disagreed. According to the data above, which show that the choices are in agreement and strongly in agreement 94% of the time, Islamic banks frequently award rewards while running promotions.

In this brand image research (X2), 8 statements were used to measure brand image, with the following answers: Ten respondents said they were neutral, one said they disagreed, and one said they were not sure. According to the findings above, Islamic banks have a better reputation. 1 respondent stated that he strongly disagreed, and 9 respondents stated that they were neutral. From the results above, it can be said that Islamic banks offer good service. 3 respondents stated that they did not agree, and 14 respondents stated that they were neutral. Based on the results above, where the choices strongly agree and agree 83% of the time, they can be said to be superior in terms of Islamic Bank products to those of other Islamic Banks. Three respondents said they did not agree, eight respondents said they were impartial, and eight respondents said they strongly disagreed. The findings above indicate that Islamic banks are distinctive. 18 respondents said they were neutral, while 2 respondents said they did not agree. According to the results above, Islamic banks offer various products not seen in other Islamic banks. 3 respondents said they were impartial, 1 said that he did not agree, and 1 responded that he strongly disagreed. From the results above, it can be said that the Islamic Bank logo is easy to pronounce. 4 respondents stated neutral. From the results above, it can be said that the Islamic Bank logo is easy for customers to remember. Five respondents stated they were neutral. From the results above, where the choices strongly agree and agree 95%, it can be said that the Islamic Bank Logo is easy to recognize by customers.

In this service quality research (X3), 8 statements were used to measure service quality, with the following answers:

One responder said they disagreed, while seven others said they were unsure. It is clear from the statistics above that Islamic banks offer visually appealing physical facilities, with the options strongly agreeing and agreeing 92% of the time. Six respondents said they were neutral, two said they disagreed, and two said they were not sure. It is clear from the findings above that the staff of the Islamic Bank present a neat and appealing appearance, with the options strongly agreeing and agreeing 92% of the time. One person expressed his strong disagreement, two others said they disagreed, and 15 others said they were undecided. According to the aforementioned findings, Islamic banks are equipped with cutting-edge technology. 15 respondents said they were neutral, while 2 respondents said they did not agree. It is clear from the findings above that Islamic banks deliver on their promises to customers on time, with the options highly agreeing and agreeing 83% of the time. One respondent said he did not agree, one said he did not agree strongly, and fifteen respondents said they were undecided. According to the data above, where the choices were highly in agreement and in agreement 83% of the time, Islamic banks offer the services that clients require. One person expressed his strong disagreement, two others said they did not agree, and four others said they were undecided. According to the results above, which highly agree and agree 93% of the time, Islamic banks are always available and quick to assist you when you run into issues. One person said they did not agree, two respondents said they strongly disagreed, and five respondents said they were undecided. According to the statistics above, which show that selections strongly agree and agree 92% of the time, personnel of Islamic Banks always give your prompt service. One respondent said they did not agree, two respondents said they strongly disagreed, and 11 respondents said they were undecided. It can be inferred from the findings above that staff of Islamic Bank are consistently eager to assist you because the choices strongly agree and agree 86% of the time. One person expressed his strong disagreement, two others said they did not agree, and seven others said they were undecided. Based on the outcomes above, it can be said that Islamic Bank employees are always polite and friendly to you. 4 respondents stated neutral. From the results above, it can be said that Islamic Bank employees will be responsive and ready to answer your questions. Three respondents stated they were neutral. From the results above, it can be said that Islamic Bank employees will be responsive and ready to answer your questions. Seven respondents stated they were neutral. From the results above, where the choices strongly agree and agree 93% of the time, it can be said that Bank Syariah understands your needs. One responder said they disagreed, while nine others said they were unsure. You can conclude that Islamic bank employees offer sound guidance for you based on the statistics above, where 90% or more of the time, the selections were strongly agreed upon or agreed with. 12 respondents stated they were neutral. From the results above, where the choices strongly agree and agree 99%, it can be said that Islamic Bank Employees provide good direction for you.

In this loyalty (Y) study, 4 statements were used to measure loyalty, with the following answers: Three respondents said they disagreed, nine respondents said they were impartial, and eight respondents said they strongly disagreed. According to the data above, Islamic banks are the best Islamic banks. One person expressed his strong disagreement, two others said they did not agree, and 18 others said they were undecided. According to the aforementioned findings, respondents are willing to endorse Islamic banks to others. One respondent said he did not agree, one said he did not agree strongly, and eight respondents said they were undecided. The respondent does not want to switch to a different bank, according to the data above. One responder said they disagreed, while nine others said they were unsure. According to the aforementioned findings, respondents are likely to recommend Islamic Bank goods to others.

Because the marketing mix uses a two-way hypothesis, it is known that the t-count is 5.209, while the t-table can be calculated as  $\alpha = 0.05$ . When looking for a t-table, the value of is reduced by half to become 0.025 and  $df = n-2$  is changed to  $df = 100 - 2 = 98$ , from which the t-table value of 1.984 is obtained. With  $5.209 > 1.984$  and a significant probability value of  $0.000 < 0.05$ , the outcomes are  $t\text{-count} > t\text{-table}$ . Hence, it can be said that  $H_A$  is accepted whereas  $H_0$  is rejected. This indicates that the marketing mix influences consumer loyalty in part. According to Praja's research (2015: 14), which "considers marketing mix as a marketing strategy that influences consumer loyalty," the aforementioned results are consistent. While looking for a t-table, the value of is reduced by half to become 0.025 and  $df = n-2$  is changed to  $df = 100 - 2 = 98$ , with a t-table value of 1.984. It is known that the t-count for brand image is 12.460, but the t-table can be calculated as  $\alpha = 0.05$  because it employs a two-way hypothesis. With  $12.460 > 1.984$  and a significant probability value of  $0.000 < 0.05$ , the outcomes are  $t\text{-count} > t\text{-table}$ . Hence, it can be said that  $H_A$  is accepted whereas  $H_0$  is rejected. implies that consumer loyalty is partially influenced by brand image. The findings above are consistent with study done by Bastian (2014: 8), who "said that brand image is capable of providing consumers with

good perceptions and is capable of creating trust in customers." The t-count for service quality is known to be 2.905, and the t-table is calculated at  $\alpha = 0.05$  since it employs a two-way hypothesis. However, when a t-table is sought, the value of is reduced by half to 0.025 and  $df = n-2$  is changed to  $df = 100 - 2 = 98$ , and the t-table value is 1.984. As a result, the outcomes are  $t\text{-count} > t\text{-table}$ , with a significant probability value of 0.005 to 0.05 and  $2.905 > 1.984$ . Hence, it can be said that  $H_A$  is accepted whereas  $H_0$  is rejected. This indicates that customer loyalty is somewhat influenced by service quality. The aforementioned findings are consistent with Ika's (2013) research, which found that "service quality affects customer loyalty."

The f-count value is 106.838 with a significance level of 0.000, as can be seen from the F test results. The f-table for this study indicates that  $df_1 = k - 1$  and  $df_2 = n - k$ , but since there are three independent variables, one dependent variable, and 100 research samples,  $df_1 = 3 - 1$  and  $df_2 = 100 - 2$  respectively. As the f-table in this study is 3.09, it can be deduced that  $106.838 > 3.09$  and that  $0.000 < 0.05$  is the significant probability. In light of the marketing mix, brand image, and service quality, which simultaneously affect consumer loyalty, it may be said that  $H_0$  is rejected and  $H_A$  is accepted. The three independent variables, marketing mix, brand image, and service quality, have the ability to explain the variation of the dependent variable by 76.2%, as indicated by the adjusted R square value of 0.762, or 76.2%. This indicates that additional variables not taken into account in the regression equation used in this study account for 23.8% ( $100\% - 76.2\%$ ) of the variance of the dependent variable.

## Conclusion

Customers of Islamic Banks are somewhat more loyal (Y) as a result of the marketing mix (X1). Customer loyalty to Islamic Bank is influenced in part by brand image (X2). Customer loyalty in Islamic banks is influenced by service quality (X3) to some extent. According to the F marketing mix test findings, client loyalty in Islamic banks is concurrently impacted by brand image and service excellence.

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