THE INFLUENCE OF SATISFACTION AND RELATIONSHIP MARKETING ON LOYALTY WITH INDIVIDUAL CHARACTERISTICS AS A MODERATOR:
A Case Study on Islamic Banking Customers in East Java

Mokhamad Arwani

Muria Kudus University
Gondangmanis Bae Kudus Indonesia,
(armail@ymail.com)

Suprehatin

Bogor Agriculture University
Bogor, Indonesia
(suprehatin@gmail.com)

ABSTRACT

Prospects to attract customers to the Islamic banks do not seem to be very promising. This is mainly due to the fact that customers who had joined conventional banks are reluctant to change their accounts to Islamic banks. Customer loyalty of Islamic banks has been considered relatively low (34%) as compared to that of conventional banks. The purpose of this paper is to analyze the influence of satisfaction and relationship marketing on loyalty. 112 eligible respondents of Islamic bank customers were collected using a designed questionnaire. Structural Equation Modeling (SEM) was employed in the analysis. Findings suggest that in the context of Islamic banks, personal characteristics have a direct impact on customer loyalty, and it does seem to be a moderating variable influence of satisfaction and relationship marketing to customer loyalty. Satisfaction does not directly affect loyalty, but it indirectly affects loyalty through relationship marketing.

Keywords: *customer satisfaction, relationship marketing, personal characteristics, loyalty, Islamic banks.*

INTRODUCTION

The efforts to improve the number of Islamic bank customers are still difficult to achieve as Burhan (2005) said that the prospects to attract customers to Islamic banks do not seem bright yet. This is because most of the respondents, who are the non-Islamic bank customers, do not understand about the rule of Islamic bank. There are only 26% of respondents assumed that the bank interest is as the same as usury and 72% of respondents do not understand the rule of Islamic bank.

Ifham (2008) says that the growth number of Islamic bank customers is still low because of the weak loyalty of Islamic bank customers. As Hafasnuddin (2007) says that there are only 33.75% Islamic bank customers have loyalty in the form of the willingness to repurchase and recommend Islamic bank to other. One of the important factors of customers' loyalty is satisfaction. If customers are satis-

fied, the customer will not hesitate to recommend others to participate in the bank (Ifham, 2008).

There are many kinds of result of studies that talk about relationship between satisfaction and loyalty. The first group argues that relationship between satisfaction and loyalty is significant (Liang and Wang, 2006; Caruana, 2002; Yieh *et al.* 2007). The second group argues that relationship between satisfaction and loyalty is not significant (Oliva *et al.* 1992; Wangenheim, 2003; Zahara, 2007). However, other researchers say the cause of the differences of relationship result between satisfaction and loyalty is because of customers' different characteristics include age, income, and knowledge (Homburg and Giering, 2001; Walsh *et al.* 2008).

This research is intended to fill the gap of some previous studies, which have not revealed a direct influence of individual characteristics of loyalty and individual characteristics as moderators of relationship marketing. This research can complement and improve ways to integrating variables of (1) Homburg and Giering (2001) and Walsh *et al.* (2008), which revealed that the level of relationship between customer satisfaction and loyalty is influenced by individual characteristics (2); Leverin and Liljander (2006); and Ndubisi (2006) which described the relationship between satisfaction, relationship marketing, and loyalty. Furthermore, this study not only analyze whether relationship marketing improve the relationship satisfaction and improve loyalty, but also examines how characteristics of individuals in a holistic manner, can strengthen or weaken the relationship between the level of satisfaction, relationship marketing, on loyalty.

The Definition and The Goals of Bank Service Marketing

In banking which has profit orientation, marketing activities is the major need and must be done. Without marketing activities the customers' needs and necessities cannot be fulfilled. Therefore, for the business world such as banking should run the marketing activities continuously and do market research.

Marketing should be done professionally, so the customers' wants and needs will be fulfilled and satisfied. The professional bank marketing management is called bank's marketing management. Kasmir (2004) states that bank marketing is a process for creating and exchanging products or bank services, which is intended to fulfill the customers' needs and desires by giving satisfaction.

The purposes of marketing bank in general according to Kasmir (2004) are:

1. Maximizing consumption or in other words, facilitating and stimulating consumption, so it can attract the customers to buy products offered by banks over and over again.

2. Maximizing customers' satisfaction through various services that the customers want. The satisfied customers will inform to other persons through their story (word of mouth).

3. Maximizing the choices (product range). It means bank provides various bank products so the customers have various choices.

4. Maximizing quality of life by providing greater convenience to customers and creating an efficient climate.

Customers' Loyalty

Various definitions of loyalty have been given by experts, one of them is by Oliver (1999) in Leverin and Liljander (2006) defines loyalty as a closely-held commitment to repurchase or subscribe to the product /service consistently selected in following time. However, general agreement has not been reached about the limitations of such loyalty. Therefore, it arises various approaches for studying customers' loyalty.

According to Bloemer *et al.* (1998) attitude approach is used as construction in 1990s decade. This approach assumes willingness to recommend dimension to measure loyalty (Bloemer *et al.* 1998). The attitude approach uses attitude data to determine the customers' psychological attachment to measure the customers' psychological attachment (inherent in loyalty) to the company (Bowen and Shiang, 2001).

Zeithaml *et al.* (1996) proposes a comprehensive approach to measure customers' loyalty includes a multi-dimensional framework by integrating behavioral approach and attitude. The approach is called the behavioral intention approach. Next Zeithaml *et al.* (2003), Lewis and Soureli (2006) and Franco *et al.* (2009) divides loyal into four dimensions of behavior, which are giving good information, the desire to re-purchase, and price sensitivity. Then, Hellier *et al.* (2003) measures customers' loyalty through a comprehensive approach by adding the dimension of customers product preference.

Customer Satisfaction

Engel *et al.* (2001) states that customers' satisfaction as an evaluation after purchasing toward selected alternative and also giving the same result or exceed customers' expectations. While Kotler (2005) includes the elements of performance in it. It can be said that customers' satisfaction is the level of one's feelings after comparing the perceived performance with expectations.

Customers' satisfaction is conceptually based on the fusion and the service quality attributes such as price and convenience (Cronin and Taylor, 1992). The identification of satisfaction is conducted by Naser *et al.* (1999) with satisfaction dimension toward price. Then Lewis and Soureli (2006) measure the satisfaction with more comprehensive by including satisfaction dimension totally, per-

sonal's contact with the staffs, and the satisfaction of product services.

Relationship Marketing

The appearance of the thought to relationship marketing is an integrated effort to identify, maintain and build networks with individual consumers. The network is strengthened continuously to provide benefits for both sides through interactive contacts, individually and provide more value for the long term (Peterson, 1995). The definition of relationship marketing shows a significant change in the system of values and philosophical orientation. It is characterized by a new marketing theory; customers' satisfaction is still considered necessary, but no longer sufficient as a destination of marketing. The purpose of developing relationships based on a long-term benefit structure and the bond between buyer and seller. The marking variable is a network relationship that includes the trust and commitment (Dwyer *et al.* 1987; Hunt and Morgam, 1995).

The trust in Islam, which is demanded to Muslims, is not only in ritual scope but also the whole life aspects, including *muamalah* aspect as Islamic bank. Sharing system conceptually promises the justice because the installment burden of payment must be paid by the debtor based on the amount of profits obtained by the customer. Imposition of interest based on the time value theory is not fair. Therefore, Islam brings about the appreciation for the time in the form of partnerships and revenue sharing for all the results in which all sides are sharing the risks and profits together (Antonio, 1999).

Moderator Variables in The Relationship Between Customer Satisfaction and Loyalty

Dabholkar and Bagozzi (2002) in Ranaweera (2008), and Lewis and Soureli (2006) say that individual characteristics influence consumers' behavior. Furthermore, as mentioned by Lewis and Soureli (2006)

individual characteristics such as demo-graphic, social variables, income, and knowledge, all have an influence on the formation and development of loyalty. This is because not all customers tend to be loyal.

Based on the literature review related to the personal determinants of buying behavior, personal characteristics (age and income) are considered having a moderating influence on the relationship between customer satisfaction and loyalty. The demographic and psychological factors are selected to see whether there are differences in the strength of the explanation. Each of these factors is found relevant in the context of satisfaction and/or customers' loyalty (Homburg and Giering, 2001).

The individual characteristic moderator variable which consists of age, income, and knowledge has popularity in the latest marketing concepts and researchers have recognized its importance to predict consumers' behavior particularly related to satisfaction and loyalty (Walsh *et al.* 2008; Lewis and Soureli, 2006).

As described earlier, that the contribution of Islamic banking toward Indonesian economy is still small. This is demonstrated by market share of Islamic banks which is still low, estimated at only 1.85% of the target of 5.25% at the end of 2008. There are still many people who equate Islamic banks with conventional banks. Therefore Islamic bank system should be built in stages, programmed and measured with realistic targets, because most of the Indonesian is Muslims.

Both rational and emotional approaches should be studied in an order to maintain customers' loyalty, either in the form of willingness to give information, the desire to repurchase, willingness to pay more, and the level of brand preference.

Related to the aspect of loyalty, this study uses four indicators which are willingness to provide information, the desire to re-purchase, the willingness to pay more, and the level of brand preference. The variable that creates loyalty in this study is customers' satisfactions which consist of four indicators; they are overall satisfaction, personal contacts with staff, satisfaction of product service, and satisfaction to the price.

Intervening variable in this research is relationship marketing consists of four indicators which are Islamic belief, the commitment to Islamic banks, the level of communication of Islamic banks, and handling conflict. Other studies have developed empirical models from the relationship between customers' satisfaction, relationship marketing, and customers' loyalty. The purpose of this study is to examine the relationship between satisfaction perceptions, whether consumers will consider building a long term relationship (relationship marketing) with service providers. The results showed that the relationship between satisfaction, relationship marketing, and positive loyalty and significant (Liang and Wang, 2006; Ndubisi, 2006).

Based on previous concepts and results of a study as a reference, the researchers want to examine theories that will prove the role of individual characteristics as a moderator in the relation between the influence of satisfaction toward loyalty and relationship marketing as mediation.

HYPOTHESIS

This section describes a hypothetical model of the influence of satisfaction toward loyalty to the individual characteristics as moderators and relationship marketing as a mediator. Moderator variable is a variable that can strengthen or weaken relationship between variables. Differences in individual characteristics of customers' impact on ability to process information and evaluate a product resulted in a change in customer satisfaction. Mediator variable is a variable which is postulated to be a predictor of one or more dependent variables, and simultaneously predicted by one or more independent variables. So relationship marketing as mediation, because the function of satisfaction. If the cus-

tomer is satisfied it will increase long-term relationship with Islamic banks in the form of relationship marketing further increase consumer loyalty. The model of this relationship between variable is essentially to develop previous studies (Homburg and Giering, 2001; Walsh *et al.* 2008; Nijssen and Herk, 2009).

Satisfaction, Relationship Marketing, and Loyalty

Liang and Wang (2005, 2006) in their two studies prove that satisfied consumers with the services provided by the company will strengthen the bond between the consumer and the company (relationship marketing). Caruana (2002) and Yieh *et al.* (2007) say that there is an influence of satisfaction variable toward loyalty. Ndubisi (2006), next, argues that relationship marketing affects loyalty. Prasad and Aryasri (2008) show that satisfaction is an important factor which is followed by commitment and trust for the relationship between relationship quality and loyalty. While Nijssen and Herk (2009) conduct a research about the impact of customer satisfaction toward relationship marketing and customer loyalty.

The results of the study prove that satisfied consumer will establish a good relationship marketing and next will impact to loyalty. This means that customers' satisfaction will affect the relationship marketing and loyalty as in the following hypotheses:

H1: Customer satisfaction has a positive effect on relationship marketing.
H2: Customer satisfaction has a positive effect on loyalty.
H3: Relationship marketing has a positive effect on loyalty.

Satisfaction, Individual Characteristics, Relationship Marketing, and Loyalty

The relationship between satisfaction and relationship marketing on customer loyalty can be influenced by individual characteristics (Homburg and Giering, 2001; Walsh *et al.*

2008). Lewis and Soureli (2006) argue that individual characteristics influence the development and establishment of loyalty. Then, this research will put the individual characteristics as a moderator of the relationship between relationship marketing and loyalty. Because the characteristics of individual differences affect ability to process information and evaluate a product that has led to long-term relationships with Islamic banks in the form of relationship marketing further increase consumer loyalty.

Based on these arguments, it is believed that the individual characteristics not only relate with moderating loyalty partially, but also being a moderate variable between the influence of satisfaction toward loyalty which is analyzed in this study. Based on this understanding it puts forward the following hypotheses:

H4: Individual characteristics are a moderating has a positive effect on satisfaction and loyalty.
H5: Individual characteristics are a mediating has a positive effect on relationship marketing and loyalty.

RESEARCH METHOD

The approach used in this research is quantitative approach (positivism). The quantitative approach is a research approach that works with numbers, the data is in form of numbers, analyzed by using statistics to answer questions or to test specific research hypotheses and to predict that a particular variable affects other variables (Creswell, 2003). The type of this research is explanatory research, which explains (explanatory) the relationship between variables by testing the hypothesis.

The target population in this study is all independent Islamic bank customers and bank Muamalat in East Java. The sample size depends on the number of indicators used in the variable multiplied by 5 to 10. In this study

the number of indicators is 16 multiplied by 10, then 160 questioners are circulated. The way to determine the respondent is accidental sampling, because frame of the population/ sample is difficult to be identified (Sekaran, 2003).

If the initial question is eligible, the customer will be a respondent. From 160 questionnaires, the returned questionnaires are 112 and 48 respondents (30%) do not returned. Therefore, the numbers of samples are 112 people. However, the number of the sample is compliant, which is the number of indicators (16) multiplied by 7 that lies of 5 to 10. The number of samples is also eligible to use the SEM analysis technique and the sample size suggested is 100-200.

Operational definitions of the variables used in this study are as follows: satisfaction (X1) is a condition that describes the customers' response to unsuitable evaluation that is felt between previous wish with actual performance that is felt after the use (Engel *et al.* 2001). Individual characteristics are specific characteristics of individual to be distinguished from one person to other persons both in terms of attitude and behavior (Lewis and Soureli, 2006). Relationship marketing is the effort to develop sustainable relationships between customers and Islamic banks associated with a range of products and services related (Dwyer *et al.* 1987; Hunt and Morgam, 1995; and Antonio, 1999). Islamic bank customers' loyalty is a condition in which the customer is happy to have relation with the Islamic banks, which is characterized by doing transaction repeatedly and behaving as customers (Oliver, 1999 in Leverin and Liljander, 2006).

Whether the indicator of instrument is valid or not, it can be identified by comparing the Pearson moment product of correlation index with 5% significance level critical value. When the probability of correlation result is less than 0.05 (5%), it shall be declared as valid. Reliability can be interpreted by using the Cronbach Alpha coefficient (α). If the alpha value ranges between 0.60 to 0.80, and it can be concluded that the measurement results are relatively consistent if there is a remeasurements or a tool is said reliable if the tool used in measuring a symptoms in different time will show the same result (Malhotra, 1999).

This research observes a model that explains the relationship between variables simultaneously. Based on this consideration it is used Structural Equation Model (SEM) statistical techniques with AMOS software 16. To create a complete modeling, it needs to be done in these following steps (Hair *et al.* 1998): the development of theory-based model, the development of flow charts to demonstrate causality, flowcharts conversion into a series of structural equation and measurement model specification, the selection matrix inputs and estimation techniques for models, assess the problem identification, models evaluation, and interpretation and modification model.

FINDINGS

The description of male respondents is 71.4%, while the female is 28.6%. Based on these data, the customers of Islamic banks are dominated by men. As much 22.3% of respondents are civil servants, 71.4% are entrepreneurs, and 6.3% are housewives. 93.7% of 100% customers are workers. These data indicate that most women who become Islamic banks customers are working and only few of them are housewives.

The most age percentage is between 31 to 45 years old, which is 46.4%, while the least percentage is the youngest age which is 0.9%. This shows that most of the respondents are productive age. At this age, the respondents have the greatest opportunity to build their careers and increase their income and better able to save some of their money in the institution they trust.

The graduated and post graduated respondents have the biggest percentage (82.2%). They have income above Rp3 million per month dominated by entrepreneurs. One hundred percent of respondents are Muslims and most of them are East Javaneses.

Based on the time of being customers, 58.0% respondents have become customers in more than 3 years, which indicates the level of customers' loyalty respondents is quite high. Most of respondents are married (77.7%) and 22.3% are not married.

The validity test result shows all the items have correlation coefficient values more than 0.3 with significance levels below 0.01. Thus, all items are valid. While reliability test result of all indicators from independent variable and dependent variable showed an alpha cronbach value above 0.6, so that all instruments used are reliable.

The overall results of descriptive analysis show that all indicators of these researches are good enough to create customers' satisfaction, individual characteristics, relationship marketing, and customers' loyalty.

The result of confirmatory factor analysis: the results of hypotheses test toward variable measurement on customer variables (X1), individual characteristics (X2), relationship marketing (Y1), and loyalty (Y2) of each indicator that explains the constructs, particularly the latent variables (unobserved variables), all of them have greater CR (Critical Ratio) than 1.96 so are included in subsequent testing. Data can be said as normally distributed if the value of critical ratio (CR) $<_{critical}Z$.

Structural Equation Modelling (SEM) assumption: in SEM model, there are two kinds of sample size that must be fulfilled, they are: first, between 100-200 samples (Hair *et al.* 1998); second, using a comparison of 5 observations for each estimated parameter. With the sample numbers of 112 Islamic banks customer, the sample in this study fulfills the assumption about the number of samples.

Outliers Data test: a test to determine whether or not outlier data together with SEM analysis using AMOS software 16. The test results using the Mahalanobis distance shows that there are some outliers observed data. Based on results of descriptive analysis showed that all indicators of variables of the study had a minimum value of 1 and a maximum of 5, which is in the range score in the set. Therefore, observational data outliers were not removed and included in further analysis.

Normality Data Test: multivariate normality distribution test is also used with the help of software AMOS 16 together with SEM analysis. The data is said normally distribute if the value of critical ratio (CR) $<_{Critical}Z$. In the multivariate, the data cannot distribute normally because the value of CR = 7.751. The number of analysis units in this study is n = 112, which have fulfilled the central limit theorem. Thus the assumption of normality can be ignored (Hair *et al.* 1998).

The first step of The Structural Equation Modeling (SEM) Analysis Result: all criterions have not fulfilled the criterion except CMIN/DF (detailed results can be seen in Table 1), so this model is not feasible to be used. Then, it has been modified to improve the model.

Structural Equation Modeling (SEM)

The Final model test results presented in Figure 1, are evaluated based on goodness of fit Indices criterion in Table 2 below by presenting model criterion and its critical value which has appropriate data.

Explanation of arrow in Figure 1 are described in the discussion.

In the last model result, evaluation of eight criteria of the model shows the goodness of fit Indices already have two that meet the criterion, which are TLI, CFI and RMSEA while the others have approached the critical value suggested, referring to the principle of parsimony, the whole model can be analyzed further more.

Table 1. Evaluation Criteria for Goodness of Fit Indices Overall Model The First Stage

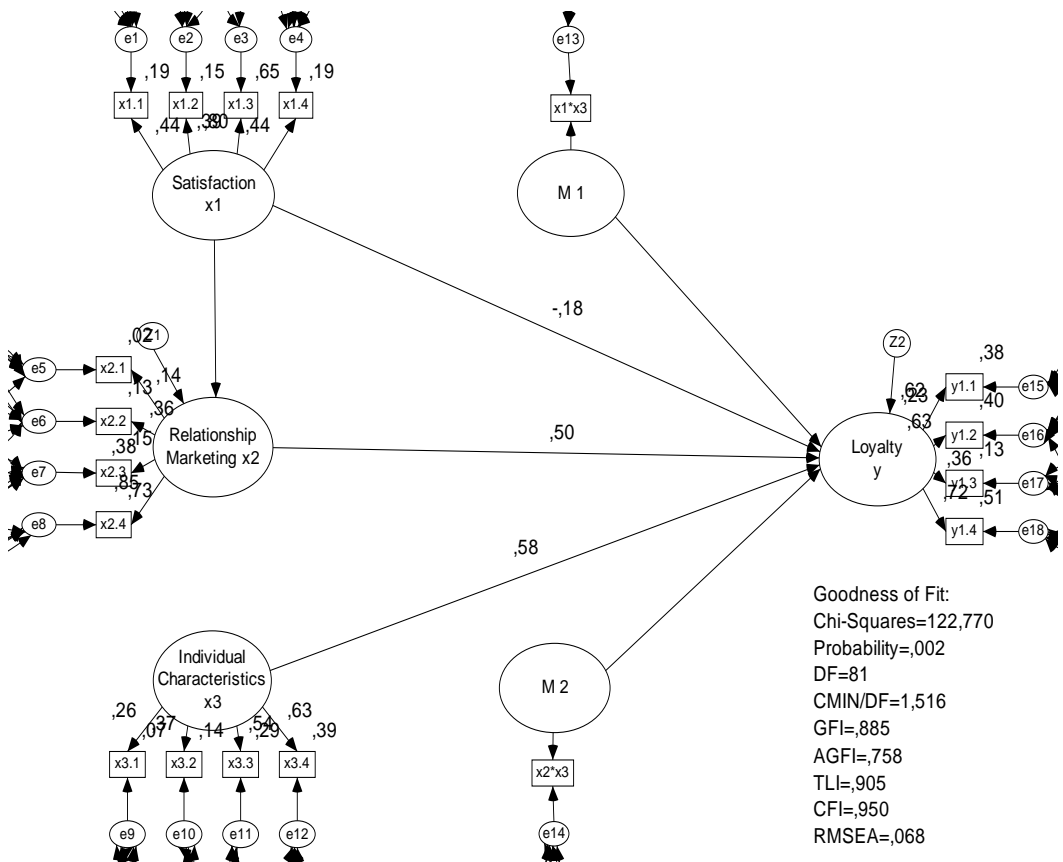| Goodness of fit index	Cut-off Value*	Model results	Information
χ^2 – Chi-square	Small Expected	490,242	Marginal model
Sign.Probability	≥ 0.05	0,000	Marginal model
CMIN/DF	≤ 2.00	1,742	Good
GFI	≥ 0.90	0,698	Marginal model
AGFI	≥ 0.90	0,605	Marginal model
TLI	≥ 0.95	0,496	Marginal model
CFI	≥ 0.95	0,569	Marginal model
RMSEA	≤ 0,08	0,157	Marginal model

Source: Ferdinand (2006)

Figure 1. The Relationship Between Satisfaction, Relationship Marketing and Individual Characteristics on Loyalty

Table 2. Evaluation of Goodness of Fit Indices Models Overall

Goodness of fit index	Cut-off Value*	Model results	Information
χ^2 – Chi-square	Small Expected	122,770	Good
Sign.Probability	≥ 0.05	0,002	Good
CMIN/DF	≤ 2.00	1,516	Good
GFI	≥ 0.90	0,885	Good Enough
AGFI	≥ 0.90	0,758	Good Enough
TLI	≥ 0.95	0,905	Good
CFI	≥ 0.95	0,950	Good
RMSEA	$\leq 0,08$	0,068	Good

Source: Ferdinand (2006)

RESULTS

Table 3 presents the results of the hypotheses tested.

Influence of Satisfaction on Relationship Marketing

The result shows that there is a significant influence between satisfaction and relationship marketing. It means there is a direct relationship between satisfaction and relationship marketing. Result is consistent with H_1. The higher satisfaction felt by customer will increase long-term relationships between customers of Islamic banks in the form of relationship marketing.

This empirical evidence is a finding research that states the employees of Islamic bank work professionally but still need guidance so the customer service of Islamic bank can be improved. The Employees of Islamic

also deft in responding customers' complaints. It will save the time in transactional process. They also able to give information to the customers related to Islamic bank products that being asked by the customers. Result is consistent with H_3.

Relationship marketing is binding agent that allows the company to trust others and vice versa. The trust, commitment, communication, and conflict management are very important especially for companies of service area because they have promised the consumers for purchasing products (invisible product), in which the consumers pay before feel it. Thus, the employees must be able to create customers' commitment to Islamic banks. Bank is an institution of trust, where people save their money then be distributed in the form of credit. Banks that have been trusted by its customers will reduce uncertainty and vul-

Table 3. Result

H	Independent Variable	Dependent Variable	Direct Effect		
			Standardize	P-Value	Explanation
H1	Satisfaction	Relationship Marketing	0,190	0,000	Significant
H2	Satisfaction	Loyalty	-0,183	0,476	Not Significant
H3	Relationship Marketing	Loyalty	0,497	0,048	Significant
H4	Individual Characteristics	Loyalty	0,578	0,003	Significant
H	Independent Variable	Dependent Variable	Indirect Effect		
			Moderating Variable	P-Value	Explanation
H5	Satisfaction	Loyalty	Individual Characteristics	0,003	Significant
H6	Relationship Marketing	Loyalty	Individual Characteristics	0,014	Significant

nerability, because they have good confidence that makes company be able to handle the problems. Relationship is important thing for the company because it is a link to the future. If the relationship is stronger, the possibility of ended relationship will be smaller.

The relational basic concept provides continuous success for the companies that implement it. The situation is different from the transaction that is not sustainable, in which the costs and benefits from a transaction is valued by each side without referring to the past experience or for the next relationship.

The relationship between customers and companies can be divided into four, they are: first, an intimate relationship, this relationship is characterized as a relationship that is personal, intimate, and often involve the disclosure of personal information. This relationship requires a high involvement between customers and service providers. Second, the face to face relationship, involves a broader range of interaction for most customers. Although it involves face-to-face meetings and conversations, but it does not discuss the same issues as in intimate relationships. Third, a distant relationship, including rare frequency interactions, is delivered via technology, and involves little physical meetings. Fourth, relationship between customers who rarely or never make direct contact with the company or its employees, but through distributors or retailers (Barnes, 2003).

The discovery of a positive and significant effect can be interpreted that the Islamic banks have managed to establish long term relationships with customers in the form of relationship marketing through customer fulfillment. By providing consistent and sincere service will give satisfaction to customers who can lead to existence of long-term relationship between Islamic banks and the customer. Customers' satisfaction is not only the fulfillment of a desire to do Islamic rules (to avoid usury) but also to the humanist concept of Islamic banking and fair. Therefore, the leader

and employees of the bank should always be consistent in providing good service to the customers. The ability of banks in socializing and patience in providing information on Islamic banking products make customers feel satisfied.

The result of this study shows the relationship between customers and banks is not only a short-term business relationship with temporary profit oriented, but also a long term relationship in the form of relationship marketing. Good greeting and simple greeting o the customers or other attentions will make customers want to feel the same feeling by coming back to the bank. Those attentions will maintain long term relationships (relationship marketing) between customers and banks.

However, there are a small number of customers who don't have trust and commitment to Islamic banks. This fact is due to customers are not totally satisfied with the price, comparing with the services provided by conventional banks. However, the number of unsatisfied customers is relatively small, thus the satisfied customers will give more donations related with the trust and commitment to establish long term relationships in the form of relationship marketing.

These result are in accordance with the opinion of Liang and Wang (2005, 2006) reinforced by Nijssen and Herk (2009) and Prasad and Aryasri (2008). The results show that the satisfaction relationship model toward on relationship marketing is positive and significant. Statistically, customers' satisfaction has a significant influence on relationship marketing.

Influence Satisfaction on Loyalty

The analysis showed that satisfaction affects customer loyalty. Islamic banks have successfully built a satisfaction which finally can build loyalty. The Customers' satisfaction dynamically grows and develops time by time; therefore a good relationship that has been

created between customers and banks will be increase.

Good relationship between customers and banks will allow banks to anticipate the next plan. The employee of Islamic bank as knowledge and competence in serving customers, especially related with banks' ability in giving maximum about Islamic bank' products. Islamic banks also have the ability in knowing deeply what the customer likes and dislikes. The good relationship will create customers' loyalty. The Price competition, in this case is the high level of interest of conventional banks, will not affect customers who consider Islamic factors to move from Islamic bank.

For Islamic banks, customers' position is very important. Therefore, many ways are done for customers' satisfaction, for example by providing excellent service through friendly service, competent employees, ATM services, and electronic banking. By those, the bank expects its customer will be more royal. Thus, it is little possibility the Islamic customers will move to another bank.

The importance of expanding Islamic bank services is to facilitate customers to access the services. In addition, to get new customers, the easy access and services are aimed to increase customers' loyalty to avoid the customers' migration from Islamic bank. The migration potential of Islamic bank customers can happen because some respondents are not satisfied totally with the transaction process in Islamic banking, the service products, and the price.

Along with the time and various customers' needs, facilitating the customers with the service only is not enough. It also must be supported by service Islamic bank products and programs according to customers' wish. For example, a savings program with no administrative costs, pilgrimage saving, and income sharing rate for customers' benefit. Those are the programs brought by Islamic bank to get customers.

Islamic bank is not just required to create a service similar to conventional banks, but also must be able to create different service products that represent the Islamic image not only rely on the kosher. Unfortunately Islamic bank has not innovated yet to the products, except the saving products.

The innovation done by the Islamic banks is expected to give more benefits for customers compared with the benefits provided by conventional banks through an interest system (usury). This may occur because of Islamic banks based on Islamic rules with *Lailatul qadar* concept. It means that Islamic banks are able to give glory and virtue either in value or worldly benefits to customers, and operate with the planning so that the Islamic banks are able to work professionally to attract peoples' interest to Islamic banks' services.

The featured products, such as Shar-e (Product Bank Muamalat), have successfully attracted customers, not only urban but also rural customers. These services can be accessed by remote area customers, because Bank Muamalat alliances with more than 3800 online post office using the online payment point (SOPP) system.

Islamic bank is not only demanded to innovate the products but also understand that sharing outcome in Islamic bank is more promising when the interest is low. This needs to be done to attract clients who tend to seek a margin of savings/deposits. However, Islamic banks should not be tempted with this phenomenon because of this condition is not long lasting. Islamic banks should be more sensitive looking at the needs of society and try to maintain customers' loyalty. The low interest rates condition is an opportunity that can be used to prove that Islamic bank are able to provide better satisfaction to the customers.

Islamic bank customers' loyalty is built up through the customers' satisfaction. The Customers' satisfaction occurs because Islamic banks have a variety of products that fulfill

customers' needs for savings, for example, Bank Syariah Mandiri (BSM) has at least eight products which are BSM saving, BSM savings plans, BSM savings sympathetic, BSM invest savings scholars, BSM *mabrur* savings, BSM dollar savings, BSM offering savings, and BSM retirement savings. While, the Muamalat Bank has at least four products which are Hajj Arafah saving, Arafat hajj saving plus, Muamalat saving, and my saving. Through various programs offered by the products, independent Islamic banks could get more deposits for the third side.

Islamic banks need to consider the loyalty of its customers, because there are some customers who are not willing to give good information to others, not willing to do the re-transaction n Islamic banks, not willing to pay more, and most customers still consider their desire cannot be fulfilled by Islamic banks. Although the numbers of disloyal customers are relatively small, these can give bad effect toward customers' loyalty. This is because the unsatisfied customers of Islamic bank will give bad information to others related to Islamic banks. However, the loyal customers of Islamic banks would give good donation by giving good information (positive worth of mouth) and convince others as a strategy to attract new customers.

This result is appropriate to the research done by Liang and Wang (2006), Caruana (2002), and Yieh *et al.* (2007). The result shows that relationship between satisfaction and loyalty model is positive and significant. However, this result does not support a research from Oliva *et al.* (1992); Wangenheim (2003); Zahara (2007), which states that relationship between satisfaction and loyalty is not significant.

Influence Relationship Marketing on Loyalty

The study result shows that there is influence between relationship marketing toward customers' loyalty. The higher customers' loyalty causes customers loyalty is increasing.

Thus the higher level of the relationship between customers and Islamic banks will have a positive impact on loyalty.

Relationship marketing is how to gain the trust of customers' Islamic trust relating to the justice system of revenue sharing, security guarantees of the property saved in the bank, the honesty of Islamic banks toward customers. So this can be interpreted as an inseparable relationship between the customer and the bank because the customer has been tied to Islamic banks. The commitment between the customer and the bank is that their relationship will be continuously maintained and have mutual benefit for each other.

The Profit of the company by doing a good relationship with its customers, will more guarantee the company to get higher profit. This relates to the benefit of customers' relation with the Islamic banks which impact to long-term relationship and result customers' loyalty. Customers' loyalty can be established because the customer is trying to always be Islamic bank customers, keep a good relationship with the Islamic banks, and customers have a strong motivation to become Islamic banks customers.

Based on empirical conditions, the Islamic banks could socialize and communicate effectively to give an understanding especially for Muslims that by choosing Islamic banks are a reflection of compliance/adherence to the rules of Islam. The Customers' perception of relationship marketing shows that conflict management has the highest average level. So this means that the services of Islamic bank is appropriate as in other conventional banks so the handling conflict between Islamic banks and the customer can be handled well because of the trust for each other and understand each other.

Connecting with the trust and customers' commitment to Islamic banks, there is a small group of customers who do not believe and have no commitment to the Islamic banks.

They do not want to give good information to others about Islamic banks. Otherwise, the customers who believe in Islamic banks will give more donations by giving good information of Islamic bank to the others and convincing the others about the advantages of Islamic bank.

Indications that support good relationship between customers and banks are publics' higher response in doing economical activities using Islamic principal and positive inclination in economic sector, such as educational systems that support the economic development of the national Islamic.

Relationship marketing has positive and significant impact on customer loyalty. This finding is proven and support the research of Ndubisi (2006), Nijssen and Herk (2009) and Prasad and Aryasri (2008) who found that the relationship marketing impacts on loyalty. But this research is different from the results found by Leverin and Liljander (2006), which states that the relationship of relationship marketing and marketing and loyalty is negative.

Influence Satisfaction and Relationship Marketing on Loyalty with Individual Characteristics as A Moderator

The result of coefficient analysis stripe shows the individual characteristics have a role in improving relationship of satisfaction and customer loyalty. The higher individual's characteristics role, the customers' satisfaction will create their loyalty.

Individual characteristic is a psychological process that affects the individual in acquiring, consuming and receiving goods and services and experiences. Individual characteristic is an internal factor (interpersonal) which drives and influences behavior.

Individual characteristic is a specific feature of individual in order to distinguish one to each other. The result of empirical analysis shows that knowledge is the strongest indicator to measure individual characteristics. This

condition reflects that customers who have good knowledge about Islamic banking, has experience with other conventional banks, and understand that adherence to the Islamic religion make customers be more loyal to the Islamic banks are realized by doing transactions in Islamic ban. The customer also assumes that borrowing money in Islamic bank will be more profitable than in conventional banks. The Customers who understand the rules of Islam will be supposed to practice the rules. The Customer understands that an Islamic bank is as part of the Islamic that must be implemented.

The other important factors that motivate customers to save money in Islamic banks are demography, the role of social environment, and income level. For young and old customers, having high income, and graduated and post graduated are satisfied with the marketing process in this case is the personnel contact with the staff, satisfied with the price and the products of Islamic banks, and totally satisfied with the Islamic bank will finally impact to the customers' loyalty. The Customer will give good information to others about the Islamic bank, will re-use Islamic bank service, feel their needs have been fulfilled by Islamic banks and choose Islamic banks as the primary choice.

Factors that are make customers are loyal to Islamic banks are because of the customers' experience in understanding the Islamic bank more and being happy to interact with Islamic bank. The Customer experience relates to the experience with conventional banks that have higher administrative costs, the customers are also often invited to Islamic lecture, and they realize to practice the Islamic rules about the bank interest which is forbidden in Islam.

The importance of customers' knowledge level because in promoting an alternative system (Islamic banks) to all the people/ potential customers who understand the existence of Islamic banks, expresses a desire to have relations with the Islamic bank if they have a

complete understanding of this system/Islamic bank. The level of knowledge of Islamic bank customers is pretty well, showing that the customers who have higher education will comprehend and understand relating to Islamic banks more easily, compared with less educated customers. This is because in information access received by high educated customers is more than low educated customers.

People who have relation or family with Islamic bank customers are encouraged to save money in Islamic banks, beside the customers will be ashamed if they do not save money in Islamic bank because they are often invited in Islamic lecture by Islamic bank. Close relationship between customers and congregational will create customers' moral responsibility by prioritizing saving money in Islamic bank.

The programs offered by Islamic banks should ideally fit with individual aspects and self-compatibility such as income level, knowledge level, and social environment roles have big impact for someone in taking a decision to buy local at Islamic banks. By doing this, Islamic bank is expected to be success, and keep its customers.

Individual approach is an important role in attracting a person to use the Islamic banks services. The role of the social environment is an important thing in determining the society's choice to choose Islamic bank, the attitude of society to choose to use Islamic bank, establishing, and growing the awareness of higher consciousness that investment through a system of Islamic financial institutions, where the profits made by profit-sharing system, and the concept of income distribution, for benefits can be felt by many people.

The customers assume that by using the Islamic banks service will provide security and ease of doing business transactions, such as ease of counting large amounts of money and avoid the possibility of a transaction with counterfeit money. The Customers' wishes to choose Islamic banks are because of avoiding interest/usury, Islamic commitment to promote Islamic banking customers, avoid mixed money with usury/interest, and to clean up the property from the unlawful.

The interaction between satisfactions, as reflected by the satisfaction with individual characteristics significantly increases the influence of satisfaction on loyalty. It means that the higher customers' satisfaction will increase the loyalty. The interaction between satisfactions with individual characteristic increases the loyalty (Homburg and Giering, 2001; Walsh *et al.* 2008).

The urge to save money in Islamic bank is perceived by customers associated with increasing of the customers' age, the customer not only avoid illicit goods, but also things that *subhat* (obscurity of illicit and kosher). So this is different from what is perceived young people that is saving because of expectation to earn prizes. Customers who are married have a financial planning, income generation and a desire to clean up the property of the relations push to save money in Islamic banks.

These findings suggest that individual characteristics can strengthen the influence of satisfaction on loyalty. Therefore, it can be said that individual characteristics is a moderator variable. This finding supports the research of Homburg and Giering (2001) and Walsh *et al.* (2008) who found that individual characteristics as moderating variables is significantly effect on loyalty.

Individual characteristics as moderating variables influence relationship marketing and loyalty, and significant positive impact on customer loyalty. This proves that the characteristics of the individual as a moderating variable are the interaction between relationship marketing and the individual characteristics and a significant positive impact on customer loyalty. These results are in accordance with the explanation of the fourth hypothesis (H5). These findings support the research proven

and Homburg and Giering (2001) and Walsh *et al.* (2008) who found that individual characteristics as moderating variables have a significant effect on customer loyalty.

Closely related factor in influencing customer loyalty is the knowledge, in this case is the customer experience, religious knowledge, and the benefits of Islamic banking products. Factor that makes Islamic bank customers are loyal customers because of their own experiences related to increasing understanding and love to interact with *shariah* banks.

CONCLUSIONS

From the results of research and discussion, as stated in the previous chapter, some conclusions can be drawn as follows:

1. Satisfaction affects the relationship marketing but weak effect on loyalty. This means that customers are satisfied because the quality of service will then be committed and believe in the banks, but the satisfaction of these services are not guaranteed to be a loyal customer. Relationship marketing is built from the overall satisfaction of service as a whole.

2. Relationship marketing affects customer loyalty. Various kinds of businesses that have been carried out by Islamic banks in the SME partners carried out to give happiness to everyone involved in it, (customers, suppliers, distributors, owners of capital, and competitors). In the process of all business is based on sharia principles that promote friendly attitude and behavior. Relationship marketing is strongly reflected from the customer's business partner and the sharia banks will encourage customers to stay in a relationship. Reciprocal relationship that exists between the customer and the Islamic bank will be unlikely to affect the user transition to other banking services, because the sacrifice would be consequential on the cost and time. But it will not affect the customer to switch due to have established a relationship/strong relationship between customers and banks, especially among customers and employees who are the spearhead of the bank. Customers and employees relationship is very important (spearhead) due to satisfied customers with the service provided by employees, then customers will believe and then loyal to the Islamic banks. Relationship not only between customers and banks but also the relationship between banks by business partners. Business activities based on a partnership or a partnership and participatory Islamic banks have been executed by the SME partners with the concept of *Musharaka* or profit-loss sharing or profit sharing *mudaraba*, *murabaha* or cost-plus margin, or loans *qardhul hasan* virtue without reward (interest/*riba*/*usury*) Any loan principal repayment excepts in a business transaction. Shortcomings which are still found in many transactions that led to the usury should be avoided so that sharia banks in the future can be a leading bank and walk according to the principles of sharia.

3. Individual characteristics as moderating variables to prove that the characteristics of the individual as a moderating variable is the interaction between satisfaction, relationship marketing, and individual characteristics and a significant positive impact on customer loyalty. Closely related factor in influencing customer loyalty is the knowledge, in this case is the customer experience, religious knowledge, and the benefits of Islamic banking products. Factor that makes Islamic bank customers are loyal customers because of their own experiences related to increasing understanding and love to interact with *shariah* banks.

Based on the results of research, discussion, limitations, and conclusions, then there

are some things that need to be careful with the stakeholders of this research:

1. These results indicate that the Islamic banking services company should continue to apply high-quality services to create satisfaction, relationship marketing, and customer loyalty. Communications and services should be improved Islamic bank to grow customer loyalty.

2. For further research to develop research on Islamic banking, especially in the customer's money management skills in accordance with Islamic principles by proving that the management of funds has been free of usury. Research can be developed in other service sectors with the renewal and development of indicators that more in-depth research.

From the description of the research results that have been made in maintaining the development of sharia banks things to do are: first, increase the benefits of Islamic banking for the welfare of society; second, Islamic banks make a healthy, competitive and efficient; third, ensure the fulfillment of Islamic principles consistently based on *mudaraba* (partnership); fourth, ensuring the application of the precautionary principle (prudential) in Islamic banking operations; and fifth, Islamic banking system is not only focusing on avoiding the practice of interest but must also implement all the principles of sharia in economic activity.

REFERENCES

Antonio, M. S., 1999. *Islamic Banking: The Discourse of Scholars*. Jakarta: Bank Indonesia and Tazkia Institute.

Barnes, J. G., 2003. "Establishing Meaningful Customer Relationships: Why Some Companies and Brands Mean More to Their Customers". *Managing Service Quality,* 13 (3), 178-186.

Brown, S. A., 2000. *Customer Relationship Marketing: A Strategic Imperative in the World of e.Business*. Canada: John Wiley & Sons Ltd.

Bowen, J. T., dan L. C. Shiang, 2001. "The Relationship Between Customer Loyalty and Customer Satisfaction". *International Journal of Comtemporary Hospitality Management*, 13 (5), 213-217.

Bloemer, J. and K. d. Ruyter, 1998. "On The Relationship Between Store Image, Store Satisfaction and Store Loyalty". *European Journal of Marketing,* 32 (5/6), 499-513.

Burhan, M. U., 2005. *Household Behavior Muslims in Saving, Investing Portfolio And Constructing Wealth And Its Implication on The Development Islamic Banks (Case Study in Two Villages in Malang And in Two Villages in Malang regency)*. Unpublished Dissertation, Post-Graduate Programme, Malang: UB.

Caruana, Albert, 2002. "Service Loyalty yhe Effects of Service Quality and the Mediating Role of Customer Satisfaction". *Europen Journal of Marketing*, 36 (7/8), 811-828.

Creswell, J. W., 2003. *Research Design: Qualitative, Quantitative, and Mixed Approaches*. 2nd ed. Thousand Oaks, CA: Sage Publications, Inc.

Cronin J. J. and S. A. Taylor, 1992. "A Reexamination and Extension". *Journal of Marketing,* 56, 55 - 68.

Dwyer, F. R., P. H. Schurr, and S., Oh, 1987. "Developing Buyers-Seller Relationships". *Journal of Marketing*, 51, 11-27.

Engel, J. F., D. T. Kollat, and R. D. Blackwell, 2001. *Consumer Behavior*. 8th Ed. New York: The Dryden Press.

Ferdinand, A., 2006. *Structural Equation Modelling in Management Research. Applications Complex Models in Research for Thesis and Dissertation S-2 S-3*. Semarang: BP Diponegoro University.

Franco, M. J., Sanchez, A. F. V. Ramos, and F. A. M. Velicia, 2009. "The Moderating Effect of Gender on Relationship Quality and Loyalty Toward Internet Service Providers". *Information & Management*, 46, 196–202.

Hafasnuddin, 2007. *Effect of Exchange Service, Trust, Loyalty and Commitment Against Sharia Bank*. Unpublished Dissertation, Post-Graduate Programme, Bandung: Padjadjaran University.

Hair, J. F. Jr., Anderson, E. Rolph, Tatham, L. Ronald, Black, C. William, 1998. *Multivariate Data Analysis*. 5th eds. New York: Prentice Hall International Inc.

Hellier, P. K., G. M. Geursen, R. A. Carr, dan J. A. Richard, 2003. "Customer Repurchase Intention". *European Journal of Marketing*, 37 (11/12), 1762-1800.

Homburg, C. dan A. Giering, 2001. "Personal Characteristics as Moderators of the Relationship Between Customer Satisfaction and Loyalty-An Empirical Analysis". *Journal Psychology and Marketing*, 18 (1), 43-66.

Hunt, S. D. and R. M. Morgan, 1995. "Marketing and comparative Advantage Theory of Competition". *Journal of Marketing*, 59 (2), 1-15.

Ifham, A., 2008. *Optimism for Growth of Islamic Banking, Business Development Executive*. Jakarta: KARIM Business Consulting.

Kasmir, 2004. *Marketing of Banking*. Jakarta: Prenada Media.

Kotler, P., 2005. *Marketing Management*. 11th Ed. Jakarta: PT. Index.

Leverin, A. and V. Liljander, 2006. "Does Relationship Marketing Improve Customer Relationship Satisfaction and Loyalty?". *International Journal of Bank Marketing*, 24 (4), 232-251.

Lewis, B. R., and M. Soureli, 2006. "The Antesedent of Consumer Loyalty in Retail Banking". *Journal of Consumer Behavior*, 5, 15-31.

Liang, C.J. and, W. H. Wang, 2005. "Integrative Research into the Financial Services Industry in Taiwan: Relationship Bonding tactics, Relationship Quality, and Behavioural Loyalty". *Journal of Financial Services Marketing*, 10 (1), 65–83.

Liang, C.J. and, W. H. Wang, 2006. "The Behavioural Sequence of the Financial Services Industry in Taiwan: Service Quality, Relationship Quality and Behavioural Loyalty". *The Service Industries Journal*, 26 (2), 119–145.

Malhotra, N. K., 1999. *Marketing Research: An Applied Orientation*. 3rd Ed. New Jersey: Prentice Hall International Inc.

Naser, K., A. Jamal, and K. Al-Khatib, 1999. "Islamic Banking: A Study of Customer Satisfaction And Preferences In Jordan". *International Journal of Bank Marketing*, 17 (3), 135 - 151.

Ndubisi, N. O., 2006. "Effect of Gender on Customer Loyalty: A Relationship Marketing Approach". *Marketing Intelligence And Planning*, 24 (1), 46-61.

Nijssen, E. J. and H. v. Herk, 2009. "Conjoining International Marketing and Relationship Marketing: Exploring Consumers' Cross-Border Service Relationships". *Journal of International Marketing*, 17, (1), 91–115.

Oliva, T.A., R.L. Oliver, and I. C. MacMillan, 1992, "A catastrophe model for developing service satisfaction strategies". *Journal of Marketing*, 56, 83-95.

Oliver, R.L., 1999. "Whence Consumer Loyalty". *Journal of Marketing*, 63, 33-44.

Peterson, R. A., 1995. "Relationship Marketing and the Consumer". *Journal of the Academy of Marketing Science*, 23, 278-281.

Prasad, Ch. J. S. and A. R. Aryasri, 2008. "Study of Customer Relationship Marketing Practices in Organised Retailing in Food and Grocery Sector in India: An Empirical Analysis". *The Journal of Business Perspective*, 12 (4), 33 – 43.

Ranaweera, Chatura, H. Bansal, G. McDougall, 2008. "Website Satisfaction and Purchase Intentions Impact of Personality Characteristics During Initial Website Visit". *Managing Service Quality*, 18 (4), 329-348.

Sekaran, U., 2003. *Research Methods for Business: a Skill Building Approach*. 4th Ed. New York: John wiley and sons Inc.

Wangenheim, F., 2003. "Situational Characteristics as Moderators of the Satisfaction-Loyalty Link: an Investigation in a Business-to-Business Context". *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 16, 145-56.

Walsh, G., H. Evanschitzky and M. Wunderlich, 2008. "Identification and Analysis of Moderator Variables Investigating the Customer Satisfaction-Loyalty Link". *European Journal of Marketing*, 42 (9/10), 977 - 1004.

Yieh, K., Y. C. Chiao, and Y. K. Chiu, 2007. "Understanding the Antecedents to Customer Loyalty by Applying Structural, Equation Modeling". *Total Quality Management*, 18 (3), 267–284.

Zahara, Z., 2007. *Role of Quality of Service Satisfaction, Trust, Commitment, and Customer Loyalty in Relationships Partnerships*. Unpublished Dissertation, Post-Graduate Programme, Malang: UB.

Zeithaml, V.. A,. M. J. Bitner, 2003. *Service Marketing*. 3rd Ed. Boston: McGraw-Hill.