

EFFECT OF SERVICESCAPE AND EMPLOYEE COMMUNICATION QUALITY ON CUSTOMER LOYALTY OF MANDIRI BANK IN SURABAYA

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ABSTRACT

The purpose of this study was to examine direct and indirect effects of an integrated model of servicescape and personal communication quality upon customer loyalty, and considered customer satisfaction as intervening variable. This study used a causal design. The main data used in this study were primary data collected through the distribution of questionnaires to the respondents of Mandiri bank customers in Surabaya. The sampling was done using purposive sampling method to determine the sample based on the consideration of researcher. Data were analyzed using SEM (Structural Equation Modeling) technique by program package AMOS 16. Based on the analytical results, it can be concluded that the results of this study supported the effect of servicescape on customer satisfaction, the influence of servicescape on customer loyalty, the influence of personal communication quality on customer satisfaction, the influence of personal communication quality on customer loyalty, the influence of customer satisfaction on customer loyalty, the influence of servicescape and personal communication quality on customer loyalty through customer satisfaction.

Keywords: Servicescape, Personal Communication Quality, Customer Satisfaction, Customer Loyalty

INTRODUCTION

PT. Bank Mandiri Tbk is a state-owned commercial bank, which represents the merger of Bank Bumi Daya (BBD), Bank Dagang Negara (BDN), Development Bank of Indonesia (Bapindo) and Bank Ekspor Impor Indonesia (Bank Exim). PT. Bank Mandiri Tbk was established on 2nd October 2008 by the Deed No. 10 dated 2 October 1998. Bank Mandiri ranked first in Indonesia in March 2010 with assets of IDR 328.01 trillion. For any bank, the physical environment is one of the manifestations of the service itself. Thus, the physical environment can influence customer behavior and response on services provided by the bank.

The physical environment is very important since it directly affects customer satisfaction. This is consistent with the opinion of Bitner (1992) saying that physical environment affects customer satisfaction for services provided. For services, the use of creative physical design can support the placement and the segmentation strategies and strengthen the specific goals of marketing such as customer satisfaction and attention. This means that customer satisfaction can be maximized using a physical design in the form of servicescape as a marketing strategy of the service provider. The same opinion is expressed by Hightower (2003) that the company's physical environment is designed for the needs of employees and customers will be more satisfying to its customers than companies that do not consider the needs of employees and customers. This indicates that the customers will try to maximize their satisfaction by choosing a bank that provides servicescape suitable to their needs.

According to Wakefield & Blodgett (1996), Servicescape can influence behavior intention of customers such as approaching or avoiding behavior, spending money and the intention to repurchase. This is a manifestation of the customer loyalty. Thus, servicescape also affects customer loyalty.

The approaching or avoiding behavior of customers suggests that they will choose servicescape of the bank that makes them comfortable in doing banking transactions or otherwise they would choose a bank that has a certain characteristic that they do not get from other banks.

In service industry such as banking, there is also a form of interaction in the form of communication either directly or indirectly between employees and customers. Banks have customers who come from various backgrounds and occupation or profession. Thus, quality of communication should be good so that the information provided can also be well received by customers. Communication is one of the keys that are important in a relationship with a process of interaction and process value, in which three processes are an important tool in successful execution of relationship strategy. This is consistent with the opinion of Guenzi, Pardo & Georges (2007) and Gronroos (2004) saying that communication is one of the key elements of relationship, and together with an interaction process and a value process, is among three processes that are vital for the successful execution of a relationship strategy. Schmidt & Sapsford (1995) argue that a knowledgeable and friendly employees can help consumers and improve the consumer experience for overall services rendered. Similarly, interaction among consumers has an important contribution. This means that in the quality of services, there are important interactions between customers and employees and between customers and customers. If there is interaction, it will directly or indirectly influence behavior of one party to another in an interaction. The employees' good quality communication will impact on customer satisfaction, because only with good communication quality, so any information provided by employees will be well received by customers. This is consistent with the opinion of Mohr & Sohi (1995, 400) saying that quality of communication should positively influence their satisfaction with communication. Gropper & Boily (1999) suggest that customer satisfaction is a primary goal for the success of the organization. But satisfaction is not enough to achieve an organization's success if the customers do not have a loyalty to the organization. Customer satisfaction will create customer loyalty.

The results of previous studies of Cronin et al. (2000) on Assessing the Effects of Quality, Value, and Customer Satisfaction on Consumer Behavior Intentions in Service Environment showed that service quality, service value, and satisfaction can all be directly related to behavioral intentions when all variables are considered collectively. The direct effects of service quality and value of construction have an impact on behavior intentions.

Statement of the problem: 1. Does servicescape influence customer satisfaction of Bank Mandiri in Surabaya? 2. Does servicescape affect the customer's loyalty of Bank Mandiri in Surabaya? 3. Does the employees' communication quality affect the customer satisfaction of Bank Mandiri in Surabaya? 4. Does the employees' communication quality influence the customer loyalty of Bank Mandiri in Surabaya? And 5. Does the customer satisfaction affect customer loyalty of the Bank Mandiri in Surabaya?

The objectives of the research are to find out (1) the effect of servicescape on the customer satisfaction of Bank Mandiri in Surabaya, (2) the effect of servicescape on loyalty customer of Bank Mandiri in Surabaya, (3) the effect of the employees' communication quality on customer satisfaction of Bank Mandiri in Surabaya, (4) the effect of the employees' communication quality on customer loyalty of Bank Mandiri in Surabaya, and (5) the effect of customer satisfaction on customer loyalty of Bank Mandiri in Surabaya.

Significances of the research are (1) providing suggestions to the management of PT. Bank Mandiri Tbk by regarding the factors that can affect customer loyalty through customer satisfaction, (2) minimizing the switching costs (costs associated with customers switching to another bank) of customers that occurred in the PT. Bank Mandiri in Surabaya, (3) knowing customer behavior so that

the management of PT. Bank Mandiri in Surabaya can develop a marketing strategy that is superior and can make the PT. Bank Mandiri as the best bank in Indonesia with good quality service.

THEORIES

Servicescape

While Baker & Cameron (1996) defines it as an environment in which service is delivered and where companies and customers interact. *Servicescape* is a concept developed by Booms and Bitner to emphasize the impact of the physical environment in which a service process takes place. According to Keillor *et al.*, (2004), the *servicescape* is a physical environment where service is rendered. This means that the physical environment is also described as *servicescape*. The physical environment can be divided into natural environment and artificial environment. However, the initial definition of the servicescape show man-made physical environment. Bitner (1992) defines *servicescape* as an artificial environment (*built environment*). *Servicescape* may be equated with the *landscape*. This includes exterior facilities (*landscape*, exterior design, signs, parking, neighborhood) and interior facilities (interior design & decorating, equipment, signs, layout, air quality, temperature and atmosphere). *Servicescape* along with other physical evidence such as business cards, stationery, *billing statements*, reports, employee clothing, uniforms, brochures, web pages and forms of *servicescape* virtual 'physical evidence' may play considerable role in services marketing. *Servicescape* has dimensions that are used to measure the level of success. Bitner (1992) argues that there are three combined dimensions that are relevant to this analysis: ambient conditions, layout and functionality as well as signs, symbols and artifacts. Meanwhile, according to Rosenbaum (2005), consumers recognize and interpret signs, symbols and artifacts in *servicescape* personality.

Communication Quality

Communication quality according to Sengupta&Pusateri (2000) is operationally defined as the extent to which the content of communications can be received and understood by others involved in the communication process. It is also reinforced by the opinion of Headley & Choi (1992) that the best means for consumers to achieve quality is through the communication between the service provider and the recipient of the service. That is, the higher the quality of communication between companies and customers, the higher the quality of services rendered. The quality of employee communication becomes very important because the quality of employee communication is a reflection of the quality of corporate communications to its customers. The communication quality has a dimension. The communication quality has two latent factors i.e. *impersonal and interpersonal* communication qualities where its indicators are including *excellent communication, provide superior information its communication, accuracy, easy, and Communicate well*.

2.3 Customer loyalty

Customer loyalty is the commitment held by customers to repurchase or subscribe to a product or service in the future. According to Makeover (2003) the loyalty is a strong commitment to buy back or subscribe to your product or service consistently in the future. Meanwhile, that customer loyalty is the commitment held by customers to buy back or subscribe to a product or service in the future. Customer loyalty is the commitment held to buy back or subscribe to a product or service in the future even though situational influences and marketing efforts have the potential to cause changes in behavior. While Baloglu (2002) divides customer loyalty based on the level of loyalty, among others: a true loyalty or trust, psychological (emotional) commitment, switching costs, *word of mouth*, and *cooperation*. Indicators of loyal customers has some specific characteristics, among others, first, the customer makes a repurchase. Second, customers purchase outside the product / service lines. Third, customers recommend products to others. Fourth, the customer indicates immunity of the appeal of other competing products similar products. While Zeithaml *et al.*, (2006) measures customer loyalty through (1) positive behavior intention that is reflected in the ability of service provider to have a customer, (2) expressing positive things about them, (3) recommending them to other customers, (4) remaining loyal to them, (5) spending more money with them, (6) paying premium price.

2.4 Customer satisfaction

Oliver (1980) explains *disconfirmation* theory that consumer satisfaction originates from *Expectancy disconfirmation model*. In essence, the model describes that consumer is formed by expectations referring to the performance / quality of a product or service. According to this model, there are three predictors of satisfaction, namely expectation, an opportunity or possibility of an attribute or product to have a certain level of performance; *disconfirmation* is the results of the comparison between what is expected with what is observed; and *performance* is the number of product attributes or services received. For companies, customer satisfaction is very important as it will impact on profitability. This is consistent with the opinion of the Schneider & Bowen (1995) that consumer satisfaction is very important for the company's profit through purchasing and customer partnerships with companies. Repurchase is also very important to continue the flow of the company's profitability. The opinion is also supported by Hansenmark&Albinsson (2004) that customer satisfaction and their retention become an important factor in the banking industry as customers tend to give a big advantage for companies.

Brady *et al.*, (2005) use an indicator of customer satisfaction with the statements: (1) I am satisfied with the service I receive from the organization, (2) I am pleased with the service I receive from the organization, (3) I like a service of the organization.

Chu (2003) measures satisfaction using three approaches, namely satisfaction with consumption (for example, this service has met my expectations), Satisfaction with the transaction (for example, employees of my store are politely) and Satisfaction with the competition (e.g. compared to other stores, I shop to serve the best). Hansenmark&Albinsson (2004) say that their customer satisfaction and retention becomes an important factor in the banking industry as customers tend to give a big advantage for companies. Brady *et al.*, (2005) uses an indicator of customer satisfaction with the statement: 1). I am satisfied with the service I receive from the organization, 2). I am pleased with the service I receive from the organization, 3). I'm glad the services of the organization. This is consistent with the opinion of the Schneider & Bowen (1995) that consumer satisfaction is important for the company profit through purchasing and customer partnerships with companies. Repurchase is important for continuation of the flow of the company's profitability.

Based on a review of theory and research model, some hypotheses raised in this study are (1) the *servicescape* influences customer satisfaction of Bank Mandiri in Surabaya, (2) *Servicescape* affects customer loyalty of Bank Mandiri in Surabaya, (3) the employee's communication quality affects customer satisfaction of Bank Mandiri in Surabaya, (4) the employees' communication quality influences the customer loyalty of Bank Mandiri in Surabaya, (5) Customer satisfaction influences loyalty customer of Bank Mandiri in Surabaya.

RESEARCH METHOD

This study used causal research design, namely this research was aimed at determining the characteristics of a causal relationship between independent and dependent variables. The main data used in this study were primary data collected through the distribution of questionnaires to the respondents of Bank Mandiri customers in Surabaya. The population of the study included customers of the Bank Mandiri Surabaya. The sample of this study was 20 indicators x 10 = 200 respondents. Inclusion criteria for the sample were minimum age of 17 years, domicile in Surabaya and customers of Bank Mandiri in Surabaya at least 1 year. The sampling was done using *purposive sampling* method based on consideration of the researcher.

The data were analyzed using *Structural Equation Modelling* (SEM). There are several assumptions of normality, multicollinearity, singularity as well as *outlier* tests that must be met. Multicollinearity can be detected from the *determinant of the covariance matrix*. Determinant of the covariance matrix value is extremely small, suggesting that there are problems of multicollinearity or singularity. Multicollinearity and singularity can be seen through the determinant of the covariance matrix. A very small determinant value indicates a presence of multicollinearity and singularity problems, so those data cannot be used in research and cannot be used for the analysis being done.

ANALYSIS AND DISCUSSION

Result

The results gave value of multivariate CR at 1.907, which is located outside the value between -1.96 to 1.96, so it can be said that the data have multivariate normal distribution and the *determinant of the sample covariance* matrix of 1.18941. This value is not equal to zero so that it can be said that there is no problem of singularity in the data analyzed, and also there is no multicollinearity.

Mahalanobis value is greater than the Chi-square table or p -value < 0.001 , thus the observations are regarded as outlier. In this study there are two points of p -value < 0.001 with a value of Mahalanobis d -squared = 51.871 and 50.055, but still below the value of tolerance. Thus, outlier does not happen.

Table 1. Validity Test of *Servicescape* Variable

Variable	Indicator	Factor Loading	Remark
<i>Servicescape</i> (X_1)	<i>Ambient condition</i> ($X_{1.1}$)	0.552	Valid
	<i>Space / function</i> ($X_{1.2}$)	0.753	Valid
	<i>Signs, symbols and artifacts</i> ($X_{1.3}$)	0.667	Valid

Sources: Appendix E, the data processed

The test results are presented in Table 1, indicating that the magnitude of the loading factor on all three indicators above is ≥ 0.5 . Thus, there are three indicators that can be used to measure *Servicescape* (X_1), namely $X_{1.1}$, $X_{1.2}$, and $X_{1.3}$.

Table 2. Test Validity Variable Quality of Employee Communications

Variables	Indicators	Loading Factors	Remark
Employee Communication Quality (X_2)	Easy to communicate ($X_{2.1}$)	0.574	Valid
	Superior information ($X_{2.2}$)	0.765	Valid
	Accurate information ($X_{2.3}$)	0.610	Valid
	Expression when communicating ($X_{2.4}$)	0.628	Valid
	Gestures while communicating ($X_{2.5}$)	0.609	Valid

Sources: Appendix E, the data processed

The test results are presented in table 2, suggesting that the magnitude of the loading factors on the above five indicators is ≥ 0.5 of $\alpha = 0.05$ for the *regression weight*. Hence, there are five indicators that can be used to measure the quality of employee communication (X_2): $X_{2.1}$, $X_{2.2}$, $X_{2.3}$, $X_{2.4}$ and $X_{2.5}$.

Table 3. Validity Test of Customer Satisfaction Variable

Variable	Indicators	Loading Factors	Remark
Customer satisfaction (Y_1)	Satisfaction with the service ($Y_{1.1}$)	0.640	Valid
	Satisfaction with facilities provided ($Y_{1.2}$)	0.686	Valid
	Satisfaction with the consumption of ($Y_{1.3}$)	0.796	Valid
	Satisfaction with the transaction ($Y_{1.4}$)	0.523	Valid
	Satisfaction with the competition ($Y_{1.5}$)	0.707	Valid

Sources: Appendix E, the data processed

The test results are presented in Table 4.10, indicating that the magnitude of the loading factor on the above five indicators is ≥ 0.5 . Thus, there are five indicators that can be used to measure customer satisfaction (Y_1): $Y_{1.1}$, $Y_{1.2}$, $Y_{1.3}$, $Y_{1.4}$ and $Y_{1.5}$.

Table 4. Validity Test of Customer Loyalty Variable

Variable	Indicators	LoadingFactors	Remark
Customer loyalty (Y_2)	<i>Behavioral</i> ($Y_{2.1}$)	0.589	Valid
	<i>Attitudinal</i> ($Y_{2.2}$)	0.509	Valid
	<i>Cognitive</i> ($Y_{2.3}$)	0.673	Valid
	<i>Conative</i> ($Y_{2.4}$)	0.630	Valid
	<i>Affective</i> ($Y_{2.5}$)	0.706	Valid
	<i>Trust</i> ($Y_{2.6}$)	0.685	Valid
	<i>Commitment</i> ($Y_{2.7}$)	0.641	Valid

Sources: Appendix E, the data processed

The test results are presented in Table 4.11, suggesting that the magnitude of the loading factor on the seventh indicator above is ≥ 0.5 . Thus, there are seven indicators that can be used to measure customer loyalty (Y_2): $Y_{2.1}$, $Y_{2.2}$, $Y_{2.3}$, $Y_{2.4}$, $Y_{2.5}$, $Y_{2.6}$ and $Y_{2.7}$.

Table 5 shows *servicescape* latent variable (X_1), giving the CR value of 0.702 above its cut-off value of 0.7 so that *servicescape* (X_1) is considered reliable. Similarly, on each indicator, all variance error p-values are less than 0.05, so said to be reliable.

Table 5. Reliability Test of *Servicescape* Variable

<i>Servicescape</i> (X_1)	P-value error variance	Remark	Loading (λ)	λ^2	$1 - \lambda^2$	CR
$X_{1.1}$	0.000	Reliable	0.552	0.305	0.695	0.702
$X_{1.2}$	0.000	Reliable	0.753	0.567	0.433	
$X_{1.3}$	0.000	Reliable	0.677	0.458	0.542	
Total			1.982		1.670	

Sources: Appendix E, the data processed

Table 6. Reliability Test of Employee Quality Communication Variable

The employee communication quality (X_2)	error variance p-value	Remark	Loading (λ)	λ^2	$1 - \lambda^2$	CR
$X_{2.1}$	0.036	Reliable	0.574	0.329	0.670	0.775
$X_{2.2}$	0.000	Reliable	0.765	0.585	0.415	
$X_{2.3}$	0.000	Reliable	0.610	0.372	0.628	
$X_{2.4}$	0.000	Reliable	0.628	0.394	0.606	
$X_{2.5}$	0.000	Reliable	0.609	0.371	0.629	
Total			3.186		2.948	

Sources: Appendix E, the data processed

Table 6 shows the latent variable of employee communication quality (X_2), giving CR value of 0.775 CR above its cut-off value of 0.7 so that the employee communication quality (X_2) is considered reliable. Similarly, on each indicator, all error variance p-values are less than 0.05, so said to be reliable.

Table 7. Reliability Test of Customer Satisfaction Variable

Customer satisfaction (Y_1)	Error variance p-value	Remark	Loading (λ)	λ^2	$1 - \lambda^2$	CR
Y _{1.1}	0.000	Reliable	0.640	0.410	0.590	0.806
Y _{1.2}	0.000	Reliable	0.686	0.471	0.529	
Y _{1.3}	0.000	Reliable	0.796	0.634	0.366	
Y _{1.4}	0.000	Reliable	0.523	0.274	0.726	
Y _{1.5}	0.000	Reliable	0.707	0.410	0.500	
Total			3.352		2.713	

Sources: Appendix E, the data processed

Table 7 shows the latent variable of customer satisfaction (Y_1), producing the CR value of 0.806 above its cut-off value of 0.7 so that the customer satisfaction (Y_1) is considered reliable. Similarly, on each indicator, all error variance p-values are less than 0.05, so said to be reliable.

Table 8. Reliability Test of Customer Loyalty Variable

Customer loyalty (Y_2)	variance error P-value	Remark	Loading (λ)	λ^2	$1 - \lambda^2$	CR
Y _{2.1}	0.000	Reliable	0.589	0.347	0.653	0.825
Y _{2.2}	0.000	Reliable	0.509	0.259	0.741	
Y _{2.3}	0.000	Reliable	0.673	0.453	0.547	
Y _{2.4}	0.000	Reliable	0.630	0.397	0.603	
Y _{2.5}	0.000	Reliable	0.706	0.498	0.502	
Y _{2.6}	0.000	Reliable	0.685	0.469	0.531	
Y _{2.7}	0.000	Reliable	0.641	0.411	0.589	
Total			4.433		4.166	

Sources: Appendix E, the data processed

Table 8 shows the latent variable of customer loyalty (Y_2), producing the CR value of 0.825 above its cut-off value of 0.7 so that the customer loyalty (Y_2) is regarded reliable. Similarly, on each indicator, all error variance p-values are less than 0.05, said to be reliable.

Table 9. Testing Results of the SEM Model

Criteria	Cut-Off Value	Calculation Results	Remark
<i>Chi-Square</i>	<i>expected small</i>	380.585	λ^2 with <i>df</i> = 164 194.88 is less good
Significance Probability	≥ 0.05	0.000	Poor
RMSEA	≤ 0.08	0.078	Good
GFI	≥ 0.90	0.936	Good
AGFI	≥ 0.90	0.917	Good
Cmin / DF	≤ 2.00	2.321	Fair Good
TLI	≥ 0.95	0.932	Good
CFI	≥ 0.95	0.955	Good

Sources: Appendix F, the data processed

Table 9 shows that the five criteria put in use to assess the goodness of a model are declared good and pretty good. It can be said that the model can be accepted, which means there is a fitness between the model and data. Each path coefficient can be interpreted with the appropriate model. Customer satisfaction is influenced by

servicescape of 0.58 and employee communication quality at 0.32. While customer loyalty is influenced by servicescape of 0.29 and employee communication quality 0.30 through customer satisfaction by 0.35. Testing of path coefficients in Figure 1 and equations is presented in detail in the following table:

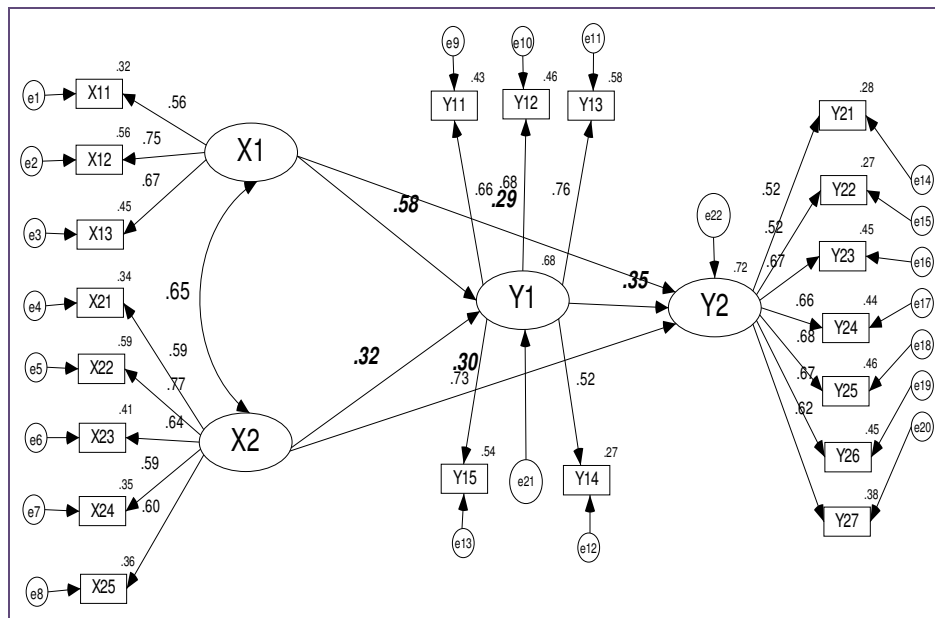


Figure 1. SEM Analysis Results

Table 10. Testing Results of Model Fitness of Customer Loyalty

Variables	Coefficient	CR	Prob.	Remark
Servicescape (X ₁)→Customer Satisfaction (Y ₁)	0.580	4.611	0.000	Significant
Employee communication quality (X ₂)→Customer Satisfaction (Y ₁)	0.320	2.895	0.004	Significant
Servicescape (X ₁)→ Customer Loyalty (Y ₂)	0.295	2.011	0.044	Significant
Employee communication quality (X ₂)→ Customer Loyalty (Y ₂)	0.299	2.711	0.007	Significant
Customer satisfaction (Y ₁)→ Customer Loyalty (Y ₂)	0.351	2.346	0.019	Significant

Sources: Appendix F, the data processed

Based on Table10, the interpretation of path coefficients of each variable is proved significant.

Direct Effect among Variables

There are direct relationships between the exogenous latent variables (servicescape, employee communication quality) and the intervening endogenous latent variable (customer satisfaction) and endogenous latent variable (customer loyalty).

Table 11. Direct Effect of the Variables

Direct Effect	Endogenous Variables	
	Customer Satisfaction	Customer Loyalty
Exogenous Variables		
Servicescape	0.580	0.295
Employee Communication Quality	0.320	0.299
Customer Satisfaction	0.000	0.351

Sources: Appendix F, the data processed

Table 11 explains a magnitude of direct effect of the exogenous latent variables on endogenous latent variables. *Servicescape* (X_1) generates a direct effect on customer satisfaction (Y_1) of 0.580 and customer loyalty (Y_2) of 0.295. While the employee communication quality produces direct effect on customer satisfaction (Y_1) of 0.320 and customer loyalty (Y_2) of 0.299. Furthermore, customer satisfaction (Y_1) results in direct effect on customer loyalty (Y_2) of 0.351.

Indirect Effect among Variables

There are indirect relationships between the exogenous latent variables (*Servicescape*, employee communication quality) and the intervening endogenous latent variables (customer satisfaction) and endogenous latent variables (customer loyalty). Table 12 shows a direct effect of the exogenous latent variables on endogenous latent variables. Customer satisfaction generates an indirect effect on *servicescape* in influencing customer loyalty at 0.204 and on the employee communication quality in influencing customer loyalty by 0.113.

Table 12. Indirect Effect of Variables

	Indirect Effect	Endogenous Variables	
		Customer Satisfaction	Customer Loyalty
Exogenous Variables	<i>Servicescape</i>	0.000	0.204
	Employee Communication Quality	0.000	0.113
	Customer Satisfaction	0.000	0.000

Sources: Appendix F, the data processed

Total Effect among Variables

Total effects of the exogenous latent variables on endogenous latent variables were tabled. *Servicescape* generates the total effect on customer satisfaction by 0.580 and then on customer loyalty by 0.498. While the employee communication quality brings about the total effect on customer satisfaction by 0.320 and then on customer loyalty by 0.411. Customer loyalty is influenced by *servicescape* and employee communication quality through customer satisfaction by 0.351 (see Table 13).

Table 13. Total Effect of Variables

	Total Effect	Endogenous Variables	
		Customer Satisfaction	Customer Loyalty
Exogenous Variables	<i>Servicescape</i>	0.580	0.498
	Employee Communication Quality	0.320	0.411
	Customer Satisfaction	0.000	0.351

Sources: Appendix F, the data processed

DISCUSSION

Servicescape Affects Customer Satisfaction of Bank Mandiri in Surabaya

Table 10 shows that the path coefficient is positive at 0.580 with a CR value of 2.895 and we obtain the significance probability (p) of 0.004 smaller than the significance level (α) which is set at 0.05. This shows that *Servicescape* (X_1) has positive and significant impact on customer satisfaction (Y_1) of 0.580, which means that if the management of Bank Mandiri aims at improving customer satisfaction then they must improve services *servicescape* first because whenever there is an increase in *servicescape* (X_1), it will enhance customer satisfaction (Y_1) of 0.580. These findings support the idea of Bitner (1992, 57-58) stating that the physical arrangement affects customer satisfaction for services provided. For services, the use of creative physical design can support the placement and the segmentation strategy and strengthen the specific purpose of marketing such as customer satisfaction and attention. Likewise, this confirmed the opinion of Hightower (2003, 87) stating that the company's

physical environment specifically designed for employees and customers will be more satisfying to customers than a company that does not take into consideration the needs of employees and customers.

These findings also support the results of previous studies by Cronin *et al.*, (2000), which suggest that service quality, service value and satisfaction can all be directly related to behavioral intention when all variables are considered collectively. The service quality and construction value have direct effect on behavioral intention. This indicates that there is a positive relationship between customer satisfaction and *servicescape*.

Servicescape Influences Customer Loyalty of Bank Mandiri Surabaya

Table 10 shows a positive path coefficient of 0.295 with a CR value of 2.011 and we obtain significance probability (p) of 0.044 smaller than the significance level (α) which is set at 0.05. Thus *servicescape* (X_1) directly affects customer loyalty (Y_2) of 0.295, which means that whenever there is an increase in *servicescape* (X_1), then it will add to customer loyalty (Y_2) of 0.295.

These findings support an idea stating that *servicescape* may affect customers' behavioral intention (Wakefield & Blodgett, 1996, 45) such as approaching or avoiding behavior, spending money, and the intention to repeat purchase. This is a manifestation of customer loyalty. The finding of this study also reinforces the results of previous studies by Lucas (1992), which states that the ambient conditions, the ability to navigate the slot floor, cleanliness, interior design, and comfort seating positively influence *servicescape* satisfaction. Satisfaction *servicescape*, gaming value, fast service, and friendliness of the staff have effect on overall satisfaction with slot experiences. While *servicescape* satisfaction and overall satisfaction with the experience slot produce effect on *behavioral intention* associated with loyalty and a desire to remain in the service environment. This shows that there is a positive relationship between *servicescape* and customer loyalty.

Employee Communication Quality Affects Customer Satisfaction of the Bank Mandiri in Surabaya.

Table 10 shows a positive path coefficient of 0.320 with a CR value of 3.143 and we obtain significance probability (p) of 0.002 smaller than the significance level (α) which is set at 0.05. If the management of Bank Mandiri wants to increase customer satisfaction, they must improve the quality of employee communication first because whenever there is an increase in employee communication quality (X_2); it will increase customer satisfaction as well (Y_1) of 0.320.

This study supports the opinion of Headley & Choi (1992) in Kaihatu (2007, 42) that the best means for consumers to achieve quality is through the communication between the service provider and the recipient of the service. That is, the higher the quality of communication between companies and customers, the higher the quality of services rendered. So it can improve customer satisfaction. This opinion is reinforced by the opinion of Repo & Grönroos (2004, 229) that the customers are viewed as integral part of the communication system. Consumer expectations would become true if the company did what was promised through communication. That is, customers will be satisfied because of what he expects issuitable to what he receives from the communication between employees and customers.

The findings of this study also reinforce the results of previous studies by Mohr & Sohi (1995) on *Communication Flows in Distribution Channels: Impact on Assessments of Communication Quality and Satisfaction*. The results of his study showed there is a relationship between the quality of communication and customer satisfaction.

Employee Communication Quality Influences Customer Loyalty of Bank Mandiri in Surabaya

Table 10 displays a positive path coefficient of 0.299 with a CR value of 2.711 and we obtain significance probability (p) of 0.007 smaller than the significance level (α) which was set at 0.05. Thus, employee communication quality (X_2) directly affects customer loyalty (Y_2) of 0.299, which means if the management of Bank Mandiri wants to raise the quality of employee communication (X_2); it will increase customer loyalty (Y_2) of 0.299.

These findings support the idea of Lueget *et al.*, (2006, 137) that communication also affects the customer shopping behavior and intentions. Communication well received by customers will get a good response from customers as well. These responses may take the form of behavior and intentions to shop again. If this happens then the quality of communication can affect customer loyalty. This study also supports research conducted by Petruzzellis, Romanazzi & Gurrieri (2009) that the social networks have a strong role in influencing consumer

behavior that loyal to the company's services. This suggests a positive relationship between the quality of employee communication and customer loyalty.

Customer Satisfaction Affects Customer Loyalty of the Bank Mandiri in Surabaya

Customer satisfaction (Y_1) has positive and significant impact on customer loyalty (Y_2). This is evident from the positive path coefficient in Table 10 at 0.351 with a CR value of 2.346 and we obtain significance probability (p) of 0.019 smaller than the significance level (α) which was set at 0.05. Thus, customer satisfaction (Y_1) impacts directly on customer loyalty (Y_2) of 0.351, which means that if the management of Bank Mandiri wants to raise the value of customer satisfaction (Y_1), it will also increase customer loyalty (Y_2) of 0.351.

This finding is in agreement with the opinion of Makeover (2003, 8) that customer satisfaction will be a significant predictor of customer loyalty. This opinion is also reinforced by Blanchette (2001, 21) that the high level of satisfaction will lead to increased customer loyalty. The same was proposed by Riel *et al.*, (2004) who found a positive relationship between customer satisfaction on every core service received and customer loyalty. While Schmidt and Sapsford (1995) argue there is empirical evidence that the satisfaction results from the quality of the service thereby augments customer loyalty. These findings also provide support to the results of previous studies conducted by Cronin *et al.*, (2000) who find that *service quality* is positively related to *service value*, and *service quality* was positively related to satisfaction. *Service value* is positively related to satisfaction and *behavioral intentions*, and satisfaction is positively associated with *behavioral intentions*. *Behavioral intentions* can be a customer loyalty.

CONCLUSION

Based on the results of the discussion, the conclusions of this study are as follows:

1. "Servicescape effects customer satisfaction of Bank Mandiri in Surabaya" hypothesis is accepted.
2. "Servicescape affects the loyalty of customers of Bank Mandiri in Surabaya" hypothesis is accepted.
3. Hypothesis stating that quality of employee communication affects customer satisfaction of Bank Mandiri in Surabaya is accepted.
4. "Quality of employee communication affects the customer loyalty of Bank Mandiri in Surabaya" hypothesis is accepted.
5. "Customer satisfaction affects customer loyalty Bank Mandiri in Surabaya" hypothesis is also accepted.

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