

HOW PRODUCT DEVELOPMENT, ADVERTISING, AND SERVICE QUALITY INFLUENCE CUSTOMERS SAVING DECISION CASE STUDY ON STATED-OWNED BANKS IN JAKARTA

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Received: June 13th, 2017/ **Revised:** August 10th, 2017/ **Accepted:** August 30th, 2017

Abstract – The competition between Banks in Indonesia required the existence of a marketing strategy for appropriate banking products and services offered on the state-owned bank in Indonesia, including in Jakarta. This study aims to determine whether there is influence between variable Product Development, Advertising and Service Quality, to Saving Decision in State-Owned Bank in Jakarta. Methods of data collection using a survey distributed to 127 customers. The research method used quantitative descriptive analysis and method of data analysis used in this research is multiple regressions. The results of this study, shows that Product Development, Advertising and Service Quality has an influence on Customers Saving Decision at State-Owned Banks in Jakarta.

Key words: *Advertising, Product Development, Service Quality, Saving Decision*

Introduction

The financial services sector is one of few industry sectors that are facing a strategic shock especially in the last decade of the 20th century. The financial industry including banking faces regulatory changes along with technological developments, changes in customer behaviour and globalization, that impact on changes in organizational structure. Many observers agree that the banking industry is one of the sectors that have been hardest hit by the impact of this change. In addition, the banking industry has experienced the competitive power of deregulation in activities and prices, so the competition may be even more intense than other industries that have been exposed a few years earlier from domestic and foreign competition.

In latest article released by Vazza (2016), stated that efforts towards integration of the financial sector of countries in Southeast Asia (ASEAN) began to roll. The competition inside banking industry especially in commercial banks has intense. Moreover, the competition is not coming from banks in the region only, but also from international. In ASEAN, the openness of the banking industry has been agreed in the ASEAN Banking Integrated Framework (ABIF), approved by the ASEAN financial and monetary authorities in 2011. Based on the agreement, the banking industry in the region is expected to be realized in 2020. Under that agreement, the five ASEAN countries with the most developed economies; Indonesia, Malaysia, Singapore, Philippines and Thailand are expected to start opening up the banking market for at least one bank from other ASEAN countries that meet the requirements of Qualified ASEAN Bank (QAB) in 2018.

According to Law No.10 (1998), the definition of bank is a business entity that collects funds from public in the form of savings and distributed to the community in the form of credit and/or other forms in order to improve the standard of living of many people. The Bank has an important role in the economic development of a country. This refers to development in the financial sector, especially changes in the management or structure of banks in Indonesia is expected to bring positive changes to the national economy. Therefore, the existence of banking institutions in the form of community trust is very important and needs to be maintained to improve the effectiveness of banking utilization and intermediation efficiency. The public trust in banks also contributes in maintaining the stability of the money velocity in the bank. The more people trust and use the services, the more money circulating in the

bank. One of the functions of money circulation is to pay the obligations that must be distributed to all customers.

Banking institutions have a fairly good GDP contribution to the Indonesian economy at 2.53% (BPS, 2014). The role of banking institutions is not too high, but enough to have an important role in building the economy in a country. In Indonesia alone, the number of banking institutions is quite large, BPS noted the number of banking institutions in 2015 about 118 with the number of bank offices 32,963 (BPS, 2016). The banking institutions consist of several types of banks, such as Stated-Owned Bank, Regional Government Bank (BPD), National Private Bank, Sharia Commercial Bank and some Foreign and Mixed-Owned Banks in Indonesia. Table 1 shows the number of Banks and Bank Offices in Indonesia.

Table 1: Number of Banks and Bank Offices in Indonesia

Rincian	2010	2011	2012	2013	2014	2015
Bank-Bank Umum						
Bank Persero						
Jumlah bank	4	4	4	4	4	4
Jumlah kantor bank	4 189	14 145	15 632	16 637	17 431	17 809
Bank Pemerintah Daerah						
Jumlah bank	26	26	26	26	26	26
Jumlah kantor bank	1 413	1 472	1 712	2 044	2 301	3 781
Bank Swasta Nasional						
Jumlah bank	57	56	56	56	56	56
Jumlah kantor bank	6 526	7 108	7 361	7 644 ^f	7 807	9 052
Bank Umum Syariah						
Jumlah bank	11	11	11	11	12	12
Jumlah kantor bank	1 215	1 390	1 734	1 987 ^f	2 163	1 990
Bank Asing dan Campuran						
Jumlah bank	24	23	23	23	21	20
Jumlah kantor bank	494	465	455	468	479	331
Jumlah						
Bank	122	120	120	120	119	118
Kantor bank	13 837	24 580	26 894	28 780	30 181	32 963

Source: Badan Pusat Statistik (2016)

From the lists, there are two types of conventional commercial banks, which are Stated-Owned Bank and National Private Bank. A National Private Bank is a bank where most of its shares are owned by a national private sector and the deed of incorporation is established by the private sector and the profit sharing is also for the national private sector.

Avoiding customer attrition requires an innate and deep understanding of what exactly customers are looking for from their banks (Ernst & Young, 2010). Figure 1 shows the result survey from Ernst & Young conducted in Europe, that service quality drive customer satisfaction as “highly important”. While the product quality and diversity as “medium importance”.

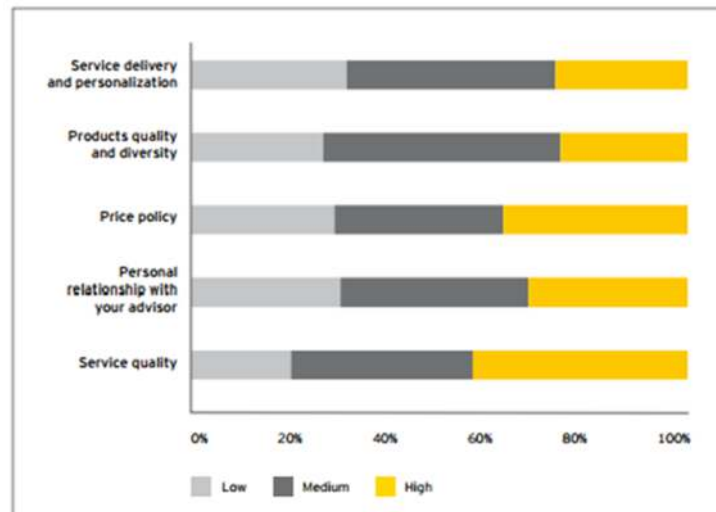


Figure 1: The Importance Factors for Customer Relationship with Banks
Source: Ernst & Young (2010)

In this changing economy world, there is fierce business competition to survive in an increasingly competitive economy. That competition means there has been a change in promotion strategy in order to optimize banking services. This situation will drive banking industry to have marketing strategy of its products and services.

The development of products is called product innovation, making changes in current product design or using new techniques and means in the current production methods (Seng & Ping, 2016). According to Putro (2015), product is very important for bank and has impact on customer decision.

Based on research by Maisya (2013), advertising variable significantly has a very strong influence on customers saving decision in a bank. Meanwhile, Daulay (2014) studied about service quality towards customer decision, and the result is there is strong influence on saving decision.

Based on the previous studies, this research will be needed as renewal. By using the variables consist of product development, advertising and service quality to measure those impacts to the saving decision in bank. The objects of this research are all of Stated-Owned Banks in Indonesia, consist of: Bank Mandiri, BNI, BRI and BTN. With the scope are customer bank in DKI Jakarta area, the purpose of this research is to analyse the influence of product development, advertising variable and service quality toward customers saving decision.

Literature Review

Bank Definition

According to Kasmir (2008) Bank is a financial institution whose activities collect funds from the public in the form of savings and then distribute it back to the community, as well as providing services other banks. The bank is an institution or company that raises funds in the form of demand deposits, deposits and other deposits from the surplus spending unit and then puts it back to the deficit spending unit through the sale of financial services which in turn increases the welfare the people. (Taswan, 2010).

It can be concluded that the bank is a financial institution that has role to collect funds from the community and distribute the funds back to the community to improve the welfare of the people.

Owned-States Bank or *Bank BUMN* is a banking business entity which is wholly or mostly the capital is owned by the state through direct inclusion of origin of separated state assets. List of BUMN Banks by Indonesia Stock Exchange (IDX) is Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), Bank Mandiri, and Bank Tabungan Negara (BTN).

Banking products and services according to Bank Indonesia, consist of savings, investment, credit and financing, deposit, and current account.

Product Development and Product Innovation

According to Walker, Jr. & Mullins (2014), the company can undertake product development strategy with existing market share and new products with the following strategies: 1) Product improvements; 2) Product-line extensions; 3) New products for same market.

Some example of product development by bank including: sharia system, e-banking system, product variety for savings, deposit or lending.

Product Innovation is an essential strategic approach for creating competitive advantages (Rainey, 2005). Based on Moorman's research in 1995, the more innovative an organisation is, the more timely, creative and prolific in the introduction of the new products or services, and the faster in modifying existing offerings will, in turn, provide superior benefits to the customers (Fong et al., 2014).

Advertising

Advertising strategies are typically organized throughout an advertising campaign. Campaigns on ads are a series of related ads that focus on the common themes, slogans and ad appeal. This is a special effort for certain products that offer for a certain period of time. Before, it was important to determine what goals or advertising goals to achieve. The purpose of the ad can be to identify the specific task in the campaign that must be achieved in order to reach a specific target audience for a certain period of time (Mc Daniel et al., 2013).

Campaigns on advertising typically use the AIDA model as an indicator to be achieved, that is: Attention, Interest, Desire and Action.

Service quality

Parasuraman et al. in Tjiptono (2012) found that there are five key dimensions of service. The five key dimensions include:

1. Tangible: the ability of a company to show its existence to external parties.
2. Empathy: is to give a sincere and personal attention given to customers by trying to understand consumer desires
3. Reliability: the ability of the company to provide services in accordance with the promised accurately and reliably.
4. Responsiveness: a willingness to help and provide fast and precise service to customers with clear information delivery.
5. Assurance: consists of knowledge, hospitality, and the ability of company employees, to maintain customer trust to the company. There are components in assurance: communication, credibility, security, competence, and politeness

Saving Decision

Decision-making is a series of activities that are done by customer in an attempt to solve the problem that are being faced then set various alternatives considered the most rational and appropriate to the organization's environment. Therefore, making a decision means choosing and setting one alternatives that are considered the most beneficial of some alternative faced. The specified alternative is become decision.(Siswanto, 2005).

Meanwhile, in the definition of saving, the saving is saving money (at home, posts, banks, etc.). Therefore, saving decision is a decision to save money and choose an alternative considered the most beneficial of some alternatives faced to save. Saving money in bank could be in term of savings, investment, deposit, current account and other service available.

Hypothesis

The influence of product development on saving decision

Research conducted by Cakramalinda (2014) get the result that the variant of saving product development affects the interest of saving customers on PT Bank Mega Tbk. Makassar Branch. Using the indicators as product variants, product features, and product benefits, this variable significantly influence the intention of customers saving decision.

Based on the above description, this research proposes the following hypothesis:
H1: Product development affects customers saving decision at Stated-Owned Bank

The Influence of advertising on saving decision

Maisya (2013), found based on regression analysis and hypothesis test that advertising have positive and significant effect to customers saving decision, with regression coefficient value equal to 0,328 (Sig = 0,014). This research resulted that advertising by BNI Branch Bukittinggi influence decision of saving.

Based on the above description, this research proposes the following hypothesis:

H2: Advertising has an effect on the decision to save at Stated-Owned Bank.

The influence of service quality on saving decision

Research conducted by Daulay (2014), get the result service quality has a positive effect on customers decision to save at Bank Syariah Mandiri in Medan. If the quality of service is better and improved then the number of customers who save will increase. On the contrary, if the quality of service is reduced then customers who save will be reduced as well. Based on the above description, this research proposes the following hypothesis:

H3: Service quality affects the decision of saving at Stated-Owned Bank.

The hypothesis for the simultaneously effect of all variables is described as follow:

H4: Product development, advertising and quality of service influence the customers saving decision in Stated-Owned Bank.

Research Methodology

Sampling Method

The sampling technique used in this research is Non-probability. According to Sarjono (2011) Non-probability sampling is a sampling technique that does not provide equal opportunity or opportunity to every member of the population to be selected to be a sample. The technique used is Convenience Sampling. This technique is used to obtain data with the criteria, among others: easy access to obtain data, data derived from areas that have been established in this study, and able to overcome the limited time of research. By using questionnaire data collection method, we got 127 respondents out of 130 feedbacks that could be processed further.

Operationalization and Measurement of Variables

Product Development (X1)

Product development is a marketing strategy that requires the creation of new products in the market, the process of converting applications to new technologies into valuable products (Mc Daniel: et al., 2013). This variable is measured using 6 indicators: features and quality of new products, similarities, results of quality, other products as facilities and products as a convenience in transactions.

Advertising (X2)

The definition of advertising is all forms of non-paid private presentations and the promotion of ideas, goods or services with specific sponsors. The Company is able to provide information through the media on the offered savings products (Kotler & Keller, 2007 in Maisya, 2013). Advertising variable is measured by questions from AIDA dimensions i.e.: Attention, Interest, Desire, Action, and advertising media.

Quality of Service (X3)

According to Parasuraman et al. in Tjiptono (2012), the quality of service in question is the company is able to provide the best service in terms of convenience for customers to save. The variable of service quality is measured by the questions of TERRA dimension: Tangible, Empathy, Reliability, Responsiveness, and Assurance.

Data Analysis

The analysis technique used in this research is multiple linear regression analysis. The multiple linear regression equation is as follows:

$$\hat{Y} = a + b_1X_1 + b_2X_2 + \dots + b_nX_n$$

Note:

\hat{Y} = predicted dependent variable

a = constant (price Y for $X_1 = 0, X_2 = 0, \dots, X_n = 0$)

b = regression coefficient (increase or decrease value)

X = independent variable

Hypothesis testing is done by using significance level (α) = 0,05 or 5%. The effect simultaneously is tested by using F value at significance level (α) = 0,05. If the significance value <0,05 then the hypothesis is accepted.

Analysis and Discussion

Respondent Profiles

Based on the results, the following profiles of respondents based on age, gender, domicile (province), occupations, main banks where the respondent becomes a customer, time period as a customer, and the period of saving. Respondent profile data as summarized in Table 1.

Table 2: Respondent Profiles

Indicators	Category	Frequency	Percentage
Age	17-25 years old	43	34%
	26-40 years old	48	38%
	>40 years old	36	28%
Gender	Male	67	53%
	Female	60	47%
Domicile	Central Jakarta	28	22%
	West Jakarta	18	14%
	South Jakarta	48	38%
	East Jakarta	18	14%
	North Jakarta	15	12%
Occupation	Private Employee	37	29%
	Government Employee	29	23%
	Entrepreneur	23	18%
	Student	10	8%
	Housewife	18	14%
	Others	10	8%
Member of main Bank	BNI	47	37%
	Mandiri	35	28%
	BRI	26	20%
	BTN	19	15%
Time being customer	< 3 years	35	28%
	> 3 – 5 years	57	45%
	> 5 years	35	28%
Saving periodically	< 5 times a month	77	61%
	> 5- 10 times a month	42	33%
	> 10 times a month	8	6%

Source: processed data (2017)

Results of Validity and Reliability Test

Validity test is a testing step conducted on the content of an instrument, with the aim to measure the accuracy of the instruments used in a study. In this study, the validity test will be used to measure the accuracy of the instruments on the variables of Product Development, Advertising, Service Quality and Savings Decision.

To measure the validity of a statement, it takes a r_{table} and r_{count} value. The measurement of r_{table} with the number of samples of 127, in obtaining the value of $df (n-2)$ is 125. Furthermore, using the formula $t / \sqrt{125 + t^2}$ in SPSS 20.0 program, found the r_{table} value of 0.17 so the statement valid is a statement item that has corrected value of total correlation greater than 0.17.

The basic decision-making for validity testing is as follows:

- If $r_{count} \geq r_{table}$, then the item of question is valid
- If $r_{count} < r_{table}$, then the item of question is not valid

An instrument of measurement of the resulting data can be said reliably if an instrument consistently raises the same results every time measurements are done at different times. In this research, reliability test will also be used to measure the reliability of data on Product Development, Advertising and Service Quality variables.

To measure the reliability of a statement, it takes r_{α} and r_{table} values. Based on the calculation result through SPSS 22.0 program there is a r_{table} result of 0.17, so the reliable statement item is a statement item that has Cronbach's A (r_{α}) bigger than r_{table} is 0.17. Based on calculation, all statements on all measurement variables are valid and reliable.

Hypothesis Testing Results

The results of multiple regressions testing using SPSS software can be seen in Table 3.

Table 3: Multiple Regressions Test

Model	Coefficients ^a			T	Sig.
	Unstandardized		Standardized		
	B	Std. Error	Beta		
(Constant)	,592	,483		1,226	,223
Product Development	,268	,104	,249	2,566	,012
Advertising	,326	,092	,308	3,550	,001
Service Quality	,256	,113	,219	2,253	,027

a. Dependent Variable: Saving Decision

Source: Processed Data

Regression Equation

Constant is shown for a, Product Development as X1, Advertising as X2, and Service Quality as X3. Where Y is as a dependent variable that is the Saving Decision. From these results when written in the standardized form of the regression equation is as follows:

$$Y = 0.592 + 0.268X1 + 0.326X2 + 0.256X3$$

Where:

Y = Savings Decision
a = constant (0,592)

X1 = Product Development
 X2 = Advertising
 X3 = Quality of Service

So it can be analysed as follows:

- If X1 (Product Development), X2 (Advertising), and X3 (Service Quality) go up one unit, then Y (Saving Decision) will rise by 1,442.
- If X1 (Product Development), X2 (Advertising), and X3 (Service Quality) go down one unit, then Y (Saving Decision) will decrease by 0.258.
- If X1 (Product Development), X2 (Advertising), and X3 (Service Quality) = 0, then Y (Saving Decision) is 0,592.

Coefficient of Determination

Coefficient of Determination or R² in multiple linear regression is used to know or measure the percentage or proportion of the equilibrium effect of independent variables simultaneously on the dependent variable, where $0 \leq R^2 \leq 1$. If R² is closer to 1, then it can be said that the effect of free variables (X1, X2, X3) on Savings Decision (Y) is large. Conversely, if R² approaches 0, it can be said that the effect of free variables (X1, X2, X3) on Savings Decision (Y) is smaller.

From Table 4 it can be seen that the value of R Square is 0.317 indicates that the contribution percentage of product development variable (X1), Advertising (X2), and Service Quality (X3) on Savings Decision (Y) variable is 31.7%. While the rest that is equal to 68.3% influenced or explained by other variables not included in this study.

From the results of data processing that has been run, it can be concluded some results as follows:

1. Product Development Variable (X1) has a significant influence on Saving Decision variable (Y) because Sig < α .
2. Advertising Variable (X2) has a significant influence on Saving Decision variable (Y) because Sig < α .
3. Service Quality Variable (X3) has a significant influence on Saving Decision variable (Y) because Sig < α .
4. Product Development Variable (X1), Advertising Variable (X2) and Service Quality Variable (X3) have significant influence and able to explain the variable of Saving Decision (Y) equal to 31.7% and the rest equal to 68.3% influenced by other variables.

Table 4: Coefficient of Determination Test
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,563 ^a	,317	,295	,54994

a. Predictors: (Constant), SERVICE_QUALITY, ADVERTISING, PRODUCT_DEVELOPMENT

b. Dependent Variable: SAVING_DECISION

Source: Data Processed

The Implication of Research Results

Based on the results it is known that Product Development variable significantly influence customers saving decision at Stated-Owned Bank in Jakarta. This finding supports previous research from Cakramalinda (2014) which suggests that the variables of Quality Product Development have a significant effect on Purchase Decision, which in this research is the customers Saving Decision.

Furthermore, Advertising variable have a significant effect on customers Savings Decision at Stated-Owned Bank in Jakarta supporting previous research from Maisya (2013), which suggests that advertising variables significantly influence the Saving Decision.

From the test result where the variable of Service Quality has a significant effect on customers Saving Decision at Stated-Owned Bank in Jakarta, this finding supports previous research from Daulay (2014) which stated that the variable of Service Quality has significant effect on Saving Decision.

Conclusions

From the results of tests that have been done known that the three independent variables of Product Development, Advertising and Service Quality have a significant influence on Customers Saving Decision at Stated-Owned Bank in Jakarta.

From these results can be seen that the product development is good enough so that the products offered can be received by customers of state-owned banks in Jakarta. For the next, Stated-Owned Bank can develop technology-based products. It is because at this time plunge into the digital world is indispensable for the survival of a company. Therefore, existing digital products such as e-banking, banking texting service or phone banking need to be maintained and developed in order to facilitate their customers in banking transactions wherever and whenever they need to conduct financial transactions.

Example of product development is to offer sharia-based services. Recently, banks - both private and stated-owned - have entered the sharia business. This could be the main attraction for Indonesian people as potential customers that majority are Muslims.

Stated-Owned Banks should be more aggressive again in marketing strategy by continuing to pay attention to content from advertisement presented to the society especially bank customer either through electronic media or print media. The most effective advertising medium today is through the internet, as everyone nowadays prefers to use his gadget to find the information he wants to get. The ads presented should be able to attract customers, and then the ad content can contain the products offered, the lucky draw program and the reward points that will be obtained for anyone who becomes a customer of Stated-Owned Bank.

It is necessary to improve and improve to maintain the relationship with Stated-Owned bank customers by providing banking services in accordance with the prevailing regulations. In this case a bank needs to serve its customers quickly and appropriately in order to assist its customers in transacting the bank. Improvement and improvement of Service Quality using SLA (Service Level Agreement) where SLA is part of the overall service agreement provided by the company to the customer. This SLA usually consists of several parts that define their respective responsibilities. This SLA is required in the company to improve the quality by providing guarantee for the services provided, so that customers feel fulfilled of their needs.

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