

## The Role of Multichannel Marketing in Customer Retention and Loyalty: Study in Emerald Bank Customer in Indonesia

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### Abstract

Attention on the relationship between customer retention, customer loyalty, and customer satisfaction that serves as “seed” of customer loyalty highlight the important factors for multichannel management. With the growing trends of people in investing their money in bank for securities need to be responded by the marketing department to create better marketing strategies. The purpose of this study is to examine and explain the effect of a multichannel bank on emerald customers retention in one of the largest SOE bank in Indonesia, in the city of Surabaya, BNI (Bank Negara Indonesia) toward customer satisfaction, loyalty and customer retention. This study develops the theory of mix marketing by using multichannel as one of the elements that can increase customer retention using satisfaction mediation and customer loyalty. Mechanical determination of sample units in this study is a purposive sampling, of 89 respondents. Generalized Structured Component Analysis (GSCA) was applied to test the hypotheses. The results of this study indicate that direct multichannel not significantly effect the customer retention. Customer satisfaction can not be a perfect mediation and the customer loyalty can be a perfect mediation in the relationship between multichannel and customer retention. This study contributes to the banking industry in applying the concept of the mix marketing.

### Keywords

*Multichannel*, satisfaction, loyalty, customer retention, and *emerald* customer

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## Introduction

The Interest of Indonesian people to deposit their money in banks is low. People's low interest in banking both in the form of deposit and bank's loan is caused by several factors (Sutawi, 2009). Several factors such as the low flow of funds through the banking system adversely affects society low level of social welfare, the location of banks which are concentrated in the urban areas as well as the exclusive nature of the banking system, in the sense that the larger the bank, the more passive they will be in searching and visiting customers.

The strategic purpose of a banking system, in order to improve and maintain the existing customers who deposit their money is by doing retention and taking into account the operational costs incurred. According Tjiptono (2005), a company which only focuses to get new customers is not quite right, because it merely has a short-term orientation, that is the so-called "Death Wish Paradox". The paradox explains that the cost of retaining a customer (customer retention) is currently only 25% of the cost of acquiring a new customer. Riecheld and Sasser (1990) added that increase customer retention by 5% could generate long-term profit improvement from 25% to 95% in a number of industries.

Moreover, Hombur and Bruhn (1998) stated that there is a relationship between customer retention, customer loyalty, and customer satisfaction which says that customer satisfaction is a direct factor or "seed" of customer loyalty, customer loyalty in this case is a major determinant of customer retention and serve as important factors for multichannel management (Neslin and Shankar, 2009).

Marketing channel is growing very rapidly with a variety of different marketing

systems. There are three marketing systems that are very well known at this time namely: (1) vertical marketing system; (2) Horizontal marketing system; and (3) Multi-Channel Marketing System / Multichannel- enables the latest which is system that serve different customer segments using a variety of marketing channels. The previous research on multichannel consumer behavior is very limited and focuses mostly on two (2) things: factors that influence the selection of the channel; service experience, customer loyalty, and Customer Relationship Management / CRM (Slack, Rowley, & Coles, 2008). Black et al. (2002) states that factors that affect consumers in the financial services industry in determining the choice of the channel are divided into four categories, namely: (1) the characteristics of the consumers (beliefs and lifestyle); (2) the characteristics of the product (channel complexity and price); (3) the characteristics of the channel (personal interaction and comfort); (4) The factor from a company (age and size of the company).

In the multichannel retail bank, the bank offers services through many channels including branch banking, ATM (automatic teller machine), phone / mobile banking, PC / Internet-based home banking system (Niels Peter Mols, Per Nikolaj D. Bukh, & Jørn Flohr Nielsen, 1999). There are some studies that examine the effect of a multichannel customer retention on retail bank customers which include Cortinas, Chocarro, & Villanueva (2010) and Niels Peter Mols, et al. (1999) which shows a significant effect while the study conducted by Al-Hawari, Ward, & Newby (2009) show that there is no significant effect on the retention of a multichannel bank customers. This enables the future research that can be studied further to discuss the previously conducted research.

The solution offered is relating the research gap using satisfaction variable and loyalty variable as the mediation of customer retention.

Customer satisfaction is one predictors of customer retention in the context of a multichannel strategy. According Ranaweera & Praghu (2003), the more satisfied a customer is, the higher the customer retention; Oliver (1999) stated that there is an important first step in the formation of loyalty there are other factors that can affect customer relationships with companies such as personal factors and social ties. Several previous studies that test a multichannel significant effect on customer satisfaction once is conducted by Wallace, Giese, and Johnson (2004) and Gerpott, et al. (2001). y Hsieh et al. (2012); Trasorras et al. (2009); Stauss et al. (2001) argued that that there is a significant difference between satisfaction and customer retention. Contradictly there are research show no significant effect between satisfaction and customer retention as done by Buell et al. (2006), Birgelen et al. (2006), Wong and Mala (2009). Santouridis and Trivellas (2010) examine the effect on customer loyalty on multichannel banks where research reveal a significant effect. Later research conducted by Trasorras et al. (2009); Gerpott et al. (2001) show that loyalty has a significant impact on customer retention.

This study uses multichannel as the independent variable while the customer satisfaction and customer loyalty serve as mediating variable then customers retention is the dependent variable in this study. Its examines the phenomenon of emerald customer retention / prioritized group in one of the biggest retail bank in Indonesia, BNI bank in Surabaya. Research questions posed in the study are as follow: Do multichannel banks

give significant and positive effect on customer retention in a positive and significant way?; Do multichannel banks bring significant and positive effect on the retention of customers by mediating the role of customer satisfaction and loyalty; Does customer satisfaction significantly affect the customer retention mediated by customer loyalty. Based on the formulation of the problems previously mentioned, it can be stated purpose of this research is to examine and explain the direct effect of a multichannel bank customer retention and also with the mediating role of customer satisfaction and loyalty.

## **Review of Related Literature, Hypothesis, and Conceptual Model**

### ***Marketing Channel***

According to Wan, Luk and Chow (2005) it is explained that the bank has two (2) market segments: the first segment of the market where the customer is more likely to commit a transaction branch office, the bank's strategy in this segment is to build a good corporate image; The second segment of the market where the customer is more likely to adopt online banking channel for transactions, the bank's strategy in this segment is to build relationships with customers to create business opportunities. Rangaswamy and Bruggen (2005) define multichannel marketing as a marketing strategy to reach customers who use more than one channel to do business. Multichannel marketing is not the same as traditional marketing with multiple channels, which the company interacts with different customer segments through different channels as well.

Previous study, as what Black et al. (2002) research that there are four (4) categories of variables that influence the selection of channels, namely (1) the characteristics of

customers including consumer confidence, social and economic characteristics, age, lifestyle, motivation, emotional response, and ethics; (2) product characteristics including complexity, cost, and acceptable risk; (3) other characteristics including ease, channel costs, risks; (4) the characteristics of the organization / company including reputation, image, size, age, and rank of the existing channel

### ***Multichannel Marketing***

Dynamic changes in the banking business today is to face the challenges in the business competition which is very tight. These changes are influenced by the rapid advancement of electronic technology that allows bank customers to interact with the bank (Freedman and Goodlet, 1998; Kimball et al., 1997; White, 1996) as well as to deregulate free competition with local banks or foreign banks into Indonesia .

The study which finds that multichannel can increase loyalty is conducted by (Shankar & Winer, 2005; DW Wallace, et al., 2004), although it may also erodes multichannel loyalty because modern channel (Internet, ATM, call center) requires a little human contact which is a component that is particularly important for our customized services (Neslin et al., 2006). Wright (2002) states that the addition of a new channel technology has lost touch with its customers.

### **Customer's Satisfaction, Loyalty and Customer Retention**

In the service industry, the satisfaction of the customer is often measured as the ratio between service expectations and hopes. Oliver (1980) observes satisfaction through disconfirmation of expectations. Ranaweera and Prabhu (2003, p.82) add that customers can be assured that

customers are more satisfied with higher retention. Facikova (2004) believes that the key to staying afloat is the retention of satisfied customers for both internal and external.

For a satisfied customer, there are two (2) possibilities that may occur, namely: first, is an optimistic customer who is actually not satisfied with the company and second, a pessimistic customer who feels satisfied with the company, (Gerpott, et al., 2001; Homburg, et al., 1998).

Customer loyalty is defined as having two (2) dimensions, attitudinal and behavioral dimensions, which is attitudinal dimensions is a psychological commitment of a favorite liking to a specific brand, while the behavioral dimension is reflected in the customer's actual repeating purchase behavior (Oliver, 1999, p. 34). Swastha (1999) defined that loyalty is developed through three (3) stages: the first stage is cognitive loyalty, second affective loyalty and last stage is conative loyalty .According to Henry (2000) , loyalty does not just grow out of satisfaction, customers become loyal for several reasons of which are not related to the satisfaction of service quality. Some of the reasons are the customer may not have a better choice; customer sees no difference between options and follow the customs of this time; customers may avoid the risks that exist; switching cost which is higher than the value of existing alternatives; products used today may offer a solution which is similar to competitors' products; current provider may have a loyalty program to reencourage more business relations.

According to Reichheld (1996) there are some reasons why companies increase customer retention, namely: the acquisition of new customers costs five times more than satisfying and retaining existing customers; The average company

loses 10% of its customers every year; 5% reduction in customer defection rate can increase profits 25% -85% depending on the type of industry; (Reicheld and Sasser, 1990).

There are four (4) dimensions according to Zeithaml et al., (1996) which are used in this study to measure customer retention, ie: word of mouth communication, the purpose of purchasing, price sensitivity, and behavioral complaints. According to Zeithaml (2000) as cited by Fullerton (2004), customer retention is a consequence of the most investigated evaluation on the quality of customers service. Even the researchers identified a number of positive linkages between service quality and customer retention (Bansal and Taylor, (1999); Roos, (1999); Rust et al. (1995); Zeithaml et al. (1996) as cited in Brady et al. (2002)), whereas other researchers find that customer retention is positively related to consumer willingness to move in accordance with their wishes. (customer willingness to act as a reference to the customer) (Zeithalm et al., 1996 as cited in Fullerton, 2004). Shajahan (2004) concludes that customer retention is the ability of a company to offer something to the consumer so that the consumer buys a product or service for a specific time period.

The Effect of the multichannel on customer retention has been done before in a research conducted by Cortinas et al. (2010) and Mols et al. (1999). The study shows that multichannel significantly effects customer retention. The opposite occurs in the study conducted by Al-Hawari (2009) in which multichannel gives no significant effect on customer retention in Australia. Furthermore, to increase customer retention then satisfaction and loyalty variables are offered with the consideration that the use of multichannel

can increase the client retention in this case is customer satisfaction. Likewise, that with the loyalty of the customers to the bank, the customer retention will increase too. Therefore it can be put forward :

H1: There is a positive and significant effect of multichannel bank on customer retention

The effect of multichannel to satisfaction has been done previously by Wallace et al. (2004), Gerpott et al. (2001), Durkin et al. (2003), Santouridis and Trivellas (2010). Previous studies conclude that the multichannel affects customer satisfaction. Further empirical studies conducted on research Hsieh et al. (2012) show that there is an indirect effect of the use of multichannel customer retention through satisfaction.

H2: There is a positive and significant effect on multichannel bank toward customer retention mediated by customer satisfaction

Research conducted by Santouridis and Trivellas (2010) about the effect of a multichannel loyalty conclude that the use of multichannel significantly affects loyalty. Furthermore, there are studies that examine the effect of a multichannel customer retention through loyalty which is conducted by Gerpott et al. (2001) which conclude that there is a significant difference between loyalty and customers retention.

H3: There is a positive and significant multichannel effect of a bank on customer retention mediated by customer loyalty

Previous empirical studies conducted by Gerpott et al. (2001) on the effect of a multichannel customer retention through customer satisfaction and loyalty show a significant effect. However, there are

few studies that are performed by Buell et al. (2006), Birgelen et al. (2006), and Wong and Mala (2009) which show that there is no significant effect of customer satisfaction on customer retention.

H4: There is a positive and significant effect on the customer retention mediated by customer satisfaction

## Methodology

This study aims to examine and explain the causal relationship between multichannel and customer retention mediated by customer satisfaction and loyalty. The information obtained about the clarity of the relationship between variables is built on a model equation based on relevant concepts so that this study is classified as explanatory research.

The location of this study is at some BNI bank branches throughout the area of Surabaya (East Java and Madura) as is the second largest region in Indonesia in which BNI has many branches open for business expansion; besides it is due to the industrial development and per capita income in Surabaya region in which the market share is still open for the banking industry. This research is conducted within a three month period that is from August to October 2013.

The population in this study is all emerald customers / BNI prioritizes those customers who have an account at BNI Surabaya area. Emerald customers which are regarded as population in this study are related to secret bank customers' financial profile and the data can not be known in general. The sample size in this study is there are as many as 89 emerald customers / which is prioritized to 100 questionnaires distributed and drawn from all branches in Surabaya. Sampling and interviews are conducted directly by visiting directly all respondents in each BNI Branches office in Surabaya.

Methods of data collection of this study is a survey combination with others technique is used to support and to uncover the facts behind the quantitative analysis and provide a substantial explanation of the research study. The Measurement of data in this study uses a Likert scale to measure attitudes, opinions, and perceptions of the respondents to the object (Nazir, 2009).

## Data Analysis and Finding

The analysis used to address this hypothesis uses a modeling equation of GSCA (Generalized Structural Component Analysis) Analysis of mediating variables used in this study is the method whereby the difference in coefficients is done by doing two times analysis, which involves the analysis of the mediating variables and analysis without involving mediating variables.

The characteristics of the respondents indicate that respondents who are emerald customers have deposit their money in BNI bank with the minimum amount of 1 billion rupiahs and thus belong to the classification of respondents who are financially secure with a job as an entrepreneur and also have the level of undergraduate education. Things that should be made as a concern of the BNI bank management in relation to the respondents characteristics seen from the banking transactions are the fact that most of emerald customer respondents rarely use e-banking transactions proven by their transaction which is only 1-5 times in a month. The emerald respondents of BNI bank involved in this study are largely loyal customers in BNI bank in which their loyalty level can be seen from the length of time they become customers at BNI bank that is between 3-10 years

Based on the results of the output of GSCA on the evaluation of goodness-of-fit structural model and the overall model of this study, it is found out that FIT is a total

variant of the overall variables analyzed that can be explained by this model. The result obtained from GSCA output shows that the value of FIT is 0.572 which means that the models created in this study can explain all the analyzed variables with 57.20%. Multichannel diversity variables, Satisfaction, Loyalty, and Customer Retention can be explained by this model for 57.20% and the remaining 42.80% is explained by other variables outside this model. It can be concluded that FIT values obtained from this study model can be said to form a good model. The greater the FIT value obtained, the better is the model. Then from the result obtained, it is found out that AFIT is 0.560 which is adjusted from FIT and it is almost equal to the value of FIT. However, because the

variables that affect customer retention in this study is not just one but three variables: Multichannel, Satisfaction and Loyalty so it is better if the interpretation accuracy of the model uses FIT that has been adjusted or AFIT (Adjusted FIT). Because there are many variables affecting, the value of FIT will be even greater because the proportion of diversity increases, so to confirm with the existing variables FIT which has been corrected can be used. Viewed from AFIT, the diversity of Multichannel variable, Satisfaction, Loyalty, and Customer Retention can be explained by this model with 56.0% and the remaining 44.0% is explained by other variables. It means that the value of AFIT obtained can be said to form a good model.

CONSTRUCT	INDICATOR	MEAN	LOADING		The root of AVE	ALPHA
			ESTIMATE	CR		
<i>MULTI CHANNEL</i>	Convenience	4,26	0.360	1.99	0,742	0,716
	User-friendly	4,21	0.328	1.57	0,867	0,664
	Assurance	4,28	0.463	2.58*	0,860	0,650
CUSTOMER SATISFACTION	Satisfaction on transaction	4.40	0.775	14.37*	0,788	0,795
	Satisfaction on information	4.46	0.738	16.54*		
	Pengalaman bertransaksi	4.34	0.811	18.43*		
	The overall satisfaction	4.37	0.825	19.91*		
CUSTOMER LOYALTY	Positive comments on bank	4.27	0.828	20.82*	0,833	0,991
	Rekomendation	4.12	0.818	21.98*		
	Motivation to a family	4.29	0.833	26.98*		
	Motivation to colleague	4.24	0.844	27.94*		
	Main choice	4.24	0.818	21.36*		
	Remain to be a customer despite price increase	4.21	0.856	32.54*		
CUSTOMER RETENTION	Bank promotion on funding addition	4.02	0.734	9.89*	0,758	0,804
	door prize of banking	3.94	0.699	9.16*		
	Special treatment	4.31	0.772	22.06*		
	Perhatian saat komplain	4.40	0.822	24.04*		
	Responsive in handling a complaint	4.43	0.754	14.03*		

In this study, the test on instrument construct validity of the research is discriminant validity. Overall, the research instruments as well as the multichannel indicator variable of satisfaction, loyalty, and customer retention should be valid. Testing the reliability of the instrument of research is done by Alpha analysis, which is, if  $\alpha > 0.60$  then the research instrument is said to be reliable. Overall, the research instruments as well as multichannel indicator variable of satisfaction, loyalty, and customer retention can be said to be reliable.

Based on the analysis of GSCA, it appears that the indicator of assurance has a outer weight of .463 CR = 2.58 positive and significant at  $\alpha = 5\%$  so it is still the most important indicator in the form of multichannel variable. Then convenience indicator with the outer weight of .360 CR = 1.99 (not significant) and the indicator is user-friendly with the outer weight of 0.328 CR = 1.57 (not significant). Thus we can conclude that the only appropriate assurance indicator to measure multichannel variable is assurance indicator though despite its user-friendly, it can not be a suitable indicator for measuring multichannel variable. Results of interviews with emerald customers also show that the most important effect for customers to use e-banking facility is security of customer data and the accuracy of customer transactions.

The test results of outer loading toward the variable of customer satisfaction can be seen that the overall indicator of the bank's services are in accordance with customer expectations which says that the most important indicator of the outer loading of 0.825 CR = 19.91 and indicator of satisfaction with the performance of the bank when in need of information products / services to the smallest outer load that

is equal to .738 CR = 16.54. In terms of satisfaction of the performance indicators of the bank when in need of information products / services, it is found out that it has the smallest outer loading which means the emerald customers experience some difficulties to contact the branch office of Bank BNI when they need information related to products / services so that this results in low score of evaluation given by emerald customers. In addition, the lack of attention of Relationship Manager of BNI bank that specializes in serving the needs of information products / services also results in low assessment score given by emerald respondent

The test result of the outer loading on the variable of customer loyalty indicates that all those six variables are all positive and significant in reflecting variable of customer loyalty with each indicator to have an average outer loading above 0.80. From the results it can be seen that the indicators remain to be a customer of the bank despite its rising rates is the most important indicator which has the outer loading of .856 CR = 32.54. It can be inferred from the fact that the emerald customer will be charged higher if they want to stop the bank service in other words if they want to disclosure their account.

The test results of the outer loading on the variable of customer retention indicate that those five indicators are all positive and significant in reflecting the variable of customers retention. From the results it can be seen that indicators of effort to maintain customer by always paying attention to customer complaints is the most important indicator of the outer loading of .822 CR = 24.04 and indicator of an effort to increase customer loyalty by giving door prize when customers make transactions through e-banking turns out to



have the smallest outer loading which is about 0.699 CR = 9.16. The fact says that despite a doorprize program for customers who transact through e-banking, emerald customers are less interested in transacting using E-banking which is shown by only 47.2% of customers through e-banking

transactions with frequency of 1-5 times a month.

### The Result of Hypotheses Testing

Based on table 2 results of research hypotheses testing are as follow:.

**Table 2. The Testing Result of Research Hypothesis**

No	The relationship among variables		Path coefficient	CR	note
1	<i>Multichannel</i>	Customer satisfaction	0.583	8.0 <sup>s</sup>	Significant
2	<i>Multichannel</i>	Customer loyalty	0.319	3.84 <sup>s</sup>	Significant
3	<i>Multichannel</i>	Customer retention	0.110	0.96 <sup>ts</sup>	Not Significant
4	Customer satisfaction	Customer loyalty	0.589	8.28 <sup>s</sup>	Significant
5	Customer satisfaction	Customer retention	0.154	0.92 <sup>ts</sup>	Not Significant
6	Customer loyalty	Customer retention	0.477	2.5 <sup>s</sup>	Significant

Note : s= significant at  $\alpha$  5%; ns = not significant  
Sourcer: appendix 3

1. There is an effect of multichannel bank on customer retention in a positive and significant way. The result of GSCA shows that the path coefficients is 0.110 and CR = 0.96 (not significant). This may imply that the multichannel has no significant effect directly on the emerald customer retention. Thus, the hypothesis is rejected.
2. There is an effect of a multichannel bank on customers retention mediated by customer satisfaction in positive and significant way. The results of GSCA shows that the effect of a multichannel is shown by path coefficient of .583 for satisfaction with CR = 8.0 (significant) and path coefficient effect on the retention customer satisfaction by 0.154 with CR = 0.92 (not significant). Thus the variable does not mediate the effect of multichannel satisfaction to customer retention. Thus, the hypothesis is rejected.
3. There is the effect of a multichannel bank on customers retention mediated by customer loyalty which is positive and significant. The result obtained from GSCA shows that the multichannel effect is shown by a path coefficient of .319 for the Loyalty CR = 3.84 (significant) and the path coefficient for Loyalty effect on customer retention is 0.477 with CR = 2.5 (significant). On the other hand, multichannel gives no direct significant effect on customers retention. Thus Loyalty as a mediating variable perfectly (completely) mediates multichannel effect on customer retention. Thus the hypothesis is accepted.
4. There is an effect on the customer satisfaction toward customers retention which is mediated by customer loyalty in positive and significant way. GSCA result obtained shows that the path coefficients for the effect of satisfaction

on loyalty is 0.589 with CR = 8.28 (significant) and path coefficient effect on the retention of customer loyalty is 0.477 with CR = 2.5 (significant). On the other hand, there is no significant effect on satisfaction directly to the customer retention (path coefficient = 0.156 and CR 0.92). Thus Loyalty as a mediating variable perfectly (completely) mediates the effect of satisfaction on customer retention. Thus the hypothesis is accepted.

## Discussion

Based on the results of hypotheses testing, it is known that multichannel gives no direct significant effect on the retention of emerald customers at BNI bank. Thus the hypothesis which says that there is an effect of a multichannel bank to customers retention is positively and significantly not proven. Meaning that multichannel is unable to explain the variation of retention changes of emerald customers at BNI bank. From the measurement result, it obtains that the indicator of assurance serves as the most powerful form of multichannel variable. This support the study by Hawari (2009) conclude that there are various variation of the results of research on the use of a multichannel bank on customer retention. Banks should give priority to the improvement of the quality of service to customers to minimize risk and uncertainty in the e-banking transactions so that customers feel secure when doing transactions through e-banking. The measurement of Variable on multichannel uses two indicators of traditional automated service quality and service quality.

It is concluded that this study partly confirms the results of research by Hawari (2009). The research by Gerpott et al. (2001) is conducted in the

telecommunications industry, especially mobile phones in Germany. The study concludes that the addition of multichannel gives no significant effect on customer retention due to the additional cost if it is switched to another channel. It is concluded that this study partly confirms the results of research by Gerpott et al. (2001). The findings of the research conducted Buell et al. (2010) also concludes that multichannel has no significant effect on the retention of customers. This is due to the fact that the majority of respondents only use one channel for transactions in the bank and also the concerns of having many errors when using multichannel transaction. However, the results show the loyal customers have a significant impact on customer retention. Customers become loyal in this study because of the high cost to switch channels. Thus the results of the study reinforce the research conducted by Buell et al. (2010).

Based on the explanation, it is clear that the effect of multichannel on customer retention is not significant due to the lack of benefits of multichannel facilities that emerald customer get and also due to lack of customer loyalty costs incurred when switching to another channel. Lack of perceived benefits of multichannel that customers can get is shown by the fact that most emerald customers about 61.8% who only use SMS / Mobile banking for transactions other than using an ATM. Customers who are already loyal will survive despite rising transaction costs.

The Effect of the multichannel on emerald customer retention mediated by satisfaction can not be separated from the direct relationship between multichannel with satisfaction and contentment influence on the retention of customers. The results indicate that multichannel significantly affects customer satisfaction.

Thus the better multichannel that BNI has, the higher the satisfaction level of emerald customers. However, there is no direct significant effect on customer satisfaction against the emerald customer retention. This means that the higher the customer satisfaction will increase emerald customer retention at BNI bank. The results of testing show that the satisfaction variable of emerald customer in this model does not serve as a mediating variable. This means that the higher the customer satisfaction, the lower the use of multichannel on emerald customer retention. The results are consistent with research conducted by Buell et al. (2010) that the use of a multichannel bank customers in the United States mediated by customer satisfaction does not have a significant impact on customer retention. Bank customers are charged if they switch or add another channel so that if there is a lower costs incurred, customers will use more than one channel to transact. Besides, this way chosen because there is a state of worryness concerning the error that might happen when using multichannel. Research conducted by Hsieh et al. (2012) on the bank's customers in Taiwan concludes that the use of multichannel mediated by customer satisfaction has a significant effect on customer retention.

The effect of multichannel on the emerald customer retention mediated by customer loyalty can not be separated from the direct relationship between multichannel loyalty with loyalty and influence on the retention of customers. The results indicate that multichannel significantly gives an effect on loyalty. Thus the better multichannel that BNI has, it is expected to be able to increase emerald customer loyalty. Customer loyalty also can significantly increases emerald customer retention. The results show that the loyalty variable in this model is said to be a perfect

mediating variables (complete mediation). Multichannel is said to be better if it can increase emerald customer retention if the customer is loyal to the BNI. This happens due to the fact that the respondents of emerald customers still use multichannel to transact through e-banking, although the transaction costs rise. E-banking facility is offered by the bank to help customers emerald to trade and obtain product / service banking fast, secure, and free queue. Furthermore, the bank's efforts to pay attention to the complaint of customer transactions will increase emerald customer retention. Based on the measurement of the variable, it is found out that that loyalty to remains a customer at BNI Bank despite increasing outer transaction costs gives the highest outer loading so that it becomes the most powerful indicator variables reflecting customer loyalty.

The effect of customer satisfaction on emerald customers retention mediated by customer loyalty can not be separated from the direct relationship between customer loyalty and satisfaction with effect of customer loyalty to customers retention. The results show that satisfaction significantly influences customer loyalty. Thus, the higher the customer satisfaction, the higher is emerald customers level of loyalty. Customer loyalty also can significantly increases emerald customer retention. The results show that customer loyalty variables in this model is said to be a perfect mediating variables (complete mediation). The higher the customer satisfaction, the higher the retention emerald customers will get.

Based on the measurement of customer loyalty variable, it is found out that the indicator for a customer to remain at BNI Bank despite the increasing rates is said to have the highest loading so that it becomes

the most powerful indicator variable reflecting customer loyalty. The results of this study reinforce research conducted Wong and Mula (2009) on the bank's customers as users of internet banking in Hong Kong. In the study conducted Wong and Mula (2009), it is concluded that there is a variation of research in terms of the effect of variable of customer retention and customers satisfaction to customer loyalty which mediate the indicator variable that remains a loyal customer despite the increase on transaction price serves as the most dominant indicator. Variations of this study lies in the expertise of the respondents which are differentiated according to transaction through internet banking like those respondents with basic and advanced skills.

### **Conclusion, Limitation, and Further Research**

This study contributes to the concept of mix marketing especially multichannel marketing by testing the effect on the retention of multichannel customer service and satisfaction and the mediating role customer loyalty. The results show that the Multichannel gives no direct impact on emerald customer retention. It is found out that better multichannel bank can not increase emerald customer retention. The results of this study indicate that there is a relationship between the effect of a multichannel on emerald customer retention and loyalty.

Customer satisfaction can not mediate the effect of multichannel customer retention. These findings suggest that the better multichannel the banks have, the higher is the emeralds customers satisfaction. Customer loyalty is able to serve as a perfect mediation (complete mediation) on the effect on the retention of multichannel on emerald customer.

These results indicate that better multichannel should be followed by an increase in customer loyalty which in the long run can increase emerald customer retention. Customer loyalty serves as perfect mediation on the effect on the retention of customer satisfaction. These findings suggest that an increase in customer satisfaction, followed by an increase in customer loyalty can increase emerald customer retention. Furthermore, this study indicates that customer loyalty is still survive despite the rising costs for the transaction which has become an important role in improving customer loyalty.

The results of this study provide knowledge and understanding on the part of the bank management about the importance of multichannel services to customers, including: convenience, user-friendly and an assurance from the bank in improving customer retention through customer satisfaction and loyalty. Assurance of the bank is an indicator of the perceived priorities and services which deems essential in multichannel. So by looking at other factors that increase customer retention, the goals can be achieved and realized well by the company. Customer loyalty is an important construct that mediates the relationship between multichannel services with customer retention. This way, the banks should use the construct of customer loyalty and attention, particularly the consideration of customers to survive even though fares are rising should be prioritized since it deems important in order to increase customer retention. The results of this study may help in providing insight and knowledge for the directors / managers of banks to increase customers satisfaction, loyalty, and retention through improved multichannel services. Directors / managers of the bank are the leaders of the

company so they should give driving force for the implementation of the concept of the mix marketing especially multichannel services. Effective leadership can not only communicate the importance of these services in helping multichannel customer transactions, but also outline the objectives and philosophy of multichannel services to employees.

This study contributes to the banking industry in applying the concept of the mix marketing, especially multichannel services to increase satisfaction, loyalty, and customer retention.

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### Appendix: The Result of GSCA Analysis

Model Fit	
<b>FIT</b>	0.572
<b>AFIT</b>	0.560
<b>GFI</b>	0.000
<b>SRMR</b>	0.000
<b>NPAR</b>	58

### Measurement Model

Variable	Loading			Weight			SMC		
	Estimate	SE	CR	Estimate	SE	CR	Estimate	SE	CR
<b>Convenience</b>	<b>AVE = 0.550, Alpha =0.716</b>								
X1.1	0.795	0.062	12.9*	0.355	0.030	11.91*	0.631	0.095	6.65*
X1.2	0.780	0.048	16.26*	0.376	0.034	10.96*	0.608	0.073	8.3*
X1.3	0.674	0.061	10.99*	0.295	0.030	9.73*	0.455	0.082	5.51*
X1.4	0.711	0.052	13.59*	0.318	0.028	11.22*	0.505	0.074	6.79*
<b>User Friendly</b>	<b>AVE = 0.752, Alpha =0.664</b>								
X3.1	0.873	0.022	39.24*	0.588	0.022	27.18*	0.761	0.039	19.54*
X3.2	0.861	0.024	35.93*	0.565	0.022	25.56*	0.742	0.041	17.94*
<b>Assurance</b>	<b>AVE = 0.741, Alpha =0.650</b>								
X4.1	0.876	0.022	40.12*	0.610	0.037	16.28*	0.767	0.038	20.06*
X4.2	0.845	0.037	22.66*	0.551	0.026	21.49*	0.714	0.063	11.41*
<b>Satisfaction</b>	<b>AVE = 0.621, Alpha =0.795</b>								
Y1.1	0.775	0.054	14.37*	0.290	0.029	10.15*	0.601	0.083	7.27*
Y1.2	0.738	0.045	16.54*	0.294	0.033	8.86*	0.544	0.064	8.47*
Y1.3	0.811	0.044	18.43*	0.367	0.036	10.22*	0.658	0.070	9.43*
Y1.4	0.825	0.041	19.91*	0.316	0.038	8.31*	0.680	0.068	10.02*
<b>Loyalty</b>	<b>AVE = 0.694, Alpha =0.911</b>								
Y2.1	0.828	0.040	20.82*	0.236	0.025	9.58*	0.685	0.065	10.46*
Y2.2	0.818	0.037	21.98*	0.208	0.016	12.83*	0.670	0.060	11.12*
Y2.3	0.833	0.031	26.98*	0.176	0.016	10.76*	0.695	0.051	13.5*
Y2.4	0.844	0.030	27.94*	0.186	0.024	7.69*	0.712	0.050	14.12*
Y2.5	0.818	0.038	21.36*	0.160	0.019	8.2*	0.668	0.061	10.97*
Y2.6	0.856	0.026	32.54*	0.234	0.023	10.21*	0.733	0.045	16.4*
<b>Customer Retention</b>	<b>AVE = 0.574, Alpha =0.804</b>								
Y3.1	0.734	0.074	9.89*	0.241	0.035	6.88*	0.539	0.104	5.16*
Y3.2	0.699	0.076	9.16*	0.273	0.037	7.43*	0.489	0.101	4.82*
Y3.3	0.772	0.035	22.06*	0.250	0.033	7.49*	0.596	0.054	11.08*
Y3.4	0.822	0.034	24.04*	0.293	0.036	8.09*	0.676	0.056	12.06*
Y3.5	0.754	0.054	14.03*	0.262	0.029	9.1*	0.569	0.080	7.11*

CR\* = significant at .05 level



**Structural Model**

Path Coefficients			
	Estimate	SE	CR
Convenience->Multichannel	0.360	0.182	1.99
User Friendly->Multichannel	0.328	0.209	1.57
Assurance->Multichannel	0.463	0.180	2.58*
Satisfaction->Loyalty	0.589	0.071	8.28*
Satisfaction->Customer Retention	0.154	0.168	0.92
Loyalty->Customer Retention	0.477	0.190	2.5*
Multichannel->Satisfaction	0.583	0.073	8.0*
Multichannel->Loyalty	0.319	0.083	3.84*
Multichannel->Customer Retention	0.110	0.114	0.96

CR\* = significant at .05 level

Latent Variable	R square of Latent Variable	Means Scores of Latent Variables
Convenience	0	4.259
User-friendly	0	4.286
Assurance	0	4.280
Satisfaction	0.340	4.392
Loyalty	0.668	4.223
Customer Retention	0.467	4.251
Multichannel	1.000	4.275

**Correlations of Latent Variables (SE)**

	Convenience	User Friendly	Assurance	Satisfaction	Loyalty	Customer Retention	Multichannel
<b>Convenience</b>	1	0.720 (0.068)*	0.584 (0.071)*	0.467 (0.078)*	0.631 (0.062)*	0.436 (0.081)*	0.867 (0.066)*
<b>User Friendly</b>	0.720 (0.068)*	1	0.602 (0.088)*	0.528 (0.084)*	0.552 (0.092)*	0.426 (0.093)*	0.867 (0.080)*
<b>Assurance</b>	0.584 (0.071)*	0.602 (0.088)*	1	0.521 (0.086)*	0.548 (0.083)*	0.473 (0.082)*	0.871 (0.076)*
<b>Satisfaction</b>	0.467 (0.078)*	0.528 (0.084)*	0.521 (0.086)*	1	0.775 (0.042)*	0.588 (0.083)*	0.583 (0.073)*
<b>Loyalty</b>	0.631 (0.062)*	0.552 (0.092)*	0.548 (0.083)*	0.775 (0.042)*	1	0.670 (0.070)*	0.662 (0.064)*
<b>Customer Retention</b>	0.436 (0.081)*	0.426 (0.093)*	0.473 (0.082)*	0.588 (0.083)*	0.670 (0.070)*	1	0.516 (0.078)*
<b>Multichannel</b>	0.867 (0.066)*	0.867 (0.080)*	0.871 (0.076)*	0.583 (0.073)*	0.662 (0.064)*	0.516 (0.078)*	1

\* significant at .05 level

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