

How Customer Loyalty Represents the Future of Banks: Study of Banking Industry in West Java, Indonesia

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Abstract Free trade is a big challenge for a company to enhance its organization performance. Banking industry also faces challenges because of the free trade, since there have been many companies going bankrupt that it is feared that it will reduce customers' savings or deposits in bank. Competitors needs to be aware because only banks with advantages that are able to create product with high quality services that can satisfy customers. Challenges become harder particularly when customers are sensitive to the interest rate, thus loyalty is at stake. This circumstance is very important because customers define the future of a bank. Having a close relationship between the bank and the customer can become the strength that could increase customer value. The main objective of this research was to study how customer loyalty can be constructed using customer value and relational quality. Data from 178 business customers in 8 banks were collected using questionnaires. Structural Equation Modelling (SEM) was employed based on variance Partial Least Square Path Modeling. The unit of this study was priority customers of banks in West Java, Indonesia. Unlike other studies, the finding suggests that customer relational quality has a dominant contribution to loyalty

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