

CHAPTER 1

INTRODUCTION

1.1. Background

Telecommunication technology, Information technology and Internet in this last decade have brought implications to almost all business sectors. The most significance from these changes are in changing of business model and industry competition structure (Dussauge, 1994).

In banking sector, this changes has been given a new paradigm such as banking services changes from conventional banking to electronic banking. Many banking institutions compete in achieving customer value, with many innovations and break-through products and services such as multi-distribution channels.

One of the electronic phenomenon that many banks try to implement is Internet Banking (I-banking). This service gives many advantages both for customers and for banks. For customers, this service gives convenience. For banks, it can reduce operational cost and its ability to increase bank profitability. Since 1995 when Fargo (Bankrate.com) first introduced I-banking service, banks around the world had tried to compete in this service, although the benefit of I-banking has not been defined yet.

From the empirical survey of 41 professional banks which is conducted on July until August 2000 in Hong Kong, showed that 90% bank managers believed that five years from now, the whole banking retail will apply I-banking as a standard service. In the future the competition will be more tight since it did not just compete

with local banks but also with foreign banks around the world (The Asian Banker Journal Issue 25, 2000).

In Indonesia, the research has become a reality. Innovation in I-banking service has begun with the implementation by several national banks. Pioneered by Bank Papan Sejahtera in 1997, behind it are Lippo Bank, Bank International Indonesia, Bank Bali, BCA, Bank Niaga and Bank Universal. It seems that the national banks have realised that customer has become more critical in choosing banking products and services.

But in implementation of the system, an adaptation of new technology such as I-banking is not a simple job. There are many factors that influence the operational performance such as micro aspects that relates to I-banking system quality, a good human resources manpower and macro aspects like demography and physicography from Indonesia customer bank also influence I-banking service performance.

Innovation has to support by good quality service, because once the customer has been disappointed, it is difficult to get the customer back to the service. Based on research on customer feedback and word of mouth (Fitzimmons, 2001) it can be concluded that customers who has been experienced with unsolved problem with the bank, will inform at least 5 people of their colleagues. This gives a bad impact of service reputation and moreover, the impact will decrease the service users.

Since the implementation needs a lot of investment and if the implementation failed, it will give a bad impact not only to the bank profitability but also the bank image of the whole banking services. On the contrary, I-banking implementation will

increase fee-based income and banking services efficiency and at last the bank profitability.

Bank International Indonesia has implemented the I-banking since 1998. Although it was not the first bank but BII has become a well-known bank for this I-banking system. Through this research, the BII I-banking (BIB) implementation strategy can be examined further

BII has a competitive strategy in gaining the customer share. It focuses on innovation strategy by creating multi-distribution channel for its customers. In order to succeed, BII need an efficient operational strategy. I-banking implementation strategy that has been applied in Bank International Indonesia and the impact for future development are the motivation for doing a research.

1.2. Problem Statement

From the background above, the problem of the survey can be formulated as below:

Banking industry is a service industry that has orientation on customer (customer-centric company). Therefore, the understanding of customer characteristic and customer satisfaction is very important. Company must have the ability to identify the measurement of customer satisfaction. In I-banking service, customer satisfaction depends on system quality and customer services. Bad system quality and customer services will lower the service quality.

From the research on BIB user satisfaction using Servqual approach, there is a gap between the reality with the customer expectation in Internet Banking customer

service (Djoenaidi, 2000). So it need further research to identify the problem and how to solve them. Based on the Lee's Internet Online Customer Satisfaction Model and Xerox's Customer Satisfaction Survey Form, the research questions are as below:

1. Do customer services and system quality have influence on customer satisfaction?
2. Do speed of service, response time, product knowledge, technical knowledge, ability to solve problem have influence on customer satisfaction?
3. Do security, system reliability, speed of operation, ease of use, content quality have influence on customer satisfaction?

1.3. Objectives and Benefits

Through this research, whether customer services and system quality have influence on customer satisfaction or not can be examined further.

The objectives are:

1. To identify whether customer services and system quality have effect on customer satisfaction.
2. To identify whether speed of service, response times, product knowledge, technical knowledge, ability to solve problem have effect on customer satisfaction.
3. To identify whether security, system reliability, speed of operation, ease of use and content quality have effect on customer satisfaction.

The benefits of this research are:

1. For Academic

This research can add knowledge in operation strategy in I-banking service in Indonesia.

2. For Practice

The result can be use as input for BII management in increasing service quality and I-banking customer satisfaction.

1.4. Scope of Research

Because of some limitations such as time, fund and manpower, so the scope of research is:

- a. Respondents for the research are BIB users.
- b. Survey will be conducted by email where the questionnaire will be sent to the chosen BIB users based on the mailing list.

The variables that are covered in this research are:

1. Independent variables, consists of:

- Speed of services
- Response time
- Product knowledge
- Technical knowledge
- Ability to solve problem
- Security
- System reliability

- Speed of operation
 - Ease of use
 - Content quality
2. Intermediate variables; consists of Customer Services and System Quality.
 3. The dependent variable is Customer Satisfaction.