

Islamic Banking Consumer Behaviour in Indonesia: A Qualitative Approach

Adiwarman A. Karim^{*}

Adi Zakaria Affif^{**}

Based on a qualitative research, three market segment is driven by different motivation is found. Due to this different motivation, the consumer decision making process of each segment very various. In addition, based on our study, we just look two segmentation variable, namely value-graphic variable and economic size variable. The combination resulted in our K-Mark Segmentation Model. From this segmentation, the consumer evaluation stage in the decision making process can be further classified. At the end of this qualitative approach is expected to lay down future quantitative study.

1. Introduction

In the last five years, the Islamic banks development in Indonesia is phenomenal. The number of banks increased from only five banks (two Islamic Commercial Banks and three Islamic Banking Unit) in 2000 to 18 banks (three Islamic Commercial Banks and 15 Islamic Banking Unit) by the end of 2004. Assets grow by an average of 70% per year in the last five years, namely from Rp 1,790 trillion to Rp 14,035 trillion by the end of 2004. Fund collected by the Islamic banks in Indonesia has reached Rp 10,559 trillion, while financing channelled by the Islamic banks reached Rp 10,978 trillion, creating a finance to deposit ratio of 104,00 %. Another important development of Islamic banks in Indonesia is the number of branch and sub-branch offices. In 2000, the number of branch offices was only 28, while in 2004 it has grown to 148.¹ This does not include the number of ATM (Automatic Teller Machines) that can be accessed by Islamic bank customers.

In 2005, it is estimated that the number of Islamic banks will still increase significantly. Following this growth is the increase of number of branch offices, sub-branch offices, ATM, assets, and of course customers. Unfortunately, studies regarding customers Behaviour of the Islamic banking customers in Indonesia is still rare. Questions regarding: what is the public perception of Islamic banks, why customers choose an Islamic bank for its financial need, why customers choose a

* Principal Consultant, KARIM Business Consulting. Plaza DM 18 floor, Jl Jendral Sudirman Kav 25, Jakarta 12920, INDONESIA.

** Senior Consultant, KARIM Business Consulting. Plaza DM 18 floor, Jl Jendral Sudirman Kav 25, Jakarta 12920, INDONESIA.

¹ Bank Indonesia, 2005.

certain bank, why customers prefer a certain Islamic bank, and what is customer's knowledge on Islamic bank products are so important but currently not fully understood yet. This lack of consumer knowledge then creates the dilemma of Islamic banking in Indonesia. In term of quantitative measures, financial figures are all progressing, but in term of the human nature many is yet to be understood.

The paper is organized as follows. Section 1 introduction of the paper. Section 2 explains about research methodology. Section 3 provide theoretical basis of consumer Behaviour. Section 4 provides perception map of Indonesian banking. Section 5 describes perception and image of Islamic banks in Indonesia. Section 6 identifies factors which determine consumer Behaviour. Section 7 describes market segmentation faced by Islamic banks. Section 8 we conclude with customer satisfaction for each Islamic bank.

2. Research Methodology

The human side of the Islamic banking development in Indonesia lies in the heart and mind of the customers of the Islamic bank. Of course, to enrich understanding of this human side, the perspective of those who prefer not to be a customer of Islamic banks in Indonesia is also an important perspective. Combining the knowledge on these two types of banking customers in Indonesia should then provide a more comprehensive understanding of the consumer Behaviour of Islamic banks in Indonesia.

As the objective is to seek insights into the general nature of consumer Behaviour of the Indonesian Islamic bank, a qualitative research approach is used. This approach, that is part of the exploratory research design, is one of the two different research design used by many researchers, namely the exploratory and conclusive research design. Exploratory research design has the objective of generating insights and understanding the research problem, while the conclusive research is more directed toward testing specific hypotheses and examine relationships (Maholtra, 1993). This means that to conduct a conclusive research, the information needed is clearly defined, the sample is relative large and representative, the research process is formal/structured and the data analysis is quantitative. This is opposite to the exploratory research that has a more loose definition of information, a relatively small sample, a relatively flexible and unstructured research process and a qualitative analysis.

The different characteristics of these two research designs have their own plus and minus sides. For the exploratory research, its plus side is that the information generated is rich, while its minus side is that the findings are relatively subjective. This means that the findings need further confirmation on whether these findings are representative to the population. The conclusive research, on the other hand, has a more conclusive finding on its plus side, while having a less rich if not limited scope on its minus side.

In a wider perspective, the conclusive research design represents the dominant positivism paradigm that dominates the current science field. Positivism regards the world as a rational–ordered place with a clearly defined past, present and future. Contradictory to this paradigm is the postmodernism (interpretivism) paradigm that stresses the importance of symbolic, subjective experience and the idea that meaning is in the mind of the person (Solomon, 2004). The latter is more related to the exploratory research.

The exploratory research itself design includes two different approaches, secondary data analysis and qualitative research. On the other hand, the conclusive research design includes two different approaches also, survey and experimentation. By definition, qualitative research is an unstructured, exploratory research methodology based on small samples which provides insights and understanding of the problem setting (Maholtra, 1993). The qualitative research approach is use as this approach allows a more depth and greater richness of the Islamic bank consumer Behaviour context.

This paper that is based on our research² in the last couple of years, attempts to understand the market Behaviour of Islamic banking consumers in Indonesia. We found that there are three market segments (i.e. Shari‘ah Loyalist, Floating Market, Conventional Loyalist) with their unique Behaviour. The interesting result is we found similarities in their Behaviour in choosing the bank. Product functionality, product form, and product life-style are the factors determine market choice. The differences amongst the segment are in priority of the factors and its weights.

Product functionality is a must for all segments, although the Floating Market tends to be more demanding compared to Shari‘ah Loyalist. On contrary, product form (packaging with Islamic attributes) has heavier weight for Shari‘ah Loyalist, but plays minor weight for Floating Market segment. Product life-style, on the other hand, is very important for Floating Market, whilst for Shari‘ah Loyalist this factor is not that important.

With the consumer decision making theory perspective, the qualitative research conducted by us covered 18 FGD (Focus Group Discussion) and 12 IDI (In Depth Interview). FGD was conducted to explore attitude and perception from the mainstream customers (ABC+ customers who needs or has experience with banking products), while the IDI was conducted to explore the attitude and perception from specific customers (A+ customers who are the target market of preferred banking). The research itself was conducted from the end of 2003 to the end of 2004 in 5 (Jakarta, Surabaya, Bandung, Jogjakarta and Pekanbaru) different cities.

² KBC (2001), KBC (2004), KBC & Prompt (2003 & 2004), KBC & Mars (2004).

3. Consumer Decision Making Process: A Theoretical Basis for Understanding Consumers

Almost all consumer Behaviour textbooks (Solomon, 2004; Assael, 1995) include several chapters on consumer decision making. It is considered important as it integrates all significant concepts on the choice and reasons of choice made by the consumers in making a purchase. After going through many significant concepts and theories, this theory basically summarizes the decision making process made by the consumers.

The consumer decision making theory starts from the rational side of the consumer. Decision making is viewed as a process of steps that is taken by the consumer leading to a product choice decision. Even though there are variations in the name of each step, the basic process remains the same. Following are the steps of a consumer decision making (Solomon, 2004).

1. Problem Recognition
2. Information Search
3. Evaluation of alternatives
4. Product choice
5. Outcome

From this theory, the first question raised for the purpose of our study is what is the motivation that governs a consumer's selection of a bank. Insights on this question will provide a description of how the Islamic bank fits into the specific needs of the consumer.

After the need of placing the consumer fund is felt, what is his/her perception of Islamic banks in Indonesia. The second question that follows are what Islamic banks they know, and what are their perceptions of these Islamic banks. Both questions are related to the Information Search stage in the above theory.

Related to the third stage is how do consumers compare the Islamic banks and the conventional banks. More exactly, in what attributes do consumers see that Islamic banks are different than conventional banks in Indonesia. This insight will be very useful, both for future studies and for the Indonesian Islamic banks in developing marketing plans.

Finally, the fourth insight to be generated by this study is the reason of choosing a certain Islamic bank. Insights on making why a certain Islamic bank is chosen will be very useful in seeing the relation of the first two stages above with the choice stage.

The decision making theory itself classifies decision making into 4 types (Assael, 1995), namely Complex Decision Making, Limited Decision Making, Brand Loyalty and Inertia. Each type of decision making is related to different hierarchy effects and different consumer learning theory. The first two types of

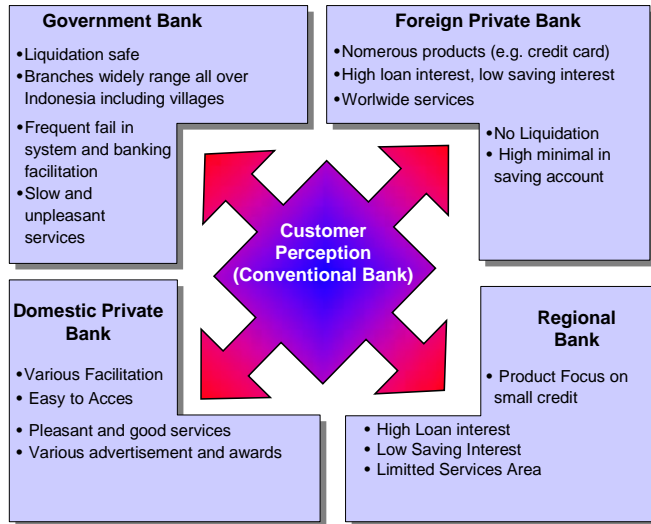
decision making is for high involvement purchase, while the last two types of decision making is for low involvement purchase. These two types of involvement purchase have different hierarchy of effects. The high involvement purchase has a more rational hierarchy of effects sequence and goes through a more cognitive learning process. The low involvement purchases, on the other hand, goes through a less rational hierarchy of effects sequence and go through a Behavioural learning process. As banking transaction in our view is considered as a high involvement purchases, we would focus this study on the Complex Decision Making and the Limited Decision Making.

4. Perceptual Map of Indonesian Banking

Our findings show consistent classification of banks in Indonesia by the consumers into 5 different types, namely state owned banks, domestic private banks, foreign private banks, regional banks and Islamic banks. However, regional banks are only identified by consumers that are located outside of Jakarta. The reason for lack of awareness of the regional bank in Jakarta, we suspect, is due to Jakarta as the headquarter of all national banks (state, domestic private, domestic foreign and Islamic banks), while the other 4 cities only have only a few banks, including the regional banks, that has their headquarter in these cities.

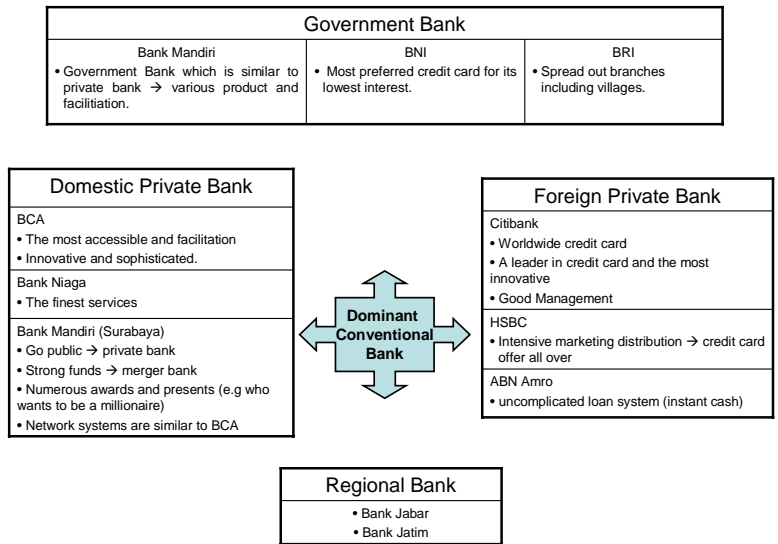
Major findings show that the main difference among the four type of banks (not including Islamic banks) are that state owned banks and foreign private are perceived as safest to place consumer's fund while the domestic private banks and regional banks are perceived as less secure. On the other hand, in term of facilities that provide convenience and hospitability of the bank, the domestic private banks are perceived higher than the other three types of banks. The foreign private banks are perceived to have facilities that provide convenience only in a global perspective. In addition, the foreign private banks are perceived a bank for consumer loan, a bank that has a high interest loan rate and a bank that has a low interest saving rate. The regional banks, are mostly perceived as targeted for small-medium enterprises, has a low saving and lending interest rate and a limited area of coverage. For a summary of differences among the four types of bank, please see the following diagram.

Diagram-1: General Perception of Conventional Banks in Indonesia



In term of dominant conventional banks, our studies also show a relatively consistent names of bank that are mention through out the different FGDs and in-depth interviews. Following is the names of bank and their major associations,

Diagram-2: Major Conventional Banks in Indonesia and their Dominating Associations



5. Perception and Image of Islamic Banks in Indonesia

As stated above, our findings show consistent classification that includes the Islamic bank as one of the categories of banks in Indonesia. This is an important finding as it shows that, at least in the cities studies, consumers are aware of the existence of Islamic banks. This awareness is most likely the impact of growth, both the number of Islamic banks and the number of Islamic bank branches. In addition, the increase of advertising expenditure of Islamic banks in the last few years (AC Nielsen, 2004) also supports the notion of increase awareness in the market.

However, in term of perception, beside the perception that an Islamic bank is a bank that operates under Islamic principles (including avoiding *ribā*), other important perceptions that surface are banks that are especially for Islamic consumers only, have a limited facilities compared to conventional banks and do not have a large customer base. These findings shows that even though awareness of Islamic banks may be quite high, the understanding of what the Islamic bank is and is not is still lacking

6. Consumer Behaviour: A Consumer Decision Making Theory Perspective

Using the consumer decision making framework explained above, following is a discussion that goes through each stages of the consumer decision making process.

6.1 Problem Recognition

In the FGDs we conducted, two different motives were found that governs reason of placing consumer fund in a certain bank, namely short term transaction need and long term saving need. Short term transaction need means that the purpose of selecting a certain bank is more due to convenience in making daily transactions, such as purchasing staple needs, shopping, traveling, utilities payment etc. On the other hand, long term saving needs mean that the purpose of selecting a certain banks is more due to security and return reasons. These two different needs also seems to be the driving factor of why many consumers of banks in Indonesia tend to use more than one bank.

For short term transaction motives, convenience becomes a key factor. The ability to Fulfil short term transaction motive require a bank to have enough facilities that will satisfy consumers. If a bank's transaction facilities is regarded as low than the consumer will most likely not prefer such a bank. On the other hand, long term saving motives does not require many facilities. More important regarding this motive is safety and return of placing the consumer's fund in a certain bank. However, since return among the different banks in Indonesia is also not significantly different, the selection of bank under this motive then tend to be more influenced by perception of safety and the service level provided by a bank.

At this stage, the alternatives of choosing between a conventional bank and an Islamic bank are still open. Only if the consumer belief that the interest rate is *ribā* will he/she eliminate all conventional banks as a choice. The motive then becomes to Fulfil short term transaction need or to Fulfil a long term saving need through an Islamic bank. This need or motive to Fulfil short term transaction need or to Fulfil a long term saving need through an Islamic bank then can come from the belief that interest rate as *ribā* up to the belief that placing the fund in an Islamic bank will bring *ajar*.

6.2 Information Search

The different motives above will influence information search of consumers of a bank. In the first motive, short term transaction need, the consumer will gather information regarding different convenience facilities provided by various banks, conventional and Islamic banks. In the second motive, long term saving need, the consumer will gathered information regarding safety and service quality offered by various banks, conventional and Islamic banks.

For consumers with the third motive, both to Fulfil short term transaction need or to Fulfil a long term saving need through an Islamic bank, the information gathered will be on either different convenience facilities provided by various Islamic banks or safety and service quality offered by various Islamic banks.

6.3 Evaluation of Alternatives

If the belief that interest rate is *ribā* or that placing fund in a certain Islamic bank will bring *ajar* is high, than the information search will occur only among Islamic banks. However, if this belief is moderate or weak, comparison with conventional banks will more likely to occur. In this context, conventional banks have a more advantage position as these banks have a strong facilities network perception. Information search then will most likely occur among conventional banks only. This means that for an Islamic bank to be more considered by the consumers, it should be able to create the perception of Favourable, or at least similar facilities than the conventional banks.

If evaluation is among Islamic banks only, then convenience and service quality, will be the main consideration. For consumers who prefer convenience value than the Islamic bank that is perceived to provide the most convenience is chosen. On the other hand, if the service quality value is more preferred, then the Islamic bank that is perceived to provide the highest service quality will be most likely to be chosen. The similar consideration will occur if the evaluation is among conventional banks only. However, if the evaluation is among both conventional and Islamic banks, there will be a trade off between beliefs that placing funds in the Islamic banks with convenience or service quality provided by the conventional banks.

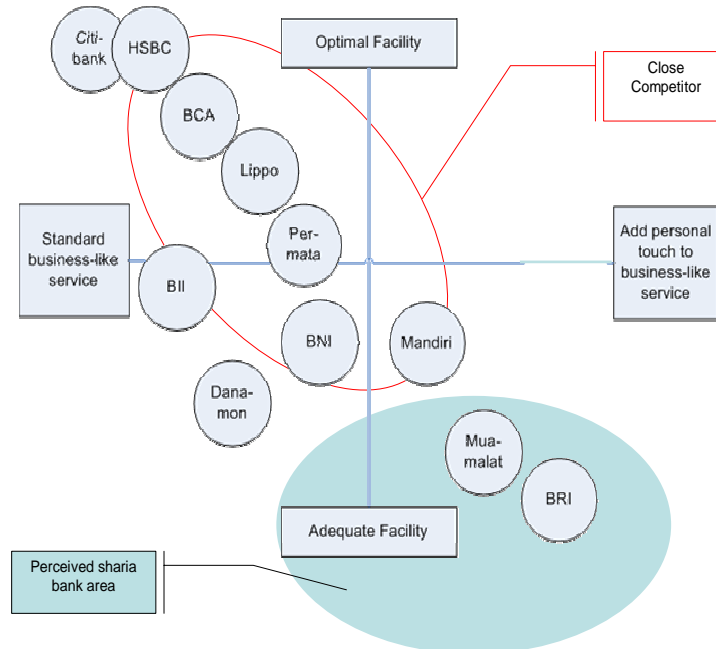
The discussion of perception and image above shows that when a consumer decided that he/she wants to open an account or wants to have a loan from a bank, his/her internal search (in the memory) will mostly likely have a preference on conventional banks as the Islamic banks have a relatively negative image in term of facilities and customer base. With this relatively negative image, the consumer will only tend to use an Islamic bank for its need when he/she have more important considerations than facilities of the Islamic bank or a strong preference toward the Islamic bank. This strong preference can come from either his/her perception that interest rate is *ribā* or his perception that placing fund or receiving financing from an Islamic bank brings *ajar* (reward from Allah).

Based on the FGDs conducted, the two factors that are identified as important in the selection of a bank for short term transaction is:

1. Product Functionality i.e. Banking facility by translating the FGD & IDI results into a Likert scale 1 to 5 (adequate facility to optimal facility)
2. Service Quality i.e. Type of service by translating the FGD & IDI results into a Likert scale 1 to 5 (standard business-like service to add personal touch to business-like service)

Using these 2 factors, we portrayed the result our qualitative research into a subjective perceptual map. Even though we did not conduct a proper positioning study, in terms of measuring the size of each bank's market so that the size of the circles does not reflect the size of the market, we believe that the bellow perceptual map might adequately indicates perception of several banks in term of short term transaction.

Diagram-3: Favourite Banks for Short Term Transaction Need



In general, banks in the upper-left quadrant are the Favourite ones. Specifically, each bank has its own position in the upper-left quadrant:

- BCA, Lippo, and Permata is perceived as big private banks with optimal facility/service
- BNI and Mandiri are not perceived as bank with optimal facility, but still become Favourite due to its wide outlet availability
- Citibank and HSBC are perceived as too exclusive
- HSBC, BCA, Lippo, Permata, BNI, Mandiri are perceived as closely competing among each other
- Islamic banks are perceived at the lower-right quadrant i.e. Banking facility is just adequate. The selling point of the Islamic banks is the personal touch on top of business-like service

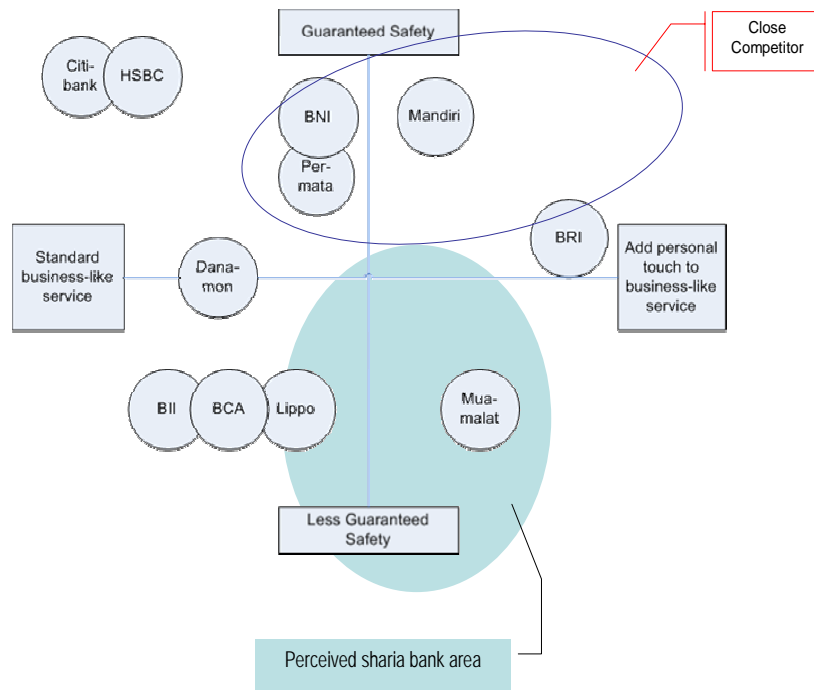
Similarly, based on the qualitative FGDs we conducted, the two factors that are identified as important in the selection of a bank for long term saving need is:

- Product Functionality i.e. Safety by translating the FGD & IDI results into Likert scale 1 to 5 (guaranteed safety to less guaranteed safety)

- ii. Service Quality (Product form) i.e. Type of service by translating the FGD & IDI results into Likert scale 1 to 5 (standard business-like service to add personal touch to business-like service)

Using these 2 factors, again we portrayed the result our qualitative research into a subjective perceptual map. Even though we did not conduct a proper positioning study, in terms of measuring the size of each bank’s market so that the size of the circles does not reflect the size of the market, we believe that the bellow perceptual map might adequately indicates perception of several banks in term of short term transaction.

Diagram-4: Favourite Bank for Long Term Saving Needs



In term of long term saving, the Favourite banks should be in the upper-right quadrant. But, as the Favouritism is based on very emotional aspect, the actual preferences slightly differ:

- Niaga is automatically include : Fulfil both expectation in long term saving (safety & good service).
- Mandiri: safe as a government-owned bank and Fulfil good service in long term saving.
- BNI and Permata are not perceived as bank with personal touch, but still become Favourite bank due to safety as a are big government-owned bank.

- BRI is not too close as Favourite bank (not a bank for urban resident), but still perceived as safety bank with personal touch.

Islamic banks are perceived at lower-right quadrant as a bank with less guaranteed safety but still have personal touch on top of standard business-like service.

Are there other reasons beside the above for choosing an Islamic bank? Yes, customers of Islamic banks that choose an Islamic bank can also be motivated by convenience of location and want to see the differences with conventional banks. However, we feel that the above insights of strong preference play an important role, especially in relation to current perception that Islamic banks have an inferior facilities compared to conventional banks.

So this relatively unfavourable perception, the Islamic bank basically have 4 main associations in the Indonesian banking market. These associations are:

1. Good for long term saving
2. Peaceful in heart
3. Not for those expecting high return
4. Complement to conventional bank

Overall, from all the field research conducted it can be concluded that supporting and barrier factors of using an Islamic banks can be further classified into product functionality issues, service quality issues and value oriented issues. The latter is related to the strong perception that interest rate is *ribā* or that placing fund or receiving financing from an Islamic bank brings *ajar* (reward from Allah). Summary of this insight can be seen in the following table

Table-1: Supporting and barriers to use Islamic bank (non user)

No.	Supporting & Barriers Factors	Notes
Supporting Factors		
1.	Obtain some tranquillity	Value Oriented
2.	Saving money in way directed by Islam	Value Oriented
3.	Participate in the good plan for the brotherhood	Value Oriented
4.	Safety in the world and hereafter	Value Oriented
5.	Willingness to get ajar	Value Oriented
No.	Supporting & Barriers Factors	Notes
Barriers Factors		
1.	Lack of Information about Islamic Bank	Product Functionality
2.	Do not see any practical benefits from the bank	Product Functionality
3.	There is mental barrier to be customer that perceived have to adjust with strict Shari'ah rule.	Value Oriented
4.	Islamic Bank has not yet proven in their performance.	Product Functionality
5.	Profit and Loss Sharing system perceived lower return than interest in conventional bank.	Product Functionality
6.	Do not support individual and business activities in managing financial aspect due to limitation of facilities and number of branch.	Product Functionality

From the above table it can be concluded that the main supporting factor of using an Islamic bank is value oriented factors. On the other hand, the barrier factors are mostly product functionality factors. This clearly indicates that the major challenge for most Islamic banks in Indonesia is to change this perception of inferior product functionality compared to conventional banks.

Among those that are users of Islamic banks in Indonesia, the three issues (product functionality, service quality and value oriented factors) can be analyzed to see what consumer's expectations toward Islamic banks in Indonesia are. Details can be seen in the following table

Table-2 : Expectations toward Islamic banks

No.	Expectations	Notes
1.	Islamic Bank should offer better facilities	Product Functionality
2.	Improvement of product development	Product Form
3.	Customer gifts (i.e pilgrimage package)	Product Form
4.	Deep information about Islamic Bank : basic principle of Islamic Bank management transparency requirement to be customer product information (similarity in conventional bank)	Product Functionality
5.	Increasing Number of branch and wider the network	Product Functionality
6.	Islamic Bank should offers easier accessibility	Product Functionality
7.	Improvement product knowledge of front-liners	Product Functionality

Again, this result strengthens the above conclusion. Product functionality is really a challenge to be improved by the Islamic banks if they wan to increase their competitiveness in the market.

6.4 Bank Choice

A certain Islamic bank than will be chosen from all Islamic banks evaluated after weighting the alternatives. Similarly, a conventional bank will also be chosen from all conventional banks evaluated. If the evaluation considers both Islamic banks and conventional banks, then one of them will be chosen

6.5 Outcome

After the decision to choose an Islamic or conventional bank has been made, the consumer will then compare his/her experience with the bank with his/her expectation. If the experience match, or is above, his/her expectation than the customer will be satisfied. If the experience is bellow his/her expectation, than the

customer will dissatisfied. If the latter case, customer can switch to other Islamic bank or conventional bank depending on the degree of preference of an Islamic bank in his/her mind and heart.

7. The Indonesian Islamic Bank Market Segmentation

At the end of 2001, we conducted research by interviewing CEOs of 21 banks in Indonesia. They were asked their opinion on market acceptance of their existing customers toward Islamic banking services. The result is very interesting: we found three market segments i.e. Sharī'ah loyalists, floating market, and conventional loyalists. Then we asked these CEOs what is their estimation for market potential of each segment.

This section will explain some of the findings, including their sensitivity on price. It is also interesting to learn that sharī'ah loyalist segment is price insensitive probably because of their strong belief. So is the conventional loyalist segment for the opposite reason. The floating segment is the one who very sensitive to price. Based on their sensitivity we can classify sub-segments as follows:

As the discussion above shows, one of the most important indicator of consumer belief toward an Islamic bank is his/her preference regarding an Islamic bank. This belief actually represents a value in his/her overall Islamic values. If this person values using an Islamic bank high in his/her overall Islamic value system than he/she will tend to choose an Islamic bank. On the other hand if this value is relatively weak within his/her overall Islamic value system the motivation to use an Islamic bank will be low. This important insight is the first variable that will be used by us in trying to create a segmentation of the Islamic banking market in Indonesia.

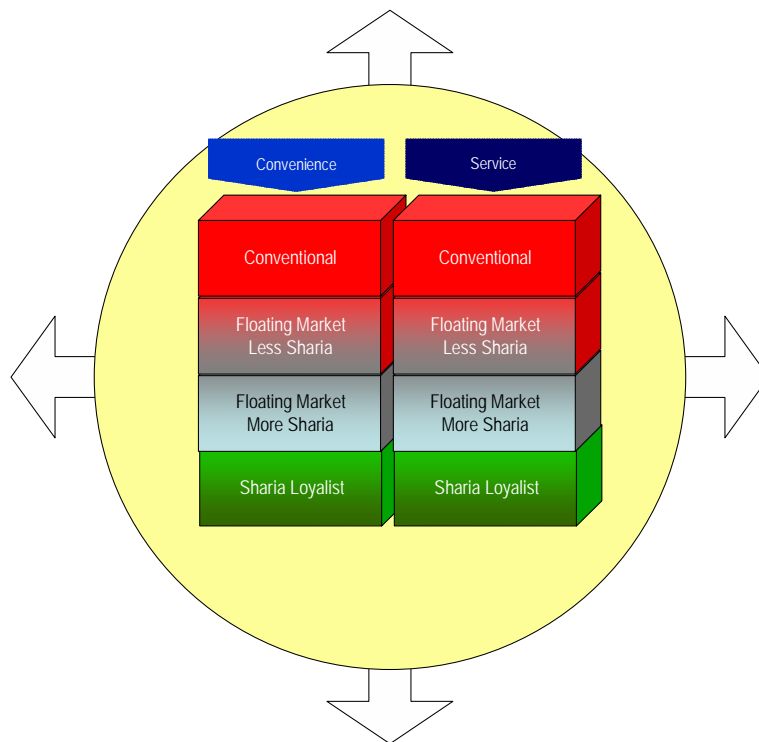
On one extreme we will place those who beliefs that conventional banks interest rate as *ribā* that makes it unlawful (*ḥarām*), while on the other extreme are those that beliefs that interest rate is not *ribā* and not unlawful (*ḥarām*). Between these two extremes is a spectrum from those that tend to belief that interest rate as *ribā* that makes it unlawful (*ḥarām*) to those interest rate is not *ribā* and not unlawful (*ḥarām*). Those whose see interest rate as *ribā* are then named the sharī'ah loyalist segment, while those who do not belief that interest rate is *ribā* is named the conventional loyalist segment. In between is named the floating mass segment.

We belief that this variable is a useful segmentation tool, even though we are not fully satisfied yet. Improvements, we believe should be made within the floating mass segment. At this point we believe further segmentation based on spectrum of values regarding whether placing funds in the Islamic banks are regarded as an *ajar* (reward from Allah) or not is needed. For this purpose we dissect the floating mass segment into two types, namely the more sharī'ah oriented floating mass segment and the less Sharī'ah oriented floating mass segment.

The second segmentation variable is service required, convenience or service quality. By convenience we mean that the consumer will consider more important the convenience than interactive face to face experience, while by service quality we mean that the consumer will consider more important the interactive face to face experience than convenience.

We will use the term value-graphic to describe the combination of these two variables. This will breakdown the Indonesian banking market into 8 different segments. An illustration of this segmentation is provided in the following diagram,

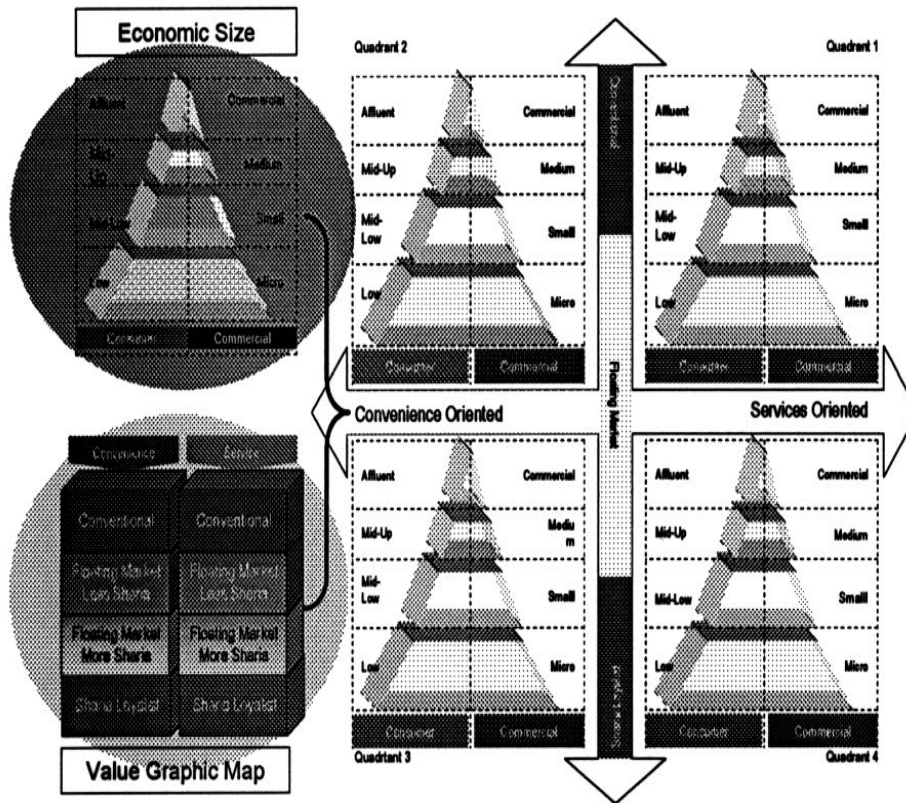
Diagram-5: Value Graphic Market Segmentation



In addition to the value graphic segmentation above, we would also like to propose another segmentation variable, namely the economic size of the customers. Based on this variable, the banking consumer market then can be divided into 4 segments, namely the affluent segment, the middle-up segment, the middle-low segment and the low segment. The business market can also be segmented similarly, resulting in the commercial business segment, the medium business segment, the small business segment and the micro business segment.

The full graphic of this market segmentation can be seen in the following diagram:

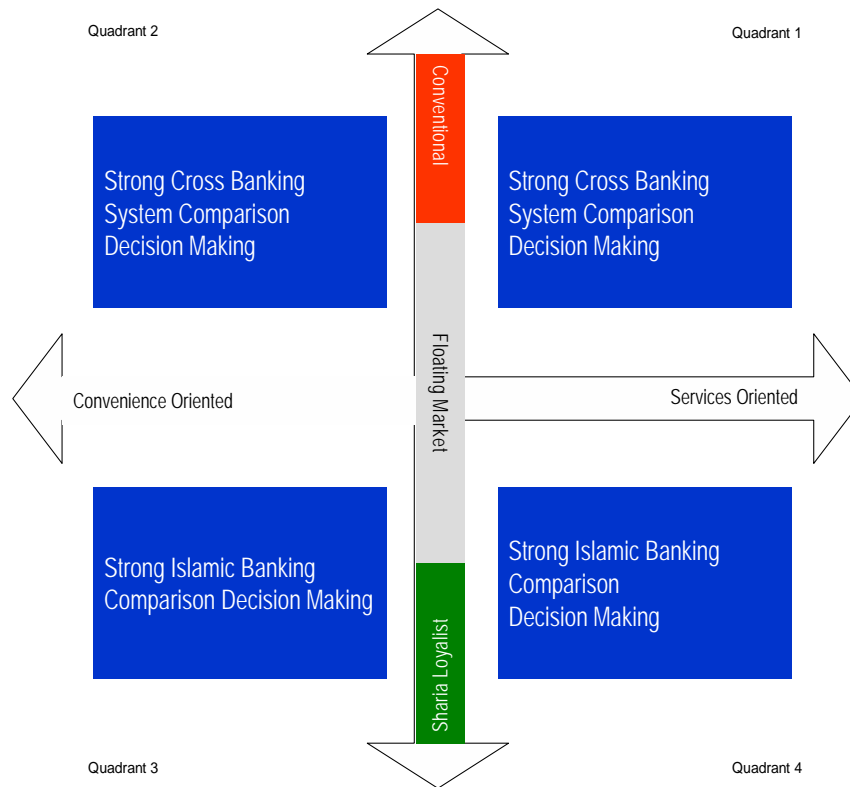
Diagram-6: K-Mark Segmentation Model



Based on the above segmentation, the consumer decision making process in each quadrant will be characterized by different bank comparison. Quadrant 1 and 2 will be characterized by consumers strongly comparing cross banking system (conventional vs. Islamic banks), however with difference in value need. Consumers in quadrant 1 will compare conventional banks and Islamic banks in difference of convenience value provided. On quadrant 2, consumers will compare conventional banks and Islamic banks in difference of service quality value provided.

Quadrant 3 and 4, on the other hand, will have a stronger comparison among the various Islamic banks. Consumers in quadrant 3 will compare Islamic banks in difference of convenience value provided, while consumers in quadrant 4 will compare various Islamic banks in difference of service quality value provided. The graphic of this classification can be seen in the following diagram,

Diagram-7: Consumer Different Bank Comparisons



8. Customer Satisfaction of Islamic Banking in Indonesia

The last stage of the consumer decision process is evaluation the outcome. As discussed above, satisfaction will occur if the consumers perception of service is the same or above with his/her expectation. The other way around, dissatisfaction will occur. To strengthen the insights we found, we conducted a study using a mystery shopping method in 8 cities (Jakarta, Bandung, Yogyakarta, Semarang, Surabaya, Malang, Cirebon, Pekalongan).³ Measurement of customer satisfaction is conducted by experiencing directly the service quality of Islamic Banks in the above cities.

The service quality measurement itself is divided into two major dimensions. These two dimensions are the Non Physic Aspects and the Physic Aspects. The details of each aspect are as (1) Non Physical Aspects is the direct interaction with security guards, customer service, teller, and phone handling. (2) Physical Aspects

³ KBC (2004).

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