

Contemporary Marketing Mix, Brand Image and Consumer Buying Interest in Islamic Banking

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Abstract

In the last 20 years, Islamic Banking has been operating in Indonesia. It begun when Bank Muamalat Indonesia established in 1992, then followed by others. With over 250 million populations in Indonesia, including a large number of Muslims as a majority, Indonesia should be a potential market for Islamic Banking. However, Islamic Banks, which are supposed to be a Muslim icon, are not capable to do much in the largest Muslim population country. Over two decades, Islamic Banks still have not been able to offset the domination of Conventional Banks, it just only has around 5 percent of the banking market share. Based on the phenomenon, this study aims to examine the Islamic Banks viewed from the marketing aspect. This research was conducted in East Java because this region has a large number of Muslim population with a thick Islamic culture. This study aims to determine the effect of contemporary marketing mix on the interest of east java's residents, become customers of Islamic Banks, with a brand image as the mediator variable. This research was conducted by the survey method, then the data obtained were analyzed by the SEM-PLS technique using WarpPLS 5.0. The result shows that the data has met the rules of the outer model, inner model, model fit, and quality indices. The results in the study indicate that the contemporary marketing mix affects East Javas's resident's interest, becomes a customer of Islamic Banks, with a brand image as a partial mediator variable.

Keywords:

contemporary marketing mix, brand image, consumer buying interest, Islamic banking.

1. INTRODUCTION

Today, it is undeniable that the banks' role is major in economic movement, especially in Indonesia, it's due to the central role of banking institutions as financial intermediation institutions, in which banking institutions can raise funds from people who have excess funds, to be channeled to communities need or lack of funds for working capital, investment or consumptive needs. Bank has three main functions, Bank receives funds, lends funds, and provides the other banking services (Karim, 2013). Meanwhile, according to Laws No.10 of 1998 on Sharia Banking (DPR Republik Indonesia, 2008), the definition of Bank is a business entity that collects funds and channels the funds, to improve the people living standard.

Bank also has a specific function, it's called as the agent of trust, an agent of development and agent of services (Triandaru and Budisantoso, 2009). As an agent of trust, the Bank

must have trust in the deposit and manage saving funds well. Similarly, on the other side, the Bank should be selective to debtors. Banks should lend to debtors who are trustworthy and have good intentions to repay the loan. As an agent of development, Bank has a primary function as a financial intermediary, allows the community to undertake investment, distribution, and consumption activities, which are economic development activities. As an agent of services, the Bank also provides other services, which related to economic activities, such as remittance services, valuables custody, bank guarantees, and others.

Based on Laws no. 10 of 1998, concerning in Banking, Banks can be categorized into two types, they are called Commercial Bank and Rural Bank. Commercial Bank is a bank that conducts business in a conventional or sharia-based, that provides services in payment traffic, while Rural Bank is a bank that conducts conventional business activities or sharia-based, that provides no services in payment traffic.

In subsequent developments, several Banks declared as Islamic Banks, that operate their business based on sharia principal. It began when Bank Muamalat Indonesia established in 1992, followed by Bank Syariah Mandiri in 1999 and the oth-

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ers. The development of the Islamic Bank in Indonesia, it encourages the government to manage the business of the Islamic Bank, which ultimately stipulated in Laws no. 21 of 2008, about Islamic Banking. According to Laws no. 21 of 2008, the definition of Islamic Bank is a bank that runs its business activities based on sharia principles. Islamic Bank consists of Islamic Commercial Bank and Islamic Rural-Bank.

Table 1: The Development of Islamic Banking in Indonesia

Indicators	2016	2017	2018	2019
Number of office networks	2201	2169	2229	2300
Total assets (Rp Trillion)	356	424	477	524
Market share	5,21%	5,63%	5,79%	5,99%

Source: *Otoritas Jasa Keuangan (2019)*

Table 1 shows the total assets of Islamic banks are growing from year to year. It shows that Indonesian resident, who use Islamic banking services is increasing, whether they are a new customer in sharia bank or conventional bank's customers who move their accounts to an Islamic bank. However, more than 28 years of Islamic banks run their business in Indonesia, they just have a small market share, the conventional ones are still dominant. the Islamic bank's market share is just around 5%. It indicates that conventional banks are still very superior by controlling more than 95% of the banking market share in Indonesia. It's so ironic that Indonesia has 87.18% or about 207,176,162 Muslims (*Badan Pusat Statistik, 2010*) which should support the development of Islamic banks in Indonesia.

Based on the explanation above, researchers choose East Java as a sample in this study, where the majority of the population is Muslim, and spread many Islamic boarding schools and organizations in this area, so East Java can be said as Islamic banks' potential market. Since 1994, Islamic banks have started to expand their business in East Java, first by Bank Muamalat Indonesia and followed by others in the early of 2000. In reality, Islamic banks in East Java only have small market shares, as it happens on the national scale.

The phenomenon above gives us a view that people's buying interest in products and services offered by Islamic banks is low. People's buying interest can be influenced by Contemporary Marketing Mix and Brand Image. It's proven by the research, which concluded that Product, Price, Physical Evidence, and Process dimensions influence buying interest, while Place, Promotion, and People have no influence (*Margaretha, 2011*). In 2010, a study concluded that place has the greatest influence on Brand Image, followed by a sequence with a product, people, process, and promotion, while the price and physical evidence do not affect brand image (*Setiadi, 2010*). While other research concluded that brand image influences consumer buying interest (*Maunaza, 2012*).

Therefore, the researcher is interested to do a study about the influence of Marketing Mix Service on Consumer buying Interest with the Brand Image as Mediator Variable in Banking

Customer in East Java. This study is unique, due to the study on Banking is still dominated in the financial aspect, while the marketing aspect is still rarely done, especially on Islamic Banking which is currently in the development stage. This research aims to study the influence of contemporary marketing mix on public interest to become Islamic banks' customers, with a brand image as a variable mediator. The research is limited in East Java Region.

2. LITERATURE REVIEW

2.1. Islamic Bank

Islamic Bank is a bank that leaves usury things in its business operation (*Machmud and Rukmana, 2010*). The Islamic Bank is also understood as the bank that runs its activities based on sharia principles (*Triandaru and Budisantoso, 2009*). Meanwhile, according to Laws no. 21 of 2008 about Islamic Banking, Islamic Bank is a bank that conducts its business activities based on sharia principles and consists of Islamic Commercial Bank and Islamic Rural Bank. So it can be concluded, that Islamic Bank is a bank that in its every business operation using sharia principles.

2.2. Consumer Buying Interest

Interest is one of the psychological aspects that have considerable influence on behavioral attitudes (*Schiffman and Kanuk, 2008*). Buying interest is a consumer behavior that appears as a response to an object that indicates a customer's desire to purchase (*Kotler and Keller, 2009*). Buying interest arises because of the learning process that creates motivation in consumers to meet their needs and psychological aspect, which affects consumer attitudes and behavior to buy products based on information that they received (*Nulufi, 2015*). So, it can be concluded that the buying interest is a psychological response to a product that can be used to meet its needs based on information obtained by consumers.

Schiffman and Kanuk (2008) use interest in seeking information, consideration to buy, interest in trying, desire to know more about the product, and the desire to have the product as indicators of buying interest. The buying interest indicators used by *Nulufi (2015)* in his research are transactional interests, referential interests, preferential interests, and explorative interests. According to *Margaretha (2011)*, indicators of buying interest are buying interest based on product consideration, buying interest based on price consideration, buying interest based on promotion consideration, buying interest based on location consideration, buying interest based on human resource consideration, buying interest based on consideration of physical evidence and buying interest Based on the process. Other studies by *Rizky and Yasin (2014)* use Attention, Interest, Desire, and Action (AIDA) as indicators of buying interest.

From the various indicators presented above, in this study, the researchers use those indicators in measuring buying interest variables, these are interest in seeking information, considerations to buy, Interest to try, and Desire to know more about the product.

2.3. Contemporary Marketing Mix

The contemporary marketing mix is a set of tools that can be used by marketers to form product characteristics that offered to customers (Tjiptono, 2015). The contemporary marketing mix is also for marketers that consists of various elements of a marketing program and positioning that can be set to run successfully (Lupiyoadi, 2013). From the expert opinion above, it can be sum up the contemporary marketing mix is a set of tools that consists of various elements of a marketing program and positioning, which also can be used by marketers to form the characteristics of a product, that offered to consumers.

The contemporary marketing mix consists of 8 Ps, they are Product, Price, Promotion, Place, People, Physical Evidence, Process, and Customer Service (Tjiptono, 2015). According to Booms and Bitner, there are 7 things (7 Ps) in the contemporary marketing mix and can be characterized in the Booms and Bitner framework tables as Table 2.

Table 2: Booms dan Bitner Frameworks

Indicators	Contemporary Marketing mix that is modified and expanded
Product	Quality, brand name, service type, guarantee, capability, facilitating goods, real proof, price, staff, physical environment, service delivery process
Price	Price level, discount, payment terms, price differentiation interaction
Place	Location, accessibility, distribution channels, territory coverage
Promotion	Advertising, personal selling, sales promotion, publicity
People	Staff, training, appearance, interpersona behavior, attitude, engagement, contact with customers
Process	Policy procedures, mechanization, employee accuracy, customer engagement, flow of activity
Physical Evidence	Environment, furnishing, color, layout, noise level, real proof

Source: *Setiadi (2010)*

2.4. Brand Image

Brand image is the perception and belief in the consumer's mind, as reflected in the association that embedded in consumer's memory (Kotler and Keller, 2009). According to another study, it argues that the brand image is a series of descriptions of associations and consumer confidence in a brand (Nulufi, 2015). Meanwhile, the other said that brand image is imaging a brand to a certain impression, concerning habit, lifestyle, product attribute, geographical, price, competitor, celebrity, etc. (Setiadi, 2010). So we can conclude the brand image is everything that inherent in a brand recorded in the consumer's minds, based on information or experience of the brand.

In the measurement of brand image variables, it needs some indicators. According to Keller (2013) that creating a positive brand image takes marketing programs that link strong, favorable, and unique associations to the brand in memory. Nulufi (2015) uses the following indicators to measure brand image, there are quality, awareness, personality, and self-image. Oktaviani (2014) uses Corporate image, Product image, and Popular as indicators of brand image. Seftiani (2014) uses Easy to Identify, Popular, and Famous as indicators of Brand Image. While Strength of Brand Association, Favorite of Brand Association, and Uniqueness of Brand Association are used by Maunaza (2012) to measure brand image. From the various statements above, the authors will combine some indicators above to measure the brand image, the Strength of Brand Association, the Favorite of the Brand Association, and the Uniqueness of Brand Association.

3. RESEARCH METHOD

This research is designed to know and explain the relationship between variables, these are studied by testing the hypothesis. The design of this kind of research is called causality research, which is designed to examine possible causal relationships between variables (Sanusi, 2011). Maholtra (2005) calls this research design as causal research in which it's used to obtain the evidence of causal relationships.

The research was conducted in East Java by a cross-sectional time dimension, which is collecting data about the specified sample from the population element in once only (Maholtra, 2005). While the type of data in this research is primary data, that is data which is first recorded and collected by the researcher (Sanusi, 2011). Primary data is obtained by the survey method, who are Conventional Bank customers, who have never been a customer of the Islamic Bank, but they have the intention to become Islamic Bank's customer. Based on the purpose and research model, the authors determine the research hypothesis as follows:

H: Contemporary Marketing Mix affects Buying interest through Brand Image

4. ANALYSIS AND DISCUSSION

4.1. Data Analysis

Based on the results of data processing output using Warp-PLS 5.0, the following results as follows:

Based on the analysis result using WarpPLS above, it's known that the outer model and inner model terms are met. Furthermore, based on the analysis results of the Baron Kenny test, it's known that the Brand Image variable is a mediator, although it's only as a partial mediator. It can be proven because of P-Value indirect effects is significant, then P-Value in indirect effect is also significant (Sholihin and Ratmono, 2014). Based on the test results, it can be concluded that the hypothesis can be accepted. It means that Contemporary Marketing Mix affects Buying Interest, with Brand Image as a mediator, although it's only a partial mediator.

Table 3: Outer Model First (Lower) Order

	Result	Explanation	Information
Convergent Validity	The value of factor loading of each indicator of product, price, place, promotion, people, process and physical evidence are greater than 0,6.	Convergent validity can be met if factor loading value is greater than 0.5, considered sufficient on the number of indicators in each variable is not large (Solimun, 2017).	Terms are met
Discriminant Validity	Square Roots of AVE values for Product, Price, Place, Promotion, People, Process and Physical Evidence dimensions are greater than their correlation values with other variables.	Discriminant validity can be fulfilled if the square roots of AVEs value is greater than its correlation value with other variables (Solimun, 2017).	Terms are met
Reliability	Composite Reliability & Cronbach Alpha Coefficients for Product, Price, Place, Promotion, People, Process and Physical Evidence are greater than 0.8	<p>The indicator group that measures a variable has good composite reliability, if it has composite reliability coefficients greater than or equal to 0.7, although it's not an absolute standard (Solimun, 2017).</p> <p>The indicator group that measures a variable has good composite reliability, if it has cronbach's alpha coefficients greater than or equal to 0.6 (Solimun, 2017).</p> <p>The Coefficients of Composite Reliability and Cronbach's Alpha, both must be worth 0.7 as a condition of reliability (Sholihin and Ratmono, 2014).</p>	Terms are met

Source: data processed.

Table 4: Outer Model Second (Higher) Order

	Result	Explanation	Information
Convergent Validity	<p>The weight value for each indicator of the contemporary marketing mix variable has a P-value less than 0.05, and VIF value less than 3.3 (Formative).</p> <p>The value of factor loading of each indicator that belong to brand image variable and buying interest are greater than 0.6 (Reflective)</p>	<p>The evaluation of the feasibility of measurement of latent formative variables using two criteria, these are p-value of weight is less than 0.05 and VIF value is less than 3.3 (Sholihin and Ratmono, 2014).</p> <p>Convergent validity can be fulfilled if the factor loading value is greater than 0.5, it's considered sufficient on the number of indicators in each variable is not large (Solimun, 2017).</p>	Terms are met
Discriminant Validity	<p>The square roots of AVEs value of Marketing Mix, Brand Image and Buying Interest are greater than the correlation value with other variables.</p>	<p>Discriminant validity can be fulfilled if square roots of AVEs value is greater than its correlation value with other variables (Solimun, 2017).</p>	Terms are met
Reliability	<p>Composite Reliability & Cronbach Alpha Coefficients of Marketing Mix Variables, Brand Image and Buying Interest are greater than 0.8</p>	<p>The indicator group that measures a variable has good composite reliability, if it has composite reliability coefficients greater than or equal to 0.7, although it is not an absolute standard (Solimun, 2017).</p> <p>The indicator group that measures a variable has good composite reliability, if it has cronbach's alpha coefficients greater than or equal to 0.6 (Solimun, 2017).</p> <p>The coefficients of Composite Reliability and Cronbach's Alpha, both must be worth 0.7 as a condition of reliability (Sholihin and Ratmono, 2014).</p>	Terms are met

Source: data processed.

Table 5: Model Fit and Quality Indices

	Value	Terms	Information
APC	P<0,001	P<0,05 (Sholihin and Ratmono, 2014)	Terms are met
ARS	P<0,001	P<0,05 (Sholihin and Ratmono, 2014)	Terms are met
AVIF	3349	Acceptable if P≤5 (Sholihin and Ratmono, 2014)	Terms are met

Source: data processed.

Table 6: Baron and Kenny Mediation Test

	Influence of Contemporary Marketing Mix to Buying Interest	
	Beta Value	P Value
Direct Effect	0,532	<0,001
Indirect Effect	0,283	<0,001

Source: data processed.

Table 7: Path Coefficients and p-values

		Contemporary Marketing Mix	
		Brand Image	Minat Beli
Contemporary Marketing Mix	Brand Image	0,706 (<0,001)	
	Minat Beli	0,283 (<0,001)	0,296 (<0,001)

Source: data processed.

Table 8: Indirect Effects for Path with 2 Segments and P Values

		Contemporary Marketing Mix	
		Brand Image	Minat Beli
Contemporary Marketing Mix	Brand Image		
	Minat Beli	0,209 (<0,001)	

Source: data processed.

Table 9: R-Squared Coefficients

Contemporary Marketing Mix	Brand Image	Minat Beli
R ²	0,498	0,309

Source: data processed.

4.2. Discussion

The contemporary Marketing mix has an important dimension and has good value in respondents' views, this dimension is people. It's due to the banking business, mainly Islamic banking, that prioritizes excellent service to customers. Of course, excellent service can not be separated from the appearance and attitude of its employees, especially the more frontline (customer service, teller, and banking hall security). People will be interested in becoming an Islamic Bank customer, because of their friendly staff and their neat and Islamic look. Nevertheless, the Islamic Banks in East Java have to maintain and improve their services, by conducting regular training, attitude, and appearance of employees, especially the frontline.

Brand image has an important indicator and has a good assessment by the respondents, which is the uniqueness of brand association. This is due to the uniqueness of Islamic Banks compared to Conventional Ones. For example, uniqueness of Islamic Banks are all female employees are required to wear hijab, always say greeting when start and finish serving customer, Islamic Banks logo influenced by Islamic symbol, and some Islamic Banks product name using Arabic term. Nevertheless, Islamic Banks in East Java should prioritize the professional side to maintain their excellent service to customers.

Buying Interest has an important indicator, that is the consideration to buy. It shows that people's buying interest is not just reflected by just looking for information or trying, but wants to buy directly, or become a customer. This information should be captured by Islamic Banks in East Java to follow up the prospective customers immediately.

5. CONCLUSION

Based on the results of the analysis and discussion above, it concludes that Contemporary Marketing Mix affects the interest of Eat Java resident, become Islamic Bank customers, with Brand Image as partial mediator.

Islamic Banks should pay more attention to the important dimensions and indicators, those are people and uniqueness of brand of association, that encourage people to become Islamic Banks customers. The dominant suggestion of respondents is Islamic Banks, especially in East Java, should hold promotional activities rapidly, so it would make people more familiar with the products and services offered by Islamic Banks. For further research, it is hoped that it can be completed by adding other related variables about people's motivation for Islamic Banks, so it can make Islamic Banks' market share higher.

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