



## Analysis of Comparative Advantage Strategy Implementation on the Customer Loyalty of BRI Sharia in DIY

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**Abstract:** Competition occurs among Islamic banks increasingly tight. In order to survive and remain competitive, an Islamic bank should have an identity and uniqueness which differentiates with other Islamic banks. BRI Sharia in order to enter the world of competition and survive should implement strategies remain competitive advantages to maintain the loyalty of its customers. These strategies are divided into cost leadership, differentiation and focus. The expectation by applying one of these strategies, BRI Sharia can retain the loyalty of the customers and gain new customers. This research aimed to determine which strategies are applied by BRI Sharia. The strategies of the competitive advantage created by M. Porter's such as cost leadership, differentiation, and focus affect significantly on customer loyalty. Data processing was performed using SEM analysis (Structural Equation Model). The results showed that customer loyalty variation can be explained by variabel s of cost leadership, differentiation and focus strategies. From the test results we can conclude that only cost leadership strategy variable that significantly affect customer loyalty of BRI Sharia.

**Keywords:** Competition, Competitive Advantage Strategies, Loyalty, BRI Sharia.

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### Introduction

Islamic bank is a financial institution which the main business is providing financing and other services in accordance with Islamic Sharia principles. Islamic banks use profit-sharing system and other remuneration in accordance with the guidance of Islamic law, that does not use interest. The juridical, understanding of Islamic banks can be seen in Law No.10 of 1998 on banking, which allows the application of the dual banking system in the national banking system makes the banking industry in Indonesia moved conducting financial business based on sharia principles. In Law No. 21 of 2008 on Islamic banking explained that Islamic Banks is a bank which operate business based on sharia principles in its activities providing payment traffic services.

Before doing marketing activities the company prepares a strategic plan. The aim is to give direction to the overall operation of the enterprise. It is supported by more detailed implementation plan in activity fields contained in the company. Islam does not forbid if his servants have plans or desire to succeed in business. But the plan does not conflict with the teachings (Shari'a) Islam. Emphasized in the Qur'an Surah An-Najm, 53: 24-25.

أَمْ لِلْإِنسَانِ مَا تَمَنَى , فله الأخرة والأولى

Thus, good management strategy is needed both short term and long term. The term of strategy is defined by the manager as a large-scale plan of long-term oriented to interact with the competitive environment to achieve corporate objectives (Jr., 2013). According Suwarsono

(2004 pp. 358-359) "The company strives to produce and market goods and services with a competitive strategy that makes the advantages of other companies".

In 2015, the Financial Services Authority (FSA) recognizes that the Islamic finance industry has decreased. Currently the Islamic finance industry market share below 5 per cent or 4.57 per cent in May 2015, compared to the end of 2014 amounted to 4.89 percent (Widianto, 2015). However BRI Syariah itself is not affected by the state of the Islamic finance industry's market share decreased. But the opposite, assets of PT Bank Rakyat Indonesia (BRI) Sharia grew by 22.59 percent as of May 2015. Its value increased from Rp 17.79 trillion in May 2014 to Rp 21.81 trillion in May 2015 (Santoso, 2015).

**Figure 1: BRI Sharia Performance 2015**

Kinerja BRI Syariah Per Mei 2015		
Indikator	Jumlah	Kenaikan dari 2014
Aset (Rp triliun)	21,81	22,59%
DPK (Rp triliun)	18,37	20,22%
Pembiayaan (Rp triliun)	15,62	11,58
Laba (Rp miliar)	50,72	112,42%

Source: BRI Syariah.com

Assets, deposits, financing and profit increase in 2015. Even BRI Sharia profit successfully rose to 122.64 billion in 2016. This increase is much larger than the competitor company, Bank Syariah Mandiri (BSM). Net profit of BSM only increase by 26.67 percent from Rp 132 billion in the semester I of 2015 to Rp 168 billion in the semester I of 2016 (Kompas, 2016). Although BSM profit is still greater than BRIS but the rising profit improvement BSM is still far from BRIS. If BRIS can maintain its profit rise in the coming year as the BSM position market leader of Islamic banking in Indonesia will be displaced by BRIS.

As figured above, the growth and increment profit over the Islamic banking shows that Bank Indonesia (BI) no longer reposes the market share of Islamic banking, but the growth. BI is more focused to increase the growth of Islamic banks than the share market by implementing the right strategy for Islamic banks. Various strategies have been created by BI start from product innovation, service development, add more financing features and many other strategies.

In order to achieve the targeted growth of BI, BRI Sharia also should have the right strategy. Either by approaching the productive business sector, product innovation, enhanced customer service and technology. Marketing performance also needs to be measured to determine how effective the strategy used in BRI Syariah attracts and retains customers up to improves performance. This is evidenced by the rise of BRI Sharia profits each year. Even the profit increased to 15-fold in 2015 (Republika, 2016). Additionally, branch leader of BRI Sharia Bank Company branch office Yogyakarta explained that customers growth up to 10 percent each year (Tribunnews, 2014).

## Literature Review

### Marketing Strategy in Islamic Banking

According to Hermawan Kartajaya (Kartajaya and Shakir Sula 2006: 26), the marketing of sharia can be interpreted as "a business strategic that leads to the creation of demand and value changes from an initiator to the stake holders, where the entire process in accordance with the contract and the business principles in Islamic law." The definition is based on a provision in the Islamic business jurisprudence which contained in the rules which says that the Muslims tied to the business deals they make, unless an agreement which forbids the lawful and justify the unlawful.

Sharia Bank Marketing System is a system of Islamic Banking activities designed to plan, price, promote and distribute goods, products or services that can satisfy the desires and needs. Furthermore it can achieve the market and sharia bank goals. Similarly with conventional banking, the products produced in the Sharia banking are also goods and services. The Characteristic of services produced must refer to the values of Sharia or allowed in Al-Qur'an, but in order to attract more consumers to banking services, the sharia bank should do a strategy of "differentiation" or the "diversification" in order they want to move on and start using sharia banking services.

Kartajaya (2006) stated that there are four characteristics contained in sharia marketing (Alma and Donni, 2009: p.350), namely:

#### 1. Teitis (Rabbâniyah)

One characteristic of sharia marketing which is not owned by conventional marketing is a religious trait (dîniyyah). Sharia marketers believe that the laws of sharia which teitis or divine is the fairest law, the most perfect, appropriate with any form of kindness, can prevent any kind of damage, able to realize the truth, destroy evil, and disseminate the benefit. Sharia marketers believe that Allah will always close and watch him while carrying out business and activities they lived. They were convinced that Allah would ask their responsibility for the implementation of the law in the doomsday.

#### 2. Ethical (Akhlâqiyyah)

Another specialty of sharia marketing besides because teitis (rabbâniyyah), as well as prioritize moral issues (moral, ethical) in all aspects of the activities. Ethical nature is derived from the nature teitis (rabbâniyyah). Thus sharia marketing is a marketing concept that is promoting moral values and ethics, no matter what their religion is, because of moral values and ethics are values that are universal, that is taught by all religions.

Rasulullah SAW said, "Verily, I am sent to enhance noble characters". Therefore it can be a guide for the sharia marketing to always maintain moral and ethical in every speech, behavior, and decisions. To achieve this sacred goal, Allah gives instructions through His prophets. The guidance includes everything human need, as like faith, morality or ethics and Islamic law. The first two components, faith and morals or ethics are constant. Both of them do not change with different time and place. While sharia constantly changing according to the needs and standards of human civilization which varies according to their prophets.

#### 3. Realistic (Al-Wâqi'iyyah)

Sharia marketing is not an exclusive concept, fanatic, anti-modernity, and stiff. Syariah marketing is a flexible marketing concept, as well as the breadth and flexibility of the underlying Islamic law. Sharia marketers are the professional marketers with the appearance of a clean, neat, and earthy, whatever the model or style of dress they were wearing. They work professionally and prioritize religious values, piety, moral aspects, and honesty in all marketing activities. They are not rigid, non-exclusive, but very sociable and flexible in attitude. They really understand that the situation of the association is very heterogeneous, with numerous of ethnic groups, religions, and races, are the teachings given by Allah and exemplified by the Prophet to be able to be more friendly, polite, and sympathetic to his brothers from other groups.

#### 4. Humanistic (Al-Insâniyyah)

The privileged of sharia marketing than others is its universal humanistic. Humanistic is that sharia was created for people to rank up, maintain and preserve human nature, as well as animality nature which is bridled with sharia guidelines. So they are expected to be human

controlled and balanced. Not greed human who justify any means to benefit themselves as much as possible and be happy at the expense of others.

Islam does not consider all factors that differentiate humans either local origin, skin color, or social status. Islam directs its call to all the people and not to a certain group of people, by the ties of brotherhood among humans. They are servants of Almighty God, who has created and perfected them.

### **M. Porter Generic Competitive Strategies**

Selection of appropriate strategies will create superior performance for the organization. Be a part of this strategy to be considered in the creation of value for the consumer and produce a competitive advantage for companies (Porter, 1980). Type the strategy chosen by the company should conform with all the activities of each function within the organization. Implementation of the strategy chosen by each company will create a competitive advantage as seen from the performance, for companies of any type of strategy chosen by the company should have a uniqueness in serving the targeted market share. Porter (1985) states that the company has to have a clear competitive strategy with the aim to compete effectively and gain a competitive advantage. Porter suggested that the company may choose to become a provider of products at a low price (cost efficiency strategy) or provider of unique and innovative products (innovation strategy). Then, Porter (1998) suggested that in order to face the five competitive forces, there are three approaches you can use to succeed in surpassing other companies in the industry: overall cost advantage, differentiation and focus. Although rare, yet sometimes companies can better apply more than one approach as the main target. Generic strategy is an approach to surpass other competitors in the industry. Differences every competitive strategy used by companies in the arena of competition in the industry can create a competitive advantage.

There are two risks in implementing generic strategies: The first, the failure of the company in implementing or maintaining its strategy; and secondly, the value of the strategic advantages afforded by a strategy will diminish over industrial development occurs. More precisely those three strategies are based on the development of different types of defenses against competitive forces and therefore the risk posed will be different to the three alternatives given by M. Porter above.

### **Competitive Advantages**

In doing marketing and competition requires, appropriate and suitable strategies used by the company so that marketing can work well. In addition the chosen strategy will determine whether the company can compete with other companies. One of the strategies employed by many companies is the competitive advantage strategy. Competitive advantage proposed by M. Porter (1980) is a company's ability to achieve the economic benefits in the income which can be achieved by competitors in the market in the same industry. The strategy enables organizations to gain a competitive advantage from three different basis: cost leadership, differentiation, and focus.

According to David (2010) Competitive advantage is everything that can be done much better by a company when compared to rival companies (David, 2011). Meanwhile, Suwarsono (2004) stated that: "The company strives to produce and market goods and services with a competitive strategy that makes the advantages of other companies".

Based on the statement above can be concluded that the competitive is each company has its own strategies to excel in competition with other companies. In this study, the strategies used by BRI Sharia to improve competitiveness and make a difference to other Islamic banks.

## **Cost Leadership**

Cost leadership strategy is one of two types of other possible competitive advantages of the company. Now days many companies recognize the importance of cost and a lot of the company's strategic plans establish a cost advantage or cost reduction as a goal. Cost leadership mean when a company attempts to bargain goods are sold at a lower price than similar goods that are in a particular industry (Suwarsono, 2014). Cost leadership strategy emphasis on producing standard products (equal in every aspect) with the very low cost per unit. These products (goods and services) are usually aimed at consumers who are relatively easily influenced by a shift in the price (price sensitive), or using price as a determining factor decision.

Most companies only focus on manufacturing costs and ignore the impact of costs on other activities such as marketing, service, and other infrastructures. Though elements of other costs also need to be considered in choosing an alternative strategy is the potential to share costs and knowledge within the organization, the cost of R & D related to the development of new products or modification of existing products, labor costs, tax rates, energy costs, and shipping costs (David, 2011). When applying the cost leadership strategy, companies offer products with functions that can be acceptable to consumers at the lowest prices competitive. Thus the main source of value offered to consumers through the implementation of this strategy is the low cost of the product. The bargaining power of the company against the five forces of competition will determine the company's cost structure. Risk strategy faced is very susceptible to changes in technology. The superior company's production equipment of cost can be obsolete through technological innovation of competitors. This innovation enables rival companies to produce at a lower cost. Another risk is the imitation. Competitors sometimes learn how to mimic the low cost strategy. When this happens, the company will be challenged to increase the value of the product. According to Porter, risk of the cost leadership can not last long because imitating competitors, technological changes and other bases for the cost advantage has been lost. Another risk is the equity in the differentiation lost as a result companies only emphasizes the price for the pursuit of price-sensitive market. This condition is further worsened by companies which are implementing focus strategies where there is a lower cost in the segment.

In Islamic banking, cost leadership strategy is shown by the low transaction costs as well as maintenance or administration fees on products and services. As the proposed strategy by Porter, the Islamic banking itself emphasizes the costs, but customers still get the same results or larger if doing transactions like in the competitor companies. For the indicators used to measure the cost leadership strategy in this research are:

### **1. Low-cost**

A company is the market leader when it can apply a lower price than its competitors (Jones, 2013 case 168). A low-cost strategy focuses on the company's ability to set a lower cost than the company, compete with the equal to or greater benefits than the other goods / products.

### **2. Life-cost cycle**

In his journal, Friska S (2010) describes that the life cycle costing is utilizing relationships with consumers who benefit from each others by taking into account the entire procurement costs included as cost of products. This theory states that relationship between the costs incurred by the consumer to obtain a product with total cost incurred over the life of the product.

### 3. Revenue sharing

Revenue sharing is concerned by the bank's customers when they will choose to use the bank or not. Revenue sharing can be interpreted as the advantages / benefits gained customers. In general, consumers want products with low cost but the benefits / profits gotten is high. Revenue sharing ratio becomes one of the factors of competitive advantage for value ratio will certainly affect the customer to use the product. But the determination of the profit sharing ratio also consider the interest rate on a conventional bank in order to compete (Wirawan, 1997 case 63).

### 4. Technologi

One of the most effective ways to use the strategy of cost leadership is using technologies such as e-business. The company uses this strategy to develop a competitive advantage. Cost leader using e-business to reduce costs imposed on the product in various ways (Stephen and mary 2010 p. 226). In the banking world itself is shaped like e-banking, mobile banking and other transactions which facilitate the customers and reduce costs that are not needed.

## **Differentiation**

In this strategy, the company produces and markets the goods or services with certain distinctive characteristics which considered unique and exclusive goods by consumers (Porter, 1980). Companies select one or more attributes that are considered important by many buyers and placing products uniquely meet the needs of consumers. Because of the unique position (typical), companies find it feasible to set a premium price. How to differentiate different for each industry. Differentiation can be based on attributes such as: taste, design, image and prestige, reputation, technology, customer service, distribution networks, parts availability, quality, and diversity of the type of goods or products (Suwarsono, 2014). Differentiation can be done by creating different products, provide different services, or creating an image product that is unique and different from other competitors. So that a product will be more easily recognized and provide a special attraction for consumers. So they prefer the company's products, compared to other products on the market. Indicators to measure the differentiation strategy in this study are:

#### 1. Product

"Product Differentiation is the process of designing products to satisfy customers' needs" (Jones, 2013 page 159). The key of differentiation strategy is the uniqueness of its products. Consumers tend to choose a unique product rather than the product of the same kind in the market. The uniqueness of the product will provide an experience which can not be obtained in other products and can make customers satisfied and loyal.

#### 2. Image

According Zineldin (2005) image or impression of the image quality is perceived by the consumer after using the products and services of a company (Dani 2013, p 92). Image will be attached to a product after being used by the consumers, good or bad depending on what is perceived by consumers when using it. Therefore in designing the uniqueness of the product, the company also has to be able to leave a deep impression to satisfy its customers.

#### 3. Brand

Dewi (2013) explained that the product attributes of Islam positive and significant impact on customer satisfaction. In this case the attribute of Islamic products at Sharia banks different with product attributes of conventional banks, so the difference in this case can be

concluded that the better quality of the product attributes of Islam given by Sharia banks, so the more customers will be satisfied with the Islam product attributes has been given by the Islamic Bank.

#### 4. Service-activity

Companies need a strategy that emphasize customer service. They need to give the consumer what they want, communicate effectively and provide customer service training to its employees (Stephen and Mary 2005 case 239). While the research results of Dewi (2013) states that the quality of service is positive and significant impact on customer satisfaction. It proved that the quality of service that has been given by the Bank is getting better, so that customers who use the services of Bank feel more satisfied. The relationship of service quality and customer satisfaction can not be separated from the creativity banking services speaker in order to create a quality service. In addition, The Bank also has to be able to identify the level of customers. So that it can understand the level of perceptions and expectations of customers for quality that has been given by the Bank.

#### **Focus**

Focus strategy seeks to focus the company to serve one or several specific market segments (Suwarsono, 2014). The success of this strategy depends on the industry segment size, have good growth potential, and unessential for the success of other competitors (Jr., 2013). So we can say that the choice of market segments based on the characteristics of marketing area (a niche market) or the unique attributes of items required by the market segments with distinctive preferences of materials required. Focus strategy appropriates to be applied under the following conditions:

1. A niche market that has a big target, profitable, and growing.
2. The Leaders and other competitors do not see a niche market is essential for their success (invisible).
3. The Leaders and other market competitors also consider the special need of the niche market target which is too expensive while giving attention to the mainstream needs of their consumers.
4. The industrial segment that has a lot of different niches and segments.
5. There are not many competitors trying to specialize in the same niche target segment.

The risk by using this strategy is when the changing tastes niche market target and lead to the general tastes of the overall market. In addition, it is also because the competitors find a strategy to enter the market segment where previously only being targeted companies that implement specific strategies. Indicators used to measure the strategy focus in this study are:

##### 1. Market Share

Erman (2015) explained that the focus of successful strategies rely on industry segments that have a large coverage, have good growth potential and unessential to the success of other competitors. Focus strategy is the most effective when consumers have preferences will or unique requirements and when other companies are not trying to specialized in the target or the same market niche.

##### 2. Cost Leadership Focus

This focused strategy uses only one competitive advantage strategy cost leadership without giving a touch of differentiation in its products. So the company only focuses on lowering the price without considering the uniqueness of the product from other products in

the market more widely. Consumers can get the same products with the products available in the market at cheaper prices.

### 3. Differentiation Focus

Contrary to focus cost leadership strategy, this strategy is only centered on the uniqueness of the products which the company only focuses on giving the uniqueness of the product irrespective of the prices charged on the products. Consumers gain experience that can not be obtained in other products with the higher price and it is different from other products.

## **Consumer Behavior**

According to Kotler and Keller (2008) Consumer behavior is the study of how individuals, groups and organizations select, purchase, use and dispose of goods, services, ideas or experiences to satisfy their wants and needs. Meanwhile, Schiffman and Kanuk (2008 p.6) stated that consumer behavior describes how individuals make the decision to utilize their available resources (time, money, effort) to buy goods related to consumption. So basically consumer behavior is to understand "why consumers do and what consumers do." By understanding consumer behavior above we can conclude that consumer behavior is all the activities, actions, as well as the psychological processes that push those actions before buying, when they buy, use, spend the products and services after doing things above or at the time of evaluation. There are some basic principles in the analysis of consumer behavior, including:

1. Scarcity and limited income.
2. Consumers are able to compare the costs with the benefits.
3. It is not always a benefit consumers can estimate precisely.
4. Each item can be substituted with other goods.
5. Consumer is a subject law for an additional reduction in satisfaction.

Consumer behavior studied how humans choose among a wide selection of faces by utilizing the resources. Muslim consumer behavior theory built on Islamic law, have a fundamental difference with the conventional theory. This distinction concerns the basic values underpinning theory, the motive and the purpose of consumption, to the technique of choice and budget allocations to consume. There are three basic values that become the foundation for the consumption behavior of the Muslim community, namely:

1. Belief in the Day of Judgment and the afterlife, this principle directs a consumer to give priority to the afterlife than world consumption. Giving priority to consumption for worship rather than consumption earthly. Consumption for worship is future consumption (because there is a reward of paradise in the hereafter), whereas worldly consumption is present consumption.
2. The concept of success in a Muslim life is measured by the morals of a Muslim religion, and not by the amount of property owned. The higher morality higher the success achieved. Virtue, truth and devotion to God is the key to Islamic morality. Virtue and truth can be achieved with good behavior and beneficial life and abstain from evil.
3. Property is a gift of God and not something that is inherently bad (so it must be shunned superfluous). Treasure is a tool to achieve the goal of life, if cultivated and utilized properly.

## **Customer Loyalty**

Customer loyalty is a form of customers loyalty to the company that has been providing services to them. Customer loyalty can be seen from customer habits in the purchase of products or services consistently. Customers who already have a loyalty to a product or service usually will no longer consider buying products over other services. However, if the customer does not get the products or services that satisfy, the customer will likely continue to look for products or



services that fit their criteria. According to Griffin (2005: p.31), loyalty can be defined by buying behavior of someone who is accustomed to buy. Habits are formed through the purchase and frequent interaction over a given period. Customer loyalty grows through several phases:

1. Suspect. The suspect is a person who might buy the product or service. It is so called like that because we believe or think they are going to buy, but we are still not sure.
2. Prospects. Prospects are people who need your products or services and have the ability to buy. Although prospects may not buy yet, but they have heard, read and known the product or service.
3. Prospects for the disqualification. Prospects that disqualification is a prospect that has been studied enough to know that they do not need, or do not have the ability to buy a product or service.
4. First-time customer. First-time customer is the person who has purchased the product one.
5. Repeat customer. Repeat customers are those who have purchased a product or service twice or more.
6. Client. Clients are people who buy regularly, have a strong and continue relationship that makes immune to the pull of competitors.
7. Advocate. Advocate is a person who buys regularly, encourages others to buy, and discuss the positive things to others.
8. Customers or clients lost. Customer or client that had been a customer or client but has not bought back a product or service.

From the explanation above, it can be concluded that loyalty can be generally defined as customer loyalty or someone on a particular product or service. Thus the Customer Loyalty in the study can be interpreted as a customer loyalty for the products owned by BRI Syariah characterized by doing the use of a product repeatedly without being influenced by the situation and various marketing strategies to switch to products or services of other banks, because it already has a conviction and a positive attitude which are subjectively and objectively on the products or services of BRI Sharia. Customers who have loyalty will also be willing to volunteer to recommend products that are used to others. As for Customer Loyalty indicators used in this study are as follows:

1. Purchasing repeatedly and showed resistance to the pull of a competitor (repetition).
2. Refer to others (referral).
3. Talking about the positive things to others (word-of-mouth).
4. Trust the product (trust).

## **Methodology**

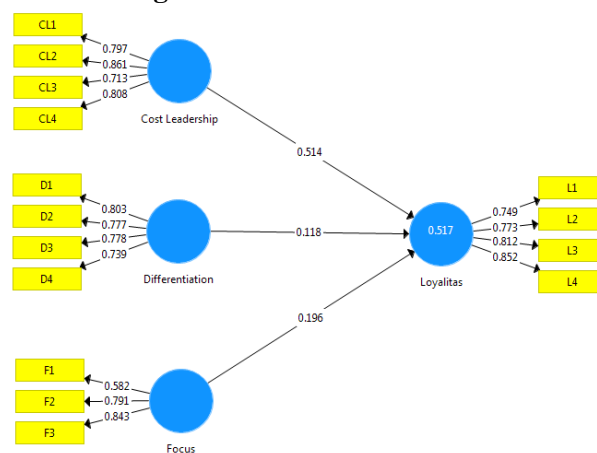
This research is a field research where the aim of it is to clarify the effect between the application of competitive advantage and the level of customer loyalty products of BRI Sharia in Yogyakarta. In this study, the primary data used to provide information about customer perception on BRI Sharia-related beliefs and the loyalty. This research uses quantitative data that is a numeral data obtained from the questionnaire. Then the data will be processed using SEM. Structural Equation Modeling (SEM) is an evolution of multiple equation model (regression) developed from the principles of econometric and coupled with regulatory principles (factor analysis) of psychology and sociology. The sampling method used is by using the technique of non-probability sampling - quota sampling where every member of the population does not have the opportunity or the same opportunities as samples. Quota sampling is a sampling technique that determines the number of samples of the population that have certain features and ensure that the certain groups adequately represented in the study up to the amount of quotas are desired (Sekaran; 2011 p. 137). So the samples used in this study are 70 respondents of BRI Sharia customers who are already using the product. Sekaran (2011)

stated that the quotas were determined for each subgroup is based on the total number of each group in the population. For the better results, it is used 10 people for each subgroup. So as to generalize the sample to be representative of the entire population, it would have taken about 10 samples in each sub-branches located in 7 regions in Yogyakarta. Because According to Roscoe (1975), quoted by sekaran (2011: 160) more than 30 samples and less than 500 is appropriate for most research. 70 respondents taken by the writer are enough to represent the entire population of the specified quota. Also in the multivariate study sample size should be 10 times or greater than the number of variables in the study. And the 70 respondents have been far greater than the minimum amount of multivariate research stated by Roscoe with the variables used in this study.

### Research Result and Discussion

This is the path diagram generated after running the Smart PLS program for the whole construct can be shown in the image below:

**Figure 2: Measurement Models**



Convergent validity of the measurement models with a reflexive indicators can be seen from the correlation between the scores of items / indicators with a score of the constructs. According to Imam Ghozali (2006), if the size of the correlation between the items score / component scores to construct score is more than 0.7 the it is high and if 0.5 tp 0.6 is said to be sufficient. Based on the result on the model of numbers above, all indicators have loading above 0.5 and significant.

### Hypothesis Testing Results

**Table 1: Hypothesis Testing**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Cost Leadership -> Loyaltitas	0.514	0.515	0.108	4.736	0.000
Differentiation -> Loyaltitas	0.118	0.109	0.153	0.775	0.439
Focus -> Loyaltitas	0.196	0.214	0.148	1.323	0.186

Source: Processing Output of Smart PLS3 Program, 2016

### First Hypothesis Discussion (H1)

After doing research, from testing the hypothesis that can be seen from the preceding table where H1 namely: "the cost leadership strategy applied by BRI Sharia has a significant influence on the level of customer loyalty is " acceptable" where T-Statistic > T table, namely  $4736 > 1.67$  and significant where P-values < 0.005 that is  $0.000 < 0.005$ . It Proves that in competing, BRI Sharia implements competitive advantage cost leadership strategy to create loyal customers. In previous research Titi and Hilda (2012) also concluded that the companies sampled in the test tended to choose the strategy of competing low-cost (cost efficiency) focused on efforts to meet consumer demand at the lowest prices in a way to minimize the total cost (strategy of low cost). Stephen and Mary (2010: p. 224) mentions when competing with based on the lowest cost in the industry, the company will implement a cost leadership strategy. Low cost leader is highly efficient. The cost of overhead is kept to a minimum, and the company does all the things that can be cut the costs. Despite the low cost leader paid little attention to the problem of "facilities", the product should have the same quality with competitors or at least should be accepted by the buyer.

In fact, this theory is accordance with the current state of BRI Sharia. BRI sharia become a leader in implementing a cost leadership strategy among the Islamic banks. This is indicated by the cost of transactions made through ATM is much lower with other Islamic banks.

**Table 2: ATM Bersama Transaction Fee**

Transaction Type	BRI Sharia	Bank Syariah Mandiri
Cash Withdrawal	Rp. 3,750	Rp. 7,500
Balance Check	Rp. 2,000	Rp. 4,000
Transfer	Rp. 3,250	Rp. 6,500

Source: BRI Sharia and Bank Syariah Mandiri (web data processed)

For fee that is used on ATM cards are widely used by bank customers of BRI Sharia still applies lower costs than other banks. Moreover in some products such as gold pawn BRI Sharia provides maintenance costs / administrative cheaper than the rival products. BRI Sharia provide administration costs more fixed / flat and low monthly cost with reference to weight in gold. Whereas in other banks such as BSM, to maintenance / administration fee is calculated based on the weight of gold, content, and time / period lien so that the maintenance costs are higher than BRIS bank. On a regular savings product at BRI Sharia, it has no monthly administration fee on their products while the BSM has legal fees amounting to Rp. 7,000 per month (source: BRIS and BSM websites).

Although BRI Syariah becomes the low cost leader in the competitive Islamic banks today, but from the results obtained from the respondents of customers shows that there are still many facilities of BRI Sharia need to be added such as ATM and e-banking. But lately many companies competitors start implementing this cost leadership strategy. This indicates that the competitor companies began to imitate the strategy adopted by BRI Sharia although it is not fully succeeded yet. As performed by BSM bank where they begin to lower the minimum balance on savings products up to Rp. 20,000. If you do not think of alternative strategies or improve other facilities, the strategy adopted by BRI Sharia will be defeated by competitor companies which will effect on the poor performance of Syariah BRI.

**Second Hypothesis Discussion (H2)**

After doing research, from testing the hypothesis of the table where H1 namely: "strategy of differentiation applied BRI Syariah has a significant influence on the level of customer loyalty" Thus Spake declared "rejected" where T arithmetic <T table is 0.775 <1.67 and not significant where P-values> 0.005 ie 0439> 0005 . This is due to a lack of product diversification karena that distinguishes the uniqueness of Bank BRI Syariah products to other Islamic Bank, besides, the most outstanding thing is the lack of service applied by BRI Sharia. Good service that the employees and services in the form of the transaction. As Expressed by Stephen and Mary (2010: p. 224) in the which companies Compete by offering unique products are Widely Considered by customers to apply stratgei differentiation. Differences in the products can come from a very high quality, exceptional service, desaign innovative, technological capabilities, or positive brand image of the which is unusual. in accordance with the study Sri Utari Erman (2015) the which states that the differentiation of services is a key strategy in the face of competing companies in the banking business.

BRI Syariah itself in fact only have fewer products than other Islamic banks. BRI Syariah only has two products namely third party fund products consisting of savings deposits and current accounts and financing products. As the following table:

**Table 3: BRIS and BSM Financing**

BRI Sharia	BSM
Qard gold-backed BRISyariah iB	BSM Implan
KKB BRISyariah iB	Medical Equipment Fianancing
KPR BRISyariah iB	BSM Education Financing
KMG BRISyariah iB	Pension Financing
Umrah Financing BRISyariah iB	Financing for the Employees Cooperative Members
	Griya Financing BSM
	Subsidized Griya Financing BSM
	Vehicle Financing

Source: BRI Sharia and Bank Syariah Mandiri (web data processed)

Can be seen in the table above that BSM has a variety of financing products more and different from BRIS. In the table above BSM only show its consumer financing and does not include the financing of other products ranging from gold to Hajj and Umrah. In addition, BSM product also has BSM E-Money that can facilitate non-cash transactions of its customers where BRI Sharia does not have the facilities or the product. BRI Sharia only rely on a debit card system to perform non-cash transactioni. This Cleary indicates that the product differentiation of BRI Sharia is still far less than the competitor companies such as BSM.

From the explanation above we can conclude that in applying the company's strategy of differentiation can not simultaneously be a leader in low cost strategy. In the application of the differentiation strategy, companies allocate funds more to create a unique product, improve service and excellence accompanied by high technological capabilities.

### **Third Hypothesis Discussion (H3)**

After doing the research, from the hypothesis testing of the table where H3 is: “the strategy focus applied by BRI Sharia has a significant influence on the level of customer loyalty” Thus it is "rejected" where  $T\text{-Statistic} < T\text{-table}$  that is  $1.323 < 1.67$  and not significant where  $P\text{-values} > 0.005$  which is  $0.185 > 0.005$ . Stephen and Mary (2010: p. 225) stated that if a cost leadership strategy and differentiation strategy are aimed at a market or a large market share, then the focus strategy (the focus on cost or differentiation focus) aimed at narrowing segments or niches. Segments can be based on the range of products, types of customers, distribution channels, or geographic location. Issuer profile of respondents indicated that the target of BRI Sharia customers are in the productive age who could potentially do both productive and consumptive financing. BRI Sharia and other Islamic banking are heading in the broad market segment where targeting productive and consumptive age customers. It is clear that there is no bank applies the strategy of focusing, because it does not lead to a narrower market segments such as the regional Islamic banks that focuses only on the area / city each corresponding to the characteristics of culture local.

In his research, Wae-Useng (2013) concluded that Sharia Rural Banks (SRB) examined creating a competitive advantage with focus and differentiation strategies. The advantages of strategy applied, competitive enough to face competition with other banks, both Islamic banks and conventional banks. Differentiation lies in the easy financing guarantees, this shows that the position of one of the market leader and with a market share larger from SRB, BRI Sharia banks can not focus on a market segment in narrower area as done by SRB which focuses market segment targeted in rural areas. Focus strategy can only be applied by the market niches such as SRB and BMT that have narrower market segments than the banks that have such a wide target market like BRI Sharia.

However the loyalty rate may still change if other Islamic banks apply the same strategy or better than strategies that BRI Syariah applied. This is evidenced by many other things that still into consideration of customer loyalty level which indicated from the relationship between variables. Therefore the aim of this research in order to become evaluation of the implementation of BRI Sharia future strategies.

From the research results obtained through the questionnaire, can be explained that BRI Sharia still has some shortcomings that must be corrected or added in the future include:

1. In order to keep BRI Sharia to follow Islamic law which is free from the influence of Riba / Interest and its kind.
2. Number of ATM facilities that may need to be supplemented and corrected as often offline to launch more customer transactions.
3. Hope that BRI Sharia can give assurance to customers that the loans granted legally pure free from usury, although many labeled sharia but many communities especially Muslims who doubt the bank's legal lending money.
4. Reproduced facilities or prizes when using the product of BRI Sharia like other conventional banks.
5. E-banking facilities plus as the use of e-money cards or Flazz that facilitate customer transactions.
6. Enhanced services such as saving no longer need to write slip as in other banks and the large amount of cash withdrawal that is not too long the process through teller.
7. Hopefully BRI Sharia more advanced and sophisticated (more updates on technology).
8. Immediately to be able to transact more broadly as ticket payment etc. And facilities m-banking can be used for the transfer.
9. BRIS mobile transaction service is further enhanced by adding the cooperation with others.
10. Have scholarships for students, as in most conventional banks now.

## **Conclusion**

From the results above it can be said that although strategy of cost leadership plays a significant role in the printing of loyal customers but still a lot of facilities and infrastructure of BRI Sharia need to be added or repaired. Objectives and target market will not be met if all the things above are not fulfilled even after applying the right marketing strategy, moreover, if the competitor companies or other Islamic banks have a facility that can not be provided by BRI Sharia. If this happens then the previously loyal customers who can change his beliefs to use products from other Islamic banks.

Measurement of the implementation strategy of competitive advantage with the level of customer loyalty of BRI Sharia could be done by using partial least square (PLS) approach. The way is to evaluate a structural equation model between the implementation of the strategy to the level of loyalty and analyze the relationship between the latent variables and indicators. And also estimate each indicator of latent constructs to determine which variable significantly affect the level of loyalty.

PLS method is also able to provide information on the measurement models, the structural models and the degree of correlation between the latent variables with the indicator. So the calculation becomes more effective and efficient.

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