

ABSTRACT

In this recent decades, banking sector have been faced to the competition among themselves. In this sharp competition, make the customers does not loyal to one bank because a lot of choice they can make and customers always choose the best and profitable for them. This research has the purpose to analyze the influence of customers satisfaction towards customers loyalty and strategy to achieve competitive advantage in Bank Permata Yogyakarta. The research problem is submitted to know how is the influence of service quality (reliability, assurance, tangible, emphaty and responsiveness) towards customer's satisfaction and loyalty, the influence of customer's satisfaction and loyalty towards competitive advantage, and how the influence of product innovation towards competitive advantage.

The concept that used is about strategic management, service quality, customer's loyalty, customer's satisfaction, strategic customer's loyalty, and strategy to achieve competitive advantage.

Based on this basic is submitted theoretical model with 13 hypothesis to be tested by Structural Equation Model. This research samples are 100 respondents who are Bank Permata's customers.

The analysis result of Structural Equation Model fulfills the criteria of goodness of fit index where *chi-square* = 204.456, *probability* = 0.156 (≥ 0.05), RMSEA = 0.047 (≤ 0.08), GFI = 0.875 (≥ 0.90), AGFI = 0.994 (≥ 0.90), TLI = 0.991 (≥ 0.95), CFI = 0.993 (≥ 0.95).

This research result shows that there is significant influence of service quality (reliability, assurance, towards, tangible, emphaty and responsiveness) towards customer's satisfaction and loyalty. There is significant influence of customer's satisfaction and loyalty towards competitive advantage, and there is significant influence of product innovation towards competitive advantage.

The suggestion from this research are: Bank Permata should increase the service quality (example : increasing the teller's and Customer Service's ability, increasing the politeness of teller's and Customer Service's, increasing the tangibles such as ATM, condition of parking area, and increasing the access to the Bank Permata) according to the open questionnaire to achieve the customer's loyalty and customer's satisfaction. And the product innovation need to be increased through product diversification, such as variation of credit, saving to achieve the competitive advantage. Despite that, the customer's loyalty and satisfaction need to be increased too through the system and transaction of Bank Permata to achieve competitive advantage.

Keywords: reliability, assurance, tangibles, emphaty, responsiveness, service quality, customer's satisfaction, customer's loyalty, product innovation, competitive advantage.