

Analysis of the Impact of Merger and Acquisition on Customer Satisfaction and Loyalty of Banking Companies in Indonesia

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Abstract

This study observes the influence of mergers and acquisitions (M&A) towards customer satisfaction and loyalty of banking companies in Indonesia. It investigates how M&A activities affect consumer perceptions, service quality, and brand trust. Using survey data from news articles & customers of companies that have undergone M&A between 2018 and 2023, this study uses a quantitative approach with statistical analysis, including regression models and correlation analysis, to assess shifts in customer sentiment. The results acknowledge that while M&A can create operational efficiencies and expand service offerings, they sometimes lead to short-term decrease in customer satisfaction due to service disturbance and brand identity changes. Customers possibly encounter uncertainty about the product quality, pricing readjustments, and consistency of the service, affecting their general satisfaction. Nevertheless, companies with effective post-M&A combination, containing transparent communication, service consistency, and customer engagement, may maintain customer loyalty. Furthermore, brand reputation and trustworthiness play a big role in building post-M&A consumer behavior. Customers tend to remain loyal when they recognize stability and upgraded benefits after the merger. Though M&A develop opportunities for business growth, they also pose a threat to customer relationships if not executed correctly. Understanding these interactions is essential for companies to direct consumer doubts, enhance customer loyalty strategies, and maximize the long-term advantages of M&A.

Keywords: Mergers and Acquisitions, Influence, Customer Satisfaction, Loyalty, Banking Companies.

1. Introduction

Mergers and acquisitions (M&A) are common business strategies undertaken by companies both in Indonesia and abroad. This strategy is particularly prevalent in industries such as banking, which heavily relies on the quality of its services to maintain customer trust and competitiveness. M&A can be driven by various factors, including market expansion, increased operational efficiency, and improved service quality. According to Kamilia et al. (2022), the primary objectives of a company engaging in mergers and acquisitions are to strengthen market presence, optimize financial performance, and enhance overall service offerings. However, while M&A can provide significant benefits, it may also introduce challenges that could impact service satisfaction and customer loyalty.

From a consumer perspective, mergers and acquisitions often create various issues that can affect their satisfaction and long-term commitment to a brand. Also firms after the M&A can be value-destroying and can adversely impact the firm's stakeholders (Rahman and Lambkin, 2015 ; Alvarez-Gonzalez & Otero-Neira, 2023). Some common problems that arise during and after an M&A process include operational disruptions, changes in service structures and company policies, as well as potential cost increases. These factors can significantly influence customer decisions regarding whether to continue using a company's services. Given the highly competitive nature of the banking industry, customer satisfaction and loyalty are crucial elements that determine a bank's ability to sustain its operations and growth. Satisfied customers tend to exhibit high loyalty, which, in turn, contributes to the financial stability and long-term success of the institution.

One of the primary concerns in M&A within the banking sector is the integration process. Merging two financial institutions often requires rebranding efforts, adjustments to service policies, the unification of different technological systems, and the harmonization of corporate cultures. Successful brand integration requires understanding both

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merging brands from the consumer's perspective before the merger (Andrews McLelland, Goldsmith, & McMahon, 2014). These changes can create uncertainty among customers, potentially leading to negative perceptions about the newly merged entity. For example, customers might experience delays in transactions, altered terms and conditions for banking products, or differences in customer service quality. Such disruptions can lead to frustration and dissatisfaction, prompting customers to switch to competing banks that offer more stable and predictable services.

Despite these challenges, if managed effectively, M&A can also serve as an opportunity to improve overall banking services. Banks that successfully integrate their operations and maintain transparent communication with customers can foster trust and confidence. Proactive engagement, clear explanations regarding policy changes, and seamless digital banking experiences can help mitigate the negative effects of M&A. In India, AI technology improves customer satisfaction by helping banks organize data and improving digital processes (Shaikh, Kumar, Mishra, & Elahi, 2024). Furthermore, banks can leverage synergies resulting from M&A to introduce new financial products, expand their service reach, and offer more competitive interest rates, ultimately enhancing customer experience.

Therefore, this study aims to analyze the impact of mergers and acquisitions on customer satisfaction and loyalty in the Indonesian banking sector. By understanding how M&A affects customers, this research seeks to provide valuable insights for banks in designing more effective post-merger strategies. Ensuring a smooth transition, maintaining high service standards, and prioritizing customer concerns are essential steps to achieving successful M&A outcomes. The findings of this study are expected to help financial institutions navigate M&A processes more effectively while preserving and strengthening their relationships with customers in an increasingly dynamic banking landscape.

2. Literature Review

Mergers and acquisitions (M&A) are strategic business activities where one company either merges with or acquires another to achieve financial, operational, or strategic advantages (Ahern & Weston, 2007). However, there are key differences between a merger and an acquisition in terms of initiation, procedure, and outcome. A merger happens when two separate companies come together to form a new business entity by combining their resources. On the other hand, an acquisition happens when a financially stronger and larger company takes control of a smaller one, resulting in the smaller company's dissolution as its operations and assets are absorbed by the acquiring organization.

The motives behind M&A can be categorized into financial, strategic, and managerial drivers. Regarding financial motives, M&A can enhance firm value through cost-based synergies, such as economies of scale or scope, as well as revenue-based synergies that drive sales or asset growth (Eccles, Lanes, & Wilson, 1999). Acquirers may actively seek undervalued targets, leveraging their more accurate expectations of the target firm's future value to acquire it at a lower price and generate profit through strategic investment and growth opportunities (Barney, 1986). Strategic motives involve market expansion, product diversification, and R&D investments to strengthen industry positioning (Bower, 2001). Managerial motives, however, often stem from executive overconfidence, ambition, or industry pressure, which can lead to suboptimal acquisitions (Roll, 1986; Baum, Li, & Usher, 2000). While financial and strategic benefits are typically the focus of M&A discussions, managerial motives can sometimes result in value-destroying deals.

One of the most critical aspects of post-M&A success is customer retention, which is closely tied to customer satisfaction and loyalty. Research suggests that M&A can disrupt banking services, leading to changes in customer experience due to system integration, branch closures, and adjustments in service policies. If customers perceive a decline in service quality, trust, or accessibility, their satisfaction levels may decrease. However, effective post-merger integration, such as improved digital banking services and seamless customer support, can enhance customer satisfaction.

Customer loyalty plays a vital role in determining the long-term impact of M&A, as loyal customers are more resistant to changes in brand ownership (Tuladhar et al., 2024). Loyalty reflects a customer's resistance to changing their purchasing habits and serves as a key indicator of both M&A outcomes and overall firm success. The resource-based view of the company and efficiency theories align with the integration decisions made in this study's horizontal M&A (Suryaningrum et al., 2023). At the organizational and strategic levels, firms must determine which marketing variables to consolidate and harmonize, including products and services, pricing, distribution methods, and brand image, as these elements shape customer relationships. Consequently, changes in customer loyalty and perception during an M&A transaction will be influenced by these factors. M&A allows firms to expand product offerings, optimize pricing models, and create cross-selling opportunities. However, poor integration may lead to product discontinuation, price hikes, or lower service quality, negatively affecting customer loyalty. There is also a significant

relationship between service quality and customer loyalty (Lina, 2022). Customers tend to remain loyal if they experience consistent service quality, clear communication, and benefits from the merger, such as enhanced financial products or better interest rates. M&A can enhance service quality by leveraging resource efficiencies and operational synergies. However, M&A may also lead to a decline in service quality due to delays in service delivery or insufficient knowledge. The perceived service quality after a merger or acquisition influences how customers assess their post-M&A relationship with the firm, which in turn affects loyalty—either positively or negatively—given the strong correlation between service quality and customer loyalty, particularly in the banking sector (Álvarez-González & Otero-Neira, 2023).

Brand image also plays a crucial role in shaping customer perceptions post-M&A. When two firms merge, changes in corporate identity, brand values, and strategic positioning can influence consumer trust. A well-executed brand integration can strengthen reputation and loyalty, while brand mismatches or reputational damage may drive customers away. Similarly, the integration of sales forces affects customer relationships. Workforce reductions or misalignment in sales strategies can weaken customer interactions, whereas well-managed sales integration can foster stronger customer relationships (Chun & Davies, 2010). Sales channels also play a role in customer retention. Effective restructuring of distribution channels can expand market reach and improve service accessibility. However, branch closures or disruptions in sales networks can lead to customer attrition.

Apart from structural changes, customer perception of M&A is influenced by three key moderating factors: customer orientation, speed of integration, and communication. Customer orientation refers to how well a company considers its customers' needs during the M&A process. Firms that prioritize customer satisfaction and maintain high service levels experience stronger customer retention (Kato & Schoenberg, 2014). The speed of integration is also crucial; a faster transition reduces uncertainty and enhances customer confidence in the merged company. Finally, communication plays a fundamental role in shaping customer perceptions. Transparent and consistent communication minimizes uncertainty, fosters trust, and enhances customer retention post-M&A (Smith, 2007).

3. Research Method

This study adopts a qualitative research approach to explore the impact of mergers and acquisitions (M&A) on customer satisfaction and loyalty in the Indonesian banking sector. By focusing on customer perceptions, this research aims to understand how M&A activities influence service quality, trust, and overall banking experience. A questionnaire-based survey was chosen as the primary data collection method to capture detailed responses from participants. The data was collected through an online questionnaire distributed via Google Forms, ensuring accessibility and convenience for respondents. The questionnaire consisted of closed-ended questions with answer choices to ensure consistency in responses.

The questionnaire consisted of three main sections, each addressing different aspects of customer experience. The first section of the questionnaire included demographic questions, such as age, gender, monthly income, duration as a bank customer, and the bank they use. These questions provided contextual background for analyzing customer responses. Additionally, this section contained a question asking whether respondents were aware that their bank had undergone a merger or acquisition. This helped assess the level of customer awareness regarding corporate restructuring within their banking institution.

The second section focused on measuring customer satisfaction after the merger or acquisition using a linear scale. Respondents were asked to rate their experience regarding service quality, transaction convenience, customer support responsiveness, and trust in the bank. The responses helped assess whether customers perceived an improvement, decline, or no significant change in these aspects. This section provided key insights into how M&A activities affected overall customer satisfaction.

The third section evaluated customer loyalty after the merger or acquisition, also using a linear scale. Questions in this section measured customers' willingness to continue using the bank's services, likelihood of recommending the bank, and trust in the bank's long-term stability. The responses helped determine whether M&A transactions influenced customer retention and future engagement with the bank. By analyzing these responses, the study aimed to understand how customer loyalty was affected post-merger.

A purposive sampling technique was employed to target individuals who have direct experience with banking institutions that have undergone M&A transactions. The survey successfully gathered responses from 51 participants, all of whom were banking customers with accounts in merged or acquired banks. Participants varied in terms of demographics, including age, occupation, and banking experience, ensuring a diverse range of perspectives. The

collected data was analyzed using thematic analysis to identify patterns and trends in customer perceptions. While the questionnaire primarily consisted of structured answer choices, variations in satisfaction and loyalty scores were examined to derive meaningful insights. Key themes were identified based on recurring trends in customer responses across different sections of the survey. This approach allowed for a comprehensive evaluation of customer sentiments regarding M&A in the banking industry.

4. Results and Discussions

This study involved a total of 51 respondents who were randomly selected to participate in the survey. Data collection was conducted using an online questionnaire distributed via Google Forms over a four-day period, from March 5, 2025, to March 8, 2025. The respondents represented a diverse demographic in terms of both age and income level, ensuring a broad perspective on digital banking preferences. As illustrated in Figure 1 and Figure 2, the majority of participants (56.9%) were between the ages of 18 and 22 and had a monthly income of less than 5 million IDR. This indicates that a significant portion of the surveyed individuals were young adults, likely comprising university students or early-career professionals who are actively engaged in digital financial services.

One of the key insights gained from this survey was the level of public awareness regarding structural changes within the digital banking industry. As depicted in Figure 2, a notable 68.6% of respondents stated that they were unaware that some of the digital banks they currently use had undergone mergers or acquisitions. This finding suggests that transitions in ownership or restructuring within financial institutions may not have a substantial impact on customer perceptions or day-to-day interactions with banking services. It also highlights the possibility that digital banking users prioritize functionality, convenience, and service efficiency over institutional changes occurring behind the scenes.

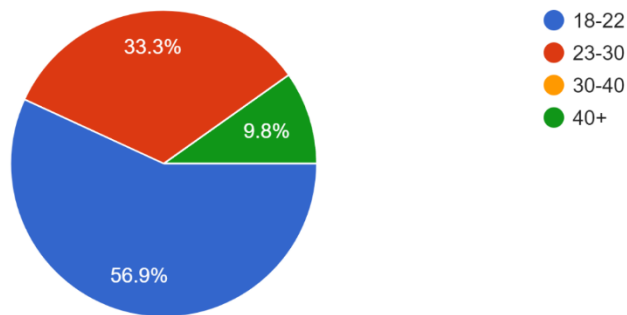


Figure 1. Range of Ages.

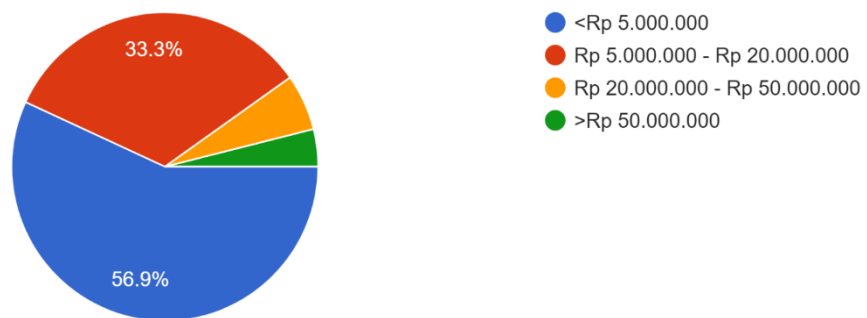


Figure 2. Income per Month.

To further explore public preferences regarding digital banking services in Indonesia, the survey presented respondents with a list of widely used digital banks. These included Bank Central Asia (BLU), Bank Republik Indonesia (BRIMo), Bank Mandiri (Livin'), SeaBank, Bank Jago, Bank OCBC (Nyala), and Bank CIMB Niaga (OCTO). The selection of these banks was based on their popularity, customer base, and the variety of financial services they provide. By analyzing user preferences for these digital banks, the study aimed to gain deeper insights

into factors influencing customer choices, such as ease of use, service features, transaction security, and overall user experience.

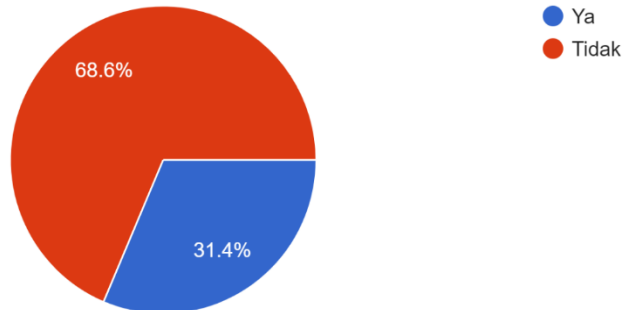


Figure 3. Respondents Knowledge of Mergers or Acquisitions.

To determine the level of customer satisfaction and loyalty toward the bank, reference can be made to Figure 3 and Figure 4. The bar chart in these figures presents a satisfaction scale ranging from 1 to 5, which serves as an indicator in this study. This scale illustrates that the smaller the number displayed (number 1), the higher the level of customer satisfaction and loyalty toward the banking services. This indicates that customers are satisfied with the various products and services offered, making them more likely to remain loyal to the bank. Conversely, the larger the number displayed (number 5), the lower the level of customer satisfaction and loyalty. This suggests that customers may feel dissatisfied with the services provided, potentially leading them to switch to another bank that offers a better banking experience. By understanding these patterns of satisfaction and loyalty, banks can take strategic steps to improve service quality, retain existing customers, and attract new ones.

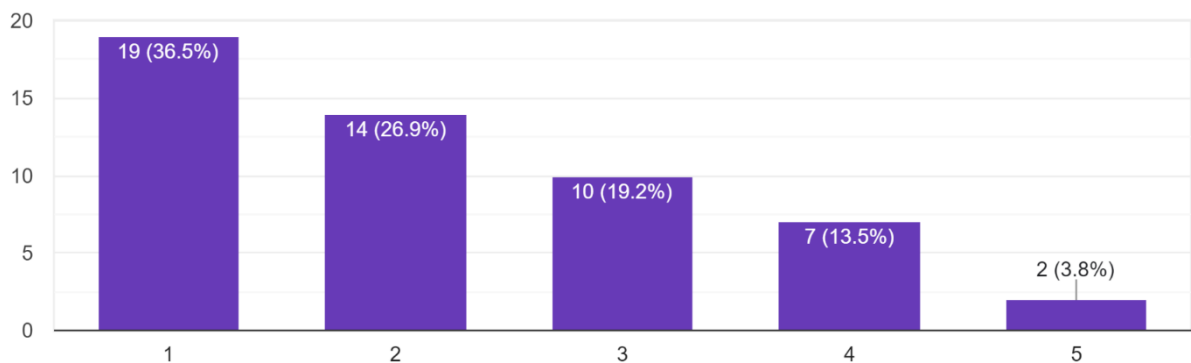


Figure 4. Satisfaction of bank products and services after merger

In Figure 3, it can be seen that customer satisfaction with banking products and services after the merger is very high. This is due to the company's efforts to improve performance through various enhancements in multiple aspects. One of the initiatives taken was the development of a mobile banking application that facilitates customer transactions. Additionally, the company improved the quality of service at tellers and cashiers and introduced new and more innovative products and services. With these various improvements and changes, customers tend to continue using the bank's services despite modifications in the service system. This also contributes to increased customer loyalty to the bank, as shown in Figure 4.

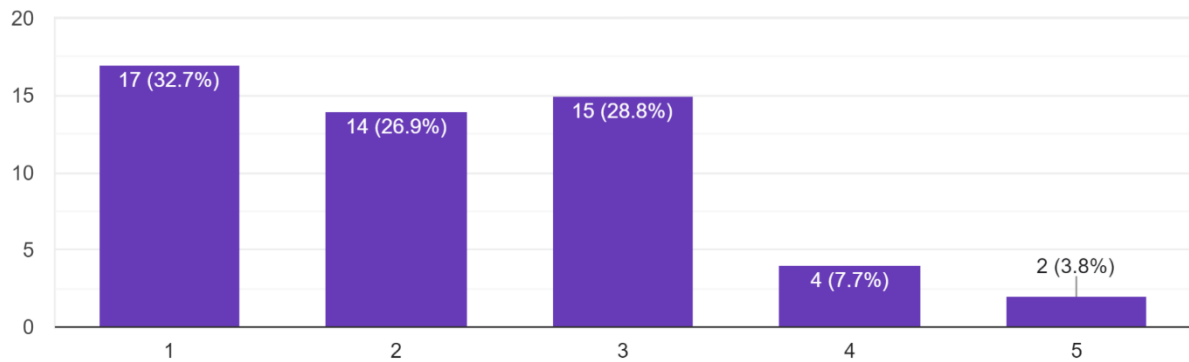


Figure 5. Customers will continue to use the bank's services, after the merger/acquisition

5. Conclusion

From the study, we can acknowledge that M&A in the Indonesian bank sector are able to give a lot of benefits from their operational efficiency and the service expansion. However, an unintegrated process can cause some major problems like service disruptions, policy changes, and customer uncertainty, which may decrease their satisfaction. Although most of the customers didn't acknowledge the structural changes from the M&A, they still consider service quality, transaction convenience, and offered features as major factors in determining their loyalty. Therefore, banks that successfully maintain a transparent communication, consistent service delivery, and provide significant value to customers, possess a greater ability to retain customer loyalty in the aftermath of mergers and acquisitions (M&A).

To ensure that mergers and acquisitions can be executed effectively without compromising customer satisfaction, banking institutions must prioritize clear communication regarding changes, maintain service stability to prevent disruptions to the user experience, and cater to customer needs by providing innovative services. With strategic planning, mergers and acquisitions can not only serve as a means of business expansion, but also as an opportunity to strengthen customer relationships and secure long-term growth in the banking industry.

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