

Can Low Corporate Image Increase Customer Loyalty?

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— *Review of* —
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ABSTRACT

This study was conducted to determine how customer's perception of the corporate image on customer loyalty as well as to analyze the influence of corporate image on customer loyalty. This research was conducted at the Pegadaian Regional Office (*Kanwil*) covering Bandung Bandung, Cimahi, Bandung Regency, Garut, Tasikmalaya, Purwakarta, Subang, Sukabumi, Cianjur, Cirebon, and Majalengka. This type of research is using descriptive method and using verification method with explanatory survey research. Data in this research are obtained through questionnaires, interviews, and observations in the field. The data collected by the primary data source is obtained from the total sample of 250 respondents. The analytical method used is Structural Equation Modeling (SEM) with the First Order Model approach. From the statistical test result, it is known that the image of Pegadaian has a significant influence on customer loyalty Pawnshop.

Keywords: corporate image of customer loyalty, SEM (Structural Equation Modeling)

1. INTRODUCTION

Pawnshop business in Indonesia at the beginning of its development is only run by Perum Pegadaian. Although, on the next development of pawn business is also done by conventional banks and sharia rural banks (Ketut Setyon, 2007: 40).

The business development potential of pawn service is quite significant, it is also seen with the number of customers who generally increase every year (average increase 4.11% every year) (Ketut Setyon, 2007: 43). Although there appears to be an increase, but the number of subscribers owned by Perum Pegadaian up to 2008 is very small when compared with total users of Indonesia's financing source of 7.5% (Data Processed from BPS and Perum Pegadaian).

Many emerging Islamic pawnshops of gold launched by conventional banks and by rural banks are quite interesting because the cost of the fee is quite cheap when compared with the conventional pawnshop. It also shows that currently, the business competition is increasingly tight, especially in pawn business. It requires Perum Pegadaian in Kanwil Bandung to increase customer loyalty. Still, low customer loyalty to Perum Pegadaian is seen from the lack of customers using other product lines of pawnshops services, namely because the image of pawnshops that are still synonymous with the lower-class of society whom encountered financial difficulties, because the real message conveyed by the company is still

not understood by customers. It also has not been in accordance with the market demands of Pegadaian customers in West Java Province.

Based on the background and the identification of problems that have been stated above, the formulation of the problem proposed in this study are: How far is influence of corporate image to the loyalty of Perum Pegadaian customers.

2. LITERATURE REVIEW

2.1.1. Corporate Image

The concept of Corporate Image in Leblanc and Nguyen (1996: 44) research in adaptation of Kennedy and Martineau concept which initially divided the image consists of two components, namely functional and emotional. Factors measured in the research consist of corporate identity, reputation, service offering, physical environment, contact personnel and access to service.

While Palacio, Meneses and Perez (2002: 486), examines the image of the university towards student satisfaction. The concept of image adapted here is the concept of image from Martineau and Kennedy, but different in the variables used are cognitive Image, affective image, Image overalls, and University satisfaction.

The definition of the image is also by Nguyen and Gaston (2002,243) which defines "Corporate image is described as the overall impression made on the minds of the public about an organization. It related to business name, architecture, variety of product / services, tradition, ideology, and the impression of quality communicated by each employee interacting with the organization's client.

Based on some opinions of experts on the image of the company, the image can be interpreted as a perception of the phenomenon, the impression created by the company on the human mind through information from the company and experience someone with the company.

The image will persist as long as the organization can make changes that suit the needs and wants of the market. Image endurance is due to the fact that once a person has a certain image of an object, people will accept, what is in accordance with the image of the object. The inadequacy of an image is due to the incomplete information it generates, thus raising doubts in their minds, even more so when people do not keep up with changes in an object.

According to Kotler and Keller (2009: 288) image is the public perception of the company or its products. Similarly Smith:

"Corporate image is the sum of people perceptions of an organization image, perception, sound, smell, touch, taste and feeling experienced through product usage, customer service, the commercial environment and corporate communication, it is straightly A result of everything a company does or does not do.

The image of a company is a person's perception of an organization's image and these perceptions are created through the senses: sight, hearing, smell, touch, feeling and feelings experienced through the use of products, customer service, commercial environment and corporate communications that any company done or not done.

2.1.2. Customer loyalty

The concept of loyalty has grown in recent years. Initially, experts focused loyalty on brand loyalty associated with the real form of the goods. Now, some studies see customer loyalty from the service side). Here are some expert opinions on loyalty (see attached definition of the concept of variables):

Bowen and Chen (2001: 213) describe that loyalty resulted from the experience of using the product reinforced with customer satisfaction, which led to repeat purchase. Some of the things a company should do to improve brand loyalty are customer care worthy, customer proximity, measure satisfaction, create switching costs and bonuses.

Griffin (2002: 4) defines "Loyalty is based behavioral and defined as non-random purchase expressed over time by some decision making unit." From this definition indicates that loyal customers are in the buying process through longer decision-making stages, and purchases Which is not a random but thought-out action. The loyal customer of the pawnshop will choose the pawnshop that diminantinya, not the pawn services he got.

Sum and Hui (2009: 98) examines the quality of Seller's services to Customer Loyalty at 23 chain clothing stores in Hong Kong. The concept of sales service quality measurement is also based on SERVQUAL model (Parasuraman et.al.) while consumer loyalty is a combination of Pritchard and Howard, Bowen and Shoemaker and Dick and Basu. According to Day in Sum and Hui (2009: 101), loyalty refers to a favorable attitude toward a brand by way of repeat purchase.

3. RESEARCH METHODS

In accordance with the objectives to be achieved, then used two types of research, namely descriptive analysis and verification analysis.

The sample of this study was selected by stratified sampling (Churchill and Iacobucci, 2005: 340), in which the population would be grouped by region and turnover per year. For that area is divided into 5 areas

Hypothesis Testing: Corporate image affects customer loyalty of Perum Pegadaian in Kanwil Bandung.

The above hypothesis can be described as follows.

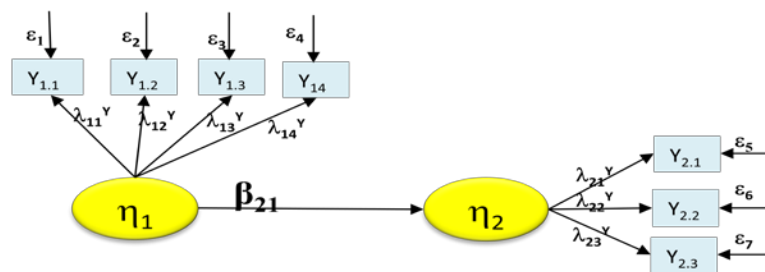


Figure 1. Corporate Image Affects Customer Loyalty Perum Pegadaian

$H_0 : B_1 = 0$: No influence and image (η_1) on customer loyalty (η_2)

$H_1 : B_1 \neq 0$: There is an effect of image (η_1) on customer loyalty (η_2).

To test hypothesized statistics of exogenous to endogenous variables used t test statistic

With the test criteria Reject $t >$

To test hypothesis statistic of endogenous to endogenous variable used t test statistic

With the test criteria Reject if $t >$

All calculations and hypothesis testing are performed with Lisrel Program 8.7.

4. RESULTS AND DISCUSSION

The hypothesis test of relationship between the image of Perum Pegadaian to corporate identity is not obtained based on Lisrel Program because the first indicator value of the endogen variable is initialized in the calculation. Conclusion of the hypothesis states there is a relationship of Perum Pegadaian image with corporate identity. These results provide the basis for concluding that the corporate identity dimension is valid and reliable in reflecting the latent variables of the Perum Pegadaian image. The descriptive results show that familiar logo items give the greatest score. The Pawnshop logo is also rated by the customer as quite easily recognized. This is also because Perum Pegadaian logo is identical to the green color with the picture of the scales. Perum Pegadaian also almost never change the company logo like other companies (such as PT. Pertamina and PT. Telkom).

To test the hypothesis of the relationship between Perum Pegadaian image and its reputation, we obtained the results of the null hypothesis rejected which means that there is a significant relationship from Perum Pegadaian image with the reputation dimension. Customer believes that Perum Pegadaian is customer oriented. This is apparent with the focus of Perum Pegadaian running its core business with Secured Quick Credit (KCA), which is open to anyone who wants to borrow with easy, secure and fast service procedures. Warranty goods that become collateral include jewelry, gold / gems, motor vehicles (cars / motorcycles), electronics, fabrics and other household appliances.

The hypothesis test of correlation between Perum Pegadaian images to access to service is not obtained based on Lisrel's result because the first indicator value of the endogen variable is initialized in the calculation. The process of pawning is the highest. The procedure in mortgaging most customers is fairly easy. This is because in the process of mortgaging goods, the customer just simply bring a copy of their ID card and carry valuables that can be used as collateral goods. Customers do not need to fill out a lot of forms and also do not need to open an account for funds disbursement.

The hypothesis test of relation between Perum Pegadaian's images to service offer is not obtained based on Lisrel's result because the first indicator value of the endogen variable is made initial in the calculation. Conclusion of the hypothesis there is a relationship from Perum Pegadaian Image with Service Offer dimension. The interest rate offered by Perum Pegadaian is partially assessed low by the customer. The interest charged by Perum Pegadaian ranges from 1.2% -1.3% per 15 days. So in a month about 2.4% - 2.6% per month. Very far if they have to borrow to the loan shark with interest 10% -30% per month.

The hypothesis test of the relationship between customer loyalties Perum Pegadaian to revisiting intention is not obtained based on Lisrel program because the first indicator

value of the endogen variable is initialized in the calculation. The desire to reuse has the highest score. Customers have a high enough desire to reuse Perum Pegadaian. This is due to the easy transaction process, the quick disbursement of funds and the relatively low rate of the pawn interest.

The results of the above measurement model analysis show the loading values for the four dimensions of customer loyalty in Perum Pegadaian ranged from 0.699 up to 0.892. The result of rated loading obtained shows that Dimension Revisiting intention has the greatest value with loading value equal to 0,892. This shows that customer loyalty Perum Pegadaian most reflected from revisiting intention.

The Influence of Corporate Image on Customer Loyalty of Perum Pegadaian

For the fourth hypothesis is to know the effect of Corporate Image on Customer Loyalty Perum Pegadaian in Kanwil Bandung, the results obtained in output putrel Lisrel in the fit model as shown in the picture:

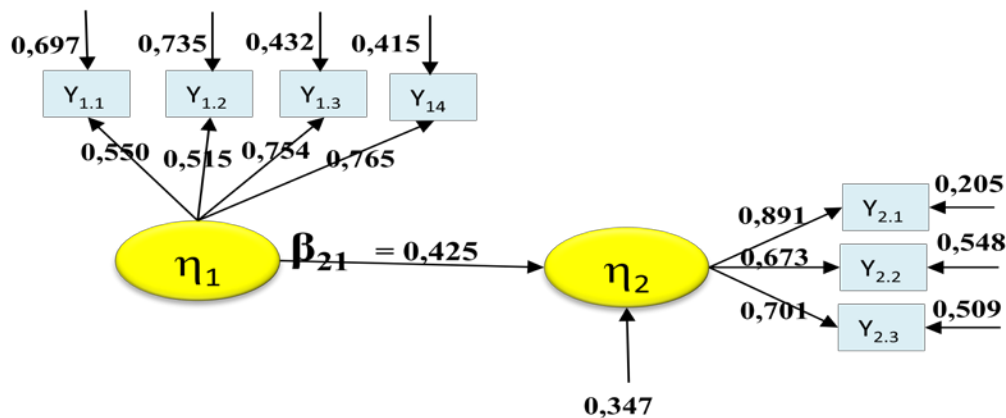


Figure 2. Structural Model (Standardized) Influence of Perum Pegadaian Image to Customer Loyalty in Perum Pegadaian Kanwil Bandung

From the picture above can be written the model as follows:

$$= 0.425 \quad 1, \text{ Variance Error} = 0.347$$

The above model shows the coefficient effect of Perum Pegadaian Image to Customer Loyalty of 0.425 with the value of t-count for the statistical test of 2.52.

To test the effect of hypothesized variables used t test with the test criteria for research of 0.05, the value for the limit stated significant test is 1.96. The result of comparison between t arithmetic with t table for partial test can be seen in the following table:

Table 4.1**Hypothesis Test of Influence of Perum Pegadaian Image to Customer Loyalty**

No	Hipotesis	Line Coefficient	t value	Result	Conclusion
1.	Perum Pegadaian Image had influence toward customer loyalty.	0,425	2,52	Signifi- cant	H ₀ denied, there are influence between Perum Pegadaian image toward customer loyalty.

The calculation result shows that big influence from Perum Pegadaian image to customer loyalty Perum Pegadaian in Kanwil Bandung reach 42,5%. So that changes in corporate image will have a major impact on customer loyalty reached 42.5%. Therefore, to improve customer loyalty Perum Pegadaian should also be attempted to improve the image of Perum Pegadaian itself. Shabbir, Shahbaz et.al. 2010l, (2010: 1229) states that "For an event there is a positive direct relationship between image and loyalty." Thus, customers who believe that Perum Pegadaian has a high image will have a high loyalty as well, if the image of Perum Pegadaian is perceived poorly by the customer, the customer loyalty to Perum Pegadaian will also be low. Based on these points, the company's image will affect customer loyalty.

From the results of this test shows that 34.7% customer loyalty Perum Pegadaian not influenced by the performance of marketing communications, Service Quality and corporate image. This means there are other factors that cause customers loyal to Perum Pegadaian.

5. CONCLUSION

The influence of corporate image on customer loyalty is large. Service offering, and access to service is the main thing that encourages loyal customers to come to Perum Pegadaian.

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