The Moderating Role of Corporate Image Between User Experience Towards Customer Loyalty: A Study on Indihome by Telkom Indonesia

Adnan Ali Ma'sum[1], Ir. Indira Rachmawati S.T., M.S.M.[2]

[1,2] Telkom University, Faculty of Economic and Business,
[1]adnanalley[at]gmail.com, [2] indira.rachmawati[at]telkomuniversity.ac.id

Abstract: *This study aims to examine the influence of user experience towards customer's loyalty as well as examines the moderating role of corporate image towards user experience towards customers loyalty of PT. Telekomunikasi Indonesia. The populations used in this study are the customers of Indihome by PT. Telekomunikasi Indonesia. This research uses Purposive Non-Probability Sampling that gathers data from 400 respondents. This study conducted within August 2017 until April 2018. This study has Independent variable; User Experience (X) that consists of Service Value, Service Quality, Customer Satisfaction, and Social Pressure. The Dependent Variable; Customer Loyalty (Y) that is customer loyalty. This research has a moderating role of corporate image (M). All of those variables are adapted from Tarus and Rabach (2013) [1]. The result reveals that Service Value, Customer Satisfaction and Social Pressure are predictors of customer loyalty of Indihome. Furthermore, Social Pressure is the most powerful predictor compared to other predictors. The role of corporate image is proven to have a positive effect of moderator in between; Service Value towards Customer Loyalty, Customer Satisfaction towards Customer Loyalty, and Social Pressure towards Customer Loyalty.*

Keywords: Service Value, Service Quality, Customer Satisfaction, Social Pressure, Corporate Image, Customer loyalty

1. Introduction

Human civilization has been developing rapidly; improving knowledge and the emergence of technologies have made advanced societies. The Information and Communications Technology (ICT), an output of the technology, practically has affects the way modern societies communicate. Furthermore, the technological developments these days push the demands of internet connectivity.

As of June 2017, the internet has been growing that it has been penetrating 51.7 % of the world's population, according to the Internet World Stats [2]. Internet helps digitization, as the world's 4th most populous country in the world, Indonesia could gain benefits from the digital revolution in order to accelerate the nation's fast-growing economy as the digital revolution would enhance productivity, efficiency, and infrastructure improvement. The digitalization would result an economic impact worth of USD 150 billion in 2025 (Das et al., 2016) [3]

As of January 2017, the country has a whopping 51% growth that adds up 45 million internet users since January 2016. The 132.7 million internet users make the ICT industry a profitable potential. Alongside with the country's internet users' growth, new fixed broadband ISPs are emerging; a threat to PT. Telekomunikasi Indonesia as the market leader in the industry. Such circumstance has rose the competitiveness of the industry, a fact that the Indihome subscribers' growth has declined. . It is important for Telkom Indonesia to be able to maintain its customers loyalty, as previous research has postulated that a high level of user experiences, which are; service value, service quality, customer satisfaction and social pressure has a direct effect on customer loyalty that is enhances customer loyalty. Furthermore, corporate image is believed to moderate relationship in between the aspects of user experiences. (Tarus and Rabach, 2013) [1]

Maintaining customer's loyalty is important aspect for the company due to the fact that acquiring customers would costs more than maintaining existing customers. In contradictory, newborn ISPs are struggling to as their position in the industry have to enter the penetrated market of Telkom Indonesia

2. Related Works and Theoretical Background

The framework is based on Tarus and Rabach, (2013), The model has 2 variables and a moderator. User Experience as an Independent variable, an important aspect for Telkom Indonesia to be able to maintain its customer's loyalty, through improving its user's experience. Service Value, Service Quality, Customer satisfaction, and Social Pressure are the dimension of user experience. The Dependent variable consists of Customer loyalty. Finally, the corporate image has a role of Moderator.
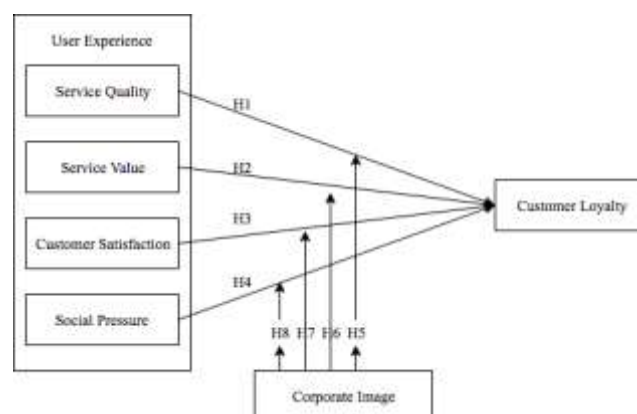

Figure 1: Research Framework

Based on the framework, the hypotheses of this research are;

H1. Service Quality has a positive effect towards customer loyalty

H2. Service Value has a positive effect towards customer Loyalty

H3. Higher Customer Satisfaction has a positive effect towards customer loyalty

H4. Higher Social pressure to use a service has a positive effect towards higher customer loyalty

H5. Corporate Image positively moderates the relationship in between; service value and customer loyalty

H6. Corporate Image positively moderates the relationship in between; Service Quality and customer loyalty

H7. Corporate Image positively moderates the relationship in between; Customer Satisfaction and Customer Loyalty

H8. Corporate Image positively moderates the relationship in between; Social Pressure and Customer Loyalty.

2.1 Service Value

Tarus and Rabach (2013) [1] states that service value that is perceived by customer, is important for organizations. Holbrook (1994) in Tarus and Rabach (2013) [1], observed that "perceived customer value is a critical element in all marketing activities because it can help the organization to penetrate existing market segments, develop new markets, create new products and services and more importantly enhance customer patronage."

2.2 Service Quality

It is very important for service providers to provide a high level of service quality to compete within the industry (Deng et al., 2010) [4]. According to Wang (2004) [5], the customer-perceived service quality has been one of the most important success factors of business competition for either manufacturers or service providers.

2.3 Customer Satisfaction

According to Angelova (2011) [6]," Satisfied customers form the foundation of any successful business because customer satisfaction leads to repeat purchases, brand loyalty, and positive word of mouth. There are numerous studies that have looked at the impact of customer satisfaction on repeat purchases, loyalty and retention. Many researchers point out the fact that satisfied customers share their experiences with other people to the order of perhaps five or six people. On the contrary, dissatisfied customers are more likely to tell another ten people of their experience with product or service."

2.4 Social Pressure

Social interactions, according to Scheinkman (2008) [7] on his article about social interactions, "it refers to particular forms of externalities, in which the actions of a reference group affect an individual's preferences."Tarus and Rabach (2013) [1] state that "studies have shown that consumer decision making and particularly choice making is influenced by the social or the peer pressure."

2.5 Corporate Image

El-Salam et. al. (2013) [8] state that "Corporate image and reputation is considered to be a critical factor in the overall evaluation of any organization, because of the strength that lies in the customers' perception and mind when hearing the name of the organization". According to Tarus and Rabach (2013) [1], the perceived quality of the service is likely to be seen to be good when the firm's' image is high. The reason is that customer service quality expectation reduces when a firm has a good image because customers believe that products of such companies are high.

2.6 Customer Loyalty

According to Jacoby and Kyner (1973) [9], "Loyalty described as the biased (i.e. non-random), behavioural response (i.e. purchase), expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (i.e. decision making, evaluation) processes". According to Stevens, T., (2000) in McMullan and Gilmore (2008) [10] states that in a circumstance when the competition rises, the relationship between loyalty and competition becomes more intense, especially in the service sector where customers have a wide range of choices.

3. Methodology

Methodologically, this is a quantitative research due to its statistical characteristics and relationship examination. A conclusive research, also known as causal research, done when the researcher has read previous researches as well as journals discussing relationships between variables. A causal research is a type of research that illustrates a cause of a problem. (Indrawati, 2015: 116) [11]. Researcher in this study, does not involved in data manipulation; therefore this research has no interference of researcher. This research studies individuals; therefore the unit of analysis of the research is individual. The time horizon of the study is a cross section, as it is in accordance with its characteristics explained on (Indrawati, 2015: 118) [10], Cross section is relatively cheaper and faster.

3.1 Measurement Scale

To calculate data gathered from the sample, this research uses systematic differential with 7 levels of measurement, ranging from "Strongly Disagree" and "Strongly Agree", as well as "Very Poor" and "Very Good".

3.2 Population and Sample

This research, the population is Indihome users that have been using the service for at least 6 months throughout Indonesia and would like to gather data from 400 samples out of 1.6 million subscribers of Indihome.

3.3 Data Testing Technique

This study uses SEM methodology that uses Smart PLS due to its structure and complexity. Partial least squares regression is a variance-based statistical method. The analytical software used in this study is smart PLS 3 on a High Sierra on a MAC.

3.4 Validity Test

The pilot test conducted on SPSS to test the reliability and validity due to the number of samples gathered is below 100. The pilot test gathered from 30 respondents that have all the variables valid Due to the 5% of sampling error allowance and the Pearson's R table for 0.05 and d.f. (N-2) which is 28, variables that are higher than .361 is considered as valid.

3.5 Reliability Test

The data reliability of this research is to see the adequateness of Alpha Cronbach and Composite of the variables' Reliabilitiness using SPSS software. The result reveals that all the variables are valid, based on the result of the reliability test, all the variables are reliable according to Hinton et. al. (2014) [12]; X variables have excellent reliability, Moderating variable has an excellent reliability, and Y variable has a moderate reliability.

4. Results and Analysis

To evaluate convergent validity, reflective measurement model assessment includes loading factor calculation, and average variance extracted known as the AVE, according to Hair et.al. (2017) [13]. The criteria for an item to passes the test, the value of factor loading must be > 0.4 according to Hulland on Vinzi et.al. 2010: 165) [14]. Furthermore, the AVE value must be > 0.5. The result of loading factor in convergent validity can be seen in Table 1.

Table 1: Loading Factor Result

Item	Value
CI1	0,906
CI2	0,917
CI3	0,892
CI4	0,880
CL1	0,869
CL2	0,925
CS1	0,954
CS2	0,959
SP2	0,962
SP3	0,803
SQ1	0,871
SQ2	0,881
SQ3	0,900
SQ4	0,883
SQ5	0,883
SV2	0,956
SV1	0,952

Based on Table 1, all of the indicators earned more than 0.40, which summed up that the whole indicators above are reliable. The item SP1 is trimmed due to insufficient value.

The next test in convergent validity is the AVE, Assessment of reflective measurement that calculates of each latent variable. AVE results on convergent validity can be seen in Table 2.

Table 2: AVE Result

	Average Variance Extracted (AVE)
Corporate Image_	0,808
Customer Loyalty_	0,805
Customer Satisfaction_	0,914
Moderating Effect 1	0,831
Moderating Effect 2	0,716
Moderating Effect 3	0,854
Moderating Effect 4	0,534
Service Quality_	0,781
Service Value_	0,91
Social Pressure_	0,785

Based on the table 2, it reveals that all of the variables are valid due to each variable obtained greater than 0.50.

Table 3: Cross Loading Result

	CI	CL	CS	SQ	SV	SP
CI1	0,906	0,605	0,759	0,72	0,759	0,337
CI2	0,917	0,591	0,759	0,765	0,766	0,354
CI3	0,892	0,598	0,75	0,733	0,708	0,334
CI4	0,88	0,651	0,753	0,698	0,728	0,336
CL1	0,525	0,869	0,53	0,458	0,513	0,363
CL2	0,682	0,925	0,699	0,649	0,658	0,499
CS1	0,794	0,647	0,954	0,797	0,75	0,357
CS2	0,813	0,681	0,959	0,78	0,756	0,376
SP2	0,417	0,537	0,423	0,391	0,42	0,962
SP3	0,188	0,247	0,189	0,187	0,175	0,803
SQ1	0,663	0,48	0,674	0,871	0,573	0,284
SQ2	0,744	0,617	0,762	0,881	0,68	0,334
SQ3	0,726	0,561	0,745	0,9	0,618	0,309
SQ4	0,745	0,541	0,707	0,883	0,649	0,313
SQ5	0,695	0,561	0,743	0,883	0,623	0,339
SV2	0,793	0,643	0,762	0,704	0,956	0,375
SV1	0,779	0,618	0,74	0,658	0,952	0,341

Table 3 shows the value of cross loading of each items that are higher than the score of other construct. The table above indicates a positive result as there is no indication of problem.

The indicator then measured by its Cronbach's Alpha and Composite reliability to measure whether it is reliable or vice versa. Both Values have to be greater than 0.7 in order to be considered as a reliable indicator.

Table 4: Composite Reliability Result

	Cronbach's Alpha	Composite Reliability
Corporate Image_	0,921	0,944
Customer Loyalty_	0,761	0,892
Customer Satisfaction_	0,906	0,955
Moderating Effect 1	0,972	0,975
Moderating Effect 2	0,982	0,98
Moderating Effect 3	0,976	0,979
Moderating Effect 4	0,904	0,894
Service Quality_	0,93	0,947
Service Value_	0,901	0,953
Social Pressure_	0,757	0,879

One-Tail right sided hypotheses are used in this research due to its power to detect an effect to investigate influences between variances in positive direction. With the significance level of 0.05 and the critical value of 1.65, Therefore, rejected Hypothesis if t ≤ 1.65 and accepted Hypothesis if t > 1.65

Table 5: Path Coeficient and T-Value

	T- Value	P Values	Conclusion
SQ -> CL	0,639	0,3	Rejected
SV -> CL	2,424	0	Accepted
CS -> CL	3,358	0	Accepted
SP -> CL	6,158	0	Accepted
Moderating Effect 1 (SV -> CL)	2,675	0	Accepted
Moderating Effect 2 (SQ -> CL)	1,59	0,1	Rejected
Moderating Effect 3 (CS -> CL)	2,025	0	Accepted
Moderating Effect 4 (SP -> CL)	3,172	0	Accepted

As shown in the table 5, two out of eight hypotheses are rejected. The social pressure is the most powerful indicator compared to other predictors.

5. Conclusions and Suggestions

Due to the high value of social pressure predictor, the company has to realize that surrounding environments of the user have a big impact and influence towards loyalty. Thus, word of mouth has a powerful impact that the company should be able to control. The high level of influence is also Customer satisfaction is also a significant predictor that influences customer loyalty. Therefore, overall satisfaction has to be kept high in order to be competitive that leads to a loyal customer. Even though service quality is not a predictor of customer loyalty of this research, the company should consider this aspect as it may be an indicator in the future, alongside with the growth of the competition. It also means that customers are looking for a more valuable service rather than prioritizing quality aspect of the service.

As the samples obtained were gathered throughout Indonesia, whereas the availability of ISP may vary. Further research could focus on certain areas where the ISP sector has a high level of competition. The framework used for this research is fully adapted from the framework of the previous research. Further research could use SERVQUAl as the dimension of the service quality, as this research fully adapted from Tarus and Rabach (2013) dimension of service quality.

References

[1] Tarus, Daniel Kipkirong., Rabach, Nicholas (2013). *Determinants of customer loyalty in Kenya: does corporate image play a moderating role?*. The TQM Journal, Vol. 25 Iss 5 pp. 473 - 491

[2] (Internet World Stats (2017). *INTERNET USAGE STATISTICS: The Internet Big Picture*. [Online]. https://www.internetworldstats.com/stats.htm [December 2017]

[3] Das, Kaushik., Gryseels, Michael. Sudhir, Priyanka., Tan, Khoon Tee (2016). Unlocking Indonesia's Digital Opportunity. McKinsey Indonesia Office

[4] Deng, Z., Lu, Y., Wei, K. and Zhang, J. (2010). *Understanding customer satisfaction and loyalty: an empirical study of mobile instant messages in China*. International Journal of Information Management, Vol. 30 No. 4, pp. 289-300.

[5] Wang, Y., Lo, H. and Yang, Y. (2004). *An integrated framework for service quality, customer value, satisfaction: evidence from China's telecommunication industry*. Information Systems Frontiers, Vol. 6 No. 4, pp. 325-340.

[6] Angelova, Biljana (2011). *Measuring Customer Satisfaction with Service Quality Using American Customer Satisfaction Model (ACSI Model)*. International Journal of Academic Research in Business and Social Services". Vol.1 No.3, ISSN: 2222-699

[7] Scheinkman, Jose A. (2008). *Social Interactions.* Published in *The New Palgrave Dictionary of Economics*.

[8] El-Salam, Eman Mohamed Abd., Shawky, Ayman Yehia., El-Nahas, Tawfik (2013). *The impact of corporate image and reputation on service quality, customer satisfaction, and customer loyalty: testing the mediating role. Case analysis in an international service company*. The Business & Management Review, Vol.3 Number-2, January 2013

[9] Jacoby, J. and Kyner, D.B. (1973). *Brand loyalty versus repeat purchasing behavior*. Journal of Marketing Research, Vol. 10, pp. 1-9.

[10] McMullan, Rosalind., and Gilmore, Audrey (2008). *Customer loyalty: an empirical study*. European Journal of Marketing, Vol. 42 Issue: 9/10, pp.1084-1094,

[11] Indrawati. (2015). *Metodologi Penelitian Manajemen dan Bisnis: Konvergensi Teknologi Komunikasi dan Informasi*. Bandung: Refika Aditama.

[12] Hinton, Perry R., McMurray, Isabella., Brownlow, Charlotte. (2014). *SPSS Explained (2nd ed.).* New York, New York, United States: Routledge

[13] Hair Jr, Joseph F., Hult, G. Thomas M., Ringle, Christian M., Sarstedt, Marko (2017). *A Primer on Partial Least Squares Structural Equation*

[14] Vinzi, v, Espito, Chin, W.W., Hensler J., Wang, H. (2010). Handbook of Partial Least Squares. Berlin Heidelber, Germany: Springer-Verlag.

[15] Indrawati. (2017). *Perilaku Konsumen Individu dalam Mengadopsi Layanan Berbasis Teknologi Informasi dan Komunikasi*. (N. F. Atif, Ed.) Bandung, West Java, Indonesia: PT Refika Aditama.

[16] Minh, Ngo Vu., Nguyen, Huan Huu. (2016). *The Relationship between Service Quality, Customer Satisfaction and Customer Loyalty: An Investigation in Vietnamese Retail Banking Sector*.Journal of Competitiveness 10 Vol. 8, Issue 2, pp. 103 - 116