THE EFFECT OF REPUTATION AND COMPETENCE ON CUSTOMER LOYALTY THROUGH CUSTOMER SATISFACTION

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Abstract

This study aims to analyze the effect of reputation, competence on customer loyalty with customer satisfaction as an intervening variable. The population in this study were students of private tertiary institutions in Central Java who are members of Services for Higher Education Institutions Region VI, while a sample of 5 private universities, using the purposive sampling method, was taken with the Slovin formula of 190 respondents. The analysis technique uses regression analysis. Research results show the customer satisfaction variable can be an intervening variable or able to mediate between the direct influence of the reputation variable and the competency variable on customer loyalty variables.

Keywords: Reputation, competence, customer satisfaction

BACKGROUND

Maintaining customer loyalty in the current business era is a demand that must be implemented because basically by maintaining student loyalty, the survival of the college will be maintained, this means maintaining long-term relationships between customers and organizations, the term loyalty is considered to be the intention of the buyer to make purchases again and again to build ongoing relationships with organizations. Oliver, (1999) states that customer loyalty is a promise of buyers to buy certain products, services, and brands of an organization over a consistent period, regardless of new products and innovations competitors and customers are not forced to switch. This means maintaining a long-term relationship between the customer and the organization, the term loyalty behavior can be used in some different terms but is considered as the intention of the buyer to make purchases again and again to build an ongoing relationship with the organization. (Dick and Basu,1994); (Fornell,1992). Gul, (2014) defines loyalty as a behavior, which is indicated by routine purchases based on decision-making units, customer loyalty is that customer loyalty is measured by the frequency of service reuse. then customer behavior can be reflected as customer satisfaction in the context of education that can be observed in the behavior of students who carry out routine activities. as indicated by routine purchases based on decision-making units, customer loyalty is that customer loyalty is measured by the frequency of reuse of a service. then customer behavior can be reflected as customer satisfaction in the context of

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Based on the results of research on customer satisfaction with customer loyalty there are still differences of opinion, research conducted by Gul, (2014) found that there is a positive and significant relationship between reputation, customer satisfaction, trust, and customer loyalty. research gives a positive sign that with increasing reputation, customer satisfaction, and trust, customer loyalty increases. This differs from the research conducted by Selnes,(1993), which states customer satisfaction harms customer loyalty. then it needs to be reexamined. The results of research on the reputation of the company with customer loyalty there are differences of opinion between researchers among others examined by Setyawan, (2015), which states that reputation is negatively related to customer loyalty,

Indonesia Law Number 14 of 2005 concerning Teachers and Lecturers Article 1 Paragraph 2 (2006) lecturers are professional educators and scientists with the main task of transforming, developing, and disseminating science, technology, and arts through education, research, and community service. Thus, the position of lecturers as professionals at the tertiary level appointed according to

the laws and regulations has three main tasks, namely in the fields of education, research and community service, from the description above, it can be concluded that the source of tertiary income comes from the number of students, Therefore, the university is trying to build customer loyalty, namely students by increasing the satisfaction and trust of students, on the other hand, the institution also needs to improve its reputation and the quality of the instructor through increasing the competence of the instructors, judging from the distribution of universities in Indonesia, it can be seen that the island of Java is a destination for continuing higher education so that many prospective students from outside Java wants to study in Java. With the number of Public Universities (PU) being small and unbalanced with Private University or PTS, PTS in Java became a destination for further education. so many prospective students from outside Java who want to study Java. With the number of PU being small and unbalanced with PTS, PTS in Java became a destination for further education. so many prospective students from outside Java who want to study Java. With the number of PU being small and unbalanced with PTS, PTS in Java became a destination for further education.

LITERATURE REVIEW

Customer loyalty

To build strong relationships with customers and create loyalty, each educational institution strives to always hear and understand what customers want, solve problems faced by customers, pay attention to customers, and always help customers so that customer loyalty is one of the keys to successful existence companies or educational institutions, a large number of customers loyal to educational institutions will certainly have an impact and contribute positively to sustainability and progress. Customer loyalty is often interpreted by the behavior of customers who often make repeated purchases, whereas contributions from loyal customers are not only limited to that but can be broader in scope and sometimes can contribute more, namely customer loyalty to the brand and recommendations given by customers to others who later could become potential customers of educational institutions. Oliver, (2014:432) customer loyalty is a commitment that is held tightly by customers to buy or put forward a product in the form of goods or services consistently, this causes repeated purchases of the same brand, even though the customer has situational or marketing influence from competitors to change another brand. Whereas Baloglu, (2002:47), states that customer loyalty is a customer doing repeatedly buying a product or service, or showing "loyalty behavior", for reasons other than a commitment to the brand or company attitude. Likewise, Kotler and Keller(2012:359), states that customer loyalty is strongly committed to repurchasing certain products or services in the future despite the influence of marketing and business situations that could potentially lead to behavioral shifts. In the opinion of Dick and Basu (1994:106), customer loyalty can be seen through three indicators, namely: a) Alternative search motivation, in the search for information for alternative products related to the consequences of loyalty, strong loyalty reduces motivation for alternative searches. b) Resistance to competitor entices, customers have a strong commitment to the company so that it shows increased resilience to competitors' persuasion efforts. c) Recommendations to other parties,

Customer satisfaction

To meet customer satisfaction, companies are required to be careful to know shifts in customer needs and desires that almost every time change, buyers will move after forming a perception of the value of the offer, satisfaction after purchase depends on the performance of the offer compared to expectations, satisfaction is the response will be fulfilled expectations customer. Customer satisfaction in marketing management has a specific understanding, there are several opinions regarding the definition of customer satisfaction, including; Oliver (1997:13), customer satisfaction is an assessment that the features of a product or service, or the product or service itself, by providing (or providing) a satisfactory level of satisfaction related to fulfillment including a lower level or above fulfillment, whereas according to Supriadi (2017) that customer satisfaction is a feeling of pleasure or disappointment someone who appears after comparing the perception of the performance or results of a product and its expectations. So, customer satisfaction is seen as feeling happy or unhappy a customer after evaluating the performance of an item/service with the expectations included when buying or using the service goods.

There are different views expressed by some researchers, as follows; Solvang, (2007:110). Customer satisfaction includes the difference between the expectations and performance of an item/service, customer satisfaction is an evaluation of the purchase after comparing what is felt with expectations, the buyer is satisfied with the product or service obtained will make a repeat purchase of what is obtained and add to the quantity of the purchase. Satisfied customers tell others about the experience gained. Customer dissatisfaction results in moving to another

company and resulting in negative information later on. Customer satisfaction is one of the important factors in implementing a bank's product marketing strategy because the role of the customer makes the existence of a bank to continue to survive. While satisfaction indicators according to Levesque and McDougall (2000: 400) consist of a) The right choice: shows the right choice, the feeling that arises from the customer in choosing a provider of goods or services as a business partner whether it is right or not. b) Conformity of expectations: shows the suitability of expectations, feelings of customers that are due to the ability of providers of goods or services to be able to meet all expectations. c) Facility satisfaction: shows the satisfaction of the facility, the feeling of satisfaction from the customer of the facilities provided by the supplier of goods or services. customers' feelings are due to the ability of the providers of goods or services to meet all expectations. c) Facility satisfaction: shows the satisfaction of the facility, the feeling of satisfaction from the customer of the facilities provided by the supplier of goods or services. customers' feelings are due to the ability of the providers of goods or services to meet all expectations. c) Facility satisfaction: shows the satisfaction of the facility, the feeling of satisfaction from the customer of the facilities provided by the supplier of goods or services.

Reputation

Higher education is one of the important pillars that is expected to bring change to a nation. The world of higher education can not only be a means for improving the quality of human resources, but the learning process on campus is also expected to be an important vehicle to change the mindset of the community towards the realization of an educated civil society. A campus that has extraordinary potential by collaborating with other parties, in universities, co-branding is an embodiment of the collaboration carried out between universities and their external parties, such as the government, other universities (both domestic and foreign), companies related, community, institutions and community leaders, and others. The atmosphere and atmosphere of a comfortable, beautiful college, Reputation, or organization are seen as an assessment of the relationship of attitudes, emotions, finance, social and culture of an organization with various people in general, there are several views about reputation. Fombrun & Shanley, (1990) states that a reputation is an overall form that describes the judgment and attitudes of various individuals with an interest in the state of a company. Melewar et al. (2005) state that reputation can be understood as a function of the image and identity

formed in a company based on organizational cultures such as company history, activities, values , and behavior. Sontaite, there are four indicators in measuring reputation in higher education institutions and are considered the most important for customers of institutions or higher education institutions, namely: Innovation,

Competence

Competence according to Nafi & Supriadi (2018) states that the ability or capacity of an individual to perform various tasks in a job, the ability is a recent assessment of what someone can do. Robbins divides a person's overall ability into two groups of factors, namely: Intellectual ability, the ability needed to perform various mental activities, think, reason, and solve problems. Savvy individuals usually get more money and a higher level of education. Intelligent individuals are also more likely to be leaders in a group. While RI Law Number 14 of 2005 concerning Teachers and Lecturers Article 1 Paragraphs 2 and 10 (2006) lecturers, competence is professional educators and scientists with the main task of transforming, develop and disseminate science, technology, and art through education, research, and community service. Thus, the position of lecturers as professional staff at the tertiary level appointed under statutory regulations has three main tasks, namely, in the fields of education, research and community service given the importance of the position, role and function of lecturers as university teaching staff, competence is needed, motivation and leadership for the improvement of quality human resources, thus indicators incompetence include pedagogical competence, professional competence, personality competence, and social competence.

Literature Review

Based on Gul, (2014), there is a relationship between reputation, customer satisfaction, and customer loyalty. reputation is the main independent variable that has a significant relationship with customer satisfaction, customer loyalty, that with increasing reputation, customer satisfaction increases customer loyalty. Employee emotional competence has a positive effect on customer satisfaction and loyalty directly and (employee emotional competence) has an indirect effect on loyalty through satisfaction mediation. Gorondutse, (2014), there is a positive influence between reputation on customer loyalty. Khazaei, (2016), reputation has a positive effect on customer satisfaction and perceived value, but the perceived value has a positive effect on customer satisfaction. Setyawan, (2015),

Hypothesis

H1. Reputation and competence have a positive and significant effect on customer satisfaction.

H2. Reputation, customer competence, and satisfaction have a positive and significant effect on customer loyalty.

H3. Reputation and competence have a positive and significant effect on customer loyalty through customer satisfaction.
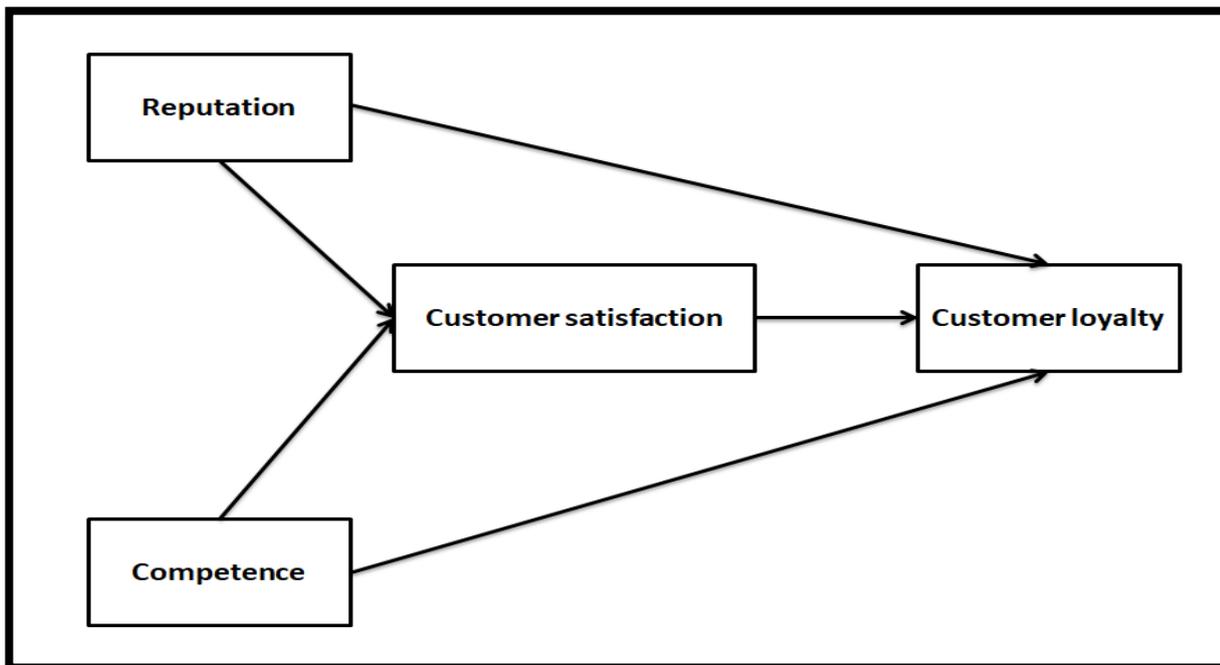

Figure Conceptual framework

DATA AND METHODS

The method used to be the respondent of this study was non-probability sampling with a purposive sampling method (Herman & Supriadi,2017); (Nafi,2017), the questionnaire was distributed to students who were included in the target population with the criteria of private tertiary institutions in Central Java incorporated in the development of Services for Higher Education Institutions Region VI. The population in this study were private tertiary education students in Central Java who were members of Services for Higher Education Institutions Region VI, consisting of D1, D2, D3, S1, S2 and S3 totaling 310,627,000 students spread over 262 educational institutions, while the target population was S1 university students in the Services for Higher Education Institutions Region VI environment totaling 254,714,140 consisting of universities, institutes, colleges, polytechnics, and academies.

While the sample criteria of this study are students with the following tertiary criteria; a). Universities that have accreditation of institution A, because the existence of accreditation shows the quality of a good university. b). Having S1, S2, S3 study programs, because with the existence of S2 and S3, there are many study programs so that public trust is better. c). Already taking the final semester of lecture/final project/thesis at the undergraduate economics faculty understudy, because to show the loyalty of students, data collection and can be processed as many as 190 respondents have been obtained. This research uses descriptive analysis and regression analysis.

RESULTS AND DISCUSSION

Regression Analysis I

Information:
X_1 = Reputation
X_2 = Competence
Y_1 = Customer Satisfaction
Y_3 = Customer Loyalty
Based on the table above, testing the research hypothesis can be described as follows:

a. Effect of Reputation and Competence on Customer Satisfaction

The test results for the variable reputation and competence of customer satisfaction shown by the probability value (p) less than 5% ($á= 5\%$) in column 8, table, the direction of the regression coefficient is positive. This indicates that reputation and competence have a

significant effect on customer satisfaction. Thus, the first research hypothesis was tested.

b. Influence of Reputation, Competence and Customer Satisfaction on Customer Loyalty

The test results for the variable reputation, competence, and customer satisfaction on customer loyalty are shown by the probability value (p) less than 5% (á= 5%) in column 8, table, the direction of the regression coefficient is positive. This indicates that the reputation of competence and customer satisfaction has a significant effect on customer loyalty. Thus, the second research hypothesis was tested.

c. Effect of Reputation and Competence on Customer Loyalty Through Customer Satisfaction

The test results for the reputation and competence variables on customer loyalty through customer satisfaction are shown by the values in columns 5, 6, 7, and 8, table, where $0.264 + (0.231 \times 0.234) = 0.318 > 0{,}264$ with the direction of the regression coefficient value is positive. This indicates that competence has a significant effect on customer loyalty through customer satisfaction. Thus, the third research hypothesis was tested.

CONCLUSION

Based on the results of the research and discussion described in the previous chapter, it can be concluded that:

1. Reputation and competence have a significant effect on customer satisfaction. From the variables studied it turns out that competence is more influential on customer satisfaction than other variables, this is supported by lecturers willing to accept criticism and suggestions from others and are willing to take the time to consult outside the classroom, so students feel it is appropriate to study at the best college now this. 2. Reputation and competence have a significant effect on customer loyalty, competence to obtain greater results affects customer loyalty, that is because the customer wants to recommend to others to study at the college where students study so that the quality of service of this college gets a positive appreciation from others. 3. Customer satisfaction can be intervening between the influence of reputation and competence on customer loyalty. The direct effect of reputation and competence on job satisfaction produces and shows positive. The indirect effect of reputation and competence is positive, and the total effect is greater than the direct effect. This proves that customer satisfaction can mediate the influence of reputation and competence on customer loyalty, or in other words, reputation and competence have a significant effect on customer loyalty through customer satisfaction.

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