



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

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Abstract

This study aims to analyze the effect of reputation, competence on customer loyalty with customer trust 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 trust 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 trust

I. INTRODUCTION

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 on going 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 reuse of a service. then customer behavior can be reflected as customer trust and satisfaction in an educational context that can be observed in the behavior of students who carry out routine activities. Whereas Morgan and Hunt, (1994) in Gul's research, (2014), state that trust is a belief from one party to another that will fulfill customer needs and wants and have confidence in the availability of that service to meet customer needs, this can be applied. theoretically in various situations, namely the exchange of goods and services.

The results of research on customer trust and customer loyalty still have differences of opinion, Gul, (2014) in his research found that there is a positive and significant relationship between reputation, trust and customer loyalty. research gives a positive sign that with increasing reputation, customer satisfaction and trust, customer loyalty increases, but it is different from research conducted by Setyawan, (2015), which states that customer trust is

negatively related to customer loyalty, this needs to be reexamined to fill the void theoretical. It has become a common belief, especially in the business world, customer satisfaction is one of the keys to the success of a business, this is because by satisfying customers, organizations can increase their profitability and gain a wider market share, so that for organizations or institutions, one of the factors the determinant of success in creating customer loyalty is satisfaction with the quality provided.

The results of research on company reputation and customer loyalty have differences of opinion between researchers, among others, that researched by Setyawan, (2015), which states that reputation is negatively related to customer loyalty, this research is different from research conducted by Gul, (2014), which states that there is a positive and significant relationship between reputation and customer loyalty, so based on these findings it is necessary to re-examine to fill out the theoretical findings.

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.

II. 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. (Arifin et al., 2020) 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 trust

Trust is a term that is closely related to everyday life, but not many conceptually and theoretically understand it. Robbins and Judge, (2007), state that trust is a positive expectation that the other party will not, through words, actions or decisions, take the opportunity to hurt the other party. According to McKnight, Kacmar, and Choudry, (2002), trust is built between parties who do not know each other either in the interaction or in the transaction process.

McKnight et al. (2002) stated that there are two dimensions of customer trust, namely: a. Trusting Belief is the extent to which a person believes and feels confident in others in a situation. Trusting belief is the perception of the believer (customer) towards the trusted party (seller) where the seller has characteristics that will benefit the customer. b. Trusting Intention is a deliberate thing where a person is ready to depend on another person in a situation, this happens personally and leads directly to the other person.

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. Sontaita, 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.

(Utomo & Arifin, 2020a) 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 trust, and customer loyalty. reputation is the main independent variable that has a significant relationship with customer trust, customer loyalty, that with increasing reputation, customer trust increases customer loyalty. Whereas Zambaldi, et, al (2010) states that there is a positive relationship between high-level relational competence which affects customer trust so that it has an impact on the relational effectiveness of workers and can add and maintain value for their company. (Utomo & Arifin, 2020) states that there is a positive influence between reputation and customer loyalty. Meanwhile, Nguyen (2012) positively helps to legitimize interfering customer trust as an intermediary variable that increases the impact of reputation on customer loyalty. Setyawan, (2015), the results showed that satisfaction has an indirect effect on loyalty, with trust as a mediating variable.

Hypothesis

- H1.** Reputation and competence have a positive and significant effect on customer trust.
- H2.** Reputation, competence, and customer trust have a positive and significant effect on customer loyalty.
- H3.** Reputation and competence have a positive and significant effect on customer loyalty through customer trust.

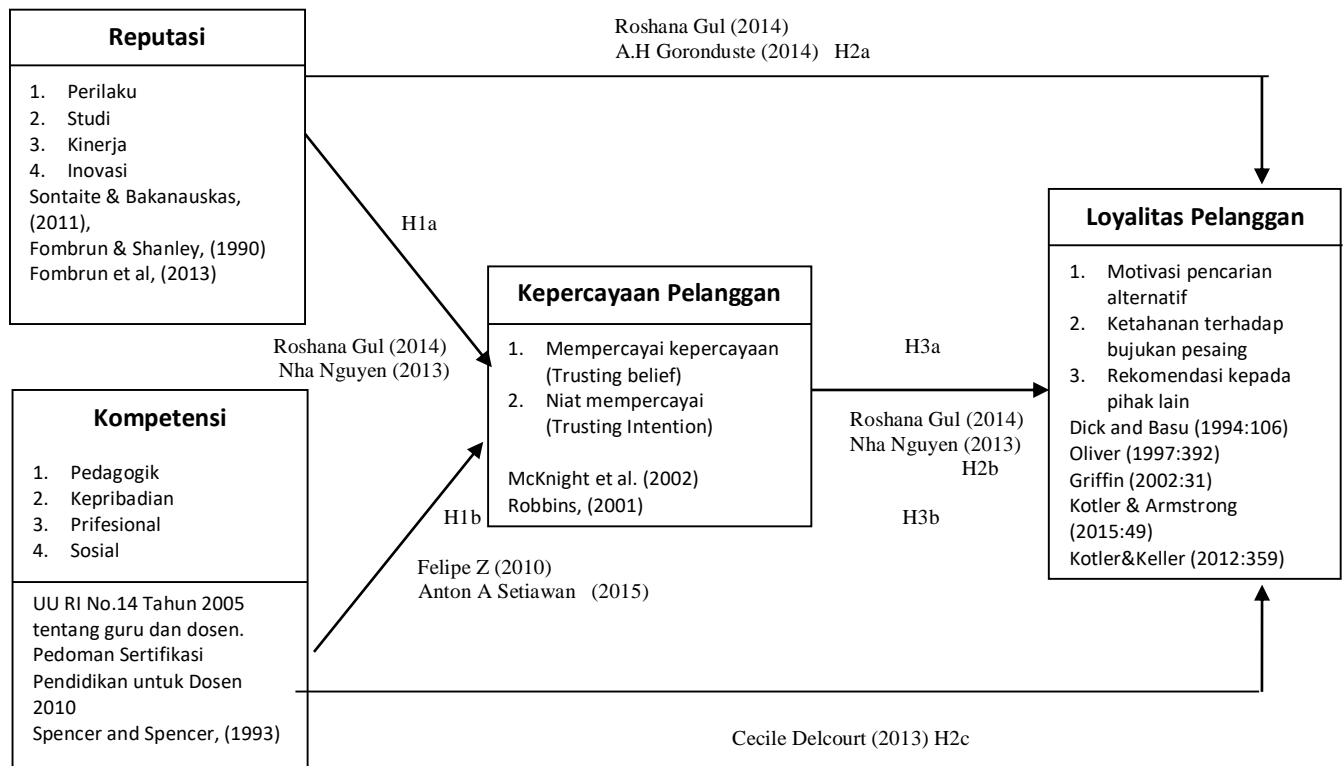


Figure Conceptual framework

III. 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.

IV. RESULTS AND DISCUSSION

Results HipotesisH1, H2 dan H3								
Hi	Variabel Eksogen	Variabel Intervening	Variabel Endogen	Koefisien Pengaruh Langsung	Koefisien Pengaruh Tak Langsung	Koefisien Pengaruh Total	Prob	Keterangan
1	2	3	4	5	6	7	8	9
H1	X1	Y1	-	0.136	-	0.136	0.000	H1 teruji
	X2		-	0.231	-	0.231	0.000	
H2	X1	-	Y2	0.138	-	0.138	0.001	H2 teruji
	X2	-		0.175	-	0.175	0.001	
	Y1	-		0.666	-	0.666	0.000	
H3	X1	Y1	Y2	0.136	0.666	0.228	0.000	H3 teruji
	X2			0.231		0.328	0.000	

Information:

X1 = Reputation

X2 = Competence

Y1 = Customer trust

Y2 = Customer Loyalty

Based on the table above, testing the research hypothesis can be described as follows:

a. Effect of Reputation and Competence on Customer Trust

The test results for the variable reputation and competence of customer trust shown by the probability value (p) less than 5% ($\alpha = 5\%$) in column 8, table, the direction of the regression coefficient is positive. This indicates that reputation and competence have a significant effect on customer trust. Thus, the first research hypothesis was tested.

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

The test results for the variable reputation, competence, and customer trust on customer loyalty are shown by the probability value (p) less than 5% ($\alpha = 5\%$) in column 8, table, the direction of the regression coefficient is positive. This indicates that the reputation of competence and customer trust 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 Trust

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 $0.175 + (0.231 \times 0.666) = 0.318 > 0,175$ with the direction of the regression coefficient value is positive. This indicates that competence has a significant effect on customer loyalty through customer trust. Thus, the third research hypothesis was tested.

V. 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 trust. From the variables studied it turns out that competence is more influential on customer trust 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 trust can be intervening between the influence of reputation and competence on customer loyalty. The direct effect of reputation and competence on Customer trust 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 trust 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 trust.

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