The Effect of Service Quality and Brand Image towards Customer Loyalty with Customer Satisfaction as Intervening Variable

(Study on the Customer of PT Asuransi Sinarmas Depok Branch)

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Abstract: Customer satisfaction is a benchmark for companies in making their customers to become loyal, where customer satisfaction is used to measure how well the company provided the service quality to their customers. Therefore, this research aimed to examine the effect of service quality and brand image towards customer loyalty with customer satisfaction as the intervening variable. Data collection techniques used is non probability sampling with accidental sampling by distributing the questionnaire at PT Asuransi Sinarmas Depok branch. The sample of this research were amounted to 170 respondents - from a total of 185 questionnaires that has been distributed, there were 174 questionnaires that are returned by the respondents - and as a result, there were 170 valid questionnaires that has been processed. Data analysis technique used is SEM and processed with the help of LISREL version 8.8 program. The results of this research indicated that service quality significantly affects customer satisfaction, whereas brand image has no effect on customer satisfaction. Service quality and brand image simultaneously have no significant effect on loyalty. Customer satisfaction has a significant effect on loyalty. Service quality and brand image simultaneously have a significant effect on loyalty through customer satisfaction. The results indicated that the effect of service quality and brand image on loyalty was fully mediated by customer satisfaction.

Keywords: brand images, loyalty, LISREL, SEM, service quality, satisfaction.

1. INTRODUCTION

1.1 Research Background

Intense business competition, nowadays, requires every service companies, especially insurance companies engaged in the deprivation sector, to suppress the number of complaints from customers in order to maintain the continuity of the business in the future, therefore their customers will remain loyal. One of the main activities conducted by the company to maintain its sustainability, growth and profit acquisition, is to apply the marketing management pattern well within the company. The marketing process started long before the goods are produced, and this does not end with sales. In general, marketing management is "a process used by an institution or organization within a company to maintain the sustainability of the company and to be able to gain profit. In this case, Marketing Management includes: Processes, Creating, Relationships, Communicating, and Delivering Value".

For insurance companies, service quality becomes the main factor in assessing customer satisfaction because the 'item' sold by the company is a service, as there is no physical products sold by the company to their customers. To provide the highest service quality and to constantly maintain the company's image becomes a serious concern and challenge for a big

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company, such as PT Asuransi Sinarmas, in order to give satisfaction to the customers and to maintain the loyalty of its customers, therefore the customers will not switch to the company's competitors.

Table 1: Insurance policy data of cash purchase vehicle of PT Asuransi Sinarmas Depok branch in the period of 2013-2017

No	Year	Total Insurance Policy	Unextended Policy	Percentage (%)
1.	2013	1021 Policy	72 Policy	7%
2.	2014	1422 Policy	199 Policy	14%
3.	2015	1152 Policy	103 Policy	9%
4.	2016	1143 Policy	125 Policy	11%
5.	2017	1460 Policy	219 Policy	15%

Source: *e-report* of PT Asuransi Sinarmas Depok branch, 2018

Based on the table of internal data per year, obtained from the intranet e-report of PT Asuransi Sinarmas Depok branch before, it can be observed that in the period of 2013-2017, there is a decrease in the customer loyalty based on the loyalty percentage due to the unextended policy.

1.2 Formulation of the problem

The formulation of the problem in this research are as follows:

1. Does the service quality affects customer satisfaction?

2. Does the brand image affects customer satisfaction?

3. Does the service quality affects customer loyalty?

4. Does the brand image affects customer loyalty?

5. Does the customer satisfaction affects customer loyalty?

6. Does the customer satisfaction mediates the effect of service quality on customer loyalty?

7. Does the customer satisfaction mediates the effect of brand image on customer loyalty?

1.3 Research purposes

The purpose of this research is to determine customer's responses towards service and brand image of PT Asuransi Sinarmas Depok branch. Therefore, the purpose of this research are described as follows:

1. To determine the effect of service quality on customer satisfaction.

2. To determine the effect of brand image on customer satisfaction.

3. To determine the effect of service quality on customer loyalty.

4. To determine the effect of brand image on customer loyalty.

5. To determine the effect of customer satisfaction on customer loyalty.

6. To determine the effect of customer satisfaction in mediating the effect of service quality on customer loyalty.

7. To determine the effect of customer satisfaction in mediating the effect of brand image on customer loyalty.

2. LITERATURE REVIEW AND HYPOTHESES

2.1 Service Quality

According to Kotler (2000:25), "service quality is the totality of the characteristic forms of goods and services that indicate its ability to satisfy customer needs, both implicit and explicit needs. For companies engaged in the service sector, providing high quality services to customers is an absolute matter to conduct if the company desires to achieve success".

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Many research have attempted to measure the effect of service quality towards satisfaction and loyalty in various fields of science, several researchers who have conducted these research topics were (Ashraf, 2018, Untaru, 2018; Barshan, 2017; Akbar and Parvez, 2009; Alnaser and Ghani and Rahl, 2017; Bushara, 2015; Lai, 2017; Ong S, 2016). There were different results in the research from these various fields, there are possibilities in which the results may indicate no effect or the presence of effect between the variables proposed.

2.2 Brand Image

Brand image is defined by Rangkuti (2004), as a collection of brand associations formed in the minds of consumers. Correspondingly, Keller (2008) defined brand image as consumer's perception of a brand as a reflection of the existing brand association on the minds of consumers. According to Arnould, Price and Zinkan (2005), image is the end product of the initial attitude and knowledge formed through the dynamic repetition process due to the experience. Image is how other parties view a company, a person, a committee or an activity. The task of the company in shaping its image is to identify the image they desired to form in the eyes of the public or society.

According to Keller (1993), brand image consisted of three dimensions, namely: Product attributes are features that characterize the description of products or services considered by consumers regarding every matters involved in a product or service with the purchase or consumption such as packaging, product content, price, taste, and so forth. Consumer benefits are personal values that consumers perceive towards the attributes of a product or service and what it can offer. Brand attitudes are the overall evaluation of the brand's personality, as if the brand is human. The research on brand image has been conducted by Lien, 2015; Upamannyu, 2014, on various variables where the results of these research indicated that brand image may have an effect or may have no effect on the variables proposed.

2.3 Customer Satisfaction

According to Philip Kotler (2002:42) "Consumer satisfaction is one's feeling of pleasure or disappointment which are derived from the comparison between his impressions of the performance (or outcome) of a product and their expectations". Satisfying the needs of consumers is the desire of every company. In addition to the important factors for the sustainability of the company, satisfying the needs of consumers may increase the excellence in competition. Costumer satisfaction towards products and services tends to repurchase the products and reuse the services when the same needs reappear in the future. This means that satisfaction is a key factor for consumers in carrying out the repurchase, which is the largest portion of the company's sales volume.

According to Lupyoadi (2001), in determining the level of customer satisfaction, there are five main factors that must be considered by the company: Product quality, consumers will feel satisfied if their evaluation results indicated that the products they use have a certain quality. Service quality, especially for the service industry. Consumers will feel satisfied if they receive good service or services according to their expectation. Emotional, consumers will feel elated and thankful that other people will be impressed with him when using products with a particular brand that tends to have a higher level of satisfaction. Satisfaction obtained is not the the quality of the product, but it is the social value that makes consumers become satisfied with a particular brand. Prices, products that have the same quality but set a relatively cheaper price will indicate a higher value to consumers. Costs, consumers who do not need to spend supplemental cost or who do not need to waste time to receive a product or service, tends to be satisfied with the product or service.

2.4 Customer Loyalty

According to Griffin (2003:113), customer loyalty is "When a customer is loyal, he or she exhibits purchase behavior as a non-random purchase expressed over time by some decision-making unit".

The characteristics of Loyal Customers according to Kotler and Keller, (2006:57) are as follows: Makes regular repeat purchase; Purchases across product and service lines (make purchases of other product lines from your company); Refers others (give references to other people); and Demonstrates in immunity to the pull of the competition (indicates immunity to the pull of a competitor and not easily affected by the competitor's persuasion).

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2.5 Hypotheses

According to Sugiyono (2007:51), hypothesis is a temporary answer towards the formulation of research problems. It is considered temporary because the answer given is new based on the relevant theory.

Based on the theory above, the research hypothesis is set as follows:

H1: Service Quality affects customer satisfaction.

H2: Brand Image affects customer satisfaction.

H3: Service quality affects customer loyalty.

H4: Brand Image affects customer loyalty.

H5: Customer satisfaction affects customer loyalty.

H6: Customer satisfaction has an effect on mediating Service Quality towards customer loyalty.

H7: Customer satisfaction has an effect on mediating brand image towards customer loyalty.
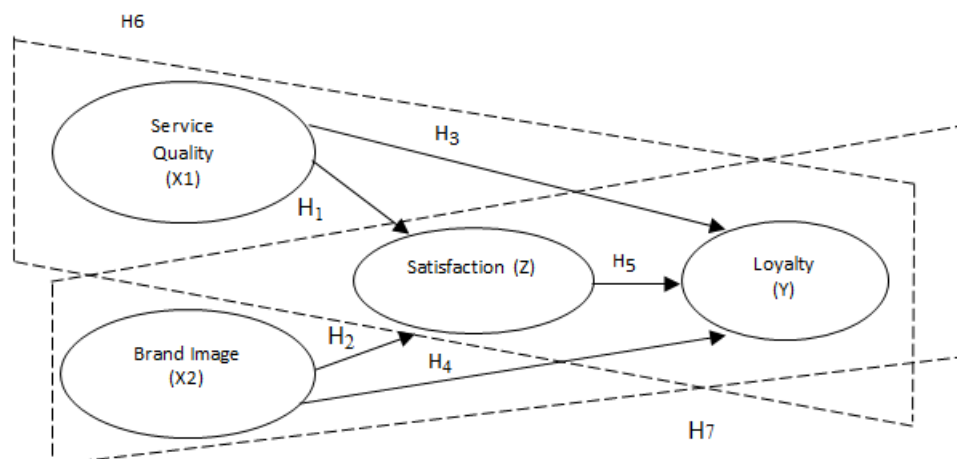
3. RESEARCH METHODOLOGY

Figure 1: Research Work

Source: Fitzsimmons brothers in Sulastiyono (2011:35-36), Harrison, Shirley (2005), Lupyoadi (2001), Keller (1993), that are developed in this research.

3.1 Data Source

1. Primary Data

The definition of primary data by Umi Narimawati (2008:98) is, data derived from the original source or first source. This data is not available in a compiled form or in the form of files. This data should be searched through sources or in the technical terms known as respondents, i.e., the person serves as the object of research or the person serves as a means of obtaining information or data. Primary data source in this research is obtained from the customers or the insured of PT Asuransi Sinarmas Depok branch, who came by chance to claim the vehicle insurance in the office of Sinarmas insurance Depok branch, by filling out the questionnaires.

2. Secondary Data

According to Uma Sekaran (2011), Secondary data is data that refers to information collected from existing sources. Secondary data sources are company records or documentation, government publications, industry analysis by media, websites, internet and so forth. Secondary data in this research is obtained from the company's e-report application system

by drawing data from the system and other data obtained from monthly renewal notice email sent to the email of Depok branch.

3.2 Population and Sample

1. Population

This research is conducted in PT Asuransi Sinarmas Depok branch. The population in this research were the entire customers of PT Asuransi Sinarmas Depok branch who insured their vehicle and had purchased the vehicle with cash. The amount of customers who have insured their vehicles with cash purchases in 2017 were as many as 1,460 people.

2. Sample

According to Soehartono (2004:57), the definition of sample is a portion of population to be examined and it is considered capable to describe the population.

Roscoe (1975), proposed a rule of thumb to determine the size of sample:

1. Sample size between 30 - 500 is generally sufficient.

2. If the sample will be divided into sub samples (e.g., male/ female, young/ old, etc.), the minimum sample size for each category is 30.

3. In multivariate study (including multivariate regression analysis), the sample size should be several times larger (preferably 10 times or more) than the number of variables in the research.

4. For simple experimental research with rigorous experimental control, sample sizes of 10 to 20 can be used.

Based on Roscoe's rules of thumb, the sample is taken based on the number of variable indicator multiplied by 10, where the amount of variables (n) is 17 and then multiplied by 10 by the formula n x 10, therefore the total sample in this research were 17 x 10 = 170 respondents.

3.3 Sampling Techniques

According to Sugiyono (2001:60), accidental sampling is a technique of determining the sample by chance, i.e., any person who met the researcher by chance can be used as a sample, when the person had been observed and they were considered suitable as a source of data.

Sampling technique used in this research is by distributing the questionnaires and using non-probability sampling method with accidental sampling system. Questionnaires were distributed during the period of 1 May - 20 May 2018 towards the customers of PT Asuransi Sinarmas, who just claimed the insurance with the condition of purchasing a car in cash. Out of 185 distributed questionnaires, 174 questionnaires has been returned and those considered valid and processed were amounted to 170 questionnaires.

Table 2: Demographic Information

Demoghrapic Character	Demoghrapic Feature	Frequency	Percentage
Gender	Male	118	69,40%
	Female	52	30,60%
	Total	170	100%
Age	18-30	33	19,40%
	31-50	105	61,80%
	51-70	32	18,80%
	Total	170	100%
Recent Education	Senior High School	37	21,80%
	Diploma	26	15,30%

	Bachelor Degree	98	57,60%
	Master Degree	6	3,50%
	Doctoral Degree	3	1,80%
	Total	170	100%
Occupation	Private Employees	76	44,70%
	Government Employees	35	20,60%
	Entrepreneur	20	11,80%
	Student	16	9,40%
	Others	23	13,50%
	Total	170	100%

3.4 Data Analysis Technique

Data analysis technique used in this research is the SEM model (Structural Equation Modeling) and processed with the assistance of LISREL version 8.8 program. According to Ghozali (2008:3), SEM is a combination of two separate statistical methods, i.e., factor analysis and simultaneous equations model.

4. RESULT AND DISCUSSION
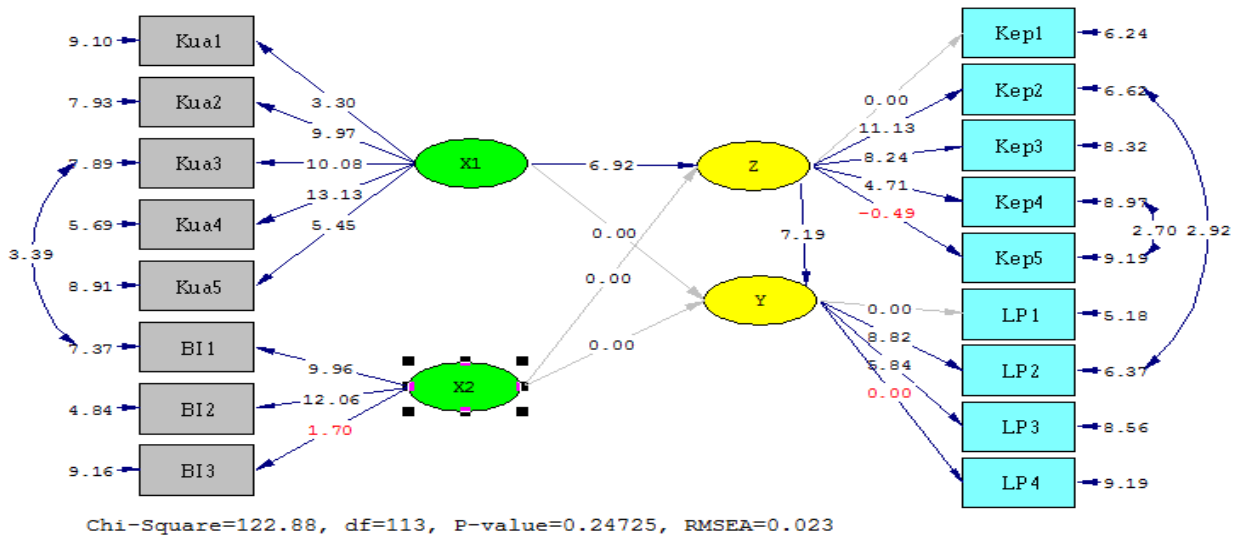
4.1 Structural Model Testing

Structural Equation Modeling method or technique is a statistical technique, which is capable of analyzing correlation patterns between latent constructs and its indicators, latent constructs with one another, and error measurement directly. Structural Equation Modeling is classified as dependent multivariate statistical family, meaning that in the Structural Equation Modeling, there are variables that act as dependent variable and there are variables that act as independent variables. A hypothesis can be accepted or stated as significant, if the t value/ F value > t table/ F table, where the t table/ F table was 1.96. The following is the result on the calculation of causality between each variable:

Table 3: The Result of Hypotheses Testing

| No	Structural Line	Form of Effect	t value/ F value	t table / F table	Testing Result
1.	Service quality → customer satisfaction	Direct	6,92	1,96	Significant
2.	Brand image → customer satisfaction	Direct	0,00	1,96	Not Significant
3.	Service quality → customer loyalty	Direct	0,00	1,96	Not Significant
4.	Brand Image → customer loyalty	Direct	0,00	1,96	Not Significant
5.	customer satisfaction → customer loyalty	Direct	7,19	1,96	Significant
6.	Service quality → customer loyalty	Through Customer Satisfaction	5,63	1,96	Significant
7.	Brand Image → customer loyalty	Through Customer Satisfaction	7,19	1,96	Significant

Source: The result of data processing by using Lisrel version 8.8

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4.2 Model Equation Testing

Source: The result of data processing by using Lisrel version 8.8

Figure 2: Structural Equation Model (t-value)
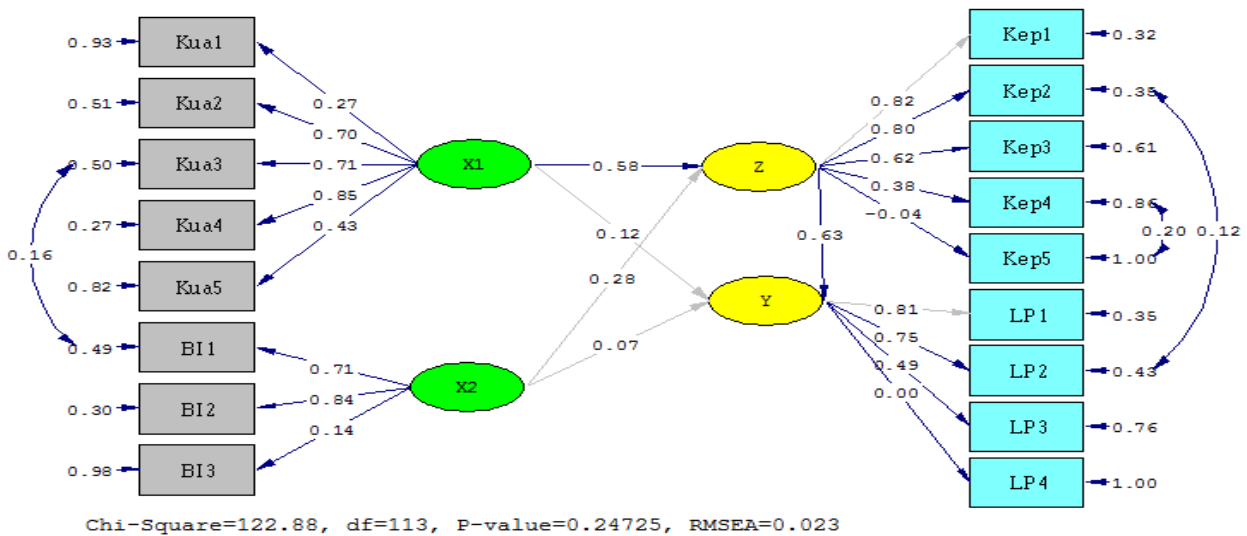
Source: The result of data processing by using Lisrel version 8.8

Figure 3: Structural Equation Model (Standardized)

Information:

X1 : Service Quality

X2 : Brand Image

Z   : Customer Satisfaction

Y   : Customer Loyalty

4.3 Hypotheses Testing Result

Based on table 3 and figure 2 indicating the Structural Equation Model (t-value), the result of hypothesis test, and data processing by using Lisrel, there are 3 correlation between the variables indicated with red colour, therefore the effect is not significant. Thus, the results of hypothesis testing can be interpreted as follows:

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Hypotheses 1: Service quality significantly affects customer satisfaction.

Structural line of direct effect on service quality towards customer satisfaction indicated that t value/ F value is 6,92 and it is greater than the t table/ F table, i.e., 1,96 therefore the result indicated that it has a significant effect, thus H0 is rejected. Hence, it can be concluded that a good service quality will have an effect on customer satisfaction. This research supports the results of research conducted by Orthodox Tefera, et al. (2016), which indicated that there was a significant positive relationship between customer service quality and customer satisfaction at Ethiopian Hotels. Research from Mishal M. Alotaibi (2015) which revealed that there was indeed a positively significant impact of service quality on customer satisfaction. Moreover, a research conducted by Adhie Setiady (2018), which indicated that service quality has a positive influence on customer satisfaction.

Hypotheses 2: Brand Image has no significant effect on customer satisfaction.

Structural line of direct effect on brand image towards customer satisfaction indicated that t value/ F value is 0,00 and it is less than t table/ F table, i.e., 1,96 therefore the result indicated that there is no significant effect, thus H0 is accepted. Hence, it can be concluded that a good brand image will not necessarily affect customer satisfaction. This research supports previous research conducted by Johanudin Lahap, et al. (2016) which revealed that brand image has no effect on customer satisfaction in the context of Malaysian hotel industry.

Hypotheses 3: Service quality has no significant effect on customer loyalty.

Structural line of direct effect on service quality towards customer loyalty indicated that t value/ F value is 0.00 and it is less than t table/ F table, i.e., 1.96 therefore the result indicated that there is no significant effect, thus H0 is accepted. Hence, it can be concluded that a good service quality will not necessarily affect customer satisfaction. This research supports previous research by Wu Tai-chi, et al. (2015) which stated that there is no significant, positive relationship between service quality and customer loyalty in the Taiwan-specific room karaoke, showing that to achieve the ultimate goal of customer loyalty, the mediation effect of customer satisfaction as a latent variable is required. Moreover, a research conducted by Adhie Setiady (2018), indicated that the hypothesis on the effect of service quality on loyalty is not supported or rejected.

Hypotheses 4: Brand Image has no significant effect on customer loyalty.

Structural line of direct effect on brand image towards customer loyalty indicated that t value/ F value is 0.00 and it is less than t table/ F table, i.e., 1.96 therefore the result indicated no significant effect, thus H0 is accepted. Hence, it can be concluded that a good brand image will not necessarily affect customer loyalty. This research supports previous research conducted by Ari A.W.P. Tyas, Andreas Kenny (2016), and Wu Tai-chi (2015), which indicated that brand image has no significant effect on loyalty.

Hypotheses 5: Customer satisfaction has a significant effect on customer loyalty.

Structural line of direct effect on customer satisfaction towards customer loyalty indicated that t value/ F value is 7.19 and it is greater than t table/ F table, i.e., 1.96 therefore the results indicated significant effect, thus H0 is rejected. Hence, it can be concluded that customer satisfaction will automatically affect customer loyalty. This research supports previous research conducted by Ajdanai Yuktanandana, Dissatat Prasertsakul, et al. (2015) in which the results indicated that customer satisfaction significantly affects customer loyalty. Another research conducted by Atul Kumar, et al. (2018) showed that satisfaction has a positive effect on loyalty. A research by Gholamreza Barshan, et al. (2017) stated that SEM showed general satisfaction of customers influences customers' attitudinal and behavioral loyalty.

Hypotheses 6: Customer satisfaction has a significant effects in mediating the effect of service quality towards customer loyalty.

Structural line on the effect of service quality towards customer loyalty through customer satisfaction indicated that t value/ F value is 5.63 and it is greater than t table/ F table, i.e., 1.96 therefore the result indicated significant effect, thus H0 is rejected. Hence, it can be concluded that service quality will automatically affect customer loyalty through customer satisfaction. The result of research conducted by Sandy Indimas Budiarta and Ira Fachira (2017) showed that the dimension of SERVQUAL has a significant influence towards Customer Loyalty through Customer's Satisfaction which

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act as the mediating variable, with these several indicator: Tangible, Assurance, and Empathy with Assurance variable which plays the most important aspects.

Hypotheses 7: Customer satisfaction has a significant effect in mediating the effect of brand image towards customer loyalty.

The structural line on the effect of brand image towards customer loyalty through customer satisfaction indicated that t value/ F value is 7.19 and it is greater than t table/ F table, i.e., 1.96 therefore the result indicated significant effect, thus H0 is rejected. Hence, it can be concluded that brand image will automatically affect customer loyalty through customer satisfaction. The results of this research is also supported by the research conducted by Inti Megadewi, et al. (2017), indicated that brand image variable affects consumer loyalty through customer satisfaction as a mediating variable.

4.4 Model Feasibility Test

Table 4: Goodness of Fit Index Table

Goodness-of-fit Index	Threshold Value	Result	Conclusion
X^2 - Chi Square	$\leq$138,811	122,88	Model fit
Significant Probability	> 0,05	0,247	Model fit
RMSEA	$\leq$ 0,08	0,023	Model fit
GFI	$\geq$0,90	0,92	Model fit
AGFI	$\geq$0,90	0,9	Model fit
CFI	$\geq$0,95	1	Model fit
TLI (NNFI)	$\geq$0,95	0,99	Model fit
CMIN/DF	$\leq$ 2,0	123,57/113 = 1,09	Model fit

Source: The result of data processing by using Lisrel version 8.8

Based on table 4, the interpretation model feasibility test of goodness of fit index are as follows:

Chi square, measured the proximity of covariance matrix of predicted model and covariance matrix of sample data. Model feasibility test table in table 3 indicated that X^2 - Chi Square with a threshold value of < 138.811 and a test results of 122.88, hence it can be concluded that the model is fit and acceptable.

Significant Probability based on model feasibility test table in table 3 with limit value> 0,05 and test result have result equal to 0,247 so that conclusion is model expressed fit and acceptable.

Root Mean Square Error of Approximation (RMSEA), is a measure that illustrates the trend of chi-square in rejecting the models with large sample sizes. Model feasibility test table in table 3 indicated that the RMSEA with the threshold value of < 0.08 and a test results of 0.023, hence it can be concluded that the model is fit and acceptable.

Goodness of Fit Index (GFI), illustrates the overall suitability of the model calculated from the quadratic residuals of the predicted model compared with the actual data. Model feasibility test table in table 3 indicated that GFI with a threshold value of > 0.90 and a test results of 0.92, hence it can be concluded that the model is fit and acceptable.

Adjusted Goodness Fit of Index (AGFI), is a development of GFI that has been adjusted to the ratio of degree of freedom. Model feasibility test table in table 3 indicated that AGFI with a threshold value of > 0.90 and a test results of 0.9, hence it can be concluded that the model is fit and acceptable.

Comparative Fit Index (CFI), is an incremental fitness index. This index is relatively insensitive towards the size of the sample and is less affected by the complexity of the model. Model feasibility test table in table 3 indicated that CFI with a threshold value of > 0.95 and a test result of 1, hence it can be concluded that the model is fit and acceptable.

The Tucker Lewis Index (TLI), is an incremental fitness index that compares the models examined with the baseline model. Model feasibility test table in table 3 indicated that CFI with a threshold value of > 0.95 and a test results of 0.99, hence it can be concluded that the model is fit and acceptable.

CMIN/ DF, is the value of χ2 which can be compared with the degrees of freedom (df) to obtain a relative χ2 value, therefore a relatively high χ2 value indicates a significant difference between the observed and the estimated covariance matrices. Model feasibility test table in table 3 indicated that CFI with a threshold value of < 2.0 and a test result of 1.09, hence it can be concluded that the model is fit and acceptable.

5. CONCLUSION, IMPLICATION AND LIMITATION

5.1 Conclusion

The results of the hypothesis that has been tested previously showed that service quality and brand image of PT Asuransi Sinarmas Depok branch equally has a significant effect on loyalty when it is mediated by customer satisfaction. However, in a direct course and not mediated by customer satisfaction, both service quality and brand image have no effect on customer loyalty. In other words, customer satisfaction plays an important role in mediating the effect of service quality and brand image towards loyalty. Hence, it can be concluded that in this research, the effect of service quality and brand image towards loyalty is fully mediated by customer satisfaction.

5.2 Manajerial Implication

After obtaining the results from previous hypothesis test, there are two factors that has been identified as a drawback on PT Asuransi Sinarmas Depok branch. i.e., the presence of service quality and brand image variable, the company should enhance the service quality towards customers in Depok branch and the company should intensify their brand image in all branches, especially in Depok branch. Researchers suggested the company to apply online claim service system, which can be downloaded through handphone application, where this will greatly simplify its customer in processing the initial reporting of claims until the completion of claim process from customer. By implementing this online claim system, the researcher believed that this will be able to improve the brand image of PT Asuransi Sinarmas Depok branch and possibly every branch of PT Asuransi Sinarmas in the future.

5.3 Limitation

The research is very limited to time, funds and areas as this is merely conducted in Depok area. As the agenda in the future, it is expected that this research will be continued by doing the research in several other branches of PT Asuransi Sinarmas, therefore the results of the research will be more concrete.

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