THE EFFECT OF SERVICE QUALITY AND BRAND IMAGE ON LOYALTY WITH PERCEPTION OF VALUE AS A MEDIATION VARIABLE

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Abstract: This study examines the effect of service quality and brand image on customer loyalty mediated by perceived value. The research surveyed 120 Uber users in DKI Jakarta, through an online questionnaire. Research data were analyzed with Partial Least Square operated through SmartPLS program. The results of the analysis show that perceived value mediates the relationship between service quality and customer loyalty fully, and perceived value mediates the relationship between brand image and customer loyalty partially. Conclusions and implications for the academic and managerial interests of these findings are discussed in this paper.

Keywords: Service quality, Brand image, Perceived value, Customer Loyalty.

The need for effective and efficient public transportation services is a major problem faced by residents in major cities in Indonesia. The DKI Jakarta Provincial Statistics Agency in 2015 reported that the increase in the number of motorized vehicles in Jakarta reached 9.93% per year in the last five years. Timeliness and ease of access for public transportation are the solutions offered by Uber, one of the companies engaged in online transportation (https://www.uber.com/en/our-story). However, many problems are vulnerable to online transportation activities, such as regulatory issues and other transportation regulations (Harding, et al., 2016). The Uber brand image is built through the premium quality that Uber offers on its products, while service quality is a factor that can affect several variables such as perceived value and customer loyalty.

The influence of service quality and brand image on customer loyalty has been shown in previous studies (Giovanis, et al., 2014). The effect of service quality on customer loyalty does not occur directly (Kranias and Bourlessa, 2013). Rather the role of mediation (Demirci-Orel and Kara, 2014). Service quality has a positive effect on perceived value (Hapsari, et al., 2016). Perceived value affects customer loyalty (Nikhashemi, et al., 2016). Perceived value is an overall evaluation of a product given by the Customer related to the benefits of what they get and what sacrifices they provide (Zeithaml, 1988). Oliver (1999), states that loyalty is achieved not only when the company can meet customer needs or provide the best service, but also how companies can make customers continue to...
use a product or brand. Brand image affects Customer loyalty, both directly (Giovanis, et al., 2014) or mediated by Perceived value (Cretu and Brodie, 2007). This study aims to investigate the effect of Service quality and Brand image on Customer loyalty with Perceived value as a mediating variable. Uber, with its strategy to improve Customer loyalty, is an appropriate object in this study.

THEORETICAL REVIEW

Service quality

Service quality is the result of Customer assessment of the overall quality or superiority of a Service provider, which results from comparing the perceived quality received with Customer expectations (Parasuraman, et al., 1988), while Grönroos (1984), defines Service quality as a result of an evaluation process in which the Customer compares the perceived service provided and the results to what the Customer expects. Two main factors influence service quality services, namely expected services and perceived services (Parasuraman, et al., 1988). Parasuraman, et al. (1988), describe the five dimensions of Service quality (tangible, reliability, responsiveness, assurance and empathy), or what is known as SERVQUAL. The SERVQUAL model is built on a comparison of the customer’s perception of the service received with the service expected by the customer. The SERVQUAL model emphasizes the importance of customer expectations before buying or consuming a service as a standard in evaluating the service (Parasuraman, et al., 1988).

Brand image

The American Marketing Association (AMA) defines a brand as a name, term, sign, symbol or design, or a combination of these things, which aims to identify the goods or services of a seller or group of sellers and to distinguish those products or services from competitors (Keller, 2013). Brand components such as names, terms, signs, symbols, and designs are the identity of a brand (brand identity) (Keller, 1993). Brands are important in services, according to because brands act as the most influential element in services because they have unique properties such as perishability, inseparability, tangibility, heterogeneity (Dhillon, 2013). The importance of the brand from the Customer side, among others, can identify the source or maker of the product or service; simplify consumer decision processes and reduce search costs; provide promises, ties, and agreements with producers; and provides a symbolic tool that makes consumers project their image. While from the Customer side, among others, it makes it easier for companies to provide legal protection for features or unique aspects of a product; become a quality signal so that satisfied consumers will find it easier to choose a product again; become the source of the company’s competitive advantage; and become a source of corporate financial income (Keller, 2013). Brand image is a reflection of a brand that is stored in the customer’s memory. Simply put, the Brand image is what appears in the mind of a Customer when a brand is in the presence of a Customer (Saleem and Raja, 2014). Brand image is a consumer’s perception of a brand that is indicated by brand associations in consumer memory (Keller, 1993).

Perceived value

Customer perceived value is the overall assessment of the customer from the use of the product based on the perception of what was received and what was given (Zeithaml, 1988). Service quality is important in shaping the Customer Perceived value. Customer perceived value involves the exchange between what the Customer receives (quality, benefits, and usability) and what the Customer gives (price, sacrifice) to get and use a product (Woodruff, 1997). The approach in looking at Perceived value includes a unidimensional approach (Chuah, et al., 2014). The unidimensional approach is based on the perception of price or the exchange between perceived quality and sacrifice. This approach is considered too simple and cannot show differences in the complex nature of the Perceived value and from various sides so that a multidimensional model of the Perceived value Customer appears (Chi and Kilduff, 2011).
The Effect of Service Quality and Brand Image

Customer loyalty

Dick and Basu (1994), put forward the Customer loyalty framework of two determinant aspects, namely concerning attitude and behavior. Customer loyalty has various important roles, among others, increasing repurchase volume, better acquisition rates with positive word-of-mouth and low sensitivity to price increases (Zeithaml, et al., 1996). A high level of Customer loyalty can lead to an increasing market share, lower marketing and operational costs, and higher profitability (Ladhari, et al., 2011). Loyal customers can contribute to promoting the products or services offered by the company.

Hipothesi

Giovanis et al. (2014), show that Service quality consisting of tangible, assurance, responsiveness, empathy, and reliability that is divided into technical quality and functional quality has a significant and positive influence on Customer Loyalty. Ladhari, et al. (2011), show that Service quality positively has a significant relationship not only with Customer loyalty, but also with emotional satisfaction, image, and recommendations. Some previous studies also showed similar results, that Service quality had a positive effect on Customer loyalty (Prentice, 2013 and Shi, et al., 2014). Based on these empirical studies, the research hypothesis formed is:

H1 : Service quality has a significant influence on Customer Loyalty.

Ladhari, et al. (2011), show that the Brand image has a significant relationship not only with Customer loyalty but also with recommendations. Tuškej, et al. (2013), also shows similar results, that Brand image influences Customer Loyalty. Based on these empirical studies, the research hypothesis formed is:

H2 : Brand image has a significant influence on Customer Loyalty.

Hapsari, et al. (2016), show that the higher the Service quality perceived by the Customer, the higher the value perceived by the Customer. Rasheed and Abadi (2014), also show that there is a positive relationship between Service quality and perceived value. Both studies support the results of previous research by Andreassen and Lindestad (1998), which shows that Service quality has a positive influence on values in all cases studied. Based on these empirical studies, the research hypothesis formed is:

H3 : Service quality has a significant influence on Perceived value.

Suhartanto, et al. (2013), shows that the brand image of three- and four-star hotels have a positive and significant influence on the customer’s Perceived value. Lai, et al. (2009), also show similar results of research where the image owned by the Chinese telecommunications service has a positive and significant influence on the perceived value of the Customer. Based on these empirical studies, the research hypothesis formed is:

H4 : Brand image has a significant influence on Perceived value.

Rasheed and Abadi (2014), show that there is a positive direct relationship between Perceived value and Customer Loyalty. Nikhashemi, et al. (2016), support the results of previous research, that Perceived value has an important role in forming Customer loyalty. Chuah, et al. (2014), also show that the various dimensions of Perceived value influence various aspects of the Customer loyalty Service internet cell phone. The results of previous studies also reinforce that there is a positive and significant relationship between Perceived value and Customer loyalty (Cretu and Brodie, 2007 and Wu, et al., 2014). Based on these empirical studies, the research hypothesis formed is:

H5 : Perceived value has a significant effect on Customer Loyalty.

Rasheed and Abadi (2014), show that there is a positive direct relationship between Service quality and Perceived value and also a positive direct relationship between Customer loyalties. Nikhashemi, et al. (2016), show that Perceived value has an important role in forming Customer loyalty both directly and as an intermediary variable in the indirect relationship between store attributes and
loyalty. Several studies have proven that Service quality has a significant direct effect on loyalty (Giovanis, et al., 2014, Ladhari, et al., 2011, Prentice, 2013, and Shi, et al., 2014). Some studies have also proven that Service quality has an effect on Perceived value (Nikhashemi, et al., 2016 and Rasheed and Abadi, 2014), and Perceived value affects loyalty (Chuah, et al., 2014, Hapsari, et al., 2016, Rasheed and Abadi, 2014, and Wu, et al., 2014). Based on these empirical studies, the research hypothesis formed is:

H6: Perceived value mediates the relationship between Service Quality and Customer Loyalty.

Oliver (1999), who first examined various forms of loyalty, in which brand loyalty was defined as a psychological commitment that the Customer believed to repurchase or subscribe to a product or service consistently in the future and led to the repurchase of the same brand or purchase of a set of brands, even though situational influences and marketing efforts that have the potential to trigger the transfer of perpetrators. One of the marketing efforts intended is the effort to form a Brand image. Lai, et al. (2009), show that Service quality and company image both have a direct influence on the Customer Perceived value. The value perceived by the Customer will then directly affect Customer loyalty, so the results of the study indicate that Perceived value has an important role as a mediator between Service quality and corporate image towards Customer loyalty. Based on these empirical studies, the research hypothesis formed is:

H7: Perceived value mediates the relationship between Brand image and Customer Loyalty.

Figure 1 shows this research model. Service quality is the result of an evaluation process in which consumers compare the perceived service provided and the results with what consumers expect, and are measured from five indicators adapted from Parasuraman, et al. (1988), namely tangible, reliability, responsiveness, assurance, and empathy. Brand image as a reflection of a brand that is stored in consumer memory, or simply Brand image is what appears in the minds of consumers when a brand is in front of consumers (Saleem and Raja, 2014). Brand image measurements are adapted from Nyadzayo and Khajehzadeh (2016), namely: the ability of brands to provide appropriate value for money, reasons for buying a brand compared to others, personality possessed by a brand, assessment of whether the brand is attractive, differences in the brand with competing brands, and the convenience of the Customer in realizing this brand in between other brands. Perceived value is the overall assessment of the customer from the use of the product based on the perception of what is received with what is given (Zeithaml, 1988). Perceived value is measured from the dimensional model stated Sweeney and Soutar (2001), namely functional value,
monetary value, and emotional value. Customer loyalty is a Customer commitment to a brand, store or supplier based on a very positive nature in long-term purchases. Loyalty is measured by repurchase volume, better acquisition rate with positive word-of-mouth, low sensitivity to price increases (Zeithaml, et al., 1996). The variables studied through the responses of respondents using a Likert Scale (Sugiyono, 2013). Each respondent’s answer is given a score of 1-5. The answers from each consumer have gradations from very positive to very negative.

METHOD

This type of research is explanatory research, with the intention to explain the position of the variables studied and the relationship between one variable and another (Sugiyono, 2013). The research was conducted in the DKI Jakarta area which was the first Uber region to appear to serve the transportation needs of the Indonesian people. The number of customers is not known with certainty, so it uses non-probability sampling techniques with a purposive sampling method, namely the technique of determining samples with certain considerations (Sugiyono, 2013). The consideration in question is that respondents must be over 18 years of age and have used Uber Service at least twice. The number of sample members in this study is determined by multiplying the number of parameter variables by number 5 so that the number of parameter variables in this study is 24 x 5 = 120. The sample member size of 120 meets the sample determination guidelines, because the number is more than 30 and does not exceed 500 so that it can be said to be adequate (Ferdinand, 2014). Data collection techniques used in this study are questionnaires, by giving a set of questions or written statements to respondents to answer (Sugiyono, 2013). The approach of inferential statistical data analysis used in this study is Partial Least Square (PLS) (Ghozali, 2016). SEM generally tests causality or theory, while PLS is more predictive (Abdillah and Hartono, 2015). Test the effect of mediation of a control variable on the relationship of two other variables using the method by Baron and Kenny (1986).

RESULTS

Model measurement evaluation uses convergent validity, discriminant validity and composite reliability criteria that are operated with the SmartPLS program. Convergent validity aims to determine the validity of each relationship between indicators and their latent variables. Convergent validity of the measurement model with reflective indicators is assessed based on the correlation between item scores or component scores with scores of latent variables or construct scores calculated by PLS. Based on the results of the convergent validity test, all the loading factor values of each item on the variable show values above 0.7. Several items have values below 0.7 but refer to the rule of thumb interpretation of loading factors above 0.5 can be said to be valid. Thus each item on each variable is declared valid. The next measurement evaluation is to see discriminant validity with cross loading. Discriminant validity of the measurement model was assessed based on the measurement of cross loading with the construct. If the construct correlation with the measurement principle (each indicator) is greater than the size of the other constructs, then the latent construct predicts the indicator is better than the other constructs. Based on the results of the discriminant validity test, each item on the variable representing the variable is better than the item in the other variables. Thus all items in this study meet the discriminant validity requirements. Analysis of the outer model by looking at the reliability of the construct of latent variables measured by two criteria, namely composite reliability and Cronbach’s alpha from the indicator block that measures the construct. Constructions are declared reliable if the composite reliability value and Cronbach’s alpha value are above 0.70. Based on the results of the composite reliability test, the model construct that was built in this study was declared reliable because it has a reliability composite value and Cronbach’s alpha above 0.5.

Table 1 shows the path analysis results that are operated through the SmartPLS program. Hypothesis testing is done by comparing the value of t-statistics with t-table. The t-statistic value is obtained by bootstrapping the data obtained from the research
sample. The results of the path test show the value of t-statistic (1.6688) is lower than t-table (1.960), so H1 is rejected which means that Service quality does not have a significant effect on Customer Loyalty. The results of the path test show the value of the t-statistic (2.1132) is higher than the t-table (1.960), so H2 is accepted which means that the Brand image has a significant influence on Customer Loyalty. The path test results show the value of t-statistic (5.9637) is higher than t-table (1.960) so that H3 is accepted which means that Service quality has a significant influence on Perceived value.

The path test results show the value of t-statistic (2.1132) is higher than t-table (1.960) so that H4 is accepted which means that Brand image has a significant influence on Perceived value. The path test results for the fifth hypothesis indicate the value of the t-statistic (2.9872) is higher than the t-table (1.960) so that H5 is accepted which means that the Perceived value has a significant effect on Customer Loyalty.

Table 2 shows the results of the indirect influence test. The results of the indirect influence test for the sixth hypothesis show that the value of Sobel test (2.641) is higher than t-table (1.960) so that H6 is accepted which means the Perceived value mediates the relationship between Service Quality and Customer Loyalty. The role of this mediation is full mediation because the results of testing the direct effect on H1 show an insignificant relationship of Service quality to Customer Loyalty. The results of the indirect influence test for the seventh hypothesis show that the value of the Sobel test (2.392) is higher than the t-table (1.960) so that H7 is accepted which means that the Perceived value mediates the relationship between Brand image and Customer Loyalty. The role of this mediation is partial mediation because the results of testing the direct effect on H2 indicate that the Brand image partially has a significant influence on Customer Loyalty.

### Table 1 Results of Testing Direct Influence Hypotheses

| Relationship Between Variables | Original Sample (O) | Standard Deviation (STDEV) | T Statistics (|O/STERR|) | Information |
|-------------------------------|---------------------|-----------------------------|-----------------------------|-------------|
| Service quality > Perceived value | 0.5335 | 0.0895 | 5.9637 | Significant |
| Brand image > Customer loyalty | 0.3407 | 0.0809 | 4.2094 | Significant |
| Service quality > Customer loyalty | 0.2361 | 0.1415 | 1.6688 | Not significant |
| Brand image > Customer loyalty | 0.2026 | 0.0959 | 2.1132 | Significant |
| Perceived value > Customer loyalty | 0.3985 | 0.1334 | 2.9872 | Significant |

Source: Primary Data Processed, 2017

### Table 2 Testing of Indirect Influence Hypotheses

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship Between Variables</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
<th>t-statistic</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Service quality → Perceived value</td>
<td>0.533</td>
<td>0.398</td>
<td>5.9637</td>
<td>Significant</td>
</tr>
<tr>
<td>H6</td>
<td>Service quality → Perceived value → Customer loyalty</td>
<td>0.213</td>
<td>2.6410</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td>Brand image → Perceived value</td>
<td>0.341</td>
<td>4.2094</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td>Perceived value → Customer loyalty</td>
<td>0.398</td>
<td>2.9872</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>H7</td>
<td>Brand image → Perceived value → Customer loyalty</td>
<td>0.136</td>
<td>2.3920</td>
<td>Significant</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data Processed, 2017
DISCUSSION

This study provides an overview of Customer loyalty which is formed by Service quality, Brand image, and Perceived value. This study found that Service quality significantly affected Perceived value, consistent with Hapsari, et al. (2016) and Rasheed and Abadi (2014). However, Service quality did not significantly influence Customer loyalty, which was inconsistent with previous findings (Giovanis, et al., 2014, Ladhari, et al., 2011, and Shi, et al., 2014). This finding reveals the mediating role of Perceived value. The role of mediation the perceived value of the relationship between Service quality and Customer loyalty is very important because it is full mediation.

Brand image significantly influences perceived value, consistent with Lai, et al. (2009) and Suhartanto, et al. (2013). Likewise, Brand image significantly influences Customer loyalty, consistent with Ladhari, et al. (2011) and Tuškej, et al. (2013). In addition, the Perceived value mediates the relationship between Brand image and Customer loyalty. The role of mediation Perceived value on the relationship between Brand image and Customer loyalty is a partial mediation. Finally, the Perceived value significantly influences Customer loyalty, consistent with Chuah, et al. (2014), Nikhashemi, et al. (2016), and Wu, et al. (2014).

As a practical implication, the factor that must be considered by the company to improve Customer loyalty is how the service quality provided can meet the expectations expected by the Customer so that it can increase the loyalty itself. Based on the results of the frequency distribution of respondents’ answers, currently, the Uber Customer loyalty position is in a neutral status with an indication that it can move to another product if Uber makes a mistake in maintaining that loyalty. One of the factors that can interfere with Customer loyalty that must be considered by Uber is price, where price competition must be competitive from other transportation service providers to minimize the loss of Customer Loyalty.

CONCLUSION

Perceived value fully mediates the relationship between Service qualities to Customer Loyalty. Based on these results it is shown that to increase Customer loyalty, Uber needs to provide Service quality that is in accordance with the expectations of its customers. The role of mediation is also very important because its nature is full mediation. In addition, the Perceived value mediates the relationship between Brand image and Customer Loyalty. Based on these results it is shown that the Brand image can influence Customer loyalty indirectly through Perceived value. The role of the Perceived value in this relationship is partial mediation, where the Brand image itself can directly influence Customer loyalty.

SUGGESTION

Transportation service providers need to pay attention to what the Customer is expected to do with the transportation service. Based on the results of this study, Service quality that can meet Customer expectations can increase Customer loyalty to continue using transportation. Price is one of the biggest considerations for customers to continue to use online transportation services. If Service providers are unable to maintain competitively, Customers will prefer to use other Service services at prices according to him accordingly. Finally, other variables need to be explored that can influence Customer loyalty. Based on the results of this study, the variable Service quality, Brand image, and Perceived value have a fairly low value of the contribution to Customer Loyalty. Future research is expected to include other key variables that in theory or previous research have an important role in influencing Customer loyalty.

REFERENCES


