

## Determinants of Customer Loyalty: Empirical Study of Semen Gresik Brand

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**Abstract:** The purpose of this research is to examine and analyze the significant positive effect of: customer satisfaction on brand trust, customer satisfaction on brand loyalty, customer satisfaction on brand loyalty and brand trust on brand loyalty. This is a causality research. Quantitative approach (positivism) will be used in this research as the main analytical method supported by qualitative information through in-depth interviews. The research population is Semen Gresik store retailers listed in the Sales Department of Semen Gresik and have been selling for at least 1-3 years. With a target sample of 150 stores, the questionnaires worth analyzed totaled up to 129. Proportional Stratified Area Random Sampling was used as sampling technique. The result concluded that there is a significant positive effect of: customer satisfaction on brand trust, customer satisfaction on brand loyalty, customer satisfaction on brand loyalty and brand trust on brand loyalty.

**Key words:** Customer satisfaction, brand trust, brand loyalty, sample, approach

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### INTRODUCTION

The condition of cement industries in Indonesia is affected by the presence of cement consumption per capita still being low, meaning that the prospect needs of cement in this country is still very high in terms of the passion in running cement businesses. This is proven with the addition of factory capacity to undertake constructions of new factories and increase production capacity by modifying some of its equipment. Table 1 illustrates that out of all cement producers in Indonesia, there are 9 factories listed in the Ministry of Industry until 2012. The factory locations are almost evenly spread throughout the major islands in Indonesia, namely Sumatra, Java, Kalimantan and Sulawesi which already have cement factories except Papua that have factories created only for bagging cement.

Originally, there was PT. Semen Andalas in Aceh but because of the tsunami disaster in 2004, the entire production facility was destroyed. A new cement factory was then built by the name of PT. Lafarge Cement Indonesia. In 1991, PT. Semen Padang and PT. Semen Tonasa were acquired by PT. Semen Gresik, making Semen Gresik Group to have the largest installed cement capacity in Indonesia. Since, January 7, 2013 the name of PT. Semen Gresik later changed into PT. Semen Indonesia, consisting of PT. Semen Gresik (East Java), PT. Semen Padang (West Sumatra) and PT. Semen Tonasa (South Sulawesi). Besides the existing cement producers

still operating normally and increasing its capacity, new investors are also emerging and will certainly add supplies to the market. The era market division over cement factories in Indonesia has now stopped happening. Now that there is free competition on the market where any cement producers can enter the market owned by other cement producers, only the cement companies with loyal customers will win the competition in the regions throughout Indonesia.

The influence of customer satisfaction on brand trust has been done by previous researchers. Trif (2013) studied the influence of customer satisfaction on customer's trust and loyalty to the brand. The result was that customer satisfaction significantly influences brand trust and brand loyalty. Brand trust significantly influences brand loyalty. The result of this research, reinforced by Saeed *et al.* (2013) was applied to automotive industry in Pakistan. Furthermore, a research with different findings was done by Kassim and Abdullah (2010). The results of his research concluded that customer satisfaction has a significantly influence on brand trust and brand trust does not have a significant influence on retention intentions yet has a significant effect on brand loyalty. Ha (2004) also found that customer satisfaction has no significant influence on brand loyalty. These results were confirmed by Vigripat and Chan (2007), who said that customer satisfaction has no significant influence on repurchase intention (loyalty). Inconsistencies were found on

Table 1: Cement producers in Indonesia

Company	Location	000 ton				
		2012	2013	2014	2015	2016
PT. Lafarge Cement Indonesia	Aceh	1.60	1.60	3.20	3.40	3.40
	Sumbar	6.40	6.62	8.16	9.26	9.26
PT. Semen Padang	South Sumatra	1.35	1.50	2.60	2.70	2.70
PT. Semen Baturaja	Jabar, South	21.10	21.10	23.10	23.10	23.10
PT. Indocement T. Perkasa	Kalimantan	8.70	8.70	10.70	10.70	10.70
PT. Holcim Indonesia	Jabar, Central Java	11.30	13.12	13.12	13.12	15.62
PT. Semen Gresik	East Java	6.55	7.15	7.15	7.15	7.15
PT. Semen Tonasa	South Sulawesi	3.00	5.50	5.50	5.50	5.50
PT. Semen Bosowa Maros	South Sulawesi	570.00	570.00	570.00	570.00	570.00
PT. Semen Kupang	NTT					
Total		60.57	65.86	74.10	75.50	78.50

previous research results. Therefore, this research intends to fill the research gap and also intends to make a novelty and originality of a research that has never been studied by previous researchers, especially applying it to cement brands in Indonesia.

**Theory overview**

**Customer satisfaction on brand trust and brand loyalty:**

Engel *et al.* (1995) stated that customer satisfaction is an after-purchase evaluation of the selected alternatives and gives the same result of or exceed customer expectations. While Kotler incorporated elements of quality in it, saying that customer satisfaction is the level of one’s feelings after comparing the perceived quality with his expectations. With that understanding, it can be said that there are two elements that determine customer satisfaction; the quality offered and expected quality. If the quality offered is equal to or may even exceed the expected quality, customers will feel satisfied. Thus, customer satisfaction emerged after consumers used the products/services offered. Caruana (2002) suggested that overall, customer satisfaction has three antecedents, namely perceived quality, perceived values and customer expectations. Perceived quality has a positive effect on customer satisfaction, a negative effect on customer complaints overall and a positive effect on brand loyalty.

Customer satisfaction has become a central concept in the theory and practices of marketing and is one of the essential goals in business activities. Customer satisfaction contributes in all the crucial aspects such as creating customer loyalty. The concept of customer satisfaction according to Caruana (2002) is associated with four dimensions that describe a positive response of the behavior after using the products offered. Those dimensions are: expected quality of the goods/services; achievement of the goods/services’ quality; non-compliance of the goods/services’ quality and satisfaction on the goods/services’ quality.

In relation to brand trust, Mowen and Minnar explained that the form of consumer’s trust in a brand

mostly emerge when the brand itself is able to meet the self-concept, needs and values of customers. Morgan and Hunt (1994) stated that trust arises when one party has a confidence in the reliability and integrity of the related business partners. Brand trust is a long-term process. A trusted brand which is in line with customers’ expectations, fulfills promises and respects customers will ultimately lead to brand reliability (Delgado-Ballester and Munuera-Aleman, 2005). Overall, Chaudhuri and Holbrook (2001) assessed that brand trust is a form of a fully alleged engagement process and is based on a deep underlying process. A research on customer satisfaction and brand trust done by Zboja and Voorhees (2006) found that customer satisfaction has a significant influence on brand trust and that trust retailer has a significant influence on repurchase intent retailer (loyalty).

Trif (2013) added that customer satisfaction has a significant influence on customer trust and customer loyalty and customer trust has a significant influence on customer loyalty. Likewise, Saeed *et al.* (2013) found that customer satisfaction is significantly related to brand trust. Based on the researches conducted by Zboja and Voorhees (2006), Trif (2013), Keisidou *et al.* (2013) and Saeed *et al.* (2013), this research hypothesis can be proposed as follows:

- H<sub>1</sub>: customer satisfaction has a significant positive influence on brand trust
- H<sub>2</sub>: customer satisfaction has a significant positive influence on brand loyalty

Furthermore, regarding loyalty, Aaker and Durianto stated that brand loyalty is a measure of a customer’s relationship towards a brand. This measure is able to provide an overview of the possibility of a customer to switch to another product brand. A very loyal customer will not easily switch to other brands, no matter what happens with the particular brand. According to Giddens (2002), loyal consumers can be characterized as follows: has a commitment to the particular brand is willing to pay

more for the brand in particular compared to other brands, recommends the brand to others, re-purchases the brand's products without any further consideration, always follows the information related to the brand and can become a sort of spokesperson for the brand and always improves his relationship with the brand.

Research on brand trust and brand loyalty was done by Kuikka and Laukkanen (2012). They found that brand trust significantly influences brand loyalty. This finding is reinforced by Matzler *et al.* (2008) and Trif (2013). Based on previous researches conducted by Kuikka and Laukkanen (2012), Matzler *et al.* (2008) and Trif (2013), this research hypothesis can be proposed as follows:

- H<sub>3</sub>: Brand trust has a significant positive effect on brand loyalty

**MATERIALS AND METHODS**

This research uses a quantitative approach, an approach that emphasizes the testing of theories or concepts through variable measurement and performs data analysis procedures with statistical tools, aiming to test the hypothesis. This research is also supported by qualitative information through in-depth interviews. The use of this method is expected to be able to explain and discuss the results of a thorough research process and to provide a better understanding for all the related parties concerning this field of study. Research location was in East Java. The choice of location is based on considerations that East Java is the main market of Semen Gresik. In addition, Semen Gresik has the largest market share in East Java compared with other cement brands. The study population was Semen Gresik store retailers. Researchers defined the criteria as follows; store retailers who sell Semen Gresik and are registered in the Sales Department of Semen Gresik and store retailers that have sold Semen Gresik for at least 1-3 years. The sampling technique used was Proportional Stratified Area Random Sampling; choosing a sample proportionally based on the area and strata customer groups from the population studied. The target sample was 150 respondents. The questionnaires returned and were worth analyzing were 129 (86% response rate). The scale of variable measurement technique in this study was Likert scale. Likert scale is designed to test the extent of the respondents' power level based on their agreement or disagreement in a scale of five, from 5 (strongly agree) to 1 (strongly disagree). The pretest to assess the validity and reliability of the research items ran to a conclusion that the whole items and variables of Customer

Satisfaction (CS), Brand Trust (BT) and Brand Loyalty (BL) are valid and reliable. Data was analyzed using Partial Least Square (PLS).

**RESULTS AND DISCUSSION**

**Descriptive characteristics of respondents:**

- Respondents who have sold Semen Gresik for >9 years reached up to 36 people; respondents who have sold Semen Gresik between 3-9 years were 35 people and respondents who have sold Semen Gresik between 1-3 years and between 6-9 years reached the same number of 29 people
- Respondents who ranked silver reached up to 73 people; gold with 39 people and platinum with 17 people
- Respondents who came from the area of Surabaya were 84 people while the ones from Malang were only 45 people

**Hypothesis testing:** The result of hypothesis testing can be seen in Fig. 1 and Table 2. Based on Fig. 1 and Table 1, it can be concluded that:

- Customer satisfaction has a significant positive effect on brand trust. This also supports the first hypothesis
- Brand trust has a significant positive effect on customer loyalty. This also supports the second hypothesis
- Customer satisfaction has a significant positive effect on customer loyalty. This also supports the third hypothesis

**Customer satisfaction has a significant positive influence on brand trust:** Research results showed that customer satisfaction has a significant positive influence on brand trust, supporting Trif (2013)'s research who explained

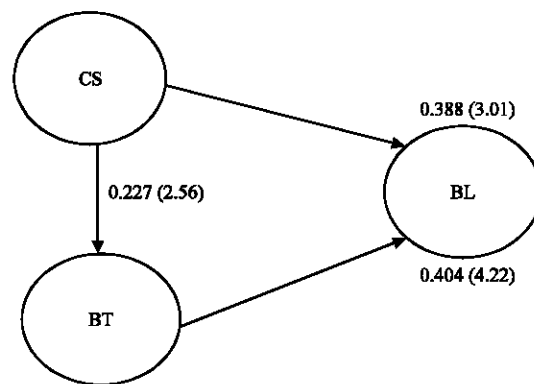


Fig. 1: Results coefficient model research

Table 2: Path coefficient results structural model

Models	Path coefficients		
	Estimate	SE	CR
CS->BT	0.227	0.089	2.56*
CS->BL	0.388	0.129	3.01*
BT->BL	0.404	0.096	4.22*

CR\* = Significant at 0.05 level

that customer satisfaction has a significant influence on brand trust. Likewise, Saeed *et al.* (2013) stated that customer satisfaction is significantly related to brand trust. These results were confirmed by Kassim and Abdullah (2010) and Horppu *et al.* (2008). This is also supported by the result of loading estimate item measurement, showing that “product quality” item has the greatest value with 0.869 while the average value scored for “satisfaction on product quality” item is 4.38, meaning that customers would still buy at a relatively higher price.

From the interviews with stores respondents, researchers were able to get statements and testimonies from AAA, AAB, AAC and AAD, presented as follows:

AAD stated that I am satisfied with the service speed from the distributor. Maybe because I am a permanent customer, I am given a good service and quick information whenever I needed them

AAC stated that I believe that by selling Semen Gresik, consumers would like that and would still choose Semen Gresik as their top choice

According to experts, the customers’ loyalty to a brand is an important target to be achieved. The survival of either the company or the company’s products is highly dependent on consumers’ trust in the brand or the product offered. Overall, Chaudhuri and Holbrook (2001) assessed that brand trust is a form of a fully alleged engagement process and is based on a deep underlying process. Therefore, Mowen and Minnar stated that the form of consumer’s trust in a brand mostly emerge when the brand itself is able to meet the self-concept, needs and values of customers. Semen Gresik management must be able to meet the self-concept of distributors and also the desired needs and values needed by the distributor. All of which can be done by the management by identifying and classifying the self-concept, needs and customer values in accordance with the segmentation and the target to be aimed by the management.

**Customer satisfaction has a significant positive influence on brand loyalty:** Research results showed that customer satisfaction has a significant positive influence on brand

loyalty. These results support the research conducted by Trif (2013)’s research who explained that customer satisfaction has a significant influence on brand loyalty which was also reinforced by Saeed *et al.* (2013). This is also supported by the result of loading estimate item measurement, showing that “product quality” item has the greatest value with 0.869 while the average value scored for “satisfaction on product quality” item is 4.38, meaning that customers would recommend to others to buy Semen Gresik.

Satisfaction has a great significance in the marketing concept related to the needs and desires of customers. Customer satisfaction of Semen Gresik brand is the customer feedback on the fulfillment of their needs for cement. This means that the assessment of peculiarity from a product or service itself provides a certain level of comfort associated with the fulfillment of their needs, including the expected needs of customers or the fulfillment exceeding their expectations.

Caruana (2002) suggested that overall, customer satisfaction has three antecedents, namely perceived quality, perceived values and customer perceived quality has a positive effect on customer satisfaction, a negative effect on customer complaints overall and a positive effect on brand loyalty. In connection with the services given, some studies have shown that measuring service quality can be studied by including; the overall service expected and the service given and also the satisfaction of the information offered (Padma *et al.*, 2010; Manaf and Nooi, 2009; Wu *et al.*, 2004; Li *et al.*, 2011).

From the interviews with stores respondents, researchers were able to get statements and testimonies from AAA, AAB, AAC and AAD, presented as follows:

AAD stated that I am satisfied to sell Semen Gresik brand. Semen Gresik’s durability is unmatched. Consumers really trust the brand. I will keep recommending it

AAC stated that I am quite proud to sell Semen Gresik. I myself use it for the purposes of building houses. I will share my experience to the consumers

AAD (Malang area) stated that I have never had difficulties selling Semen Gresik. Consumers trust the brand a hundred percent and are very satisfied with its quality

Apparently, customer satisfaction can increase brand loyalty. Customer loyalty to Semen Gresik means that the

preferences of Semen Gresik customers are to consistently purchase on the same brand on a specific product or a particular service category. A customer who is very loyal to a particular brand will not easily switch to other brands, no matter what happens with the brand. If customers' perception about the brand increases, the possibility of threat and luring from other cement brand competitors towards that group of customers can be reduced. The company management must have a customer database to identify customer groups that includes; customers moving/switching to other brands, permanent customers, customers of likings and committed customers. This level of customers should be classified so that the company management can design and implement programs and policies that could make up a class of customers or even maintain them. According to Giddens (2002), loyal consumers can be characterized as follows: has a commitment to the particular brand is willing to pay more for the brand in particular compared to other brands, recommends the brand to others, re-purchases the brand's products without any further consideration, always follows the information related to the brand and can become a sort of spokesperson for the brand and always improves his relationship with the brand.

**Brand trust has a significant positive influence on brand loyalty:** The research results proved that brand trust has a significant positive influence on brand loyalty. These results support the research by Trif (2013), stating that brand trust has a significant influence on brand loyalty. In different findings, these results do not support Abdullah and Kassim who explained that brand trust has no significant influence on retention intentions but has a significant influence on WOM loyalty (Word of Mouth). This means that the Semen Gresik company management needs to examine more about the behavioral intentions of customers and the aspects of the product itself which is to recommend their product from mouth to mouth. Likewise, the findings by Eid (2011) and Horppu *et al.* (2008) showed that brand trust has no significant influence on brand loyalty. This influence insignificantly remains a positive one on loyalty.

From the interviews with stores respondents, researchers were able to get statements and testimonies from AAA, AAB, AAC and AAD, presented as follows:

AAA stated that I personally believe that Semen Gresik is unmatched. As a Semen Gresik seller, I will continue to sell and recommend it to my son. This is because customers strongly believe in its quality and still makes it their main choice even though it costs Rp. 4000's

AAD stated that Being a seller of Semen Gresik, I am very satisfied. The customers no longer ask the product quality. Therefore, I do not need to explain anything. I will continue to sell Semen Gresik cement despite knowing that the bonus offers from other cement brands are very interesting

As already explained, brand loyalty is an important aspect to be managed properly. The high competition occurring between the cement companies and the emergence of new cement brands for example; Semen Puger, Semen Holcim, Semen Tiga Roda and Semen Bosowa, spur the Semen Gresik Company to continue improving their brand image to increase consumer's trust and satisfaction so that brand loyalty can be increased. It is expected that in the long run, this condition will be able to keep improving company performance. But all of this cannot be achieved without a strong and good cooperation between companies and distributors. Despite having a strong brand image, company management would still need to create and implement the programs and policies related to their brand loyalty.

## CONCLUSION

Based on the analysis and the discussion, the conclusions of this research are:

- Customer satisfaction has a significant contribution on brand trust
- Customer satisfaction has a significant contribution on brand loyalty
- Brand trust has a significant contribution on influencing brand loyalty

## LIMITATIONS

Limitations of this research are, among others:

- The aspect of customer loyalty studied only covered the customers in the marketing area of East Java, being always synonymous with a major market in which the market share must be maintained and controlled by the existing companies, even though the main market besides East Java also includes Central Java, Bali and South Kalimantan
- The main focus of research only covered East Java because researchers see a very tight cement competition in East Java compared to other regions in which it has a close relationship with brand image of companies

- This research was originated from two different locations, Malang and East Java which are considered a representative of the entire area. This is due to the reason that those locations ranked second in having the most stores in town. Exploratory qualitative interviews should be conducted in each store, although it requires a high degree of accuracy and quite a long time to collect the data
- This research used stores as unit analysis, represented by one person in which his answers do not necessarily represent the store as a whole

### RESEARCH CONTRIBUTIONS

**Scientific theoretical contributions:** The theory contribution in this research is expected to enrich and create a significant contribution to the theory of marketing management, especially on consumer behavior:

- Theoretically, this research is capable of creating a theory model about the determinants of brand loyalty in cement manufacturing companies which is the customer itself. The model is expected to explain that positive customer satisfaction will influence and increase brand trust and brand loyalty. Increase in brand trust will influence brand loyalty
- Brand loyalty is proven to be influenced directly by customer satisfaction and brand trust

**Managerial contributions:** These findings have a managerial implication on the efforts to increase customer loyalty and brand trust in which can be enhanced by creating programs and policies related to the characteristics of customers, brand-switching behavior, customer experience and conative loyalty.

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