# The Relative Attitude of the Household Customers in State-Owned Electricity Company: The Indonesian Context 

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#### Abstract

This study investigates the factors that influence the relative attitude of household group customers in State Electricity Company of Indonesia that have long been regulated by the government. In recent years, the growth of electricity customers from household groups was followed by an increase in the number of customer complaints from this group. A total of 415 respondents representing their household group participated in this survey. This study used Partial Least Square-Structural Equation Modelling (PLS-SEM) to test the model. The results show that, customer satisfaction partially mediated the effect of corporate image on customer relative attitude. Then, customer satisfaction was found fully mediated the effect of perceived service quality on customer relative attitude and the effect of perceived value on customer relative attitude. Additionally, the corporate image had the most effect on customer relative attitude and was found to have indirect rather than direct effects on customer relative attitude as mediated by customer satisfaction. The results can provide valuable insights into the management of services in the public sector.


Key words: Corporate image, perceived service quality, perceived value, customer relative attitude, state electricity company, customer

## INTRODUCTION

The declaration in Article 2 Section 2 Law of The Republic of Indonesia Number 30 of 2009 concerning electricity indicates that in addition The State-Owned Enterprise or SOE (known in Indonesia as Badan Usaha Milik Negara or BUMN), other entrepreneurs of electric power providers for the public interest have very little chance to compete, especially from the ability of the funds they have. The State Electricity Company or SEC (known in Indonesia as Perusahaan Listrik Negara or PLN) is still monopolizing the power supply business in Indonesia and is unlikely to provide opportunities for other businesses to be effectively implemented (Banu, 2005).

In general, SEC's activities are: running the power supply business throughout the country, running electricity support business and other related activities (http://www.pln.co.id). The household group consists of four classes based on the installed capacity or power: S-1/TR (200 VA); R-1/TR (250-2200 VA); R-2/TR (2201-6600 VA) and R-3/TR (more than 6600 VA ).

The Statistics Indonesia (known in Indonesia as Badan Pusat Statistik or BPS) reported that the number of electricity customers in Indonesia has always increased drastically every year. The largest use of electricity are households compared to business, public and industrial groups while the number of customer complaints is more
likely to emerge from household groups. As a well-known company in Indonesia, SEC has established its image for a long time through its services.

One of the studies that contributed to the importance of the services of state electricity company is Vigoda-Gadot and Cohen (2015) that examine the relationship between corporate image, service satisfaction and public opinion on the electricity service industry. Their findings suggest that service satisfaction reduces customer effects on reform support and improves the organization image.

Similar research from Chatzoglou et al. (2013) in terms of the quality of public services and the attitude of customers (general public), i.e. when the quality of public services received is not in accordance with expected it will impact on public attitudes such as demanding privatization. Their study measures the level of service quality in a public organization and emphasizes the importance of community participation in the planning and service delivery process. Their findings indicate unmet citizen's expectations on some dimensions of service quality but the performance of service quality is above the average that allows claims that the public organization that becomes the object of research has reached their target. In the context of electricity services in Indonesia, it is equally difficult to evaluate customer attitudes based solely on purchasing behavior.

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Repeated purchasing behavior will still take place in a single industry sector while customer attitudes relative to many factors that affect it. This is consistent with Dick and Basu (1994) that, high purchasing behavior is not absolutely equal to the high customer attitudes. Key factors known to influence customer's relative attitude are the corporate image, perceived service quality and perceived value. The results of previous research studies show some of the gaps which became the background of this study.

Research generally investigates the effects of corporate image on customer satisfaction and loyalty (Ene and Ozkaya, 2014; Hart and Rosenberger, 2004; Sajtos et al., 2015), it has implicitly implied the concept of relative customer attitudes. Another study emphasizes in more depth the antecedents of service quality to form satisfaction (Vogus and McClelland, 2016). Many studies are consistent in the relationship between service quality and customer attitudes but their studies are less concerned with the dynamics of the regulated service industry. Customers usually assess the services in each transaction with the service provide but there is no high-value product by itself but must go through the process of creating value from customers (Zins, 2001). Neither the perception of value nor satisfaction significantly affects consumer intentions (Lin et al., 2012) but is not consistent with Zameer et al. (2015) which reports customer satisfaction as an antecedent to perceived value.

Customer satisfaction as a mediator in this study. There is a combination of perception of value, the perception of benefit and confirmation of satisfaction and satisfaction effects on continuous intentions (Lin et al., 2012). This study investigates customer relative attitude affected by corporate image, perceived service quality and perceived value and further investigates whether customer satisfaction mediates those influences. The importance of this study lies in the need to find empirical evidence in areas served by the state-owned or government-owned sector. The main contribution expected from the findings of this study is to reduce the gap between the findings of previous research, i.e., by analyzing the research problems. Theoretical contributions focus on fundamental knowledge in the literature of management science and service marketing, particularly on consumer behavior theory. The management can also take strategic steps from how far the effectiveness of the company's current capabilities in meeting the needs of customers in the service sector that has been monopolized by the State for a long time, namely electricity services.

Corporate image: Companies that are able to create a positive image to customers get many benefits such as
connecting to the configuration of attitudes and beliefs of customers (Nguyen and LeBlanc 1998, 2001). The image is usually one of the company's means to form the purchasing behavior of prospective consumers. Previous research has shown that corporate image can affect customer satisfaction (Andreassen and Lindestad, 1998a) and that it may create a halo effect by referring to intangible perceptions of what the organization actually stand for (Vigoda-Gadot and Cohen, 2015). Some researchers have proven that the corporate image not only ensures the quality of service but also makes customers satisfied and loyal to the services provider (Rahman et al., 2012). On the other hand, the image is considered as something abstract and cannot be measured systematically. But it can be felt, whether it is good or bad. In this case, SEC has established its image long ago through the services provided. That's because satisfaction is formed cumulatively and not just based on transactions (Vigoda-Gadot and Cohen, 2015). Satisfaction is shaped and changed over time. The influence of corporate image on customer satisfaction was found significant in some previous studies (Ene and Ozkaya, 2014; Hart and Rosenberger, 2004; Zameer et al., 2015; Sajtos et al., 2015). The corporate image has a significant but indirect impact on customer loyalty (Andreassen and Lindestad, 1998b).

Perceived service quality: The relationship between service quality and customer satisfaction has been debated long enough in the history of research. Parasuraman et al. (1988) emphasize that the perceived service quality is the overall assessment or attitude, relating to the superiority of the service while satisfaction is related to certain transactions. Service quality and customer satisfaction have been conceptualized as two different things but are closely related as constructs. One of the most likely relationships is that satisfaction helps customers revise their perception of service quality (Cronin and Taylor, 1992). The assumption is that consumers have previous experience with the company. Perceived service quality as a cognitive antecedent of relative attitudes due to service quality will affect accessibility, centrality and clarity of attitudes (Sivadas and Baker-Prewitt, 2000). In the marketing literature, research has long proved that service quality positively impacts many benefits for the company, including customer satisfaction (Anderson et al., 1994; Anderson and Sullivan 1993). Empirical study has been conducted (Mohsin Butt and Aftab, 2013; Suharto and Sulistiyono, 2015; Wu and Liao, 2016) and specifically in the service sector public (Ryzin et al., 2004; Chodzaza and Gombachika, 2013; Vigoda-Gadot and Cohen, 2015). Most
researchers argue that service quality is antecedent to customer satisfaction but some argue that customer satisfaction is an antecedent of service quality (Bitner, 1990; Bolton and Drew, 1991). Caruana (2002) reported the mediation role of customer satisfaction on the effect of service quality on service loyalty. The perceived service quality has been proposed as a key factor in explaining purchasing intentions but this relationship has not been fully established (Cronin et al., 2000).

Perceived value: Another factor considered to influence customer attitudes is the value received by customers in every transaction with the service provider. There is no high-value product or service by itself but must go through customer value creation process (Zins, 2001). With the creation of good value to all customers, then by itself, customers will be impressed with the services provided by the company. Woodruff (Bowen and Chen, 2001) states that customer value is a sense of liking and customer evaluation of product attributes, performance attributes and consequences arising from the use of facilities in achieving customer goals and intentions in situations they encounter that link product to situations and related consequences experienced by goal-oriented customers. The effect of perceived value on customer satisfaction was found in several previous studies (Lin et al., 2012). In contrast, some researchers argue that customer satisfaction is an antecedent to perceived value (Zameer et al., 2015).

Customer satisfaction as mediator: Finally, this study proposes the construct of customer satisfaction as mediator. The conceptual framework is adapted from the ASCI Model (Fornell et al., 1996) in which customer satisfaction mediates the impact of perceived quality and perceived value on customer loyalty. A loyalty model from Dick and Basu (1994) adopted but this study specifically propose the construct of a relative attitude that is separate from the construct purchasing behavior because the behavioral dimension is also influenced by the dimensions of attitudes that include the satisfaction, trust and commitment (Doni'o et al., 2006). This study also builds a construct that represents cognitive evaluation, i.e., corporate image. As a company that has been known, PLN formed the image for a long time. So, the image may affect the customer's attitude. Satisfaction is the antecedent of attitude because without any satisfaction the consumer will not show the attitude to make a purchase (Donio' et al., 2006). Furthermore, this study proposes the following hypothesis:


Fig. 1: Theoretical model

- Corporate image positively influences customer satisfaction
- Corporate image positively influences customer relative attitude
- Perceived service quality positively influences customer satisfaction
- Perceived service quality positively influences customer relative attitude
- Perceived value positively influences customer satisfaction
- Perceived value positively influences customer relative attitude
- Customer satisfaction positively influences customer relative attitude
- Customer satisfaction mediates the relationship between corporate image and customer relative attitude
- Customer satisfaction mediates the relationship between perceived service quality and customer relative attitude
- Customer satisfaction mediates the relationship between perceived value and customer relative attitude (Fig. 1)


## MATERIALS AND METHODS

Data were collected through questionnaires distributed to respondents from 904,566 households in Surabaya, East Java Province of Indonesia. All household groups are registered from the Statistics Indonesia in 2016. This city is a district with the largest number of electricity customers in East Java Province which is a province with economic growth exceeding the national economic growth and as one of the centers of economic activity with an increase in the number of residents who require more electricity access. A total of 415 participating

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Table 1: Characteristics of the respondents (Respondents $\mathrm{n}=415$ )

| Characteristics | North Surabaya |  | West Surabaya |  | South Surabaya |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | f -value | Perccentage | f-value | Percentage | f-value | Percentage |
| Gender |  |  |  |  |  |  |
| Male | 66 | 15.90 | 47 | 11.33 | 119 | 26.67 |
| Female | 60 | 14.46 | 45 | 10.84 | 78 | 18.80 |
| Occupation |  |  |  |  |  |  |
| Government employee | 15 | 3.61 | 11 | 2.65 | 30 | 7.23 |
| Private employee | 25 | 6.02 | 10 | 2.41 | 47 | 11.33 |
| Entrepreneur | 45 | 10.84 | 35 | 8.43 | 64 | 15.45 |
| Household | 24 | 5.78 | 16 | 3.86 | 23 | 5.54 |
| Student | 14 | 3.37 | 15 | 3.61 | 25 | 6.02 |
| Retired | 3 | 0.75 | 5 | 1.20 | 8 | 1.93 |
| Number of family members |  |  |  |  |  |  |
| 2-3 | 60 | 14.46 | 42 | 10.12 | 103 | 24.82 |
| 4-5 | 56 | 13.49 | 41 | 9.88 | 77 | 15.55 |
| $>5$ | 10 | 2.41 | 9 | 2.17 | 17 | 4.10 |
| Role in this family |  |  |  |  |  |  |
| Father/husband | 40 | 9.64 | 25 | 6.02 | 74 | 17.83 |
| Mother/wife | 42 | 10.12 | 32 | 7.71 | 52 | 12.53 |
| Son | 44 | 10.60 | 35 | 8.43 | 71 | 17.11 |
| Family monthly income (IDR, million) |  |  |  |  |  |  |
| <5 | 21 | 5.06 | 28 | 6.75 | 46 | 11.08 |
| 5-10 | 79 | 19.04 | 40 | 9.64 | 103 | 24.82 |
| $>10$ | 26 | 6.27 | 24 | 5.78 | 48 | 11.57 |
| Subscription type |  |  |  |  |  |  |
| Post-paid | 20 | 4.82 | 8 | 1.93 | 23 | 5.54 |
| Pre-paid | 106 | 25.54 | 84 | 20.24 | 174 | 41.93 |
| Subscription time (years) |  |  |  |  |  |  |
| $<1$ | 7 | 1.69 | 1 | 0.24 | 11 | 2.65 |
| 1-5 | 38 | 9.16 | 34 | 8.19 | 65 | 15.66 |
| $>5$ | 81 | 19.52 | 57 | 13.73 | 121 | 29.16 |
| Built-in power (VA) |  |  |  |  |  |  |
| 250-2200 | 104 | 25.06 | 71 | 17.11 | 158 | 38.07 |
| 2201-6600 | 17 | 4.10 | 18 | 4.34 | 30 | 7.23 |
| $\geq 6600$ | 5 | 1.20 | 3 | 0.72 | 9 | 2.17 |

USD $1=$ IDR 13319.2

Table 2: Means, standard deviations, and intercorrelations among variables

| Variables | Mean | SD | 1 | 2 | 3 | 4 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Corporate image | 3.17 | 0.58 | - |  |  |  |
| Perceived service quality | 3.65 | 0.33 | $0.54^{*}$ | - |  |  |
| Perceived value | 3.19 | 0.48 | $0.61^{*}$ | $0.47^{*}$ | - |  |
| Customer satisfaction | 2.84 | 0.72 | $0.79^{*}$ | $0.65^{*}$ | $0.62^{*}$ | - |
| Customer relative attitude | 2.89 | 0.56 | $0.75^{*}$ | $0.53^{*}$ | $0.58^{*}$ | $0.86^{*}$ |

Significant at ${ }^{*} \mathrm{p}<0.01$ (two-tailed) $\mathrm{n}=415$
respondents represented the household (126 units from North Surabaya, 92 units from West Surabaya and 197 units from the South Surabaya) were retained for study after samples with missing or erroneous data were removed. Detailed descriptive statistics for the respondent's demographic characteristics are presented in Table 1.

Table 2 reports the reflective measurement scales used in this study. The corporate image was measured using 6 items that focus on functional image and emotional image (Boulding, 1956; Kennedy, 1977; Kandampully and Hu , 2007). Perceived service quality was measured using 21 items that focus on interaction quality, service environment quality and outcome quality
(Brady and Cronin, 2001). Perceived value was measured using 10 items that focus on perceived usefulness, perceived enjoyment, social image, perceived performance risk and perceived financial risk (Lin et al., 2012; Yang et al., 2016). Customer relative attitude was measured using eight items that focus on beliefs and commitment (Donio' et al., 2006). All items for corporate image, perceived service quality, perceived value and customer relative attitude were measured using a 5 point Likert scale from 1 (strongly disagree) to 7 (strongly agree). Customer satisfaction was measured by one question item, based on (Bloemer et al., 1998), i.e.,"if you consider your experience with this company, how satisfied are you?" Customer satisfaction was measured
with a 5 point scale indicating the respondent's degree of satisfaction from 1 (very dissatisfied) to 5 (very satisfied).

Variance-based Partial Least Squares-Structural Equation Modelling (PLS-SEM) with SmartPLS 3.0 as a statistical technique to test the model and hypotheses which generalizes and combines features from principal component analysis and multiple regression has been broadly applied (Hair et al., 2012) in management studies. Importantly, the PLS was used because the statistical mean abilities to help with smaller sample size even with non-normal distributed input data.

The PLS-SEM technique involves separate assessment of the measurement model and the structural model (Hair et al., 2014). The measurement model examines the relations between the observed variables and latent variables. The measurement model was tested on its reliability (item reliability and internal consistency) and validity (convergent validity and discriminant validity). The structural model was assessed based on the significance of the path coefficients.

## RESULTS AND DISCUSSION

In estimating and testing the proposed research model, this study followed the two-step procedure suggested by Anderson and Gerbing (1988). Structural Equation Modelling (SEM) with SmartPLS was used to analyze the survey data. Table 2 indicates that the coefficient of Cronbach's alpha and composite reliability of the constructs exceed the widely recognized rule of thumb of 0.70 (Fornell and Larker, 1981; O'Leary-Kelly and Vokurka, 1998). Thus, these theoretical constructs show adequate reliability. The measurement model was built through the PLS algorithm procedure to assess the convergent validity of each measurement scale (O'Leary-Kelly and Vokurka, 1998). Table 2 shows that all indicators in their respective constructs have statistically significant ( $\mathrm{p}<0.01$ ) factor loadings $>0.50$ which indicate the convergent validity of the theoretical constructs (Anderson and Gerbing, 1988).

Table 3 and 4 and Fig. 2 report the hypothesis tests results. Structural model results indicate that corporate image has a significant effect on customer satisfaction ( $\beta=0.538 ; \mathrm{p}<0.01$ ) and customer relative attitude ( $\beta=0.190, \mathrm{p}<0.01$ ). Thus, hypothesis 1 and 2 were supported. Perceived service quality has a significant effect on customer satisfaction but not significantly affect customer relative attitude. Thus, hypothesis 3 was supported and hypothesis 4 was rejected. Perceived value has a significant effect on customer satisfaction but not
significantly affect customer relative attitude. Thus, hypothesis 5 was supported and hypothesis 6 was rejected. Customer satisfaction has a significant effect on customer relative attitude. Thus, hypothesis 7 was supported.

Furthermore, Baron and Kenny (1986), the mediation effect was identified by estimating four additional models: the independent variable significantly affects the mediator, the independent variable significantly affects the dependent variable in the absence of the mediator, the mediator has a significant unique effect on the dependent variable and the effect of the independent variable on the dependent variable shrinks upon the addition of the mediator to the model. The model results indicate that, corporate image has a significant effect on customer satisfaction ( $\beta=0.976 ; \mathrm{p}<0.01$ ) and customer relative attitude ( $\beta=0.726 ; \mathrm{p}<0.01$ ) perceived service quality has a significant effect on customer satisfaction ( $\beta=1.435$; $\mathrm{p}<0.01$ ) and customer relative attitude ( $\beta=0.915 ; \mathrm{p}<0.01$ ); perceived value has a significant effect on customer satisfaction ( $\beta=0.923 ; \mathrm{p}<0.01$ ) and customer relative attitude $(\beta=0.675 ; \mathrm{p}<0.01)$.

| Table 3: Construct reliability and validity analysis |  |  |  |  |
| :--- | :--- | :--- | :--- | :--- |
| Constructs/Indicators | Loadings | Alpha | CR | AVE |
| Corporate Image (CI) |  |  |  |  |
| CI1 | 0.906 | 0.791 | 0.905 | 0.827 |
| C12 | 0.913 | - | - | - |
| Perceived Service Quality (PSQ) |  |  |  |  |
| PSQ1 | 0.756 | 0.646 | 0.808 | 0.584 |
| PSQ2 | 0.757 | - | - | - |
| PSQ3 | 0.781 | - | - | - |
| Perceived Value (PV) | 0.714 | 0.769 | 0.843 | 0.519 |
| PV1 | 0.728 | - | - | - |
| PV2 | 0.727 | - | - | - |
| PV3 | 0.708 | - | - | - |
| PV5 | 1.000 | 1.000 | 1.000 | 1.000 |
| Customer Satisfaction (CS) |  |  |  |  |
| OCS | 0.845 | 0.732 | 0.879 | 0.784 |
| Customer Relative Attitude (CRA) |  |  |  |  |
| CRA1 | 0.925 | - | - | - |
| CRA2 |  |  |  |  |

Table 4: PLS results of the structural model

| Path coefficients | Direct effects | Indirect effects | Total effects |
| :--- | :---: | :--- | :---: |
| Corporate image <br> Customer satisfaction <br> Corporate image | $0.538^{*}$ | - | $0.538^{*}$ |
| Customer relative attitude | $0.190^{*}$ | $0.366^{*}$ | $0.556^{*}$ |
| Perceived service quality | $0.293^{*}$ | - | $0.293^{*}$ |
| Customer satisfaction <br> Perceived service quality | -0.074 | $0.199^{*}$ | $0.125^{*}$ |
| Customer relative attitude | $0.170^{*}$ | - | $0.170^{*}$ |
| Per ceived value <br> Customer satisfaction <br> Perceived value <br> Customer relative attitude | $0.082^{*}$ | $0.116^{*}$ | $0.198^{*}$ |
| Customer satisfaction <br> Customer relative attitude | $0.681^{*}$ | - | $0.681^{*}$ |

Significant at ${ }^{*} p<0.01$ (two-tailed test); $n=415$


Fig. 2: Structural equation modelling results (Significant at ${ }^{*} \mathrm{p}<0.01$ (two-tailed test); NS $=$ Not Significant; CI $=$ Corporate Image; $\mathrm{PSQ}=$ Perceived Service Quality; PV $=$ Perceived Value; $\mathrm{CS}=$ Customer Satisfaction; CRA = Customer Relative Attitude)

However, as shown in Fig. 2, the effect of corporate image on customer relative attitude reduced and significant ( $\beta=0.190 ; \mathrm{p}<0.01$ ). Hence, customer satisfaction partially mediated the relationship between corporate image and customer relative attitude. Furthermore, the effect of perceived service quality on customer relative attitude became non-significant ( $\beta=-0.074$ ). Hence, customer satisfaction fully mediated the relationship between perceived service quality and customer relative attitude. Then, the effect of perceived value on customer relative attitude also became non-significant ( $\beta=0.082$ ). Hence, customer satisfaction fully mediated the relationship between perceived value and customer relative attitude.

Additionally, the Sobel (1982) test was performed to evaluate the mediating effect of customer satisfaction. The results of the Sobel test provide further evidence for the partially mediating role of customer satisfaction on the link between corporate image and customer relative attitude ( $z=20.783 ; p<0.01$ ), the partially mediating role of perceived service quality and customer relative attitude ( $\mathrm{z}=15.530 ; \mathrm{p}<0.01$ ) and the partially mediating role of perceived value and customer relative attitude ( $z=14.599$; $\mathrm{p}<0.01$ ). Hence, hypotheses $8-10$ were partially supported.

There are a variety of implications and insights that flow from this study. Discussions begin with theoretical implications and the transition to managerial topics. The first theoretical insight from this study is that the roles of corporate image, perceived service quality and perceived value have been illuminated as precursors to customer satisfaction. There is empirical evidence that clearly
shows that people can easily remember the company's name and logo while low responses are shown in terms of the company's motto and the overall experience of customers with the company and employees. These findings support Ries and Trout (1993), that being the first in memory is the most important thing in marketing because once memory is formed it is difficult to change. It is not only the language factor that makes the company's motto easy to remember but also, the evaluation of customers relating to the reputation of the company as the public service provider.

## CONCLUSION

The specific findings of the research are that customer satisfaction mediates the impact of the corporate image on customer relative attitude, perceived service quality on customer relative attitude and perceived value on customer relative attitude. Customer satisfaction becomes a handy tool for measuring company performance based on customer perception. The findings of this study also provide conclusions for specific problems.

The overall customer response depends not only on perceived service quality but also involving other key factors such as company image and perceived value. Customer's response to the company's image is based more on the evaluated attributes and most importantly the feelings and beliefs that form in the customer's mind. Customers are less confident with their overall satisfaction measure. Commitment remains an important aspect of customer attitude.

Structural model evaluation resulting from this study included findings for direct and indirect relationships between variables. The relationship between corporate image and customer satisfaction explains that the improvement of corporate image is followed by increased customer satisfaction. Compared to other factors, customer satisfaction was found to be stronger influenced by corporate image. The relationship between perceived service quality and customer satisfaction explains that service quality improvement is followed by increased customer satisfaction. In addition, customer satisfaction mediates the impact of perceived service quality on customer relative attitudes. The existence of empirical evidence of satisfaction as a mediator indicates an important role of customer satisfaction to improve service quality. The implications of the study outcomes for both company and researchers are also discussed in the study.

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