

THE EFFECT OF HIGHER EDUCATION IMAGE, SERVICE QUALITY, EDUCATIONAL PRICE AND TRUST ON STUDENT'S LOYALTY

(Survey at School of Economic Institution in DKI Jakarta Province)

Mawarto

Lecture of STIE Dharma Bumiputera, Jakarta, Indonesia

Email: mawarto@yahoo.com

Abstract : The objective of this research is to study the effect of higher education image, service quality, educational price and trust on student's loyalty at School of Economic Institution in Jakarta Province. This research used the quantitative approach with survey method. The samples of this research were 194 students selected randomly. The data were obtained by distributing questionnaire with coefficient realibility: 0.672 for loyalty, 0.862 for image, 0.930 for service quality, 0.893 for educational price, and 0.885 for trust. The data were analyzed using descriptive statistics and path analysis in inferential statistics. The results of the research can be concluded that: higher education image, service quality, educational price and trust had a direct effect on student's loyalty; higher education image, service quality and educational price had a direct effect on student's trust. Therefore to improve student's loyalty, higher education image, and service quality, educational price and trust should be improved.

Keywords: image, service quality, price, trust, and loyalty.

JEL Classifications: A1, A2, B4

Competition among individuals, groups, organizations, even between nations is increasing massively along with the swift of current international globalization. Competition is now not only happening to the business sector, but also has penetrated to the education sector. Among Private Universities (PU), for example, competitions between private universities are increasingly tight. This is due to the very rapid growth of private universities. Based on data from the Center of Indonesian Private Higher Education Association (APTSI), the number of private universities in Indonesia is currently around 2,678 institutions which manage 10,680 study programs. Out of the 2,678 institutions, about 20 percent are in the form I. universities, 50 percent are in the form of hi educations, and 30 percent are in the form

academies. In fact, in 1997 the number of private universities in Indonesia only amounted to 1,293. It means in less than a decade, PU growth reaches more than 100%. Ironically, the number of PU institutions reached 2,678, but the number of Indonesian college students is only 1,706,800 people, so the average number of students in the PU is only about 600 people. Almost all private universities feel the great impact of competition in getting students. It can be seen from the percentage of the number of college students every year that decreased so it is estimated that about 30% - 40% of private universities in Indonesia are going to be bankrupt (www.pts.co.id/kondisi.asp: 2). The condition shows that the competition faced by the private university is very tight, so some of the PU's managers try hard to build loyalty among students in

various ways, such as free entry test at postgraduate level, discount or free of entry tuition/ building fees, or other measures which may be considered effective. Such tendency is also pursued by the Private School of Economics (STIE), especially those who hold postgraduate programs (S2) in DKI Jakarta Province - which is going to be the object of this research. The managers of STIE also undertake a series of efforts to build loyalty of undergraduate students to continue on the postgraduate level. However, the facts show that many undergraduate alumni tend to be not loyal by continuing postgraduate study in other universities. In STIE Dharma Bumiputera, the number of undergraduate students who continue on postgraduate level in the last two years tends to decrease. In 2012 the numbers of undergraduate alumni who continue on postgraduate show total of 6 people, while in 2013 only total of 4 people.

Such phenomenon is not a stand alone phenomenon. There are at least four potential factors / variables that influence, ie image, service quality, educational price and trust. The results of Ogbu and Tan's research (2009) show that brand image has a significant relationship with loyalty. Aydin and Ozer's research (2005) proves that service quality significantly affects consumer loyalty. Then research of Virvilaite, Saladiene and Skindaras (2009) found that the price effect on consumer's loyalty. Meanwhile, research of Dagger and O'Brien (2010) show that trust has a significant effect on loyalty. Trust, in addition to affecting loyalty, is also influenced by image, service quality and educational price. As shown in the research of Lin and Lu (2010), image affects the belief. Then the result of research of Chen & Chen (2011) shows that the quality of service has significant effect on trust. While Garbarino and Lee's research (2003) shows that dynamic pricing policies have an effect on trust. With these conditions, it can be formulated Problems of Research as follows: Is there a direct influence of higher education's image on college student's loyalty? Is there a direct influence of service quality on college student's loyalty? Is there a direct influence of the educational price on college student's loyalty? Is there a direct influence of the higher education's image on college student's trust? Is there a direct influence of the quality of service on college student's trust? Is there a direct effect of the education price on college student's trust?

In the dynamics of organizational life, loyalty is very important. According to Gremler (1999), loyalty is the level/degree displayed by customers in repurchasing behavior, positive attitudes toward service providers and the tendency to use only the services of the same organization when the need to obtain such services

arises. This loyalty can be expressed in the form of word of mouth communication, non-complaint behavior, behavior not to move, and willingness to pay more (Yu & Dean, 2001). The existence of loyalty, among others, is influenced by image, service quality, cost and trust. The image, according to Kotler and Armstrong (2000), is a set of beliefs, ideas, and impressions one holds about an object. Image can be shown in the form of dynamism, cooperation, success (Picton & Broderick, 2001), responsibility and appeals (Schwaiger, 2004). According to Clark (1992), the quality of service is how consistent the product or service can meet the expectations and needs of internal customers (employees) or external customers (people in community). Quality of service, according to Zeithaml, Parasuraman and Berry (1990) can be revealed in the form of: physical evidence, reliability, responsiveness, assurance, and empathy. According to Buttle (1995), cost/price is the sum of all sacrifices made by consumers to obtain the benefits of a product. Cost/price can be seen from indicators: transparency, quality ratio, relative price, trust, reliability, and honesty (Matzler, Würtele & Renzl, 2006). Trust, according to Rousseau et. Al. (In Mollering, 2006), is a psychological state consisting of a desire to accept an unpleasant state based on a positive expectation of another's wishes or behaviors. Trust, according to Robbin and Judge (2009), can be built through integrity, competence, consistency, virtue, and openness.

Methodology

This research uses survey method. The population is 3,397 college students, meanwhile the sample of 194 students taken through proportional simple random sampling. Data collection using questionnaires in the form of Likert scale. Before being used for the research. The validity of questionnaire was tested through Product Moment Pearson formula and tested its reliability with Cronbach Alpha formula. Research data were analyzed by using path analysis.

Results

The coefficient of direct effect of image to loyalty is 0.506. The coefficient of influence obtained is positive, thus indicating that the effect is directly proportional, which indicates a good image will increase loyalty. While the value of t-test obtained is 8,851, while the value of t-table for dk = 192 at the error rate $\alpha = 0.01$ is 2,601. T-test value > t-table, so H_0 is rejected and H_1 is accepted. Thus, it can be concluded that image has a positive, direct effect on loyalty.

The coefficient of the direct effect of service quality on loyalty is 0.146. The coefficient of influence obtained is positive, thus indicating that higher quality of service will lead to increased loyalty. The value of

t-test obtained is 2,399, while the value of t-table for $dk = 192$ at the error rate of $(\alpha) 5\%$, which is 1,972. At the error rate of 1% t-test value $>$ t-table which means H_0 is rejected and H_1 accepted. Thus, it can be concluded that quality of service has a positive, direct effect on loyalty.

The coefficient of direct effect of educational price to loyalty is 0.171. The coefficient of influence obtained is positive, thus indicating that the effect in the increase of educational cost's score will be followed by increased loyalty. The value of t-test obtained is 2,834 and the value of t-table for $dk = 192$ at the error rate $(\alpha) 1\%$ is 2,601. The t-test value $>$ t-table indicates that H_0 is rejected and H_1 is accepted. Thus, it can be concluded that educational price has a positive, direct effect on loyalty.

The coefficient of the direct effect of trust on loyalty = 0.147. The coefficient of influence obtained is positive, thus indicating that the increase in trust score will be followed by increased loyalty. The value of t-test obtained is 2,511, while the t-table value for $dk = 192$ at the error rate $(\alpha) = 0.05$ is 1,972. At the error rate of 1%, t-test value $>$ t-table, so H_0 is rejected and H_1 is accepted. Thus, it can be concluded that trust has a positive, direct effect on loyalty.

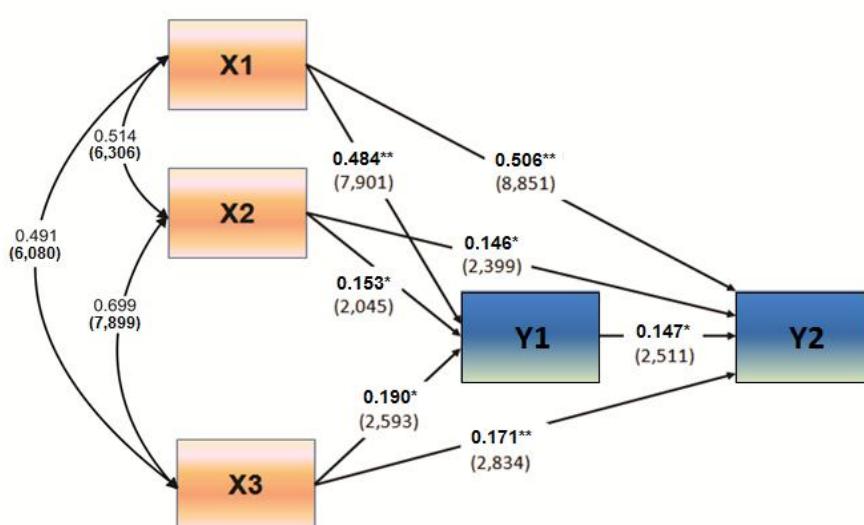
The coefficient of direct effect of image to trust is 0.484. The coefficient of influence obtained is positive, thus indicating that increase in the image will

have an impact on the increase of trust. The value of t-test is 7,901, while the t-table value for $dk = 192$ at the error rate of 1% ($\alpha = 0.01$) is 2,601. At the error rate of 1% t-test value $>$ t-table which means H_0 is rejected and H_1 is accepted. Thus, it can be concluded that image has a positive, direct effect on trust.

The coefficient of the direct effect of service quality to trust is 0.153. The coefficient of influence obtained is positive, thus indicating that the increase in service quality will have an impact on the increase of trust. The value of t-test is 2,045, while the t-table value for $dk = 192$ at the error rate of 5% ($\alpha = 0.05$) is 1,972. At the error rate of 5% t-test value $>$ t-table which means H_0 is rejected and H_1 is accepted. Thus, it can be concluded that service quality has a positive, direct effect on trust.

The coefficient of the direct effect of educational price to trust is 0.190. The coefficient of influence obtained is positive, thus indicating that the more appropriate the educational cost, the more it will have an impact on increasing trust. The calculated t-test is 2,593, while the t-table value for $dk = 192$ at the error rate of 5% ($\alpha = 0.05$) is 1,972. At the error rate of 5% t-test value $>$ t-table which means H_0 is rejected and H_1 is accepted. Thus, it can be concluded that educational price has a positive, direct effect on trust.

Path coefficient and t-test can be visualized through diagram as follow:



Picture 1. Path Coefficient and T hitung Effect of Image, Service Quality, Educational Price and Trust to Loyalty

Overall, path coefficient and T-test indicating the effect of image, service quality, educational price, and

trust on loyalty can be summarized into the table as follow:

Table 1. Summary of Path Coefficient and T-test

Effect	Path Coefficient	t-test	t-table	
			$\alpha = 0.05$	$\alpha = 0.01$
$P_{y2.x1}$	0.506**	8,851	1,972	2,601
$P_{y2.x2}$	0.146*	2,399	1,972	2,601
$P_{y2.x3}$	0.171**	2,834	1,972	2,601
$P_{y2.y1}$	0.147*	2,511	1,972	2,601
$P_{y1.x1}$	0.484**	7,901	1,972	2,601
$P_{y1.x2}$	0.153*	2,045	1,972	2,601
$P_{y1.x3}$	0.190*	2,593	1,972	2,601

Description : * Significant Path coefficient ($p < 0,05$)

** Very significant path coefficient ($p < 0,01$)

The result of the model accuracy test obtained the probability value of Chi Square and RMSEA to test the accuracy of the model. The value of significance or p value for Chi Square is $1,000 > 0.05$ and RMSEA (0.000) < 0.08 . These results indicate that the theoretical model tested has represented or in Based on the equation above, it can be seen that for image variable, structural coefficient obtained is = 0.484, service quality = 0.153 and educational price = 0.190. The value of the three structural coefficients is positive, thus indicating that the effect of image,

$$Y_2 = 0.506*X_1 + 0.146*X_2 + 0.171*X_3 + 0.147Y_1$$

Based on the equation above, it can be seen that loyalty is influenced by variable of image with structural coefficient = 0.506, service quality along with structural coefficient = 0.146, educational price = 0.171 and trust along with structural coefficient =

Discussions

The results of this research prove that image has a positive and significant effect on college student's loyalty. These findings indicate that a positive / good image of college may encourage college students to be loyal to their alma mater. This condition can occur because the image is the way individuals or groups viewing the organization (Lopez, Gotsi & Andriopoulos, 2011), so if the image of a college is positive then it also can be viewed as something positive and encourage college students to be loyal to their alma mater. Research conducted by Sondoh, Jr., et al. (2007) also shows that from five

accordance to the structure of equation based on empirical data. Thus, the result obtained from this research is in accordance with existing theories. In addition, the structural equation of trust (Y_1) is also obtained as follows:

service quality and educational price on trust is also positive. Variables of image, service quality and educational price explain the variables of trust is 0.501 or 50.1%. For the equation of structural loyalty (Y_2), the following results are obtained:

$$Y_1 = 0.484*X_1 + 0.153*X_2 + 0.190*X_3$$

$$R^2 = 0.501$$

0.147. All structural coefficients are positive, indicating that four variables have a positive influence on loyalty. Variable image, service quality, educational price and trust explain the variable of loyalty equals to 0.673 or 67.3%.

aspects of brand image, the ones that significantly affect loyalty are the functional image and display enhancement. Moreover, Ogba and Tan's research (2009) also shows that brand image has a significant relation to loyalty. Thus the results of this research are consistent with previous relevant studies on the effect of image on loyalty. With such conditions, the results of this research support the results of these studies in the setting of college.

The results of this research also proves that the quality of service affects the loyalty of college students. These results mean that good and adequate service quality has an impact on increasing college student's loyalty. The result is understandable because

service is an important pillar for the success of the organization, especially organizations engaged in services sector, including educational institutions. Quality service brings students' satisfaction, so students are encouraged to use the next service when they need an education service. Services that can bring loyalty is excellent service, which is a full of empathy, reliable, responsive, give guarantee service, and supported by adequate facilities. In the context of educational institutions, each college student has an X. expectation of the fulfillment of these aspects, which is fast service, guaranteed, attention to the needs of students, and a comfortable and conducive learning atmosphere. Therefore, if these expectations can be met well and adequately, then it can create a sense of pleasure in students, which then can encourage students to be loyal to the alma mater. The result of Aydin and Ozer (2005) also shows that service quality significantly influences consumer loyalty. Thus, the results of this study are consistent with previous relevant studies on the effect of service quality on loyalty. With such conditions, the results of this study reinforce and support the results of these previous studies in the educational organization *setting*, especially in universities.

The results of this research also indicate that the educational price has a significant effect on college student's loyalty. These findings indicate that educational price has a significant impact on improving student loyalty. This condition can occur because it is one important component for students in choosing a college. In general, students choose a college, among others, because consideration of price. Educational price in accordance with the socio-economic conditions of students and in accordance with the quality of education services provided by universities can stimulate students to be faithful and loyal to the alma mater. In different research objects, Virvilaite, Saladiene and Skindaras's research (2009) found that price (cost) affects consumer loyalty. Thus the results of this study support previous research on XI. the influence of educational price on loyalty, especially in relation to college as object of research.

The results of this research also prove that trust has a positive and significant influence on loyalty. These findings mean that trust is a factor that helps determine the high or low loyalty of college students. For the service industry, including universities, trust is an important factor. This is because college is a place where college students can determine the career and success of students in the future. College students are unlikely to proceed to a higher level of education at the same high education when they gain inadequate or even poor experience or education services. A bad experience can lead to distrust, which in turn may encourage alumni to seek other colleges when they are going to continue their study. But if trust can be

built well and strong by the college, then it will be an important goodwill as a mean to build loyalty. The result of previous research also shows an important role of belief in affecting loyalty. As evidenced in the research of Dagger and O'Brien (2010) which shows that trust has a significant effect on loyalty. Thus the results of this research support previous research on the influence of trust on loyalty, especially in relation to college as object of research.

The results of this research also prove that image has a positive and significant effect on college student's trust. These findings indicate that a positive image of college has an impact on improving college student's trust. The effect of image influencing trust can occur because image shows the impression of students to a college, so it can affect the decision. Moreover, image is also an individual or group's perspective in viewing the organization, so if image of a college is positive then it can be viewed as something positive by college students who in turn encourage them to be loyal to their alma mater. The image also how good or bad the college is. Universities who have positive image surely have good impression among college students, and conversely colleges that have a negative image surely have bad impression among them. Therefore, college students will surely have more trust toward the college whose image is positive. They will also easily trust a college that already has a positive name or reputation in the community. This is because universities that have positive reputation have been proven to provide good education services. Previous research by taking different settings also shows findings that image affects trust, such as research of Lin and Lu (2010) which shows that image has an effect on trust. Thus the results of this study are consistent with previous relevant studies on the effect of image on trust. With such conditions, then the results of this study support the results of previous studies in college *setting*.

The results of this research also prove that quality of service has a positive and significant effect on college students' trust. These results mean that excellent service or quality in the college environment has an impact on increasing college student's trust. The results are understandable because the quality of service becomes an important object of assessment in college. Therefore, excellent service quality becomes the main demand of college students. Quality education services which can meet students' expectations, can lead to satisfaction, and furthermore students are interested to re-use the same educational service at the same university. Quality services must also be empathetic, reliable, responsive, guaranteed, and supported by adequate means. The results of previous researches also provide evidence of the important role of service quality in influencing trust,

as can be seen in the research of Chen & Chen (2009) that the quality of service has significant effect on trust. Thus the results of this research are consistent with previous relevant researches on the effect of service quality on trust. With such conditions, the results of this research reinforce and support the results of previous researches in college setting.

The results of this research also prove the positive and significant impact of educational price on student's trust. These findings indicate that the cost of education can have an impact on increasing college student's trust. This condition can occur because educational price is one of important components for college students in choosing a college. College students generally choose a college based on cost consideration. Educational price in accordance with the socio-economic conditions of students and the quality of education services provided by universities can encourage students to give their trust in the alma mater. Prior research also provides empirical evidence that the cost or educational price affects trust. Garbarino and Lee's research (2003) shows that dynamic pricing policies have an effect on trust. Thus the results of this study support the effect of educational price on trust, especially in a different research field, ie in college.

Conclusion

From the results of research and discussion that have been described previously, they can be summarized as follows: (1) First, the image of college has a direct positive effect on college student's loyalty. It means a positive image of a college has an impact on increasing college student's loyalty; (2) the quality of service has a direct positive effect on college student's loyalty. It means that excellent service quality has an impact on increasing college student's loyalty; (3) Educational price has a direct positive effect on college student's loyalty. It means the cost of appropriate education has an impact on increasing college student's loyalty; (4) Trust has a direct positive effect on college student's loyalty. It means high level of trust has an impact on increasing college student's loyalty; (5) the image of college has a direct positive effect on college students' trust. It means, positive image of college has an impact on increasing college students' trust; (6) Service quality has a direct positive effect on college student's trust. It means an excellent service quality has an impact on increasing college student's trust; and (7) educational price has a direct positive effect on college students' trust. It means, the cost of appropriate education has an impact on increasing college students' trust.

References

- Aydin, Serkan and Gokhan Ozer. "The analysis of antecedents of customer loyalty in the Turkish mobile telecommunication market," *European Journal of Marketing*, 2005, Vol. 39 No. 7/8.
- Buttle, F. *Hotel and Food Service Marketing: A Managerial Approach*, London: Cassell, 1995.
- Chen, Shu Fen and Chia-Yon Chen. "Influencing Factors on Price Tolerance of Internet Customers", *Journal of International Management Studies*, 2011, Volume: 6, Issue: 2, 1-12.
- Clark F. A. "Quality dan service: a key focus for performance in the public sector." Working Paper Series HWP 11/92, Henley Management College, 1992.
- Dagger, Tracey S. and Timothy K. O'Brien. 2010. "Does experience matter? Differences in relationship benefits, satisfaction, trust, commitment and loyalty for novice and experienced service users.", *European Journal of Marketing*, 2010, Vol. 44 No. 9/10, 1528-1552.
- Garbarino, Ellen and Olivia F. Lee. "Dynamic pricing in internet retail: effects on consumer trust", *Journal of Psychology and Marketing*, Vol. 20, Issue 6, 2003.
- Gremler, Dwayne D. "The loyalty ripple effect: appreciating the full value of customers," *International Journal of Service Industry Management*. co-authored), 1999.
- Kotler, Philip and Gary Armstrong, *Marketing Management*, International Edition, New Jersey: Prentice Hall, 2000
- Lin, Long-Yi, Ching-Yuh Lu. "The influence of corporate image, relationship marketing, and trust on purchase intention: the moderating effects of word-of-mouth", *Tourism Review*, Vol. 65 Iss: 3, 2010, 16 – 34.
- Lopez, Carmen, Manto Gotsi and Constantine Andriopoulos. "Conceptualising the influence of corporate image on country image", *European Journal of Marketing*, Vol. 45 No. 11/12, 2011, 1601-1641
- Matzler, Kurt, Andreas Würtele, Birgit Renzl, "Dimensions of price satisfaction: a study in the retail banking industry", *International Journal of Bank Marketing*, Vol. 24 Iss: 4, 2006.
- Mollering, Guido. *Trust: Reason, Routine, Reflexivity*, Oxford: Elsevier, 2006.
- Ogba, Ike-Elechi and Zhenzhen Tan. "Exploring the impact of brand image on customer loyalty and commitment in China", *Journal of Technology Management in China*, Vol. 4 No. 2, 2009, 132-144.

- Picton, & Broderick. *Integrated Marketing Communication. Principle & Practice*. International Thompson Publications, 2001.
- Robbins, Stephen P. dan Timothy A. Judge. *Organizational Behavior*. New York: Prentice-Hall Jersey, 2009.
- Schwaiger, M. "Components and parameters of corporate reputation: an Empirical Study", *Schmalenbach Business Review*, Vol. 56, No. 1, 2004, 46-71.
- Sondoh, Stephen L. Jr., *et al*. "The effect of brand image on overall satisfaction and loyalty intention in the context of color cosmetic", *Asian Academy of Management Journal*, 2007, Vol. 12, No. 1, 83-107.
- Virvilaite, R., V. Saladiene, & D. Skindaras, "The Relationship between Price and Loyalty in Services Industry," *Inzinerine Ekonomika-Engineering Economics* (3), 2009.
- www.PU.co.id/kondisi.asp: 2.
- Yu, Yi-Ting dan Alison Dean. "The contribution of emotional satisfaction to consumer loyalty," *International Journal of Service Industry Management*, 2001, Vol. 12 No. 3, 234-250.
- Zeithaml, Valarie A., A. Parasuraman, dan Leonard L. Berry, *Delivering Quality Service: Balancing Customer Perceptions and Expectation*, New York: The Free Press, 1990.