THE INFLUENCE OF BRAND EQUITY AND SERVICE QUALITY TO CUSTOMER LOYALTY OF GARUDA INDONESIA AIRLINES

PENGARUH NILAI MERK DAN KUALITAS PELAYANAN KEPADA PENGGUNA SETIA MASKAPAI GARUDA INDONESIA

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ABSTRACT

The research object is Garuda Indonesia Airways. The variable in this research are brand equity and service quality, the indicator of brand equity are brand loyalty, brand personality, brand awareness, brand association, and perceived quality then the indicator of service quality are tangibles, reliability, responsiveness, assurance, and empathy. This research aims to analyze the influence of brand equity and service quality to customer loyalty of Garuda Indonesia partially and simultaneously. 50 loyal customers of Garuda Indonesia had surveyed as respondents. The result showed a positive significant influence of brand equity and service quality to customer loyalty partially and simultaneously. The recommendation for Garuda Indonesia is to keep their performance and have a stronger relation with their customer by Garuda Miles or GFF.

Keywords: Brand Equity, Service Quality, Customer Loyalty

ABSTRAK


Kata Kunci: Nilai Merk, Kualitas Pelayanan, Pelanggan Setia
1. INTRODUCTION

Research Background

The archipelago’s geographic nature gives air transportation a natural advantage over road and rail, and rising of personal incomes allow a growing part of the population to fly. Increasing tourism, international trade and the development of regional economic such as North Sumatra, East Java also our province North Sulawesi will continue to drive demand in the aviation sector.

Garuda Indonesia was established in 1949 (PT. Garuda Indonesia (Persero) Tbk IDX: GIAA) is the flag carrier of Indonesia. Named after the holy bird Garuda of Hinduism and Buddhism, the airline is headquartered at Soekarno-Hatta International Airport in Tangerang, near Jakarta. In the same management, Garuda Indonesia has Citilink for low cost flight for passenger in other target market. In Indonesia, there are Batik Air, Lion Air, AirAsia, and Sriwijaya Air as their competitor. In International route, Garuda Indonesia must compete with other country airlines that also give a best experience to the customer such as Singapore Airlines, Emirates, Luftansa, All Nippon Airlines, and many more.

Therefore, in this study we will discuss about the influence of brand equity and service quality to customer loyalty of Garuda Indonesia Airlines.

Research Objectives

The objectives of this research are to identify the significant effect of:
1. Brand equity and service quality to customer loyalty at Garuda Indonesia Airlines simultaneously
2. Brand equity to customer loyalty at Garuda Indonesia Airlines partially
3. Service quality to customer loyalty at Garuda Indonesia Airlines partially

2. THEORETICAL FRAMEWORK

Marketing

Some people say marketing would same with advertising, or they believe it same with personal selling. Also that they think marketing is the way to build a good perspective for the company through products and services or brands. Marketing is the activity, set of institution and process for creating, communicating, delivering, and exchanging offerings that have value for customer, clients, partners, and society at large. In this definition, clearly explain that marketing not just say that to promote, advertising but how to delivering value to everyone (McDaniel and Lamb, Hair, 2011). Every company or organization really needs the profit, but they are also have to consider about the value that customer get in their product or services. Marketing is one of the key to be success, because there are many theories that make the business growing and get the goal.

Consumer Behavior

There are many segments for customer, and customer behavior need to be understood to classify them and get what they want. According to (McDaniel, Lamb, Hair, 2011) Consumer behavior describes how costumers make purchase decision and how they use and dispose of purchased goods or services. In order to understand the customer, their behavior is the priority for get their attention to be the loyal customer.
Brand

In the real business brand is the important thing for some product or services. According to McDaniel, Lamb, Hair (2011) brand is a name, term, symbol, design, or combination thereof that identifies a seller’s product and differentiates them from competitor product. As an identity of product or service, brand became the most popular issue for the business world. The image of the product or service is explaining by brand itself. In this case of the research it will be more focus on brand equity.

Brand Equity

According to McDaniel and Lamb, Hair (2011) Brand Equity refers to the value of company and brand names. A brand name that has high awareness, perceived quality, and brand loyalty among customer has high brand equity. Some business needs a brand for their looks and identity. Brand equity is required for some business if they want to be success, because brand equity is represent the value for the brand.

Service Quality

Nowadays there are many things that business need to maximize on their performance, one of the main things is the service quality. According to Lovelock and Wirtz (2011) Service Quality is Company personnel need a common understanding to address issues such as the measurement of service quality, the identification of cause of services quality shortfalls, and the design and implement of corrective actions. To supporting the business, service quality is one of the priorities. To make the customer enjoyed and keep them being their customer and also to understand what the customer needs and wants.

Customer Loyalty

Customer loyalty is a relationship between the company and customers. It is about how company increases the value of a particular product so that customers will continue to buy the product or brand and make company can get a loyal customer. There is some definitions about customer loyalty. According to Jeong and Lee (2010) Customer loyalty is typically, customer loyalty means the property of customer to repeatedly purchasing specific subject (brand, product, service, shop and others) with affection regardless of the change in the circumstance.

Previous Research

Dlacic and Kezman (2014) “Exploring relationship between brand equity and customer loyalty on Pharamatical market.” By maintaining continuous satisfaction and high level of the brand’s equity the customers express the intention of long-term buying of product and their choice spreads on other products in the organization’s portfolio. By developing a brand which represents value to the customers, the customers’ satisfaction will grow reinforce relationship satisfaction and brand development. Purpose of this paper is to obtain insight about the relationship between elements of brand equity and customer loyalty among self-medication products. The research results show that elements of brand equity do increase customer brand loyalty. But not all elements do contribute in the same manner.

Ravichandra. Mani. Prahakaran (2010) “Influence of service quality on customer satisfaction application of Servqual Model.” Financial liberalization has led to intense competitive pressures and private banks dealing in retail banking are consequently directing their strategies towards increasing service quality level which fosters customer satisfaction and loyalty through improved service quality. This article examines the influence of perceived service quality on
customer satisfaction. The article concludes that increase in service quality of the bans can satisfy and develop customer satisfaction which ultimately retains valued customers.

Akbar and Parver (2009) “Impact of service quality, trust, and customer satisfaction on customer loyalty.” This research has proposed a conceptual framework to investigate the effects of customers’ perceived service quality, trust, and customer satisfaction on customer loyalty. To test the conceptual framework, structural equation modeling (SEM) has been used to analyze the data collected from 304 customers of a major private telecommunication company operating in Bangladesh. The results of the study indicate that trust and customer satisfaction are significantly and positively related to customer loyalty. Customer satisfaction has found to be an important mediator between perceived service quality and customer loyalty. A clear understanding of the postulated relationships among the studied variables might encourage the mobile service provider(s) to figure out appropriate course of action to win customers’ trust by providing better services in order to create a loyal customer base.

Conceptual Framework

![Conceptual Framework](image)

Research Hypothesis

H1 : Brand Equity and Service Quality significantly influence to Customer Loyalty at Garuda Indonesia simultaneously.

H2 : Brand Equity significantly influence to Customer Loyalty at Garuda Indonesia partially.

H3 : Service Quality significantly influence to Customer Loyalty at Garuda Indonesia partially.

3. RESEARCH METHOD

Type of Research

This research is quantitative research with causal type as a type of the research. In this research multiple regression analysis is use as a tool to solve the problem regarding with the influence of brand equity to service quality to customer loyalty of Garuda Indonesia Airlines.

Place and Time of Research

The data was collected in Garuda Indonesia Sales Office at Jalan Sam Ratulangi no. 212, Manado during August until September 2015.
Population and Sample

According to Sekaran and Bougie (2010), population is the entire group of people, events, of things of interest that the researcher wishes to investigate. The population is the loyal customer of Garuda Indonesia. According to Kotler et al (2005), Sample is a segment of the population selected for marketing research to represent the population as a whole. The sample in this research is people the loyal customer of Garuda Indonesia.

The sample size is 50 respondents. According to Tumbuan and Shiratake (2010), they are also made a research based on the place and time. “We did not selected specific retailers for the survey in crowded and busy pasars. So, the data was provided by the retailers who were willing to take a part in our listening survey.” Connected with the research, the sample of 50 respondents collected on the period during the time and respondents were asked to fill the questionnaire to rate the data. These respondents collected while the time of research purposive sampling as the sampling method. Purposive sampling is virtually synonymous with qualitative research. That has the strategies that might follow is virtually endless, and any given list will reflect only the range of situations the author of that list has considered.

Data Collection Method

The data collection method can be from primary and secondary sources. The researcher obtains primary data from questionnaires. The secondary data is collected from books, journals, and relevant literature from library and internet.

Operational Definition and Measurement of Research Variables

Independent Variables (X):
X1: Brand Equity - refers to the value of Brand Garuda Indonesia as an Airlines of Indonesia.
Indicators: Brand Loyalty, Brand Personality, Brand Awareness, Brand Association, Perceived Quality.
X2: Service Quality - it relates to Garuda Indonesia that give supporting service to their Airlines.
Indicators: Tangibles, Reliability, Responsiveness, Assurance, Empathy.

Dependent Variable (Y):
Y: Customer loyalty- its relates to customers who are a loyal customer of Garuda Indonesia.
Indicators: Customer Satisfaction, Customer Retention.

Data Analysis Method Validity and Reliability Test

In order to analyze the validity of questionnaire, Pearson bivariate correlation method is used (Pearson Product Moment). If the r count ≥ r table the instruments or items of questions correlated significantly to the total score (declared valid). Reliability test is done by looking at the Croanbach Alpha value if reliability coefficient >0.6 the measurement being done is consistent or reliable.

Multiple Regression Analysis Model

Multiple linear regression analysis is a linear relationship between two or more independent variables (X1, X2,...Xn) with the dependent variable (Y). This analysis to determine the direction of the relationship between the dependent and independent variables whether each independent variable related positively or negatively, and to predict the value of the dependent variable when the independent variable values increase or decrease. The formula of multiple regression models in this research is shown as follows:
\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \]

Whereas:
- \( Y \): Customer Loyalty
- \( \alpha \): Intercept
- \( \beta_1, \beta_2 \): The regression coefficient of each variable
- \( X_1 \): Brand Equity
- \( X_2 \): Service Quality
- \( e \): error

4. RESULT AND DISCUSSION

Result Validity and Reliability

Table 1. Validity and Test Result

<table>
<thead>
<tr>
<th>Indicator</th>
<th>( r_{\text{count}} )</th>
<th>( r_{\text{table}} )</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Brand Equity (( X_1 ))</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand Loyalty</td>
<td>0.235</td>
<td>0.508</td>
<td>Valid</td>
</tr>
<tr>
<td>Brand Personality</td>
<td>0.235</td>
<td>0.495</td>
<td>Valid</td>
</tr>
<tr>
<td>Brand Awareness</td>
<td>0.235</td>
<td>0.580</td>
<td>Valid</td>
</tr>
<tr>
<td>Brand Association</td>
<td>0.235</td>
<td>0.604</td>
<td>Valid</td>
</tr>
<tr>
<td>Perceived Quality</td>
<td>0.235</td>
<td>0.351</td>
<td>Valid</td>
</tr>
<tr>
<td>2. Service Quality (( X_2 ))</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangibles</td>
<td>0.235</td>
<td>0.726</td>
<td>Valid</td>
</tr>
<tr>
<td>Reliability</td>
<td>0.235</td>
<td>0.853</td>
<td>Valid</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.235</td>
<td>0.853</td>
<td>Valid</td>
</tr>
<tr>
<td>Assurance</td>
<td>0.235</td>
<td>0.753</td>
<td>Valid</td>
</tr>
<tr>
<td>Empathy</td>
<td>0.235</td>
<td>0.676</td>
<td>Valid</td>
</tr>
<tr>
<td>3. Customer Loyalty (( Y ))</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.235</td>
<td>0.738</td>
<td>Valid</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.235</td>
<td>0.825</td>
<td>Valid</td>
</tr>
<tr>
<td>Customer Retention</td>
<td>0.235</td>
<td>0.780</td>
<td>Valid</td>
</tr>
<tr>
<td>Customer Satisfaction &amp; Retention</td>
<td>0.235</td>
<td>0.914</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Source: SPSS data analysis, 2015

The table shows the values of all indicators are above 0.235, since the value of \( r_{\text{table}} \) is 0.235, so it means that all the indicators of variables in this research considered as valid.

Table 2. Reliability and Test Result

<table>
<thead>
<tr>
<th>Variable</th>
<th>Standard Deviation</th>
<th>Cronbach’s Alpha</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Equity (( X_1 ))</td>
<td>0.6</td>
<td>0.790</td>
<td>Reliable</td>
</tr>
<tr>
<td>Service Quality (( X_2 ))</td>
<td>0.6</td>
<td>0.846</td>
<td>Reliable</td>
</tr>
<tr>
<td>Customer Loyalty (( Y ))</td>
<td>0.6</td>
<td>0.877</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: SPSS data analysis, 2015

The table shows the Cronbach’s Alpha values of all indicators are above 0.60, it means that all the variables in this research is considered reliable and can be used to retrieve data.
Table 3. Multicollinearity

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand Equity (X1)</td>
<td>.730</td>
<td>1.370</td>
<td></td>
</tr>
<tr>
<td>Service Quality (X2)</td>
<td>.730</td>
<td>1.370</td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Loyalty (Y)

Source: SPSS data analysis, 2015

Table 3 shows the tolerance value of brand equity is 0.730 and service quality is 0.730. While the VIF value of brand equity is 1.370 and service quality is 1.370. Since all the tolerance value is less than 0.90 and the VIF value is less than 10, so this research is free from multicollinearity.

Heteroscedasticity Test

Figure 2. Heteroscedasticity Test

Source: SPSS data analysis, 2015

According to the scatterplot above, it shown that the dots is not created a specific pattern and also spread above and below 0 (zero). It proves that there is no heteroscedasticity in this regression model.

Normality Test

Figure 3. Normality Test

Source: SPSS data analysis, 2015
Based on the figure 4.4 below, it can be seen that the dots are spread in the direction of the diagonal lines, it shows that the distribution of the data in this research is normally distributed.

**Multiple Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>3.162</td>
<td>2.348</td>
</tr>
<tr>
<td>Brand Equity (X1)</td>
<td>.191</td>
<td>.129</td>
</tr>
<tr>
<td>Service Quality (X2)</td>
<td>.927</td>
<td>.144</td>
</tr>
</tbody>
</table>

*Source: SPSS Data Analysis, 2015*

The result in the table 4.3, can be expressed in regression equation as:

\[ Y = 3.162 + 0.191 X_1 + 0.927 X_2 + e \]

The interpretation of the multiple linear regression equation above is as follows:
1. Constant value of 3.162 means that if the variables in this research of variables \( X_1 \) and \( X_2 \) simultaneously increased, will increase \( Y \) at 3.162 point.
2. Coefficient value of 0.191 means that if the variable in this research of \( X_1 \) increased, it will improve and increase \( Y \) at 0.191.
3. Coefficient value of 0.927 means that if the variable in this research of \( X_2 \) increased, it will improve and increase \( Y \) at 0.927.

Thus, if there is any change in factors measuring of \( X_1 \) and \( X_2 \) will change the dependent variable \( Y \).

**Table 5. Result of R and R^2**

<p>| Model Summary^b |
|-----------------|-----------------|-----------------|-----------------|</p>
<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.780^a</td>
<td>.609</td>
<td>.593</td>
<td>1.72161</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Service Quality, Brand Equity  
b. Dependent Variable: Customer Loyalty  

*Source: SPSS Data Analysis, 2015*

The value of \( r^2 \) is 0.608 which means the store environment and brand image as an independent variables able to influence the consumer buying decision as much as 60.8% while the rest is explained by other factors not included in this research.
Hypothesis Testing

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>217.115</td>
<td>2</td>
<td>108.557</td>
<td>36.62</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>139.305</td>
<td>47</td>
<td>2.964</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>356.420</td>
<td>49</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Loyalty (Y)
b. Predictors: (Constant), Brand Equity (X1), Service Quality (X2)

Source: SPSS Data Analysis, 2015

From ANOVA test above, it can be seen that the value of $F_{count} = 36.626$ with sig. 0.000. The significant is below 0.05 and the value of $F_{table}$ is 3.09, which means the value of $F_{count}$ (36.626) $> F_{table}$ (3.09). Therefore, $H_0$ is rejected and $H_a$ is accepted. Thus, the formulation of hypothesis that the influence of independent variables Brand Equity (X1) and Service Quality (X2) to dependent variable (Y) Customer Loyalty simultaneously accepted.

<table>
<thead>
<tr>
<th>Coefficients*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>1 Brand Equity</td>
</tr>
<tr>
<td>Service Quality</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Loyalty (Y)

Source: SPSS Data Analysis, 2015

If the value of $T_{count} > T_{table}$ where the value of $T_{table}$ = 1.664 it means $H_1$ and $H_2 / H_a$ is acceptable.

1. The first hypothesis testing ($H_1$)

   Based on T-Test analysis, it can be seen that for a brand equity variable (X1) $T_{count} = 1.480$ and significant value = 0.146, which means $T_{count} > T_{table}$, so it can be concluded that $H_{01}$ rejected and $H_{a1}$ accepted. It explained that there is a significant effect of brand equity (X1) to customer loyalty (Y) partially.

2. The second hypothesis testing ($H_2$)

   Based on T-Test analysis, it can be seen that for a service quality variable (X2) $T_{count} = 6.433$ and significant value = 0.000, which means $T_{count} > T_{table}$ and significant value < 0.05, so it can be concluded that $H_{02}$ rejected and $H_{a2}$ accepted. It explained that there is a significant effect of service quality (X2) to customer loyalty (Y) partially.

Discussion

Brand Equity to Customer Loyalty

Hypothesis testing result shows that brand equity has a positive significant influence to the customer loyalty. According to the research, most of customers realize that Garuda Indonesia has the value as the best airlines in Indonesia that give safety as the first thing in their airlines.
The indicators also completed the statement when the customer agreed that Garuda has a great branding and valuable to them.

Based on Aluregowda (2013), the Impact of Brand Equity and Brand Loyalty on Customer Satisfaction, the importance of understanding brand equity from the customer’s point of view is explained by Keller as: positive customer based brand equity can lead to a greater revenue, lower costs, and higher profit, it has direct implications for the firm’s ability to command higher prices, customer’s willingness to seek out new distribution channels, the effectiveness of marketing communications, and the success of brand extensions and licensing opportunities. In this case, Garuda Indonesia successfully makes their customer feels like this statements that brand of Garuda Indonesia has influence to their customer loyalty.

**Service Quality to Customer Loyalty**

Hypothesis testing result shows that service quality has a positive significant influence to customer loyalty. Based on the research, the customer satisfied with the service of Garuda Indonesia. It is well know that, the best cabin crew in the world is for Garuda Indonesia. Based on achievement is the one of the reason, Garuda Indonesia has become the airlines that recognized by their customer.

Lapian (2015) In her article with the title The Analysis of Garuda Indonesia Flight Service Performance through the Service Marketing Mix Framework. The conclusion is Garuda Indonesia airline civil aviation is owned by the Government of republic Indonesia has successfully demonstrated its performance as a world class operator that does not dissolve in flight but in war with the concept of service oriented to customers, called Garuda Indonesia Experience. This research also have a same result that Garuda Indonesia shows their ability to their customer then become a loyal customer.

**Brand Equity and Service Quality to Customer Loyalty**

Hypothesis testing result shows that brand equity and service quality has the positive impact to the customer loyalty. Based on the research these variable X1 and X2 are influencing the customer loyalty (Y) that means all the customer realize that these kind of brand equity and service quality really completed their satisfaction that means the customers are the people that believe Garuda Indonesia makes them as a prior customer and retention that means they are always using Garuda Indonesia as the first choice to fly around the world.

### 5. CONCLUSION AND RECOMMENDATION

**Conclusion**

The conclusion of this research is based on the result that discuss about the influence of brand equity and service quality to the customer loyalty of Garuda Indonesia.

1. In this research, The loyal customers of Garuda Indonesia know that brand equity has a great value to them. Related with the result of T-test that the significant data is more than 0.050. That means there is partially from brand equity to customer loyalty but not significant to the customer buying decision.

2. In this research, the customer believes that service quality has a significant impact to them. Garuda Indonesia also provides the best service to customers by maintaining their standardization as a world standard airline or world class service. Moreover, it has been proven that Garuda Indonesia has become the best airlines in Indonesia by achieving many awards and successfully succeeded to enhance the customer loyalty and trust.
3. In this research, all the customers were satisfied and remembered to choose Garuda Indonesia as their first option for their airlines around the world.

Recommendation

Based on the previous conclusion, the followings are recommendations that can be used as an input:

1. Garuda Indonesia has to keep maintaining their brand as the trusted one and still has the great value to their customer, that can make them always loyal. Garuda Indonesia made the advertisement and promote their brand frequently in Indonesia; then to gain more customers, they have opened many destination around the world. Related with the customer buying decision, Garuda Indonesia is the airlines that sell their ticket with a premium price. By this research there will be some evaluation for other customer segment that also would be their loyal customer if the ticket is equals with the expectation but still with their standard. One of the implementation by discount or other promo to keep them as the premium air carrier service but still could grab another segment target.

2. Garuda Indonesia must keep their standard of service as their ability to keep their customers. There are many achievements that they received. Also, they must increase their performance, and be innovative to make their service based on customer needs and wants.

3. GarudaMiles or GFF is the program for the loyal customers but after collecting questioners, there are many loyal customers who have not received the GarudaMiles or GFF. Garuda Indonesia should take that into consideration and give the customers the card since there are many advantages they will get. The customer will then have a stronger relation with Garuda Indonesia Airlines.

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Books

Internet Articles