THE EFFECT OF SERVICE MARKETING MIX ELEMENTS ON CUSTOMER-BASED BRAND EQUITY: AN EMPIRICAL STUDY ON "simPATI DISCOVERY" RECIPIENT IN MALANG CITY

By:
Ahmad Rifai

Supervisor:
Dimas Hendrawan, SE, MM

Abstract

This Research aim to examine the Effect of Service Marketing Mix on Customer Based Brand Equity: an Empirical Study on simPATI discovery in Malang City by simultaneous and partially. This Research is explanatory research, in accordance with purpose to describe the casual relationship among variables though hypothesis testing.

In this research used 110 samples, the sample and population were the customer simPATI discovery in Malang City. In this research, the data collection method is conducted through questionnaire distribution. The sampling method used purposive sampling. Testing method in this research used Validity Test, Reability test and Classical Assumption Test. Analysis method in this research are multiple regression analysis and hypothesis testing used T test, F test, and dominant test with program SPSS 16.

The result of this research showed that by partially analysis used T test can be concluded that product, promotion, physical evidence, and process has significant effect on customer based brand equity and price, place and people by partially didn't have significant effect on customer based brand equity. Further, the simultaneous analysis used F test can be concluded that variables product, price, place, promotion, people, physical evidence and process together have significant effect on customer based brand equity. The dominant test showed that product is the dominant effect on customer based brand equity. The new fact in this research showed that respondent agreed price, place and people already good enough on simPATI discovery but didn't make customer based brand equity on simPATI discovery.

Key Words: Service marketing mix, product, price, place, promotion, people, physical evidence, process, customer based brand equity

1. Introduction

Nowadays, the development of information technology in Indonesia has shown tremendous growth. Mobile phone is one of devices that people use to get information. Mobile phone users in society today assume that mobile phone is not a primary needs instead of luxury good since people use mobile phone as a mean of communication with other people. Mobile phone is the part of the information technology advancement which is useable when there is a supporting service from telecommunication companies.

There are several mobile phone service providers both postpaid and prepaid services. This condition creates greater competition among the existing mobile service companies in Indonesia. Indonesian consumers have many options to determine which provider they will use for mobile service.. Intense competition in mobile service industry in Indonesia requires companies to conduct proper marketing strategy to win the market.

Marketing mix is a tool that will determine the successfulness of marketing efforts conducted by the company to ensure the brand equity of their market segments. Brand equity is influenced by service marketing mix including product, price, place, promotion, process, physical environment, and people as well as other factors like economic, technology, politics, and culture. Brand equity is judged based on the perspective of the consumer whether as an individual or as an organization or an existing or prospective customers.

Telkomsel is a company engaged in mobile service business which has the biggest customers in Indonesia since the number of its customer reaches 139 million. Telkomsel has simPATI as its product which was introduced to consumers as one of the mobile communication provider from Telkomsel. SimPATI contributed 60% of the Telkomsel's total revenue "Currently simPATI has 68.5 million customers, of which over 49% is mobile data customers. SimPATI contributed approximately 60% of the total revenue of Telkomsel in 2014 and expected to exceed around Rp 63 trillion. SimPATI discovery is a new variant of simPATI product that has some advantages in internet access. Bundling package of simPATI discovery is one of the sources of competitive advantages of simPATI discovery.

There is deflation in Malang City on February and the higher deflation in the transportation, communications and financial services sector shows the stability of the communication industry sector as one of the indicators of deflation in Malang, Communication industry in Malang is still stable when the other products experience inflation. This condition becomes an opportunity for telecommunication companies to

maximize its product to attract consumers in Malang city.

2. THEORITICAL FRAMEWORK
2.1   Service Marketing Mix
Service marketing mix (SMM) is a tool used in marketing for making characteristics service product offer to consumer. According to Zeithaml, Bitner and Gremler (2013) marketing mix is defined the elements an organization controls that can be used to satisfy or communicate with customers. This services marketing mix is also called the 7P model, this service marketing mix strategy extends the original marketing mix model from four to seven elements.

The 7 Ps models also known as the services marketing mix, goes beyond the four basic marketing principles for product marketing. Services have unique characteristics, for example intangibility, heterogeneity, inseparability and perish-ability. Insight in relation to physical products and services led to an extension of the traditional marketing mix. In addition to the four traditional factors (Product, price, place, promotion), three important factors have been added: People, Process and Physical Evidence, that make the services marketing mix.

As a service is made up of a chain of activities, it is important to take the possible waiting period between the activities into consideration. That is why it is important that marketers take care of the communication about possible delivery times and by doing so the management of customer expectations.

Creating and managing effective service processes are for the existence of service companies. Managing the process factor is mainly due to the perish-ability of services which means that the services cannot be inventoried, stored for reuse or returned.

2.2.   Customer Based Brand Equity
The customer based brand equity concept approaches brand equity from the perspective of the consumer whether the consumer is an individual or an organization or an existing or prospective customer (keller, 2013:68). Understanding the needs and wants of consumers and organizations and devising products and programs to satisfy them are at the heart of successful marketing. Customer based brand equity as the differential effect that brand knowledge has on consumer response to the marketing of that brand.

A brand has positive customer-based brand equity when consumers react more favorably to a product and the way it is marketed when the brand is identified than when it is. Thus, customers might be more accepting of a new brand extension for a brand with positive customer-based brand equity, less sensitive to price increases and withdrawal of advertising support, or more willing to seek the brand in a new distribution channel. On the other hand, a brand has *negative* customer-based brand equity if consumers react less favorably to marketing activity for the brand compared with an unnamed or fictitiously named version of the product. Customer based brand equity consist of brand awareness, brand image, brand loyalty and perceived quality.
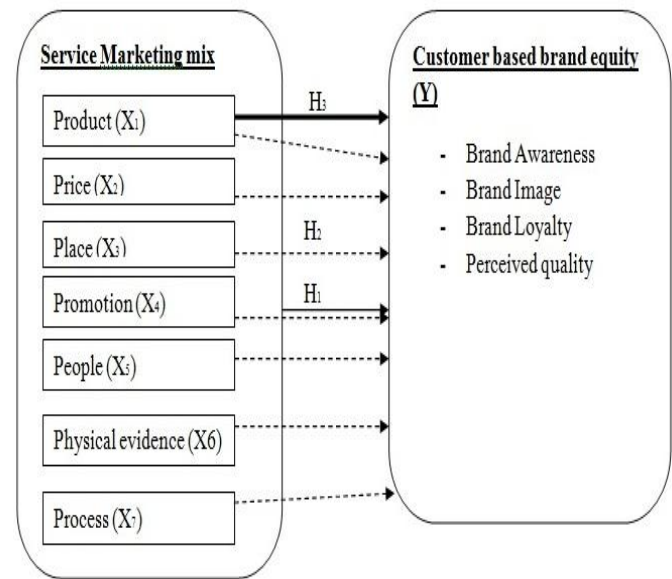
According to Kevin. L Keller (2013:73), brand awareness itself is enough to create favorable consumer response: for example, in low-involvement decisions when customers are willing to base their choices on mere familiarity. Brand awareness is important because it increase likelihood of brand selection due to the saliency of the brand in the mind of customer. Keller (2013:73), brand image takes marketing programs that link strong, favorable and unique associations to the brand in memory. Brand image is also referred to as the customer's perception of either the reason or rational basis or through more emotions towards a specific brand (Malhotra, 2010). Brand loyalty provides predictability and security of demand for the firm, and it creates barriers to entry that make it difficult for other firms to enter the market (Kotler and keller, 2012:242). According to Kevin. L keller (2013:74). Perceived quality is customers perception of the overall quality or superiority of a product or service compared to alternatives and with respect to its intended purpose. Achieving a satisfactory level of perceived quality has become more difficult as continual product improvements over the years have led to heightened consumer expectations.

2.3 Research Hypothesis

According to the Sekaran (2009) a hypothesis can be defined as a tentative, yet testable, statement, which predicts what is expected to be found in the empirical data. Hypothesis is a tentative answer to the problem of research until it is proven by data collected. Based on the theory a model hypothesis can be made as for the reason in writing the research, a hypothesis can be used to help researchers in making the research process to be focused more.

Hypothesis Model

H1. Improving service marketing mix will increase customer based brand equity simPATI discovery in Malang City by partially.

H2. Improving service marketing mix will increase customer based brand equity simPATI discovery in Malang City by simultaneous.

H3. Product is the dominate variable that have significant effect on customer based brand equity in simPATI discovery in Malang.

3. RESEARCH METHODOLOGY
3.1 Type of Research
Based on the problem characteristic and research objectivities, this research uses the quantitative approach, which emphasizes on hypothesis testing and the use of parametric or measured data. This research also categorized as explanatory research that describe the casual relationship among variables through hypothesis testing.

3.2 Population and Sampling
According to Sekaran and Bougie (2010:262) mention that population refers to entire groups of people, event, or things of interest that researcher wishes to investigate. In this research, the population is customer that used simPATI discovery and located in Malang City.

3.3 Sampling Technique
This research is using *Probability sampling* design with *simple random sampling* to be collected. In probability sampling designs, the elements in the population have probabilities attached to their being chosen as sample subjects.

3.4 Data Analysis
1. Validity and Reliability
2. Classical Assumption Test
3. Multiple Linear Regression Analysis
4. Hypothesis Testing
   1) F test
   2) t test
   3) Dominant test
   5. The Coefficient of Determination Test (Adjusted R^2)

4. RESULT AND DISCUSSION
4.1 DISCUSSION

this research shows that service marketing mix set in 7 variables product (X_1), Price (X_2), place (X_3), Promotion (X_4), people (X_5), physical evidence (X_6), process (X_7). Result from partial test shows that there is 4 variables that have significantly effects there are product (X_1), Promotion (X_4), physical evidence (X_6), process (X_7) on the dependent variables in customer based brand equity (Y) that choose simPATI discovery in Malang City as provider for mobile phone.

4.2 Partial Result
In Partially result there are 3 variables that does not have significant effects there are Price (X_2), place (X_3), people (X_5) on the dependent variable in customer based brand equity (Y) that choose simPATI discovery in Malang City as provider for mobile phone. There are 4 variables that have significant effect there Product (X_1), Promotion (X_4), Physical evidence (X_6), and Process (X_7) on the dependent variable in customer based brand equity (Y) that choose simPATI discovery in Malang City as provider for mobile phone.

1. Product

Based on the regression calculation shows that product has significant effect to customer based brand equity simPATI discovery in Malang City and also the dominant variable. The result of this research is similar with the theory that mention "Product has an effect on customer based brand equity. Brand equity is the added value a product accrues as a result of past investments in the marketing activity for the brand (Kelvin L. Keller, 2013).

This result of this research similar with result from previous research of Dmour, Zu'bi, and Kakeesh (2012) showing that product has significant effect but product is not dominant variable on customer based brand equity. Another research by Aghaie, Vahedi, Asadollahi, and Kahreh showing that product has significant effect and product is dominant variable on customer based brand equity.

According to this research result, the product has significant effect on customer based brand equity and also product is the dominant variable.

2. Price

Based on the regression calculation shows that price didn't have significant effect to customer based brand equity simPATI discovery in Malang City. The result of this research is different with the theory that mention "price commensurate with the brand equity potential value, The price suggested by estimating brand equity can often be a starting point for marketers in determining actual marketplace prices, adjusting by cost and competitive considerations as necessary (Kelvin L. Keller, 2013). Based on the theory Price has significant effect on customer based brand equity.

This result of this research similar with result from previous research of Dmour, Zu'bi, and Kakeesh (2012) showing that price didn't have significant effect on customer based brand equity. Another research shows the different result by Aghaie, Vahedi, Asadollahi, and Kahreh showing that price has significant effect on customer based brand equity.

According to this research result, the price didn't have significant effect on customer based brand equity. In this research price of simPATI simPATI discovery has level of agreed but didn't give significant effect on customer based brand equity.

3. Place

Based on the regression calculation shows that place didn't have significant effect to customer based brand equity simPATI discovery in Malang City. The result of this research is different with the theory that mention "To build brand equity marketers must determine strategies for setting place and distribution product, if at all over the short and long run. (Kelvin L. Keller, 2013). Based on the theory Place has significant effect on customer based brand equity.

This result of this research similar with result from previous research of Dmour, Zu'bi, and Kakeesh (2012) showing that place didn't have significant effect on customer based brand equity. Another research shows the different result by Aghaie, Vahedi, Asadollahi, and Kahreh showing that price has significant effect on customer based brand equity.

According to this research result, the place didn't have significant effect on customer based brand equity. In this research place of simPATI simPATI discovery has level of agreed but didn't give significant effect on customer based brand equity.

4. Promotion

Based on the regression calculation shows that promotion has

significant effect to customer based brand equity simPATI discovery in Malang City. The result of this research is similar with the theory that mention "promotions as a more effective means than advertising to influence the brand equity (Kelvin L. Keller, 2013)". Based on the theory Promotion has significant effect on customer based brand equity.

This result of this research similar with result from previous research of Dmour, Zu'bi, and Kakeesh (2012) showing that promotion has significant effect on customer based brand equity. Another research by Aghaie, Vahedi, Asadollahi, and Kahreh showing that promotion has significant effect on customer based brand equity.

According to this research result, the promotion has significant effect on customer based brand equity

5. People

Based on the regression calculation shows that people didn't have significant effect to customer based brand equity simPATI discovery in Malang City. The result of this research is different with the theory that mention "People has influence to customer based brand equity, where, mainly the customer contact employees who are the face of the organization and they translate the quality into a service. (Lovelock & Wirtz, 2011). Based on the theory People has significant effect on customer based brand equity.

This result of this research different with result from previous research of Dmour, Zu'bi, and Kakeesh (2012) showing that people has significant effect on customer based brand equity. Another research by Aghaie, Vahedi, Asadollahi, and Kahreh showing that people has significant effect on customer based brand equity.

According to this research result, the people didn't have significant effect on customer based brand equity. In this research people of simPATI discovery has level of agreed but didn't give significant effect on customer based brand equity.

6. Physical evidence

Based on the regression calculation shows that physical evidence has significant effect to customer based brand equity simPATI discovery in Malang City. The result of this research is similar with the theory that mention "Physical evidence has influence to customer based brand equity, physical evidence refers to an environment in which a service comes about from an interaction between an employee and a customer which is combined with a tangible commodity (Lovelock & Wirtz, 2011). Based on the theory Physical evidence has significant effect on customer based brand equity.

This result of this research different with result from previous research of Dmour, Zu'bi, and Kakeesh (2012) showing that physical evidence didn't have significant effect on customer based brand equity. Another research that similar with this research by Aghaie, Vahedi, Asadollahi, and Kahreh showing that physical evidence has significant effect on customer based brand equity.

According to this research result, the physical evidence has significant effect on customer based brand equity.

7. Process

Based on the regression calculation shows that process has significant effect to customer based brand equity simPATI discovery in Malang City. The result of this research is similar with the theory that mention "Process has influence to customer based brand equity, creating and managing effective service processes are for the existence of product or service to brand equity (Lovelock & Wirtz, 2011). Based on the theory Process has significant effect on customer based brand equity.

This result of this research similar with result from previous research of Dmour, Zu'bi, and Kakeesh (2012) showing that process has significant effect on customer based brand equity. Another research by Aghaie, Vahedi, Asadollahi, and Kahreh showing that process has significant effect on customer based brand equity.

According to this research result, the process has significant effect on customer based brand equity.

4.3 Simultaneous Result

Result of simultaneous test shows that all independent variables X_1, X_2, X_3, X_4, X_5, X_6, X_7 have simultaneously significant effect on variable Y with F count is greater than the F table $(25.639 > 2.10)$ and a significance value less than 0.05 $(0.000 < 0.05)$. This result of this research similar with result from previous research of Dmour, Zu'bi, and Kakeesh (2012) showing that service marketing mix have significant effect on customer based brand equity by simultaneous. Another research by Aghaie, Vahedi, Asadollahi, and Kahreh showing that service marketing

mix have significant effect on customer based brand equity by simultaneous.

According this research in simultaneous test all independent variable together have significant to customer based brand equity, it can be said if service marketing mix have effect to create customer based brand equity on simPATI discovery.

4.4 IMPLICATION

This research aim to determine the effect of service marketing mix elements (product (X_1), Price (X_2), place (X_3), Promotion (X_4), people (X_5), physical evidence (X_6), process (X_7)) on customer based brand equity (Y): an empirical study on simPATI discovery recipient in Malang City. After the discussion, there are some implications that can be applied to improve their operational based on the theory.

4.5 Partiall Implication

In partially test there are 4 variables that have significant effect on customer based brand equity and 3 variables that didn't have significant effect on customer based brand equity. Product variable become the dominant variable in influence customer based brand equity on simPATI discovery in Malang City. Product can effect customer in create brand equity because it is based on customers perspective regarding the subjective and objective to assessment of the expected criteria product that they need and wants. simPATI discovery has provided customer with attractive menu, ability to produce clear voice, high speed internet access, quality of signal and easy paying way with more than one paying facilities. For other variable that have significant effect to

customer based brand equity is Promotion variable, physical evidence variable and process variable also need improvement for future to keep the existing customers and attract new customer.

simPATI discovery is required to improve service marketing mix especially for price, place and people that should be more good improvement to maximize the service marketing mix simPATI discovery on their brand equity. However, simPATI discovery also has to take an evaluation on their service marketing mix from statistical result, it shows that service marketing mix has effect on customer based brand equity. Service marketing mix simPATI discovery that consist of 7P's need more improvement.

4.6 simultaneous Implication

In simultaneous test variable service marketing mix (Product, price, place, promotion, people, physical evidence and process) together have significant effect on customer based brand equity. simPATI discovery is required to improve service marketing mix to be more good improvement for maximize the service marketing mix simPATI discovery on their brand equity. However, simPATI discovery also has to take an evaluation on their service marketing mix from statistical result, it shows that service marketing mix by simultaneous has effect significant effect on customer based brand equity. simPATI discovery should make research by periodic to know condition in customer about the brand equity of simPATI discovery, so the company can make decision how to increase brand equity in customers by maintain the service marketing mix.

5. CONCLUSION
5.1 Conclusion
1. Not all variables of service marketing mix (product, price, place, promotion, people, physical evidence, and process) have significant effect on customers based brand equity when it measured partially. There are variables that have significantly effect on customer based brand equity namely product, promotion, physical evidence, and process. Meanwhile, the other variables are price, place, people didn't have any significant effect on customer based brand equity but customer agreed about the variables.
2. The overall service marketing mix (product, price, place, promotion, people, physical evidence, and process) simultaneously effect on customer based brand equity.
3. Based on the result of this research, product variable is dominant variable that effects on customer based brand equity.

5.1 Recommendation

Suggestion or recommendation raised by the theory that have been constructed and are based on the research results obtained. The result of descriptive statistic in this research can be used as additional source of reference and information for strategic planning of service marketing mix through product, price, place, promotion, people, physical evidence and process on customer based brand equity simPATI discovery in Malang City.

Based on conclusion above, it comes to some advices from the researcher that can give benefit to the

company. The proposed advices include:

1. Product
   a. simPATI discovery should using 4G LTE in Malang City.
   b. Increase number of BTS in Malang City.
   c. Socialize purchase prepay by e-banking, mini market, etc.
2. Price
   a. Keep on low cost mobile phone provider.
   b. Make package bundling internet, message and phone in one packet.
   c. simPATI discovery should give discount for customers.
   d. simPATI discovery should give bonus prepay after purchase prepay.
3. Place
   a. Increase number unit of TDC (Telkomsel Distribution Center).
   b. Open representative office in shopping center.
   c. Open both (mini representative office) in university.
4. Promotion
   a. Innovative the advertising with trending topic in society.
   b. Make the advertising that have credible.
   c. Post the advertising by periodic in TV, magazine and news paper.
   d. Make good and attractive promotion for feed back by word of mounth customers.
5. People
   a. Training employee by periodic.
   b. Employee should have hospitality.
   c. Attractive uniform for special employee simPATI discovery.
6. Physical evidence
   a. Maintain the property in representative office.
   b. Update the system with the newest by periodic.
   c. Keep office in clean to create good atmosphere.
7. People
   a. Keep on easy procedure for purchase prepay and active internet packet.
   b. Deliver service as the promotion with good service
   c. Quick process in maintain trouble.

BIBLIOGRAPHY

David, R., Freed. 2011. *Strategic Management: A Competitive Advantage Approach, Concepts 14th Edition*. New Jersey. Prentice Hall

Domour, Al D., Al-zu'bi, M.F. and Kakeesh, D. 2012. *The Effect of Service Marketing Mix Element on Customer Based Brand Equity: an Empirical Study on Mobile Telcom Service Recipient in Jordan*, Turkey

Lovelock, Christopher., and J, Wirtz. 2011. *Service Marketing – People, Technology, Strategy 7th Edition*. New Jersey: Upper Saddle River, Prentice Hall

Lovelock, Christopher., and Laurent, Wrigt. 2011. *Principle of Service*

Marketing and Management. New Jersey: Upper Saddle River. NJ Person Educational International

Malhotra, N. K., and Peterson, M. (2006). *Basic Research Marketing: A Decision Making Approach 2nd Edition*. New Jersey: Pearson Education

Sekaran, Uma. 2010. *Research Methods for business 5th edition*. United kingdom. Wiley

Sekaran, Uma and Boogie, Roger. 2010. *Research Methods for business: A skillbuilding Approach 5th edition*. United Kingdom. John Wiley & Sons

Zeithaml, V. A., Bitner, M.J. & Gremler, D. D., 2013. *Service marketing, intergrating Customer focus across the firm 6th Edition*. New York. McGraw Hill