THE EFFECT OF SERVICE QUALITY TOWARDS CORPORATE IMAGE AND CUSTOMER LOYALTY
(A Study on Beryl Coffee Shop Malang - Indonesia)

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ABSTRACT

The purposes of this research are: (1) to understand and explain the influence of service quality on corporate image; (2) to understand and explain the influence of service quality on customer loyalty; (3) to understand and explain the influence of corporate image on customer loyalty; and (4) to understand and explain the influence of service quality on customer loyalty through corporate image.

The type of research used is explanatory research with a quantitative approach. The variables used in this research are service quality variable, corporate image variable, and customer loyalty variable. The samples in this research are 280 respondents who have visited Beryl Coffee Shop Malang by using purposive sampling technique. The data were collected by distributing the questionnaires. The data analysis techniques used are descriptive analysis and path analysis.

The research results show that service quality has a positive and significant influence on corporate image, service quality has a positive and significant influence on customer loyalty, the corporate image has a positive and significant influence on customer loyalty, and service quality has an influence on customer loyalty through corporate image. Based on the results of the research, Beryl Coffee Shop Malang should improve its service quality to the customer regarding the employees of Beryl Coffee Shop that should be reachable and easy to contact in order to maintain the corporate image, and thus will create customer loyalty.

Keywords: Service Quality, Corporate Image, Customer Loyalty

ABSTRAK

Tujuan dari penelitian ini adalah: (1) Mengetahui dan menjelaskan pengaruh kualitas layanan terhadap citra perusahaan; (2) Mengetahui dan menjelaskan pengaruh kualitas layanan terhadap loyalitas pelanggan; (3) Mengetahui dan menjelaskan pengaruh citra perusahaan terhadap loyalitas pelanggan; (4) Mengetahui dan menjelaskan pengaruh kualitas layanan terhadap loyalitas pelanggan melalui citra perusahaan.

Jenis penelitian yang digunakan adalah penelitian penjelasan (explanatory research) dengan pendekatan kuantitatif. Variabel yang digunakan dalam penelitian ini adalah variabel kualitas pelayanan, variabel citra perusahaan, dan variabel loyalitas pelanggan. Sampel dalam penelitian ini sebanyak 280 orang responden yang mengunjungi Beryl Coffee Shop Malang dengan menggunakan teknik purposive sampling. Metode pengumpulan data yang digunakan dalam penelitian ini adalah dengan...
menyebarankan kuisioner. Analisis data yang digunakan adalah analisis deskriptif dan analisis jalur (Path Analysis).

Hasil penelitian menunjukkan bahwa variabel kualitas pelayanan berpengaruh positif dan signifikan terhadap citra perusahaan, kualitas layanan berpengaruh positif dan signifikan terhadap loyalitas pelanggan, citra perusahaan berpengaruh positif dan signifikan terhadap loyalitas pelanggan, serta kualitas layanan berpengaruh terhadap loyalitas melalui citra perusahaan. Berdasarkan hasil penelitian yang sudah dilakukan, Beryl Coffee Shop diharapkan meningkatkan kualitas pelayanan yang diberikan kepada pelanggan seperti peningkatan karyawan Beryl Coffee Shop yang mudah ditemukan dan dihubungi sehingga mampu mempertahankan citra perusahaan dalam pembentukan loyalitas pelanggan.

Kata Kunci: Kualitas Layanan, Citra Perusahaan, Loyalitas Pelanggan

INTRODUCTION

Nowadays, consuming coffee in a coffee shop has become a habit for Indonesians, even though it is not only to drink coffee. Coffee shops are also the destination place for certain activities, such as meeting with clients, socialization, as well as studying for students. This is the reason why many coffee shops are competing to attract customers by providing services that more satisfying than competitors. Quality is a dynamic condition that relates to products, humans or labor, processes, tasks, and environments that are met or exceed customer expectations (Garvin in Nasution, 2004: 4). In this case, dynamic conditions is related to the changing of the tastes or expectations of customers on a product and service so that products and services quality must be changed or adjusted. Service quality for service companies is the key to the company's success.

Images cannot be created like an item or service but through a process of maintaining and improving services to service users (Saktiani, 2015). This statement proves that service quality and corporate image are interrelated as well as the important factors for the service industry. The better the quality of service provided by coffee shop, the more the image of the company will be improved. On the other hand, if there are shortcomings or weaknesses from the coffee shop, the image of the company will decrease as well.

Trijaningsih (2005) stated that bank companies must form a good image for customers and the public in order to maintain the sustainability of the company and to achieve customer loyalty. This means a company that has a good image in the long term will encourage customers to establish a bond with the company concerned. The bond can be in the form of the desire to always use the services of the company, which commonly known as loyal customers.

The development of coffee shops, especially in Malang, can be said quite rapid and massive.
This is proven with the emergence of several coffee shops or new coffee shops with concepts and the uniqueness in the coffee service they offered for customers. One of the developing coffee shops in Malang and is familiar to the coffee consumer is Beryl Coffee Shop.

Beryl Coffee Shop strives to provide service quality as a competitive strategy, given the increasingly competitive market competition. The service quality at Beryl Coffee Shop becomes one of the most important aspects of the management. The variety of coffee beverages offered becomes the main interest of the customer.

Since its establishment, Beryl Coffee Shop always improves the service quality in order to meet customer needs and wants. One of them is handling the customer personally and quickly respond to customer complaints. These activities are expected to form good impression of the customer towards Beryl Coffee Shop that will eventually create customer loyalty.

There are many factors considered by the customer in choosing a coffee shop, one of them is the convenience of the coffee shop. Beryl Coffee Shop provides an attractive and working space concept which expected to give customers relaxing and comfortable atmosphere with a relatively low price so that the customers especially students will be attracted and stay longer.

This is done in the hope of providing satisfaction to customers for the services offered by Beryl Coffee Shop so that it will increase the corporate image as well as the customer loyalty towards Beryl Coffee Shop. Based on the explanation above, it is necessary to conduct research on Beryl Coffee Shop to know whether there is an influence of service quality provided by Beryl Coffee Shop to the formation of corporate image and customer loyalty.

Based on the problems explained above, the title of this research is “The Effect of Service Quality towards Corporate Image and Customer Loyalty (A Study on Beryl Coffee Shop Malang – Indonesia).”

Based on the explanation described in the background, the research problems are as follow:
1. Does service quality significantly influence corporate Image of Beryl Coffee Shop?
2. Does service quality significantly influence customer loyalty of Beryl Coffee Shop?
3. Does corporate image significantly influence customer loyalty of Beryl Coffee Shop?
4. Does service quality influence customer loyalty of Beryl Coffee Shop through the corporate image?

LITERATURE REVIEW

Service Quality

Service quality is the expected level of excellence and control over the level of excellence to meet customer desires (Wyckoff in Tjiptono, 2005: 59). According to Parasuraman, Zeithaml, and Berry (2000: 273), there are five main dimensions of service quality, which are as follow:

1. Tangibles

Regarding the physical appearance of service facilities, equipment, human resources, and communications of the company.
2. Reliability  
Relating to the company's ability to deliver the service accurately for the first time.

3. Assurance  
Regarding the knowledge and politeness of employees and their ability to trigger customer trust and confidence.

4. Responsiveness  
Regarding the willingness and ability of service provided to help customers and respond to their requests quickly.

5. Empathy  
It means that the company understands the problems of its customers and acts in the interests of customers, gives personal attention to customers and has a professional operating hour.

**Corporate Image**
Oliver (2007: 50) stated that image is a picture of mentality, an idea produced by imagination or personality that is shown to the public by someone, organization, and so on. Corporate image is the image of an organization as a whole, not just an image of the company's products and services (Jefkins, 2004: 22). From above definitions, it can be concluded that image is a picture, impression, belief, and views of someone which emerged as a result of his or her knowledge and the experience of corporate image in a whole from the elements of the company not only considering the products or services of a company.

Souiden *et al.* in Muhammad Ishtiaq and Dr. Mazhar H. Bhutta *et al.* (2014) stated that corporate image consist of popularity, credibility, and corporate network.

1. **Corporate Popularity**  
The level of corporate popularity in the eyes of the public.

2. **Corporate Credibility**  
Refers to customer trust towards the ability of the company to design and deliver products and services to satisfy the customer needs and wants.

3. **Corporate Network**  
Corporate network refers to two or more outlets that are generally owned or monitored. The more outlets owned by the company, the greater the corporate network.

**Customer Loyalty**
The concept of customer loyalty is more associated with behavior than with attitude, a person is considered a loyal customer indicated by a repurchase of a certain duration and requires the purchase to occur no less than twice (Griffin, 2003: 5). Bendapudi and Berry in Tjiptono (2006: 387) defined customer loyalty in the context of service marketing as a close response to the promise to uphold commitment to the community relations. Zeithaml *et al.* (1996) define customer loyalty as the willingness to stay with the current service provider.

Griffin (2005: 31) stated that loyal customers have characteristics which are:

1. **Repeat buyer**  
Customers repurchase the same products offered by the company.
2. Purchase product and service lines
   Customers make purchases either or both product and service lines offered by the company.
3. Immunity against competitor
   Customers will not be interested in similar products offered by competitors.
4. Recommend to others
   Customers use word of mouth about the product to others.

**Relationship of Service Quality towards Corporate Image and Customer Loyalty**

Service quality is the key to success for most companies engaged in services. Good or positive service quality will affect the corporate image. If the service quality is good, and meet customer’s wishes, the corporate image will be better. The results of research conducted by Wu et al. (2011) explained that service quality of a company given to retail drug store customers selling Watson and Cosmed products in the Taipei area had a positive impact or had a significant effect on the company's image. It shows that good service quality can improve the corporate image.

Service quality is a key factor in getting customer loyalty because if the quality of service provided by the company is the same as perceived, it will lead to the desire to repurchase by the customer. It is in line with the research conducted by Noh (2009), which sought the impact of service quality during flights on global customer loyalty of airline companies in Korea with a result of service quality directly affect customer loyalty. Based on the result, it can be concluded that good service quality is capable of forming customer loyalty.

Corporate image is a component in the creation of customer loyalty. If the corporate image is good or positive according to the customer, a small mistake made by the company will not have a major impact on customer loyalty. On the other hand, if the corporate image is not good then small mistakes made by the company will worsen customer loyalty (Gronroos in Sutisna 2001: 332). The opinions of experts are strengthened with research by Hartono and Robin (2012) where the airline corporate image has an influence on customer loyalty of Garuda Indonesia airlines. From the explanation above, it can be seen that a good corporate image can strengthen customer loyalty.

**Research Model**

The following is a research model and hypothesis in this research

![Research Model Diagram]

**Figure 1. Research Model**

*Source: Primary Data Processed (2019)*

H1: Service Quality has a positive and significant influence on Corporate Image

H2: Service Quality has a positive and significant influence on Customer Loyalty

H3: Corporate image has a positive and significant influence on Customer Loyalty
H4: Service quality has an influence on customer loyalty through corporate image

RESEARCH METHODOLOGY
Type of research used in this study was explanatory research with a quantitative approach. Explanatory research aims to explain causal relationships between research variables and test the formulated hypothesis. The method of this research is survey research method because it used a questionnaire as a tool for collecting data and used samples from a population. The variables used in this research are Service Quality (X), Corporate Image (Y), and Customer Loyalty (Z). The population of the object of research is the customer of Beryl Coffee Shop with a total sample of 280 respondents. The sampling technique used in this research was purposive sampling. The results of the respondents' responses to the questions in the questionnaire were then tested for validity, reliability and classical assumption with a result of valid, reliable, and fulfill the classical assumption criteria. In this research, the data analysis used was descriptive analysis and path analysis.

RESULTS AND DISCUSSION
The Overview of Respondents
The results of the distribution of 280 questionnaires to customers of Beryl Coffee Shop found that 174 respondents are male and 106 respondents are female. The majority of respondents are at the age interval of 21 until 25, with the latest education of S1, and have a profession of student/university student. The average of respondents have visited Beryl Coffee Shop more than twice. Furthermore, the overall respondents are satisfied and would return to make a purchase at Beryl Coffee Shop.

Path Analysis Test Result
The following are the results of the path analysis shown in Table 1.

Table 1. Path Analysis Test Result

<table>
<thead>
<tr>
<th>Exogenous Variable</th>
<th>Endogenous Variable</th>
<th>Beta</th>
<th>t</th>
<th>Sig</th>
<th>Inf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality</td>
<td>Corporate Image</td>
<td>0.619</td>
<td>13.130</td>
<td>0.000</td>
<td>Sig</td>
</tr>
<tr>
<td>Service Quality</td>
<td>Customer Loyalty</td>
<td>0.166</td>
<td>2.752</td>
<td>0.006</td>
<td>Sig</td>
</tr>
<tr>
<td>Corporate Image</td>
<td>Customer Loyalty</td>
<td>0.494</td>
<td>8.172</td>
<td>0.000</td>
<td>Sig</td>
</tr>
</tbody>
</table>

Source: Primary Data Processed (2019)

H1: Service Quality has a positive and significant influence on Corporate Image
Based on Table 1, the influence of service quality on corporate image is shown with beta coefficient of 0.619, t_count test of 13.130, and significance number of 0.000 (p < 0.05) so it can be stated as significant. The hypothesis that stated service quality has a positive and significant effect on corporate image (H1) is accepted.

H2: Service Quality has a positive and significant influence on Customer Loyalty
The influence of service quality on customer loyalty is shown with beta coefficient of 0.166, t_count test of 2.752, and significance number of 0.006 (p < 0.05) so it can be stated as significant. The hypothesis that stated service quality has a positive and significant effect on corporate image (H2) is accepted.
H₃: Corporate image has a positive and significant influence on Customer Loyalty

The influence of corporate image on customer loyalty is shown with beta coefficient of 0.494, t-count test of 8.172, and significance number of 0.000 (p < 0.05) so it can be stated as significant. The hypothesis that stated corporate image has a positive and significant effect on customer loyalty (H₃) is accepted.

H₄: Service quality has an influence on customer loyalty through corporate image

Indirect Effect: \(IE = \rho_{Y_1X_1} \times \rho_{Z_1Y_1}\)

\[IE = 0.619 \times 0.494\]

\[IE = 0.306\]

The indirect effect of service quality on customer loyalty through corporate image is 0.306. The hypothesis that stated service quality has an influence on customer loyalty through corporate image (H₄) is accepted.

![Figure 2. Path Analysis Results Diagram](image)

**Source: Primary Data Processed (2019)**

Based on figure 2, it can be concluded that the indirect effect between variables has a greater effect than the direct effect of service quality towards customer loyalty with a number of 0.306 or 30.6% indicating that the service quality provided by Beryl Coffee Shop to customers regarding Tangibles, Reliability, Responsiveness, Assurance, and Empathy can create a good image of the customer towards the company. The corporate image formed in the eyes of the customer is related with a good impressions and experiences achieved by customers towards Beryl Coffee Shop which can improve customer loyalty.

The accuracy model of the hypothesis from this research data is measured by the relationship of the coefficient of determination or \(R^2\) in the two equations.

The model results are as follows:

\[R^2 = 1 - (1 - R_{Y_1}^2)(1 - R_{Z_1}^2)\]

\[= 1 - (1 - 0.383)(1 - 0.374)\]

\[= 1 - (0.617)(0.626)\]

\[= 1 - 0.39\]

\[= 0.61\ or\ 61\%\]

The calculation results of accuracy model is 61%, it means that the contribution of the model to explain the structural relationship of the three variables researched is 61%. While the remaining 39% is explained by other variables not found in this research model.

**DISCUSSION**

The Effect of Service Quality on Corporate Image.

This research aims to examine the effect of service quality variable towards corporate image variable. The results of path analysis showed that service quality variable has a direct and significant effect on corporate image variable. This result is proven by the results of the research which shows the path coefficient (\(\beta\)) of 0.619 with a significance value of 0.000 (p < 0.05) so it is stated as significant. The service quality in this
research has a positive effect on the creation of corporate image, which in this case is Beryl Coffee Shop’s image. Better service quality will also strengthen the corporate image formed in the eyes of customers.

The Effect of Service Quality on Customer Loyalty.

This research aims to examine the effect of service quality variable towards customer loyalty variable. The results of path analysis showed that service quality variable has a direct and significant effect on customer loyalty variable. This result is proven by the results of the research which shows the path coefficient (β) of 0.166 with a significance value of 0.006 (p < 0.05) so it is stated as significant. The service quality in this research has a positive effect on customer loyalty, thus a good service quality can bring an increase of customer loyalty to the company which in this case is the customer loyalty of Beryl Coffee Shop.

The Effect of Corporate Image on Customer Loyalty.

This research aims to examine the effect of corporate image variable towards customer loyalty variable. The results of path analysis showed that corporate image variable has a direct and significant effect on customer loyalty variable. The corporate image in this research has a positive effect on customer loyalty, so that a good image of the company can bring an increase of customer loyalty to the company which in this case is the customer loyalty of Beryl Coffee Shop.

The Effect of Service Quality on Customer Loyalty through Corporate Image.

This research aims to examine the effect of service quality variable towards corporate image and customer loyalty. This result is proven by the calculation of research which shows the indirect effect coefficient (β) of 0.306. The corporate image in this research has a positive role in the relationship between service quality and customer loyalty of Beryl Coffee Shop. This means a good image of the company can be a supporting factor to improve the relationship of service quality towards customer loyalty. Thus, it can be concluded that the corporate image variable is still needed in strengthening the relationship between service quality and customer loyalty.

This research is in line with several research done by previous researchers, among others are the research by Archi Dubey and A.K. Srivastava (2016) who stated that service quality has a positive and significant effect on customer loyalty image. Furthermore, Muhammad Ishtiaq and Dr. Mazhar H. Bhutta et al. (2014) stated that positive impact of corporate image of customer satisfaction, product quality is associated positively with customer satisfaction and loyalty, and customer perceived value is also positively influence customer satisfaction and loyalty. Al-Rousan, M. Ramzi, and Badaruddin Mohammed (2010) who stated that service quality including tangibility, reliability, responsiveness, assurance, empathy has a positive effect on customer loyalty.

Ogba and Tan (2009) elaborated that image has a
positive effect on customer loyalty, and Gurbuz (2008) by the research result concluded that service quality influences the formation of customer loyalty.

CONCLUSION

1. There is a positive and significant effect of service quality variable on the corporate image variable. So it can be concluded that the testing of the hypothesis which stated a positive and significant influence of service quality variable on corporate image variable is acceptable.

2. There is a positive and significant effect of service quality variable on the customer loyalty variable. So it can be concluded that the testing of the hypothesis which stated a positive and significant influence of service quality variable on customer loyalty variable is acceptable.

3. There is a positive and significant effect of corporate image variable on the customer loyalty variable. So it can be concluded that the testing of the hypothesis which stated a positive and significant influence of corporate image variable on customer loyalty variable is acceptable.

4. There is an indirect effect of service quality variable on customer loyalty variable through corporate image variable. So it can be concluded that the testing of the hypothesis which stated the influence of service quality variable on customer loyalty variable through corporate image variable is acceptable.

The corporate image in this research has a positive role in the relationship between service quality and customer loyalty of Beryl Coffee Shop. This means a good image of the company can be a supporting factor to improve the relationship of service quality towards customer loyalty. Thus, it can be concluded that the corporate image variable is still needed in strengthening the relationship between service quality and customer loyalty.

SUGGESTION

1. Beryl Coffee Shop is expected to improve the service quality provided to customers, especially in assurance indicators statement item of the employees of Beryl Coffee Shop are reachable and easy to contact. This shows that the employees of Beryl Coffee Shop are hard to find especially on the second floor where all of the employees only stand by on the first floor. This improvement may help to maintain and enhance the service quality of Beryl Coffee Shop which also leads to the improvement of corporate image.

2. Beryl Coffee Shop is expected to maintain the corporate image especially the statement item of Beryl Coffee Shop runs a business with success and confidence since it is the most dominant in forming the willingness of the customer to revisit Beryl Coffee Shop in order to improve customer loyalty.

3. The independent variables used in this research is service quality variable and also the corporate image variable plays a very important role in influencing customer
loyalty level. It is hoped that this research can be used as a reference for further research as well as to improve this research by considering other variables not discussed in this research.

**BIBLIOGRAPHY**


