

# *Recipe for Success in the Service Sector: Will Corporate Image Affect Customer Loyalty in Driving Course?*

Ronald<sup>1</sup>, Yolanda Soedibyo<sup>2</sup>

<sup>1,2</sup>Faculty of Economic & Business, Pelita Harapan University  
Surabaya, Indonesia



**Abstract--** It is projected by the Ministry of Transportation that in 2023, 123.8 million homecoming passengers will make their way back home. Due to the enormous number of individuals moving to their destination places utilizing a variety of modes and transportation services, the high number of homecoming travelers will have a knock-on effect. In 2020, the COVID-19 pandemic caused a sharp decline in the transportation services sector's growth, which dropped to 14.54% from 5.64% the year before. The growth rate of transportation services reached a record-breaking 15.83% last year. The Sie Bersaudara car course was founded in 1970. Sie Bersaudara always follows the latest innovations in terms of service, where Sie Bersaudara provides various types of fleets, both manual and automatic. This study employs quantitative causal approaches and is processed with the aid of the statistical package AMOS version 22.0. 100 respondents were given questionnaires with the predetermined characteristics of the respondents to collect the data. There are five hypotheses in this study, and all five are accepted with the variable that has the greatest influence is corporate image so that the service sector must always pay attention to the image of the company properly.

**Keywords--** Service Output Quality, Quality of Staff, Corporate Image, Perceived Price, Customer Satisfaction, Customer Loyalty

## I. INTRODUCTION

With 5.17% (yoy) economic growth in the second quarter of 2023, Indonesia set a record for seven straight quarters with growth above 5% (yoy). Indonesia is once again classified as an upper middle-income country, according to World Bank data that was revised in July 2023. In July 2023, the Indonesian Manufacturing PMI Index maintained its expansionary trend for 23 months in a row, standing at 53.3. This indicates the strong degree of optimism among Indonesian manufacturing industry participants notwithstanding unpredictable global conditions and contracting world markets. From Q2 of 2021 to Q2 of 2023, the transportation equipment industry was among those that continuously showed growth, with nine of those quarters showing positive growth. The transportation equipment industry will expand by 9.66% in the second quarter of 2023, contributing 1.42% of the country's GDP (<https://ekon.go.id/>).

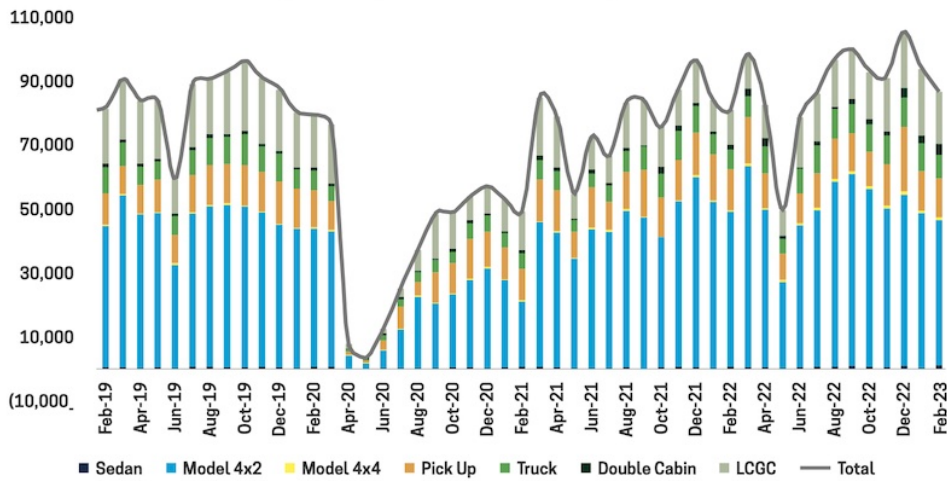


Figure 1. Development of Car Sales at the Wholesale Level

Source: Gaikindo, CEIC

It is projected by the Ministry of Transportation that in 2023, 123.8 million homecoming passengers will make their way back home. Due to the enormous number of individuals moving to their destination places utilizing a variety of modes and transportation services, the high number of homecoming travelers will have a knock-on effect. In 2020, the COVID-19 pandemic caused a sharp decline in the transportation services sector's growth, which dropped to 14.54% from 5.64% the year before. The growth rate of transportation services reached a record-breaking 15.83% last year, the highest in the previous ten years. Private automobiles are the most popular means of land transportation, selected by 27.32 million persons (22.07%). Datanesia examines the rise in sales of personal vehicles during the previous five years (<https://datanesia.id>).

Yearly growth in the non-formal education sector, particularly in driving instruction, is bolstered by Indonesia's automotive industry. From the geographical distribution, the distribution of car driving courses in Surabaya is evenly distributed throughout the city of Surabaya. If you pay attention to the distance, the car driving course locations are quite close together and some of the course locations are less than 5 kilometers apart from each other. The distribution in the East Surabaya area is increasingly rare compared to the distribution in areas in Central, South Surabaya and West Surabaya. One of the famous car courses in Surabaya is called Sie Bersaudara. The Sie Bersaudara car course was founded in 1970. Sie Bersaudara always follows the latest innovations in terms of service, where Sie Bersaudara provides various types of fleets, both manual and automatic. The Sie Bersaudara company is trusted by many people. Apart from the quality of the instructors, the prices are also very affordable. The Sie Bersaudara instructors are experienced and expert in guiding you from zero to being able to drive a car independently.

The industry for automobile driving courses faces several difficulties, including many rivals, price wars, and nearly identical product offers. Because of this, the industrial sector's competition needs to be aware of the tactics used by business owners who offer automobile driving courses. To maximize revenues for their firms, players in the car driving course market need to strengthen all critical areas of their business development and competitiveness. Based on the description, this study will discuss the factors that affect customer choose Sie Bersaudara to study driving in Surabaya. It will investigate the influence of Service Output Quality, Quality of Staff, Corporate Image, and Perceived Price on Sie Bersaudara customer in Surabaya and look for any factors that may have an impact.

## II. LITERATURE REVIEW

### 2.1. Service Output Quality

Service quality is the best possible care given to clients by qualified staff members of the business to ensure their satisfaction, together with professional efforts made to prepare services that will satisfy clients (Tjiptono, 2012). According to Suwithi and Boham (2008), service quality is the caliber of care given to clients in accordance with established protocols. Service quality is defined as a long-term evaluation of a business's provision of customer service by Lovelock and Wirtz (2007). According to Mauludin (2013), service quality is the distinction between the actual and anticipated experiences of the client

with respect to the services obtained or accepted; in this instance, high service quality is perceived from the perspective of the client rather than the perspective of the service provider.

H<sub>1</sub>: Service Output Quality has a significant influence on Customer Satisfaction.

## **2.2. Quality of Staff**

When there is a high level of client interaction, the service delivery process is frequently more significant in the service business than the service itself. In several service-related businesses, surveys have indicated that customer satisfaction is positively correlated with staff quality (Babin et al., 2005). While both were significant, Ekinici et al. (2003) discovered that staff quality had a greater effect on customer satisfaction than service quality. According to Smith & Wheeler (2002), to shape the customer experience in line with customer expectations and foster consumer behavior that results in profit or development for the business, improvements must be made to the company's people, goods, and procedures.

H<sub>2</sub>: Quality of Staff has a significant influence on Customer Satisfaction.

## **2.3. Corporate Image**

A brand is essentially a seller's assurance that customers will always receive specific characteristics, advantages, and services. Quality assurance is offered by the greatest brands, according to Rangkuti (2004). According to Kotler (2000), consumers may react differently to a company's or brand's image. The public's opinion of a firm or its goods is known as its brand image. According to Lin and Lin (2007), brand image helps customers identify items, assess quality, lower their risk of making a purchase, and get specific sensations and enjoyment from a product (Keller, 1993).

H<sub>3</sub>: Corporate Image has a significant influence on Customer Satisfaction.

## **2.4. Perceived Price**

Price, according to Kotler and Armstrong (2006), is the sum of money that is charged for a good or service. Customers may become unsatisfied with products due to low quality, expensive prices, or sluggish product deliveries. This demonstrates that one of the reasons for customer discontent is pricing. non-monetary sacrifices include giving up time or putting in physical or mental effort. The evaluation of customer happiness will be influenced by the outcomes attained, variations in service quality, and consumer sacrifices. Price, according to Andi (2015), is the primary factor that can affect consumers' decisions. Price plays a significant role in influencing customer purchases, so it is ideal to set a price at which the product is sold at a premium.

H<sub>4</sub>: Perceived Price has a significant influence on Customer Satisfaction.

## **2.5. Customer Satisfaction**

According to Kotler and Keller (2007), customer satisfaction refers to how someone feels about the perceived performance or results in relation to their expectations. (Lovelock & Wirtz, 2011) assert that a person's attitude toward contentment is determined by the experiences they have had. A product's, services, or the product itself is evaluated for its qualities or attributes that give the customer a certain level of satisfaction in relation to meeting their needs for consumption. Value, quality, and service are three factors that might lead to satisfied customers. Customer satisfaction in the service sector is always impacted by the caliber of interactions that occur between clients and staff members that provide services (Kotler, 2000).

H<sub>5</sub>: Customer Satisfaction has a significant influence on Customer Loyalty.

## **2.6. Customer Loyalty**

Retaining current customers is more crucial than employing aggressive tactics like reaching out to new customers in order to increase market share, as the importance of customer loyalty is directly tied to the company's ability to continue operating and grow in the future (Lupiyoadi dan Hamdani, 2006). The following is Oliver's (1999) definition of loyalty: a strongly held resolve to repeatedly purchase the same brand or set of products/services in the future, even in the face of situational influence and marketing initiatives that may encourage switching behavior.

III. METHODOLOGY

3.1 Research Issues

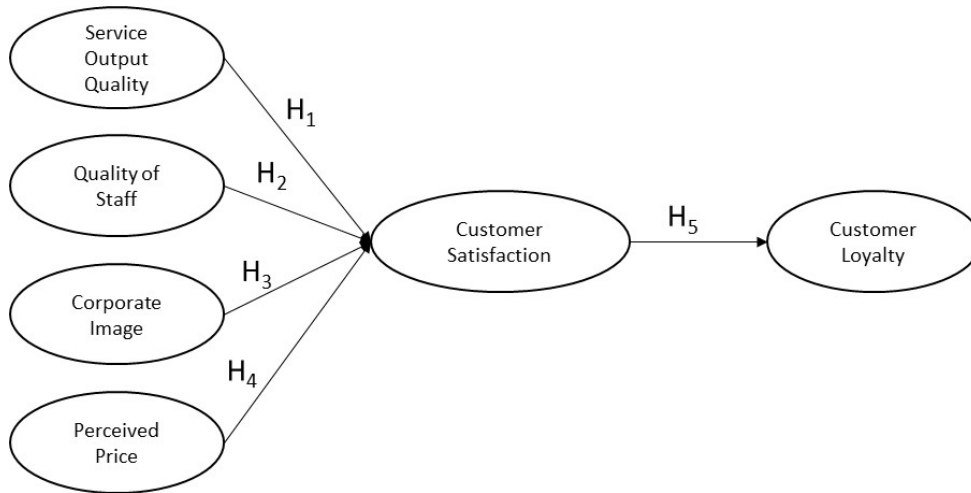


Figure 3. Research Model

The customer of Sie Bersaudara in Surabaya is the study's population, and this research uses a quantitative technique. Non-probability sampling is the sampling method used, and a questionnaire serves as the main instrument for data collection. The individuals who will help distribute and complete questionnaires will be chosen using the "snowball sampling" technique. The study covers 100 Sie Bersaudara users in Surabaya as its respondents based on the characteristics of the respondents. The research methodology is presented in figure 3 above.

3.2 Research Methodology

According to Hair et al., (2014) the sample size should be 100 or larger. As a rule, the minimum sample size is at least five times larger than the number of question items to be analyzed. In this study, because there were only 20 question items, the sample size which should have been 100 (20x5) respondents became 100 respondents. Non-probability sampling was used as the sample method for this study. The author was able to select respondents who would complete the questionnaire by using the snowball sampling approach to gather data. The respondents in this survey had the following traits:

1. Male and female
2. Aged 18-60 years.
3. Made at least one transaction at Sie Bersaudara in the past year.
4. Reside in Surabaya

Structural Equation Modeling, or SEM, is the analysis method employed in this study. Structural Equation Modeling (SEM), according to Hair et al. (2014), is a multivariate technique that combines elements of multiple regression and factor analysis. This enables researchers to test several interrelated dependent relationships between the measured variables and latent constructs as well as between several other latent constructs at the same time. The benefits of SEM applications in management research include its capacity to measure theoretical relationship influence and validate the dimensions of a concept or component that is often utilized very frequently in management (Ferdinand, 2006). The software program AMOS 22.0 (Analysis of Moment Structure) will be utilized as an analytical tool to address research questions. Strategic management and marketing research both frequently use AMOS (Ferdinand, 2006).

IV. RESULT

Tabel 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
SO1	100	3.00	5.00	3.9700	.80973
SO2	100	3.00	5.00	4.1100	.76403
SO3	100	2.00	5.00	3.6200	1.08971
SO4	100	2.00	5.00	3.7400	1.03103
QS1	100	2.00	5.00	3.7900	.93523
QS2	100	2.00	5.00	3.7800	.93830
QS3	100	2.00	5.00	3.9800	.97421
QS4	100	3.00	5.00	4.1100	.79003
CI1	100	3.00	5.00	4.0200	.76515
CI2	100	3.00	5.00	4.0200	.73828
CI3	100	3.00	5.00	4.0000	.79137
PP1	100	1.00	4.00	2.2200	1.03064
PP2	100	1.00	4.00	2.1800	.98862
PP3	100	1.00	4.00	2.6600	.96630
CS1	100	3.00	5.00	3.9400	.78907
CS2	100	3.00	5.00	3.9500	.80873
CS3	100	3.00	5.00	4.0300	.79715
CL1	100	3.00	5.00	4.0300	.80973
CL2	100	2.00	5.00	3.8300	1.08297
CL3	100	3.00	5.00	3.9900	.77192
Valid N (listwise)	100				

After the questionnaire was distributed, it was processed using AMOS, which displays the findings of respondents' answers to the questionnaire's questions, based on frequency calculations. With a range of 1 (lowest) to 5 (highest), a Likert scale is used to rate each question. Additional information regarding each variable's level of assessment is provided in Table 1.

Upon receiving the completed questionnaires, respondent characteristic analysis was conducted. Figure 4 illustrates that the respondents who completed the questionnaires were primarily female, as women in Indonesia tend to drive car for their convenience. The survey participants were customers of Sie Bersaudara who resided in the Surabaya region and had used the service. The data processing of all questionnaires utilized responses from 100 respondents. The results indicate that the responses are visible.

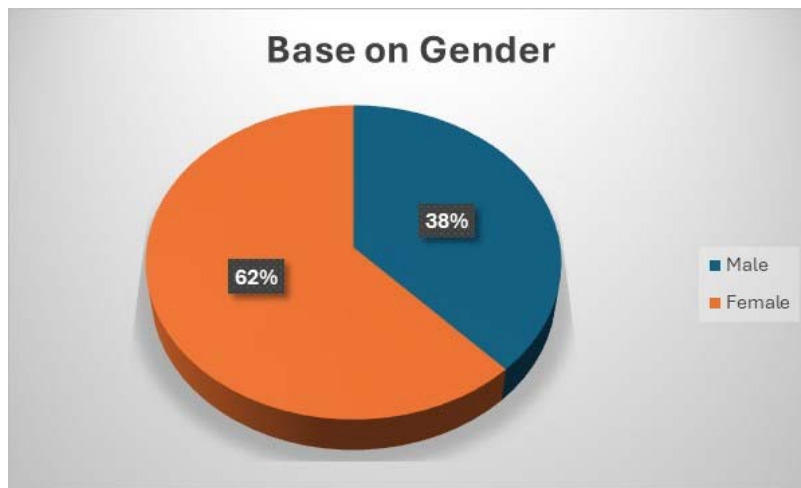


Figure 4. Respondent Characteristic by Gender

The findings in Figure 5 reveal that respondents are predominantly aged between 18 and 30 years, with 71 respondents falling within this age bracket, followed by 16 respondents in the 30-40 age group, 8 respondents in the 40-50 age group, and 5 respondents in the 50-60 age group. This suggests that the majority of responders belong to the age segments of Generation Y and Z.

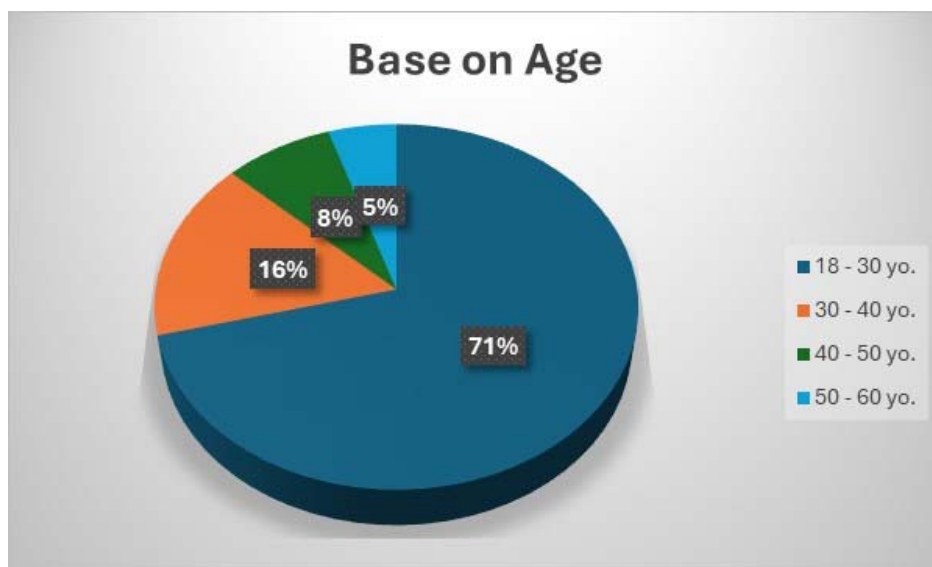


Figure 5. Respondent Characteristic by Age

Table 2 shows that in the measurement model, each indicator in each construct of Service Output Quality, Quality of Staff, Corporate Image, Perceived Price, Customer Satisfaction and Customer Loyalty, all have factor loading values greater than 0.50, so these indicators are valid in forming constructs and can be used to build models. Construct validity shows a test to determine the extent to which indicators measure constructs. In SEM, the construct validity test is carried out through convergent validity, with the rule of thumb being that the construct is said to meet convergent validity if the indicators on the construct have a standardized regression weight ( $\lambda$ /factor loading) value above 0.50.

Table 2. Validity Test Result

SO3	<---	Service_Output_Quality	0.758
SO2	<---	Service_Output_Quality	0.841
SO1	<---	Service_Output_Quality	0.762
CS1	<---	Customer_Satisfaction	0.746
CS2	<---	Customer_Satisfaction	0.738
CS3	<---	Customer_Satisfaction	0.749
CL1	<---	Customer_Loyalty	0.815
CL2	<---	Customer_Loyalty	0.78
CL3	<---	Customer_Loyalty	0.95
CI3	<---	Corporate_Image	0.874
CI2	<---	Corporate_Image	0.812
CI1	<---	Corporate_Image	0.899
SO4	<---	Service_Output_Quality	0.845
QS3	<---	Quality_of_Staff	0.696
QS2	<---	Quality_of_Staff	0.76
QS1	<---	Quality_of_Staff	0.867
QS4	<---	Quality_of_Staff	0.718
PP3	<---	Perceived_Price	0.641
PP2	<---	Perceived_Price	0.78
PP1	<---	Perceived_Price	0.924

To determine how well the model and the retest data match, the entire SEM model can be examined and its goodness of fit assessed. The six variables in this model (Service Output Quality, Quality of Staff, Corporate Image, Perceived Price, Customer Satisfaction and Customer Loyalty) are each represented by twenty indicators.

CR. Value for each relationship between variables is shown in Table 3. The causal relationship Service Output Quality, Quality of Staff, Corporate Image, Perceived Price, and the causal relationship between Customer Satisfaction and Customer Loyalty all have a significant causal relationship which is indicated by the C.R. value. above 2.00.

Table 3. Regression Weight

			C.R.	P	Std. Estimate	Result
Customer_Satisfaction	<---	Service_Output_Quality	3.38	***	0.404	Significant
Customer_Satisfaction	<---	Quality_of_Staff	2.211	0.027	0.279	Significant
Customer_Satisfaction	<---	Corporate_Image	4.703	***	0.583	Significant
Customer_Satisfaction	<---	Perceived_Price	3.819	***	0.425	Significant
Customer_Loyalty	<---	Customer_Satisfaction	7.563	***	0.633	Significant



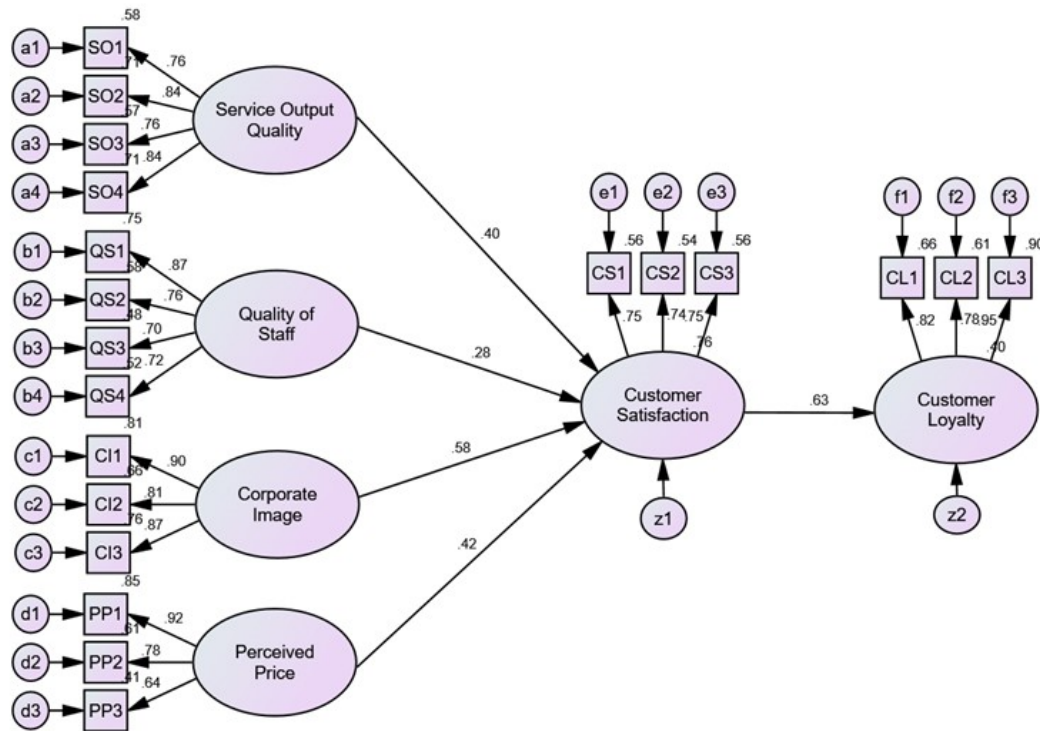


Figure 6. Structural Equation Model

### V. DISCUSSION

Based on the information provided, it appears that the research study found evidence to support all five of the hypotheses mentioned. The goal of the research model under study is to identify the elements that constitute Customer Loyalty. The most significant factor that has a direct and significant impact on Customer Loyalty is Customer Satisfaction. This is since actual customer behaviour in utilizing an application to shop for everyday necessities will result from a customer's purpose to use and maintain that use. Because four factors, which are Service Output Quality, Quality of Staff, Corporate Image, and Perceived Price have an impact on Customer Satisfaction.

Based on the results of data processing, it is known that hypothesis 1 regarding Customer Satisfaction is influenced by Service Output Quality, obtained from C.R. data. value. of 3.380. This shows that Service Output Quality has a significant effect on Customer Satisfaction. This hypothesis is supported by research from Erjavec et al. (2016). The reason this hypothesis is accepted is because Sie Bersaudara has a good driving learning process by giving customers the experience of driving on uphill roads for those who want it. In this case, the Sie Bersaudara trainers provide an interesting learning concept by providing bonus study time for customers who can meet the given targets. The accepted hypothesis also indicates that Sie Bersaudara has been able to respond to complaints or rescheduling well so that customers feel happy with Sie Bersaudara' service. The Service Output Quality provided by Sie Bersaudara is preparing several payment methods, such as: collaborating with several banks and third parties for payment options for customers.

Based on the results of data processing, it is known that hypothesis 2 regarding Customer Satisfaction is influenced by Quality of Staff, obtained from C.R. data. value. of 2.211. This shows that Quality of Staff has a significant effect on Customer Satisfaction. This hypothesis is supported by research from Erjavec et al. (2016). The reason this hypothesis is accepted is because Sie Bersaudara always provides friendly service to customers by providing training for admin staff so that they become more skilled and friendly. Apart from that, Sie Bersaudara also provides special uniforms for all staff so that the staff looks neat and pleasing to the eye of customers. The Sie Bersaudara also don't forget to provide training and knowledge for field staff so they can reach the pick-up location quickly and help direction for staff to appear agile while working.



Based on the results of data processing, it is known that hypothesis 3 regarding Customer Satisfaction is influenced by Perceived Corporate Image, obtained from C.R. data. value. of 4.703. This shows that Quality of Staff has a significant effect on Customer Satisfaction. This hypothesis is supported by research from Erjavec et al. (2016). By improving a good corporate image, it will be able to influence consumer behavior because consumers consider that the services provided by the company are very adequate to the image they have. Sie Bersaudara builds a Corporate Image by always maintaining the quality of the teaching services offered. By paying attention to quality, customers will have a positive image in their minds regarding Sie Bersaudara and ultimately be able to convey a positive impression to fellow customers.

Based on the results of data processing, it is known that hypothesis 4 regarding Customer Satisfaction is influenced by Perceived Price, obtained from C.R. data. value. of 3.819. This shows that Quality of Staff Perceived Price has a significant effect on Customer Satisfaction. This hypothesis is supported by research from Erjavec et al. (2016). This can happen when Sie Bersaudara always does research on the prices of competing driving courses around the city of Surabaya so that Nyetirkuy, Sie Bersaudara always provides competitive and affordable prices. Apart from that, Sie Bersaudara provides various types of vehicles so that customers can choose the type of vehicle according to their needs, moreover Sie Bersaudara also provides manual and automatic transmission options at good prices. Sie Bersaudara also continues to increase the knowledge of trainers by providing training so that the quality of service continues to improve so that customers feel worth it.

Based on the results of data processing, it is known that hypothesis 5 regarding Customer Loyalty is influenced by Customer Satisfaction, obtained from C.R. data. value. of 7.563. This shows that Customer Satisfaction has a significant effect on Customer Loyalty. This hypothesis is supported by research from Erjavec et al. (2016). Sie Bersaudara always tries to maintain customer satisfaction by providing maximum service and serving politely. Apart from that, Sie Bersaudara also always offers teaching quality that exceeds the standards of similar courses in the city of Surabaya. In the case of Sie Bersaudara providing satisfaction to customers by giving time bonuses to customers who can complete missions or tasks given by the instructor so that customers feel cared for.

## VI. CONCLUSION

Based on the study's findings, there are several managerial implications that can be drawn for Sie Bersaudara to increase Customer Loyalty among its customer in Surabaya:

**Service Output Quality:** Sie Bersaudara can improve the driver's learning process so that they get good results, namely giving customers the experience of driving uphill for those who want it, the trainer provides an interesting learning concept by providing bonus learning time for customers who can meet the given targets and responding to complaints/scheduling repeat it well so that customers feel happy with Sie Bersaudara' service.

**Quality of Staff:** To provide customers with friendly service, Sie Bersaudara trains administrative staff to make them more competent and personable, outfits all driving staff with uniforms to make them look professional, equips field staff with information and training to enable them to arrive at the pick-up location promptly, and gives instructions to employees so they can look good while working.

**Corporate Image:** To make it easier for customers to receive these course services, Sie Bersaudara can always respond to customer complaints promptly and accurately. They can also share content on social media in the form of customer driving experiences, promos, and certain special packages. Some of the registration procedures for Sie Bersaudara can be completed via chat with the admin or via social media in a specific format.

**Perceived Price:** Sie Bersaudara consistently conducts research on the costs of competing driving schools in the Surabaya area, enabling Nyetirkuyh to do the same. Sie Bersaudara offers a variety of vehicle options at competitive prices, allowing customers to select the vehicle type that best suits their needs. Additionally, the company offers both manual and automatic transmission options at competitive prices. Finally, by offering training, Sie Bersaudara continuously expands the knowledge of its trainers, enhancing the quality of its services.

**Customer Satisfaction:** Sie Bersaudara must maintain customers' happy feelings by providing maximum service and serving politely, always improving the quality beyond the standards of similar courses in the city of Surabaya and providing time bonuses for customers who can complete the missions/tasks given by the instructor.

The study's overall conclusions emphasize the significance of Corporate Image and Perceived Price in determining Customer Satisfaction, and they imply that Sie Bersaudara can profit from utilizing these variables in its marketing and promotional plans. Sie Bersaudara can attract more Surabaya users by emphasizing the development of Service Output Quality, Quality of Staff, Corporate Image, and Perceived Price.

#### **VII. ACKNOWLEDGEMENTS**

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