MIRZA TABRANI
FACULTY OF ECONOMICS & BUSINESS, SYIAH KUALA UNIVERSITY, INDONESIA

MUSLIM ABDUL DJALIL
FACULTY OF ECONOMICS & BUSINESS, SYIAH KUALA UNIVERSITY, INDONESIA

THE EFFECT OF CORPORATE REPUTATION ON COMMITMENT, TRUST, AND LOYALTY AND ITS IMPACT ON CUSTOMER BEHAVIOR OF GARUDA INDONESIA AIRLINE PASSENGERS IN BANDA ACEH, INDONESIA

Abstract:

The objective of this research is to investigate the influence of corporate reputation on commitment, trust and loyalty and its impact on customer behavior of Garuda Indonesian Airline's passengers in Banda Aceh, Indonesia. The respondents are the Garuda passengers which are selected by using non-probability sampling procedures. SEM analytical model is employed with Amos as its statistical software. The results showed that corporate reputation has a positive effect on commitment, trust, and loyalty; and commitment, trust and loyalty have a positive affect on customer behavior; commitment, trust, and loyalty mediate the relationship between the company's reputation and customer behavior. The originality of this study is the combined using of three intervening variables of commitment, trust, and loyalty to investigate the relationship between corporate reputation and consumer behavior in the context of airline industry as a conceptual research as far as the researcher's concerned. This would contribute to the development of consumer behavior knowledge. The limitations of this research are that it does not capture a deep picture of the consumer behavior in the designated airline industry in Indonesia and varied education of pasengers which may have led to a biased response of questionnaire's items.

Keywords:

 Corporate Reputation, Commitment, Trust, Loyalty, Customer Behavior

JEL Classification: M00

1.   INTRODUCTION

In this era of globalization, the competition in the business world becomes more intense, including in the industry offering services to consumers such air service carriers. For the moment there are a lot of airlines operating in Indonesian territory that serves various service flights both within the state and outside the country. Many aviation service companies will be unable to survive in the today's increasing competition if they are not supported by good corporate reputation. The reputation of the company plays an important role in increasing trust and customer loyalty. It is also well recognized correctly by the management of PT. Garuda Indonesia, Tbk (Persero) which is a government-owned airline of the Republic of Indonesia.

Aaker and Keller *at al.*, (2008) stated that corporate reputation is the customer perception of the quality associated with the company name. This means that the name of the company has a positive effect on customer response to the product or service. Company's reputation for quality is not limited to the products or services produced but also it is often associated with the company's reputation as a whole. Basically the company's reputation is an award acquired by the company for their service excellence performance by being able to create new things to meet the customer preferences.

Many attempts have been made by Garuda Indonesia to boost its company's reputation. One of them is by providing Garuda Indonesia Executive Lounge. This service is provided to the business and executive class passengers. Besides Garuda has also launched "the Garuda Miles", so that consumers become more confident and loyal to Garuda. Another strategy that is done by Garuda is Quantum Leap to add more domestic and international routes, changing the color of the aircraft, creating new uniforms for flight crews and providing entertainment systems such as AVOD (Audio Video on Demand). But in fact, those strategies implemented have not fully been successful. At least if we measure by using market share of premium class passengers of Garuda that is still below than 40%, from 60% of targeted last year.

Regardless of industry type, it has been done a wide variety of research that proved a strong relationship between the tendency of a frequent purchase and the fame of company reputation. Like other strong competitive service industries; in the airline industry, the company established reputation normally reflected in the form of strong commitment for excellent customer service. This strong commitment would establish trust and loyalty of which in turn would encourage the repurchase of the company's service offering. The identified problem in this research is whether the corporate reputation affect the customer behavior of airline passengers through the intervening variables of commitment, trust, and loyalty.

Based on the research above, this research is aimed at investigating the influence of corporate reputation on customer behavior of Garuda Indonesian Airline's passenger's trough the intervening variables of commitment, trust and loyalty.

2.   THEORETICAL REVIEW AND HYPOTHESIS.

2.1   Corporate Reputation

The study of corporate reputation is increasingly gaining attention from scholars and practitioners (Brammer and Pavelin, 2004). This tendency is justified by the characteristics of the current competitive markets, as explained from a corporate marketing perspective (Illia and Balmer, 2012). Globalization, deregulation, de-intermediation, innovation and the appearance of new technologies and distribution channels have modified the key characteristics of the business scenario, which is now determined by overcapacity, low margins, standardization, uncertainty, intense competition, hostility and anxiety (Aaker, 2005).

Corporate marketing places special significance on the institutional level of companies. It is believed that the intangible attributes of companies such as corporate reputation are more durable and resistant to competitive pressures than product and service attributes (Ilia and Ballmer, 2012) and thus they may serve companies better in their search for competitive advantage (De la Fuentes and De Quevedo, 2003). Gómez-Mejia and Belkin (2002) state that, among intangible corporate assets, corporate reputation has been characterized by managers as being the most relevant, a fact that has aroused growing interest in the research and management of this concept.

In such markets, creating, refining or even repairing corporate reputation with stakeholders is crucial to success (Ellen *et al.*, 2006). For example, Melo and Garrido (2012) consider that "the benefits driven by accrued positive reputation represent a potential path to sustained competitive advantage" (p. 15) because its intangible form makes corporate reputation hard to duplicate or imitate by competitors (Surroca *et al.*, 2010). Castelo and Lima (2006) explain how reputational assets, although not legally protected by property rights, are considered to be path-dependent assets characterized by high levels of specificity and social complexity, thus creating a strong resource position barrier.

2.2   Commitments

Commitment is the belief of the importance of relationship that is very meaningful as collateral to maintain the relationship (Peppers and Rogers, 2004). Customer commitment can be defined as the relationship between consumers and companies that have been going on since a long time to maintain a valuable relationship. The commitment can be described as a long-term customer orientation towards business relationship based on emotional attachment. Customer commitment is basically a longstanding desire within the customer to maintain valuable relationship. Indicators of commitment according to Peppers and Rogers (2004) :commitment to the company, good relationship, not switch to other company, first choice, emotional closeness.

Thus, we formulate the first hypothesis as follow:

H1. Corporate reputation has a significant impact toward commitment

2.3   Trust

Trust is generally regarded as an essential element for the success of an enterprise relationship. Without a trust, then the company will not survive in the long term. Trust is the basis as early assurance of a relationship between two or more people work together. Trust itself can grow with time when the relationship goes. There are several indicators of confidence variables, namely: experience, credibility and quality (Moorman *et. al*, 1992). Trust is a multi-dimensional notion that is possible to analyses from various perspectives. In sociology, it is perceived in the context of social activities as the factor that streamlines the aforesaid activities. It is defined as an enterprise in itself that is based on the issue of uncertain and future activities of other people (Sztompka 2007).

The second hypothesis is:

H2. Corporate reputation has a significant impact toward trust

2.4   Loyalty

According *et al.* (2001) customer loyalty is a measure of consumer attachment to a brand. It is able to give an idea of whether customers might switch to another brand or not. Griffin (2003) also mentioned that a loyal customer has specific prejudices about what to buy and from whom. Besides loyalty shows the condition of certain duration of time and requires that the purchase action occurs not less than twice. Indicators loyalty according to Walsh and Beatty (2007) consists of faithful to the company, a good relationship, recommendation and repeat purchase. The third hypothesis is:

H3. Corporate reputation has a significant impact toward loyalty

2.5   Customer Behavior

Organ (1988) defined that the behavior of the customer is individual behavior resulting from the individual understanding. Customers can provide mental and physical input that is important to improve the efficiency of enterprise dam can be a valuable source of new ideas in terms of business strategy. Furthermore, customer behavior Indicators according to Kotler (2008) are: directing customers, helping customers, explaining products/services, giving information and informing service. The next three hypotheses can be stated as follows:

H4. Commitment has a significant impact toward consumer behavior

H5. Trust has a significant impact toward consumer behavior

H6. Loyalty has a significant impact toward consumer behavior

2.6   Previous Research

There are numerous research have been published regarding the relationship between corporate reputation and customer behavior either directly or indirectly

through the variables of commitment, trust, and loyalty in a wide variety of industries (Bartikowski and Walsh, 2011; Shahsavari and Faryabi, 2013; Anggrain and Champaca, 2012; and Japarianto, 2013). Boris Bartikowski and Gianfranco Walsh (2011) in their research titled "Investigating Mediators between Corporate Reputation and Customer Citizenship Behavior" stated that corporate reputation has an effect to customer satisfaction and customer trust. The similarities to this research are it also examined corporate reputation, commitmen, and loyalty variables, while the differences is that the research *Structural Equation Modeling* (SEM). In another research titled "The Effect of Customer-based Corporate Reputation on Customer's Citizenship Behavior in Banking Industry", Azam Shahsavari and Mohammad Faryabi (2013) found that corporate reputation has an effect on commitment and loyalty. The research also examined corporate reputation and costumer citizenship behavior in service industry, more specifically banking industry. Moreover, Winda Anggrain and Mychelia Champaca (2012) in their research titled "The Effect of Service Quality, Customer Satisfaction and Trust to Corporate Reputation" also examined corporate reputation variable in service industry. They found that service quality, customer satisfaction and trust simultaneously influence company reputations, however the research also studied the effect of service quality, costumer satisfaction and trust on corporate reputations, which is not examine here. Edwin Japarianto (2013) in his research titled "Relative Attitude and Commitment to Long-term Customer Loyalty in the Model" which is also conducted in service industry found that commitment has an effect to loyalty, but he used Path Analysis Method to analyze the variables.

Although there are a lot number of researches have been conducted in this issue, but the research that investigating the influence of corporation on customer behavior that employs the intervening variables of commitment, trust, and loyalty in the context of airline industry as far as the researcher concerned has not yet been explored and it is therefore would be the originality of the research. Based on critically review of previous research, it can be formulated the conceptual framework and hypotheses on the figure below:
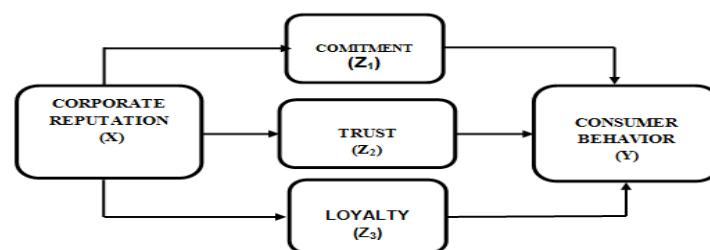

Figure 1. Conceptual Framework

3.   RESEARCH METHOD

3.1.   Research Design

Previous similar study had been conducted by Birn (2000, 149) for 150 airline passengers in Banda Aceh, Sumatera, Indonesia. However, the data in this study is analyzed by using SPSS (Statistical Product and Service Solution) version 2.0, the

data analysis was done by testing the quality of the data to determine the validity of each item of questions. While in this study, the research hypothesis was tested using structural equation modeling (SEM) as statistical tool

4.   RESULTS AND DISCUSSION

4.1.   Characteristics of Respondents

The characteristic of respondents that consist of 150 airline passengers are dominated by man (70%) with the range of average ages between 18 to above 32 years. Furthermore, most of the respondents are government officials and private sectors (78.60%) and have a majority of monthly income between IDR 3000.00 to above IDR 5000.000 (94%). Finally, the yearly average of respondents travel by air service is above 6 times a year (93.4%). The detail characteristics of respondents from Field Survey data *(2015)*

4.2.   Validity Test

Validity test of this research was done by using confirmatory factor analysis (CFA). With this test, an indicator constructs is considered valid if it is met the criterion of the value critical ratio (CR) > 1.96 with probability (P) <0.05. Based on the research data, it can be explained that the value of Critical Ratio (CR) for all those items are >1.96 and the probability (P) are <0.05 so that it can be concluded that all items are valid.

4.3.   Reliability Test

In order to measure the reliability of data, the research employs Cronbach ALPA value for each variable as shown in the table below:

Table 3. Reliability Test

No.	Variable	Item	Alpha	Reliability
1	Company Reputation	3	0,693	Good
2	Commitment	5	0,664	Good
3	Trust	3	0,725	Good
4	Loyalty	3	0,607	Good
5	Customer Behavior	4	0,689	Good

Since all of the items have alpha value bigger than 0, 6 it can be concluded that all variables are reliable.

4.4.   Goodness of Fit Test

As one of SEM's requirements to test the Goodness of Fit of the model (GOF test), all criteria should be well fit with the model. The outcome of GOF of the model based on the research data can be seen on the table 5 as follows:

Table 4. Goodness of Fit Index

Goodness of Fit Index	Value	Cut of Value	Evaluation model
Chi-Square	225,402	*Small*	Not Good
Probability	0,126	>0,05	Good
RMSEA	0,080	<0,08	Good
GFI	0,863	>0,90	Good
TLI	0,981	>0,90	Good
CFI	0,915	>0,90	Good
CMIN/DF	1,413	<2,00	Good
AGFI	0,918	>0,90	Good
IFI	0.924	>0,90	Good

The table above shows that all figures have been in accordance with GOF's criteria and thus the model is fit.

4.5. Hypothesis Testing

4.5.1. Direct Effect

The results of the direct effect of among those constructs showed that company reputation on trust has a very strong effect with coefficient of 1,362, otherwise the weakest direct effect is confidence in the customer behavior with coefficient of 0,173. Other constructs direct effect respectively are: company reputation on loyalty (0,538), commitment to customer behavior (0,465), loyalty to the customer behavior (0,465), and company reputation on commitment (0,447).

4.5.2. Indirect Effect

The coefficient of the indirect effect on the company's reputation variable customer behavior is 0.694.

4.5.3. Total Effect

The total effect coefficient of each construct in this research respectively are: company reputation of trust (1,362), company reputation on customer behavior (0,694), company reputation on loyalty (0,538), commitment to customer behavior (0,467), loyalty to the customer behavior (0,467), and company reputation on commitment (0,447). The total effect coefficient of all those constructs is 4,146.

4.6. Research SEM's Full Model

Based on previously developed theoretical framework of research, both measurement and structural model are combined to formulate the Full Model. Hence, using the covariance based SEM with Amos software, the output of data processing of the research, it can be seen the effect of the company's reputation on commitment, trust, loyalty and its impact on customer behavior as follows in the following Full model figure:
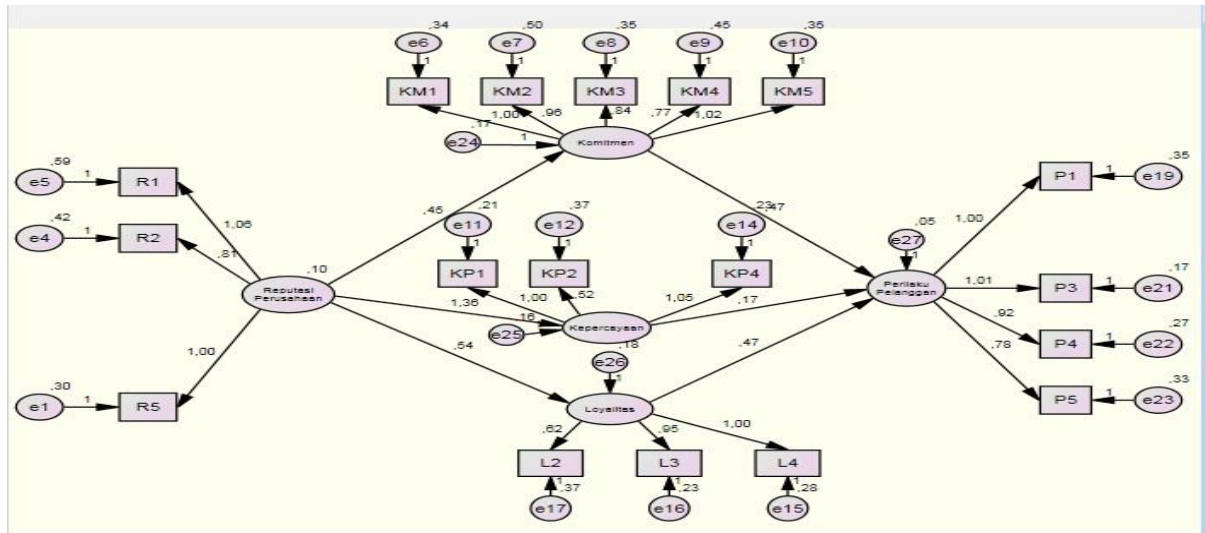
Figure 2

Research SEM's Full Model

Notes: X = Corporate Reputation; Z1 = Comitment; Z2 = Trust; Z3 = Loyalty; Y= Customer Behavior).

As the rule of the tomb of SEM stated that the relationship between one variable and another variable is significant if CR> 1.96 and P <0.05. The results of the causal relationship among variables in this research showed that all hypothesis tested have CR higher than 1, 96 and p value less than 0.05, which means that all of the research exogenous variable affect the endogenous variable partially.

Table 8. Summary of Causal Relationship among Variables

No	Causal Relationship	Estimate	CR	P	Conclusion
1	The company's reputation on commitment	.447	2.177	***	Sig.
2	The company's reputation of trust	1,362	3.440	***	Sig.
3	The company's reputation on loyalty	.538	2.323	***	Sig.
4	Commitment to customer behavior	.457	3.227	.001	Sig.
5	Confidence in the customer behavior	.173	2.330	***	Sig.
6	Loyalty to the customer behavior	.465	3.136	.002	Sig.

5.   CONCLUSION

From the explanations above it can be concluded that: (1) Company reputation has a positive influence on commitment; (2) company reputation has a positive influence on trust; (3) company reputation has a positive influence on loyalty; (4) Commitment has

a positive effect on customer behavior; (5) trust has a positive effect on customer behavior; (6) loyalty has a positive effect on customer behavior.

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