The Effect of the Service Quality Towards The Student Loyalty at the School of Business & Economic, TELKOM University, Bandung

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Abstract

Human resources play important role in the services industry. One of the services industry which rely on the quality of the human resources as their internal marketing support is the educational organization. The School of Business and Economic (SBE) of Telkom University is one of them. The New Student Selection Committee succeeded to attract the student to apply for the SBE. The research will explore whether the quality of services have an effect toward the loyalty of the SBE students. We use the student from class of 2012 and 2013, which consist of 889 students because they already involve in the services conducted by the SBE. We use descriptive analysis and simple linear regression. The service quality of SBE found as average, and the student loyalty also shown the average. The effect of the service quality towards student loyalty is linear and significant. The increase in the service quality could affect the student loyalty. There is an indication that there are other factors which contribute to the student loyalty. At least one of the measurement criteria for the loyalty need to be adjusted if used in measuring student loyalty, whether the student can be viewed as customer as they are the service/product materials.

Keywords: internal marketing, service quality, customer loyalty, education organization, services marketing

Introduction

The important role of the marketing in the organization has been discussed frequently and already proved vital (<u>Urbonavicus</u> et al, 2007, and <u>Wirtz</u> et al, 2013). Several indicators used to measure the effectiveness of the marketing program. As we all know, marketing program is not just about sales promotion and advertising, they consists of much more comprehensive actions. Organization needs more than just the good products or services. They have to market the products and services and they have to market them differently. <u>Rooney</u> (2013) emphasize that the forms and the function of marketing has changed. The conventional method of marketing where we tell the customer about our product/services is no longer effective. The customer can get the information by themselves easily. The Customer also put more trust on their friends and relatives when it come to buying decisions (Kongsompong et al, 2009). Conventional marketing require a lot of funds and sometimes the results are far from the expectation. On the other hand, marketing strategy based only on the activities of the marketing department has been

shifted. It is true that the marketing department is responsible for the efforts to introduce the services to the customer, but the company should prepare their whole team to support the concept of the holistic marketing strategy. After producing the great services and offer them to the customer, company need to set up the supportive team in order to facilitate the customer to enjoy the offering. In other words, customer who buy the services should treated well by the organizations. Especially if we talk about services industry, where there are several critical points to satisfying the customers. Everybody whose potentially interact with the customer should be able to perform well according to the customer's expectation. Fail to do so may result in the customer's dissatisfaction, which could get worst f the customer shift to the competitors. The role of the employee is crucial in maintaining the great level of services. Besides the human factors, there are other factors which also contribute to the organization success. The facilities, ease of access to use the facilities, the speed of services delivery, and the responsiveness of the services also play an important role. Those service quality elements are crucial, especially in an educational organization like SBE of Telkom University.

SBE established in 1997 and now managing more than 2.032 (MBTI, 2012). In recent years the SBE attract more applicants from across the country. They have a marketing program called Program Seleksi Mahasiswa Baru Bersama (SMBB) which design to increase the awareness from the applicant. This proved to be successfull based on the number of applicants who reach more than 3.500 per year (MBTI, 2012). This number equal nine times of the capacity. Every year SBE accepting more than 400 new student. This is certainly a great achievement especially if we look at the fierce competition in undergraduate school. There are a 115 private college in Bandung (BPS, 2013). The marketing program of SMBB includes the scholarships for the excellent students, online registration, using regionalization for selection test, and of course the integrated promotion and advertising. The A accreditation for the SBE also helps attract applicants. Which so many factors that support the marketing success, no wonder the number of the applicant continue to rise over the years. But, relying on the external effort is not enough, other organization must be bound to do the same if not more. In fact some of them have better credibility in the eye of the customers.

In order to maintain the attractiveness, SBE must start to turn to involve all of the department to support the marketing program. SBE must create the environment where the students can have the best experience during their education process. This corresponding to the statement of Kotler dan Keller (2012:22) that the 'Internal marketing requires

vertical alignment with senior management and horizontal alignment with other departments, so everyone understands, appreciates, and supports the marketing effort'. Gradually, SBE improving the quality of the lecturers, they also build new building to accommodate more activities, build or enhance new educational facilities (like laboratorium and libraries), and introduce new information systems. This is done to improve the entire quality of services. This research will analyze the service quality and the loyalty of the students, then to measure the influence of the service quality towards the loyalty.

Literature review

Marketing

Kotler and Armstrong (2012:4) defined marketing as a way to manage the mutual relationship between organization and their customers. Its purpose is to attract new customers and enhance and develop older customer by offering the interesting value and provide the great service. Furthermore, Kotler and Armstrong (2012:5) describe the marketing as the process inside the organization to create value and build relationship with their customers. From the above point of view, it is clear that the marketing is an planned and continous activities by the organization in order to identify the customer needs and the ideal way to fulfull the needs in a mutual relationship. Marketing is not just an act of sales promotions and advertising.

Service Marketing

Kotler and Keller (2012:356) refer the service as 'any act or performance one party can offer to another that is essentially intangible and does not result in the ownership of anything.' Then, Zeithaml and Bitner (2009:4) mention that the service is an act, process, and performance resulted from individu/group for the benefit of other entities. It is also clear that the services is intangible but can feel by others. The consumption of the service did not result in exchange of the product ownership. When we buy an airline ticket this does not mean we buy the chair or even the airplane. Education for example, is a primarily a service supported by the other tangible aspects. We do not buy the certificate or diploma neither the classroom, what we buy is the educational process which expected to be useful in the future. Service also consider as important factor in competitive advantages. Hoffman

& Bateson (2011:4) stated the differences of the product marketing and services. There are four characteristic which differ the service marketing, intangibility, inseparability, heterogenity, and perishability.

Internal Marketing

Kotler and Armstrong (2012:240) defined the internal marketing as the organization's focus on their employee and the other supporting factors in order to interact and satisfy their customers. The entire organization must act as the marketer so the customer can perceive that this is truly the service organization. In fact, the internal marketing should be build first before the organizations conduct the external marketing program (Kotler & Keller, 2012:21). It would be a wasteful effort if the external marketing does not supported by the internal marketing. This is means that the marketing is not the responsibility of the marketing department, others must have the obligation as well. Zeithaml et al (2009:486) specify that the marketing and the operational department must collaborate to provide better services. The marketing give promise to the customer and the operational must provide what is promised. These two departments must work closely in defining the service level. This step is very important to prevent the differences of the required services.

Quality of Services

Mudie & Pirrie (2006:86) explain the quality of service as an achievement towards the standard of services. Further, they describe the quality as the differences of the expected product performance and the reality. The service quality can also be describe as part of the customer satisfaction. The service quality can become the differences for the organizations to enhance their market share (Hoffman & Bateson, 2010:320). The organizations which can maintain the expected service from the customer and the service reality as close as possible will win the heart of the customers.

Service Quality Dimension

This research will look the dimension of the service quality from the Parasuraman, Zeithaml, and Berry (Kotler & Keller, 2012:373; Hoffman & Bateson, 2010:328; and Zeithaml et al, 2009:111). There are five dimensions to understand the service quality;

a. *Tangibles* (physical). Organization's tangibles consist of such as building, design, layout, the furnitures, interior, promotions materials, correspondence materials, and the

- appearance of the people. There are two tangibles component, equipment and facilities and personnel and communications materials.
- b. *Reliability*. The consistency and dependability of the company performance. The company should provide the same level of service time after time and they done it in mn regards the service promised. Unreliable service providers could result in frustrated customers and they will never return.
- c. *Responsiveness*. The company must ensure that their employees are willing and ready to provide required services in time. Customers who encounter a situation in which they feel neglected or ignored will perceive the company as unresponsiveness.
- d. *Assurance*. This regards he competence of the organization, the courtesy it extends to its customers, and the security of its operations. The competence related with the knowledge and skill posses by the employee in performing the service. The company must provide the knowledgeable and skillful employee to perform the services. Do not use any trial and error methods.
- e. *Empathy*. The organization must build the relationship with their customer to understand them better. Having lost touch of such understanding could result in the decreasing empathetic perception from the customers. Empathetic company should understand their customers' needs and make their services accessible to their customers.

These five dimensions must apply simultaneously in order to manage their customer and their market share better. Only then, the company can satisfy their customer and finally resulting in the loyalty.

Loyalty

Satisfaction is not enough, the organization must create loyal customers (Hoffman & Bateson, 2010:377). The company whats to know whether their customers loyal or not. Are they willing to recommend the services to others? Are they coming back to buy more? Or are they willing to come and buy other product from the company? This is the loyalty. Organization must develop their adaptability so they can build the mutual relationship with their customers. The mutual relations will then become a trust that will lead to the loyalty. The customer loyalty has positive effect for the organizations (Kotler & Armstrong, 2012:20; Gronroos, 2007:146).

Griffin (2005;5) explain that the loyalty related with the behavior, not attitude. What is the difference? Action. The loyal customer will buy more product or more

frequent. Hoffman & Bateson (2010:377) regard the loyalty as the emotional and business attachment towards one organizations. For example, someone who is very loyal to the Coca Cola product, will buy more, they also will not distracted by others promotions. The even better loyal customer will promote the brand, product, and the company to others. The loyalty building needs long term process (Griffin, 2005:48). Once you had it, then the result will come to you.

Griffin (2005:31) define the behavior which reflect the loyal customer as;

- a. Buy more frequently. Once a month become once a week for example.
- b. Buy other product from the company. After they buy one specific product they will buy other band from the same company.
- c. Give references or recommendation for others. These customers willingly share their good experience with the company and try to influence others to buy from the company.
- d. Resistence from other's offering. The loyal customer for the Samsung will not turn their face to others even. Even when others give away promotions or less expensive.

As we can see that to build the loyalty, organization needs time and tremendous efforts. Here, Hoffman and Bateson (2010:379-381) will reveal the steps to build the loyalty;

- a. Develop the right prospect. The organization should choose their customer and treated them as good as possible.
- b. Routine interactions. Do not contact them only if you need them. Routinely call them or send birthday cards may show your thoughtfulness.
- c. Provide the service beyond their expectation. The extra mile action will create the positive perception as the customer will be happily accepted the good surprise.
- d. Before serving the customer, organization should concern about their employees.

 After all, they are the one whose perform the great service to the customers.
- e. After winning the loyalty, the organizatin should building the trust by enhancing the service quality for the future.
- f. The service orientation should also mean flexible. Do not say directly you're your policy can not be changed. You must find ways to solve the customer problems.
- g. The flexibility can be applied if the management have faith and put trust on their employees. Give the autonomy and trust to the frontliners.

- h. Treat the customers individually, they are human being after all, and their need is different.
- i. Learn and mastering the customers need. Give them a surprise and show them that you closely care for their need.
- j. Complete readiness. You will never know when the customer needed you the most. When everything goes normal, then customer will not need anything. But the incident or problems happen, and the organization should be ready to handle this situation. Everybody must be ready, not just the frontliners.

The management have to ensure that the service quality provided by the SBE is as high as the customer's expectation, so that the organization can build customer loyalty. This research will analyze the influence of the SBE service quality towards the customer loyalty. Therefore, the hypothesis for this research are

H0: The service quality has no significance effect towards the customer loyalty

H1: The service quality has significance effect towards the customer loyalty

Methodology

The research population is the SBE's student of class 2012 (the population is 425) and class of 2013 (464). We use the Slovin formula (Prasetyo & Jannah, 2005:136) to set the number of respondent as the sample.

$$n = \frac{N}{1 + Ne^2}$$

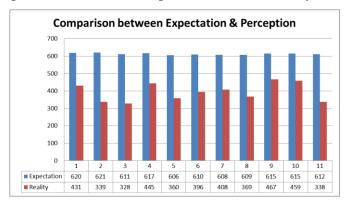
	Population	No of Samples	Round off
Class of 2012	425	80.950	81
Class of 2013	464	82.270	83
TOTAL	889	163.22	164

Where n is the number of samples, N is the population, and e is the error tolerance limit. For the class of 2012 we get the 81 respondents (425 population and the 10% degree of error). Then for the 2013 class, we get 83 respondents using the same method. We want to measure each class before make an overall analysis. We use the nonprobability sampling based on the convenience. This method based on the limitation in time, place, and condition (Prasetyo & Jannah, 2005:133). We try considerably to accommodate the population by distributing the questionnaire through the Student Committee and the various lecturers.

As the goal of this research is to measure the influence of one independent variable towards one dependent variable, we use the simple linear regression methods using SPSS. Before using the data to measure the linear regression we also analyze the validity and the reliability of the data. Using data analysis in Excel 2010, we found that the t calculate are bigger than the t table (1.6635 for the class 2012 data and 1.6639 for class 2013). This means the items in the questionnaire met the validity test. Excel 2010 data analysis shows that items in the questionnaire also pass the reliability test. The reliability test for the independent variable for class 2012 shows 0.870 and for the dependet variable shows 0.740. The class of 2013 result shows the 0.820 for the independent variable and 0.880 for the dependent variable. These means all of them are above the 0.70 which is the standards for the reliability (Priyatno, 2012:187).

The Result

Though we are not examine the customer satisfaction, we do compare the student's expectation and their perception towards the service quality. We present the simple analysis for the comparison between the expectation and the reality in the figure 1.

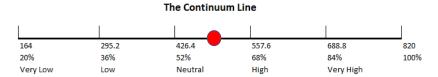


All of the aspect of the service are not yet met the expectation of the students. This seems not so good for the SBE's future. The organization must take immediate action to improve the service. Fail to do so it might impact the image of the organization. In the end, it will also damage the external marketing efforts. As far as we concern, the marketing efforts is done well enough to attract the applicants. They have a tremendous program and the applicants seem interesting with the offer. The problem is when the applicant becomes the students. The service they received and perceived actually below their expectation. The discrepancy between the expectation and the reality felt stronger in the class of 2012. This could be because they already involve with the process longer (four semesters). They might feel the expectation they once had still not yet met.

How about the SBE's service quality in the eye of the students? The analysis shows that the level of SBE's service quality is somewhat still in neutral zone (between satisfy and not satisfy. The table below the detail result;

SBE's Service Quality Assessment								
	VB	В	N	G	VG			
	1	2	3	4	5			
Tangible	13	38	55	44	15	164	502.50	61.3%
Reliable	5	28	78	43	10	164	517.60	63.1%
Responsiveness	12	47	76	26	3	164	453.50	55.3%
Assurance	5	29	79	44	8	164	514.33	62.7%
Empathy	9	30	75	42	8	164	502.80	61.3%
							498.1467	60.7%
VB=Very Bad; B=Bad; N=								

The students regards all the SBE's service are in neutral zone (between good and bad), as shown by the figure above. This could mean the SBE's service is somewhat mediocre or just secondary.

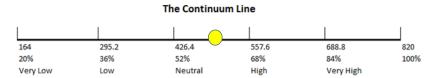


If we put the average percentage of 60.7% to the continuum line, it indicate that the SBE's service quality still somewhat in between bad and good. The students feel that the service dimension of the SBE is not yet performed well. The result backed by many negative feedbacks when he students asked whether they had any complaints regarding the lecturer, the staff, and the infrastructures. Most of their complaints related with the staff whose not friendly and can not give the solutions. The lecturer also brought to the spotlight of complaint regarding their uncertainty in class management and the tardiness of the test result. Finally the frequent complaint about the infrastructure is about the information system used in SBE. The students thought the system is not reliable yet or maybe they have not get the proper information or training in using the system.

As in the theory, the mediocre service quality bring the customer loyalty to the ground. This means that if the organization fail to provide the required services, then the loyalty tend to decrease. In fact, this is happen in SBE also. The student loyalty toward SBE indicates at the neutral point. We only use three loyalty dimensions because regarding the education organization the dimension of retention towards other offer seems can not be applied. Once the students enlist in one college, they seldom move to other college. They have to make a thorough consideration if they want to change the college (costs, time, their grade).

Student Loyalty								
VL L N H								
	1	2	3	4	5			
Using other services	9	40	75	33	8	164	484	59.0%
Reffering to others	4	11	81	57	12	164	553	67.5%
Attachment to SBE	6	20	88	42	8	164	517	63.1%
							518	63.2%
/L=Very Low; L=Low; N=Neutral; H=High; VH=Very High								

All three dimensions show the average point of 63.2% and classified as neutral or secondary. The respected organizations surely want their customer to be loyal, at least at the Good level. This means SBE also face the potential problems in the future. Declining the loyalty level can impact the image of the organization. The figure below shows the exact point of the SBE loyalty.



The condition regarding the service quality and the loyalty, SBE need improve. The resut of this research show that the service quality has significance positive relation with the customer loyalty. If the service quality increases, then the loyalty will also increase. We will discuss this in session below.

We use the simple linear regression to measure to influence of service quality and the loyalty. Before conducting the regression we must measure the normality of the data. Using One Sample Kolmogorov Smirnov, we get the Asymp. Sig. (2-tailed) of 0.954 which is bigger than 0.05, so research data normally distributed. Further we conduct the heterokedasticity test using Glejser Test. The result for the service quality variable is 0.298 which is bigger than 0.05. There are no heterokedasticity problems.

To make sure whether data linear or not, we analyze the ANOVA table below.

			ANOVA			
Мо	del	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2182.963	1	2182.963	95.316	.000b
1	Residual	3710.178	162	22.902		
	Total	5893.140	163			

a. Dependent Variable: Loyalitas Konsumen 164

b. Predictors: (Constant), Kualitas Layanan 164

The result indicates that the service quality and loyalty has linear relations, and the service quality significantly influence the loyalty, since the probability Sig. is 0.000, which is

below the 0.05. This is also means that we can continue with the simple linear regression analysis. Let's take a look at the Coefficients table below and discuss the results.

Coefficients^a

			Unstandardized Coefficients		Standardized Coefficients		
l	Model		В	Std. Error	Beta	t	Sig.
ſ	1	(Constant)	13.780	2.477		5.562	.000
ı		Kualitas Layanan 164	.303	.031	.609	9.763	.000

a. Dependent Variable: Lovalitas Konsumen 164

The simple linear regression equation is Y = 13.780 + 0.303X. The equation shows that if the SBE's service quality is bad then the student loyalty is 13.780 units. If the students perceive that the SBE's service quality increase in one unit then the loyalty will increase as of 0.303.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.609ª	.370	.367	4.78564

a. Predictors: (Constant), Kualitas Layanan 164

Furthermore, the variation in service quality will affect the loyalty in the amount of 37%. If the students perceive the SBE's service quality as good, then the probability of the loyalty is 37%. The figure shows that the service quality is not the only thing which is important to build the loyalty. There are other factors which has 63% is influence which is not include in this research. Several other factors that might be influence the loyalty of the students are the location, the family (Telkom), the funds, their friends, and even the desperation resulting from the public university rejection.

Regarding the hypothesis, we perform the t test which will determine whether we accept or reject the H0. The t calculates figure show 9.763, whereas the t table (0.1, 164-2) is 1.6543, which means that the H0 is rejected and H1 accepted. Once again it prove that the service quality has positive influence towards the loyalty.

Conclusions

We found that the SBE's service quality somewhat mediocre at the figure of 60.7%, which mean the quality is average or secondary. This is not too good for the organization. The student loyalty shows the secondary at the level of 63.2%. They are remains at the organization, but they are not attached to it yet. There are other factors which make them stick up, as we mention earlier. At least the student still regards

b. Dependent Variable: Loyalitas Konsumen 164

something worthwhile if they stay at SBE. Once again the figures need serious attention if SBE wants to survive in the future. The other factor that also supported the immediate action towards the service is the figure shown in the service expectation and reality comparison. The students experience about the service in reality is below their expectation. Of course there are some irrelevant complaints, like the difficulties in getting good grade. But, some of the complaints are worth analyzed. If carry out seriously and come from the heart, it could help to improve the service quality.

We want to use the next session to share some suggestion to improve the SBE's service quality. The suggestion divided into three sections. The first one is regarding the quality of the staff. There are many complaints from students about them. We suggest the management create a better work environment for the staff and also give them training or other method to increase their service ability. One of the major problems is the majority of the staff are still outsource without any clear career future in SBE. This might not be seen as the problems for management. But we think that the satisfaction of the employee could lead to the better service, so the management must seek out ways to improve their staff work satisfaction. The second suggestion related with the lecturer. The SBE should rescreen the lecturer and assign them under their major sciences. Many students complain about the lecturer who is not mastering their subject. Other action which is necessary is concerning the attitude and behavior of some lecturer. The management should seek the individual who has passion in teaching, not just using the opportunities to escape from ordinary lives. We meant that lecturer should have passion in transferring knowledge without any hesitation or doubt. One of the complaint show that there are lecturers who still practice the old way of teaching and won't share their knowledge. We think the SBE should have the better way to enhance their lecturers. The last suggestion related with the system and procedures in SBE. Some of the students felt confuse with the system and procedures. We realize that SBE still underwent a major restructuring, but the student's interest should never put in halt. The management could hire a specialist to review the system and procedures and also to improve them. They also can be used to distribute the system and procedures.

The importance of conducting improvement may not result in the near future, but once again, fail to do so, will definitely affect the future image of the SBE. The most important thing they should do is to touch their human resources whose play a crucial role. The speed, good communication, clearness, hospitality, and the system procedures mastering are the quality the customer need. As for the lecturers, SBE should increase their

competences, interpersonal skills, and their empathic for the specific need of the students. When it comes to the infrastructure, one of the first things to improve is the internet connection and the network safety. The internet is frequently used by students, lecturers, and other staff. They sometime went off the grid without any clear reason, which make some of the tasks can not be done in time. The network safety should also improve to ensure everyone that they are safe. The last year incident when several students easily break down the system should never happen again. Other suggestion which could affect the service are the partnership with business organization, reviewing the curriculum and make adjustment according the market needs, maintaining the students lecturer ratio, provide enough and clear budget to support the students activities. Sure there are still many more suggestion, so the SBE does not have any reason to halt their improvement.

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