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THE LOYALTY MODEL OF PRIVATE UNIVERSITY STUDENT
Study Case: STIKOM London School of Public Relation

Leonnard, MComm (Usyd), Heny K.S Daryanto, Ph.D, Dadang Sukandar, Prof, Ph.D, Eva. Z. Yusuf, Ph.D

[1,2,4] Graduate School of Management, Bogor Agricultural University
[3] Departement of Community Nutrition, Faculty of Human Ecology
Bogor Agricultural University
Email: leonnardong@gmail.com, hdaryant@mb.ipb.ac.id, lpkbiner@yahoo.com, eva.yusuf@myriad-research.com

Abstract

This study will investigate Loyalty Model of Private University Student by using STIKOM London School of Public Relation as a study case. This study will examine the model from service quality, college image, tuition fee, trust and satisfaction perspective. Thus, the objective of this study is to examine and analyze the effect of service quality, college image, tuition fee, trust and satisfaction towards students' loyalty; the effect of service quality, college image, tuition fee and satisfaction towards trust; and the effect of service quality, college image and tuition fee towards satisfaction. This study will use survey methodology with causal design. The samples of the study are 320 college student. The gathering of data will be conducted by using questionnaire in likert scale. The analysis of the data will use a Structural Equation Modelling (SEM) approach.

Keywords: loyalty model, service quality, college image, tuition fee, trust, satisfaction, structural equation modelling

FOREWORD

Research Background

The fast development of globalization causes a more massive and competitive competition among individuals, groups, organizations and nations. The intensity of the competition is not only happening in business sector, but also in non business sector like non-profit organizations. This includes the education sector as well. As an illustration, there is a very fierce competition among privete education institutions in Indonesia. The trigger of this phenomena is the fast growth of private universities. Based on Pengurus Pusat Asosiasi Perguruan Tinggi Swasta Indonesia (Aptisi) data, up to 2013, there are 3.135 private education institutions which organize 10.680 programs in Indonesia. Out of those 3.135 private education institutions, around 20% (627) of them is university, 50% (1.568) is non-university (institute and college) and 30% (940) of them is academy/polytechnic. This growth is very rapid, remembering in 1997, there were only 1.293 private education institutions in Indonesia. It means, within less than two decades, the growth of Indonesia's private education institutions is around 142.5%. Ironically, the total number of student in Indonesia is only 1.706.800 which means there are only 544 students of private education institutions students in average. The total of private education institutions in DKI Jakarta is 317 institutions, which consists of: 45 (14%) universities, 139 (44%) non-university (institutes and college) and 133 (42%) academy/polytechnic. this condition makes the private education institutions face a very hard challenge in getting students. It can be seen on the declining percentage of students in each year. It is estimated that around 30%-40% private education institutions in Indonesia are prone to bankruptcy (www.pts.co.id/kondisi.asp/Kondisi).

The condition is getting worse by the emerging existence of foreign university in Indonesia which is formally and legally permitted. Based on Undang-Undang Republik Indonesia Nomor 20 tahun 2003 tentang Sistem Pendidikan Nasional, khususnya Pasal 65, the foreign education insitute which is already accredited in its country can operate its business in Indonesian. This regulation makes

it possible for foreign institutes to compete in Indonesia. If those foreign institutes are financially supported, then this becomes a serious threat for private institutions in Indonesia.

This condition portrays a very fierce competition that private education institutions in Indonesia have to face. This makes some of them try to build a loyalty amongst the student by several ways, for example no entrance exam policy for post graduate students, discount or free building fee and other ways that is considered effective to ensure that the alumni will continue their study in the same institutions. The similar approach is also taken by Communication Institutions – London School of Public Relation (STIKOM-LSPR) Jakarta, which is the object for this study. STIKOM LPR was founded on 1992 by Yayasan Pesona Pribadi Sejahtera. Since 1993, this institution has already accredited by LCCIEB (The London Chamber of Commerce and Industry Examination Board) United Kingdom, the oldest examination organization in London, United Kingdom. In 1997, the institution got a Perhumas award as The Most Preffered in Public Relation School category. In 1998, STIKOM-LSPR was accredited by City and Guilds of London Institute, London United Kingdom. In 2004, it was given an A accreditation by BAN PT (Badan Akreditasi Nasional-PerguruanTinggi). In 2003, it was accredited as one of International Associate of The University of Cambridge International Examination, UK. In 2004, STIKOM-LSPR got an ISO 9001 2001 certification for higher education management, which means that all of its procedures has already met the International standar.

The vision of STIKOM-LSPR is to be a role model of communication institutions and the development in Indonesia as well as to be highly respected nationally and internationally. The mission of STIKOM-LSPR is to run a high-quality education; to prepare qualified graduates that are capable to compete in national and International scope; to prepare graduates that possess good communication skills and competency to be able to fulfill the needs of the industry. In 2012, STIKOM-LSPR received several awards from media industry, such as: The Best Communication School in Buku Panduan Memilih PerguruanTinggi 2012

based on the survey from Pusat Data dan Analisa Tempo, Indonesia Best Graduate School of Communication 2012 based on the survey form MIX magazine, an award from SINDO media as the Distinctive Contribution in education development in Indonesia

STIKOM-LSPR runs an undergraduate program of Communication for Public Relation, Mass Communication, Marketing, Communication and Advertising Visual Design, Performing Arts Communication, and International Relation concentration. As for the post graduate program of Communication, the concentrations are the following: Corporate Communication, Marketing Communication and International Relation. To support the learning activity, STIKOM-LSPR has 3 campuses in 2 locations. Campus A is located on Wisma Dharmala Gedung Annex Jl. Jend. Sudirman, while Campus B and Campus C are located on kompleks Sudirman Park, Jl. KH Mas Mansyur Jakarta Pusat. STIKOM-LSPR provides several facilities that can be accessed easily by the students such as Career center which gives services related to job placement services, career guidance workshop, career counseling, alumni mentorship program, intership program, professional courses; and then Research Center which can be accessed only by student and teaching staffs; Internasional Workshop and Seminar; Conseling Services; Media Center, including Mini TV Studio, Editing Room, and Campus Radio Station; Reading Room; Computer Laboratory; English Division; LSPR Club Activitiest; and Cafetaria and Refreshment Area. Since 1992, STIKOM-LSPR has successfully produced 14.312 graduates from undergraduate and postgraduate program which spread nationally and internationally. Since 2011, STIKOM-LSPR has held LSPR Alumni Award which is given to the alumni that gives meaningful contributions to society as well as to alumni who conducts a significant communication to the community. The award includes these sectors: Public Relation, Marketing, Mass Communicatin, Advertising and Performing Arts (Source: STIKOM-LSPR, 2013).

Like other private education institutions, STIKOM-LSPR also does some efforts to build student loyalty in order to ensure that the undergraduate students will continue their

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postgraduate study in STIKOM –LSPR. However, the factual calculation shows that there are many undergraduate alumni who are not loyal to STIKOM-LSPR, in other words, continue their study in other institutions other than STIKOM-LSPR. Moreover, the number of postgraduate students keeps on declining. The total of postgraduate students in batch 6 = 102, batch 7 = 98, and batch 8 = 70. This condition is very unbeneficial for the development of STIKOM-LSPR, especially in facing a massive and fierce competition among private education Institutions.

There are at least five potential factors/variables contributing to this phenomenon; they are education service quality, university image, tuition fee, satisfaction and trust. In reality, these five contributing factors/variables can influence students' loyalty in continuing their study in STIKOM-LSPR. When the students have a positive perception towards education service quality, university image, tuition fee, feel satisfied and have a trust towards the school, then the students tend to be loyal and willing to continue their study on that particular school. On the contrary, when the students have a negative perception towards education service quality, university image, and tuition fee, feel dissatisfied and distrust the school, then the students tend to be not loyal and unwilling to continue their study on that particular school and prefer to continue their study on other school.

The preceding description shows that there is a disloyalty phenomenon among private education institution graduates towards their school. This phenomenon can be examined causally from education service quality, university image, tuition fee, and satisfaction and trust perspective. On the other hand, there is still a gap research related to those variables. The first gap is there is no research that simultaneously investigates the effect of service quality, image and tuition fee towards trust and satisfaction, as well as its impact on students' loyalty. The existing researches only investigate them partially so that they cannot give a more comprehensive explanation regarding the factors that influence students' loyalty. The second gap is the fact that the past researches still show a different and varied result for the study, as can be seen on Table 1 below:

Table 1: Past Research Result

No	Variables	Researcher	Study Object	Result
1	The effect of Service Quality on Loyalty	• Bloemer, de Ruyter and Peeters (1998)	Service company which includes train, restaurant, travel agency and entertainment company.	Service quality has an effect towards loyalty
		• Yaacob, Ismail and Ismail (2008) • Wu (2011)	Telecommunication Industry Hospital	Service quality does not have any correlation with loyalty
2	The effect of Image towards Loyalty	• Helgesenand Nesset (2007) • Brunner, Stocklin and Opwis (2008) • Cengiz, Ayyildiz and Bunyamin (2007)	Higher Education Institution Train Bank	Image has an effect towards loyalty
		• Ball, Coelho and Vilares (2006)	Bank	Image does not have any effect towards loyalty and has a negative effect coefficient.

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No	Variables	Researcher	Study Object	Result
		• Aydin and Ozer (2004)	Cellular Telecommunication Company	Image does not have any effect towards loyalty
		• Rojas-Mendez (2009)	Higher Education Company	Image does not have any effect towards loyalty
3	The effect of Trust towards Loyalty	• Flavian and Guinaliu (2006) • Dagger and O'Brien (2010) • Ndubisi (2009) • Hennig-Thurau, Langer, and Hansen (2001)	Information Technology Service Company Bank Higher Education Institutions	Trust has an effect towards loyalty
		Mäntymäki and Salo (2010)	Social Virtual Worlds	Integrity as the dimension of trust does not have any effect towards one of trust dimension, which is the intention to use product continously
4	The Effect of Price/Fee towards Loyalty	Garbarino and Lee (2003)	Internet User	Price has a positive effect towards loyalty
		Yieh et al. (2007)	Car Owner	Price does not have any effect toward loyalty

Regarding the phenomena and the preceding gap research, this study tries to give a confirmation in order to ensure the effect of each variable toward loyalty in higher education institution. The objective is to be able to create a model that can accurately explain factors influencing students' loyalty. Based in this urgency, this study is titled THE LOYALTY MODEL OF PRIVATE UNIVERSITY STUDENT (Study Case: STIKOM London School of Public Relation) Jakarta.

Research Problem

Based on the research background, several research problems are proposed:
a. How is the effect of service quality, image, tuition fee, satisfaction and trust towards students' loyalty?
b. How is the effect of service quality, image and tuition fee towards students' trust?
c. How is the effect of service quality, image and tuition fee towards students' satisfaction?

Research Objective

Based on the proposed research problems, the objectives of this study are to discover and analyze:
a. The effect of service quality, image, tuition fee, satisfaction and trust towards student loyalty
b. The effect of service quality, image and tuition fee towards student trust.
c. The effect of service quality, image and tuition fee towards student satisfaction.

Research Limitation

The scope of this research is limited on 2 aspects, research object and research variable. The object is limited on STIKOM London School of Public Relation, Jakarta. While the variable used in this variable are only up to service quality, higher education

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institution image, tution fee, satidfaction, trust and loyalty.

Novelty

The superior novelty of this study is the formation of whole empiritical model about the effect of service quality, higher education institution image and tuition fee towards satisfaction and trust and also its implication towards loyalty by using Structural Equation Modeling(SEM) as a tool analysis. This study uses a higher education institution, specifically STIKOM London School of Public Relation, Jakarta as the study object.

LITERATURE REVIEW

Service Quality

Wyckoff (in Williams and Bueswell, 2003:47) defined service quality as the the degree of excellence intended that meets customer requirements. Other definition about service quality was stated by Parasuraman et al, as quoted by Shahin (2007:2) which implies that service quality is the difference between expected service with actual service. If the expectation is higher than the actual performace, then the experienced quality will be lower compared to the satisfaction, because the satisfaction cannot be triggered.

The service quality approach that is widely used on marketing research is the one developed by Zeithaml, Parasuraman and Berry (1990:2), known as SERVQUAL (service quality model). This approach is developed based on the comparison of two main factors, perceived perception and expected service. This model has 5 dimensions, as following:

   a. Tangibles, which is the appearance or physical facility, equipment, employee and telecommunication tools.
   b. Reliability, which is the ability to give a promised service accurately
   c. Responsiveness, which is the willingness to help the consumers and the ability to give a fast service.
   d. Assurance, which is knowledge, politeness and employees' ability to deliver trust and confidentiality.
   e. Emphaty, which is the degree of care and attention given to the consumers by the employee.

Based on above description, it can be concluded that service quality is the degree of excellence of organizational activities in fulfilling and meeting consumers needs and requirements. The indicators of service quality are tangibles, reliability, responsiveness, assurance and emphaty.

Image

Image can be variedly defined, depends on the context and the emphasizing. Kotler (2000:553) proposed that image is the set of beliefs, ideas and impressions held by a person regarding certain object. Therefore, according to Kotler, image is not only an impression towards object, but also the belief and idea. As for Newsom et al (2010:280), image is an impression of a person or society towards person, corporate or institution.

Related to organization image, whether it is a business, social and education organization, it can use the same definition as the corporate image. Based on Picton and Broderick (2001:25), company image is an impression created by company's identity, which is actually a perception about company owned by the society. Corporate image is a representation of what is in society mind that involves a perception and feeling towards the corporation. Chattananon et al (2007:232) stated that corporate image has two main components, function and emotion. Function component related to intangible characteristic that can be easily measured, while emotion component related to psychology dimensions that can be manifested by evaluation, feeling, and attitude towards the corporation.

Lopez et al (2011: 1603) summarize the definition of image based on several science disciplines, such as organizational behavior, psychology, sociology, strategic and marketing. Based on organizational behavior discipline, image is defined as individual perspective in contemplating his/her organization. While form psychology discipline, image is a symbolic relationship between organization and related parties. As for sociology discipline, image is a representation from inner mind (feeling) and fabrication (communicated illustration). In

strategy discipline, image relates to the creation of external corporate image. In marketing discipline, image is a perception, mental illustration or impression from the society towards certain organization.

To measure corporate image, several ways can be taken, one of them is by viewing its configuration element. Image element is aspects that become an object of corporate image. This image can also be the reference to measure corporate image. Based on Šmaižieno and Oržekauskas (2006: 91), image has three main components:

a. Visual element; this element relates to tangible organizational aspect. It includes organization style, lay out, employee's appearance, brand, exterior, interior, cleanness, lighting and so on

b. Verbal element; this element relates to verbal information that can be exposed to consumer or shareholder, the examples are advertisement, public discussion, and so on

c. Behavioral element; this element relates to management and output of certain organization. The examples are financial report, strategic position, product quality and management, corporate social responsibility and so on.

Based on description above, it can be concluded that image is a set of belief, idea, impression or illustration formed on person's mind about certain objects, which originated from his/her knowledge and experience, measured by several indicators: visual, verbal and behavior.

Cost/Fee

In this study, cost theory refers to price as it has the same essence. The term of price relates to money as the value representation of product or service. Price is one of the factors that have a major role in consumer decision-making process, especially in price allocation and information. The role of price allocation is the price function in helping consumers to decide how to get a maximum expected utility based their purchasing power. The most common perception related to price is that the expensive price reflects a high quality (Tjiptono, 2005; 12).

Kotler (2003, 470) stated that price is a marketing mix elements that generates revenue and in the other hand consumes cost. Price is the easiest to be adjusted marketing mix. Price also communicates the value positioning of certain product or service from company to the market. According to these definitions, price has a wide scope because it is related to revenue, cost and value communication tools. For Buttle (1995: 235), price is the sum of all consumers' sacrifice in getting benefit of certain product. As for Gregorius (2002: 152), price is a visible aspect for the consumers. For the consumers who do not really understand about technical aspect, such as in electronic or automotive product, price is the only determining factor that they understand. Price also often be considered as the indicator of quality

Lovelock and Wirtz (2007: 630) define price as the use of money, time and effort that spent by consumers in buying and using service. On the other hand, Gitosudarmo (2008: 228) stated that price is a sum of money needed to acquire certain product, service or combination of those two.

In measuring consumers' perception towards fee or price that set by the producers, the price satisfaction dimensions developed by Matzler *et al.* (2006: 222) can be used. It includes 5 dimensions, as following:

a. Price transparancy, which states that the company should be clear, comprehensive and relevant in setting the price. This dimension includes several aspects like price transparancy, service that gives information relted to price, completenss, accuracy, direct information about price and explicit information about price..

b. Price quality ratio, which is the comparation between service quality and monetary cost. This dimension is generated from comparing the product or service quality with the fee.

c. Price relative, which is the offered price from the competitor. This comes from comparing company's price with competitor's price.

d. Price confidence, which is the assurance that the price is satisfying for the

consumers. In other words, price is transparant and constanlty low.

e. Price reliability, which is the fulfillment of the expected or perceived price and the prevention of negative price shock. This relates to price stability, no hidden price and a precise price change.

f. Price fairness, which relates to consumers' perception whether the price difference betwen market price and competitor's price makes sense, acceptable and fair. This dimension relates to the correlation between price and social price, no abuse in price setting and no price discrimination.

From preceeding desription, it can be summarized that fee is the sum of sacrifice in form of money to get certain product or service which measured by several indicators: transparancy, quality ration, relative price, confidence, reliability and fairness.

Consumer satisfaction

Experts define consumer satisfaction from many different perspectives. Morgan and Hunt (1994) categorize consumer satisfaction definition into several perspectives: normative deficit definition, equity definition, normative standard definition, procedural fairness definition and attributional definition. Based on normative deficit definition, consumer satisfaction is the comparison between actual outcome and culturally accepted outcome. Based on equity perspective, consumer satisfaction is the comparison of benefit acquired from social exchange. If the benefit is not same as the expected, then the consumers will feel dissatisfied. Normative standard perspective defines consumer satisfaction as the comparison between actual outcome and consumers' standard expectation (the one formed form experience and belief regarding the outcome that they should get from certain brand). Procedural fairness perspective states that consumer satisfaction is the belief/perspective of the consumers that they have been treated fairly. While attributional perspective states that satisfaction is not only determined by the existence of expectation disconfirmation, but also by the source of disconfirmation.

Chan et al, (2003) also classified consumer satisfaction definition into three perspectives: product attribute perspective,

seller perspective and consumer experience perspective. Product perspective definitions of consumer satisfaction are proposed by Parasuraman *et al.* (1990) and Tse and Wilton (1988). They defined consumer satisfaction as the respond towards evaluation of the difference experienced in comparison between expectation and actual performance of the product. Seller perspective definitions are proposed by Andreassen (2000), Boulding *et al.*, (1993), Holbrook and Corfman (1985), and Johnson *et al.* (1995) which defined consumer satisfaction as the evaluative assessment after consumption or transaction. Consumer perspective definition, as stated by Fornell (1992) and Johnson and Fornell (1991), defined consumer satisfaction as the overall evaluation, which based on overall transaction and consumption experience of certain product on a particular period.

For Swan and Bowers (1993), satisfaction is a post-purchased behavior. Consumer satisfaction involves cognitive and affective aspect in pre-purchased, purchased and post-purchased phase. The evaluation of consumer satisfaction is very heterogenetic. It is different among the customers, point of contact and companies, in that case, the comprehension about consumer satisfaction need to be explored and strengthened in all kind of companies and industries.

Oliver and Zeithaml *et al.* (in Jun *et al.*, 2004: 822) defined consumer satisfaction as the customer's post-purchase comparison between pre-purchase expectation and performance received. While Gaspersz (2002) defined consumer satisfaction as a condition where consumers needs and expectation could be fulfilled by the product consumed. Gasperz then formulate consumer satisfaction mathematically, where consumer satisfaction (Z) is the ratio between the actual performance quality experienced by the consumer (X) and the needs, wants and expectations of the consumers (Y). Meanwhile, Chun and Davis stated consumer satisfaction could be defined as the pleasant surprise experienced by the consumers when getting the unexpected value and satisfaction from the product.

Olsen et al. (in Espejel et al., 2008: 867) defined consumer satisfaction as the overall evaluation of feeling towards a product or service. Then Giese and Cote (in Espejel et

al., 2008: 867) defined three basic components of satisfaction concept: (1) an emotional or cognitive response (2) a response related to particular focus, like expectation, product or consumption experience, and (3) response in certain occasion. Besides that, Bleuel (2007:1) defined consumer satisfaction as the conviction that the product and service performance has already met consumer expectation. It is further explained that consumer satisfaction happened when the perception of the value form purchasing certain product or service exceeds the sacrifice spent for getting the product. On the other hand\, Kotler and Keller (2012: 127) defined consumer satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations.

Vinagre and Neves (2008) used three dimensions to measure consumer satisfaction. The first dimension is expectation. Expectation is the focus of satisfaction literature investigation. In this case, satisfaction happens when product or service performance exceeds or at least same with consumer expectation. The second dimension is emotion, which is the set of response commonly happens during consumer experience. Consumer satisfaction in a higher extent involves positive and negative emotion. The third dimension is involvement. In consumer psychology, involvement is a motivational construct that influences the set of consumer behavior. Although involvement is a complex construct, it is predicted that this can be seen when the service is congruent with service characteristic and consumer needs. Referring to preceding explanation, then to measure consumer satisfaction, this study will use expectation, emotion and involvement indicators.

Based on the description above, it can be concluded that consumer satisfaction is a person's pleasant or disappointing feeling upon comparing product/service performance in relation of his/her expectation where this feeling is measured by following indicators: expectation, emotion and involvement.

Trust

Trust often involves two or more parties who have interaction or interest. In the context of producer and consumer relation,

based on Ganesan (1994: 3), trust is the credibility which shows how far the consumer believe that the producer has an ability to conduct certain activity effectively and reliably. Trust relates to company's intention to rely on its business partner. Besides that, trust is also benevolence because it is based on how far the company believes that its partner has a beneficial intentions and motives.

Besides that, Rousseau *et al* (in Mollering, 2006: 7) gave a widely accepted definition of trust, which is a psychological condition where a person is willing to accept an unpleasant condition because he/she expects a positive expectation of others' willingness or behavior. The similar view is stated by Mayer *et al* (in Molleting, 2006: 8) which defined trust as the willingness of a party to accept unpleasant behavior from other party where this willingness is based on the expectation that the other party will do an important thing for the trust giver. For Robbins and Judge (2—7: 392), trust is a positive expectation that other party- whether by words, action or decision- would not take any chance to hurt him/her. Then according to McShane and Von Glinow (2008: 120), trust referred to a positive expectation towards someone in a risky condition. Trust can also be defined as rely the fate onto someone or other party. Meanwhile, Colquitt *et al.* (2009: 219) defined trust as the willingness to rely himself/herself onto the authority, which based on the positive expectation of the action and attention of that authority.

Trust in the context of producer and consumer relation is very important to be developed and organized in order to retain a long-term commitment. Building a trust is not easy because the process tends to be slow. This happens because at first consumer and producer need to have a satisfying experience as the base of the trust. From consumers' perspective, a big company would trust and develop a long-term commitment with the supplier if the supplier is dedicated (Mullins and Walker Jr., 2010: 140). Related to this term, Kotler (2003:156) stated that trust is a cognitive component of psychological factor. Trust relates to a conviction that something is right or wrong based on proof, belief, authority, experience and intuition. Then Sitkin et al. (Sirdeshmusk, 2010: 150), proposed a basic definition of trust which defined trust as

the psychological condition in form of intention to accept the uncertain positive expectation regarding someone's intention or behavior. Thus, trust has two main definitions. The first is the positive expectation of consumer related to exchange intention and behavior which focusing the attention to the belief that the exchanging partner will be responsible, show an integrity and harmless. Second is a behavior where the trust related to one's intention to rely onto exchange partner to accept contextual uncertainty, which focusing on behavior tendency of one person to exchange partner.

Robbins and Judge (2007: 392-393) mentioned four key dimensions of trust concept, as following:

a. Integrity, which refers to honesty and righteousness

b. Competency, which relates to knowledge, technical and interpersonal skill possessed by an individual

c. Consistency, relates to reliability, predicting ability and individual evaluation in handling certain situation

d. Openness, according to DeVito (2001: 138), openness refers to three interpersonal communication aspects, which are: willingness to revelation of self, as long as that revelation is adequate; willingness to be honest towards someone's opinion; having feelings and thoughts

Meanwhile, Mayer et al. (1995) and Rindings et al. (2002) (in Casalo et al., 2007: 779) proposed that trust consist of three aspects, which are competence, honesty and benevolence. Competence relates to consumer perception regarding others' ability and knowledge in fulfilling their relation and needs (Coulter dan Coulter, in Casalo et al., 2007: 779). Honesty is a conviction that two related parties will stick to each words, fulfill each promise and sincere. (Gundlach and Murphy in Casalo et al., 2007: 779). Benevolence is the belief that someone is interested in others' well-being. Specifically, benevolence is a condition where other party is willing to make an effort in order to reach collective goals.

Based on explanation above, we can conclude that trust is a positive expectation in form of inner conviction that other party can fulfill the expectation. Trust can be measured by following indicators: integrity, competency, consistency, openness and benevolence.

Loyalty

Javalgi and Moberg (1997: 167) stated that loyalty can be viewed from two perspectives. The first one is from behavioral term perspective, it is based on the quantity bought and measured by monitoring buying frequency and switching cost. The second one is from attitudinal perspective, which is the merger of consumer preference and tendency towards certain product to determine loyalty level.

Caruana (2002: 820) updated the loyalty concept by including cognitive component. In this case, loyalty includes the conscious alternative evaluation process in purchase decision making. Loyalty based on cognitive component is reflected on the first product or service crossed on consumers mind and the first product or service chosen of all available alternatives. The current loyalty concept has developed into loyalty of intangible product (service). According to Hurriyati (2006), loyalty is consumer commitment to keep on repurchasing certain product consistently in the future, even though exposed to other company marketing effort, which has a possibility to alter consumer behavior.

According to Oliver (1997: 392), loyalty is a deeply held commitment to rebuy or re-patronize a preferred product or service consistently in the future. Meanwhile, East, Hammund, Harris and Comad (2000: 72) defined loyalty as a positive behavior towards particular store or brand. Gremler (1999: 273) explained that consumer loyalty is an extent shown by the customer in repurchases behavior, a positive attitude towards service provider and a tendency to use service from the same company when there is an urgency to fulfill certain needs. For Gremler and Brown (in Kotler, 2000: 74), customer loyalty is a feeling of attachment to or affection for a company's people, products or service.

Fay (in Kendrick, 1998: 314) stated that consumer loyalty is a condition where the consumers consistently spend their allocated budget to buy a product or service form the same producer. A similar definition is also proposed by Newman and Werbel, and by

Bellenger and Dwyer (in Bloemer and de Ruyter, 1999: 1086). They stated that in reality, consumer loyalty is a situation where certain products crossed in consumers' mind when they have to make a decision regarding a purchase. Meanwhile, Sheth and Mittal (2004: 126) said that consumer loyalty is a consumer commitment towards particular brand, store or retailer, shown by a very positive attitude and reflected by a consistent purchase behavior. In a service marketing context, Bendaputi and Berry (in Tjiptono, 2005: 42) defined consumer loyalty as a response related to a pact or promise to stick to the commitment of continuing relation, and it is usually reflected by a continuing purchase behavior towards the same service provider, whether the motif is because dedication, or pragmatic constraint.

According to Zeithaml (in Yu and Dean, 2001: 243), there are four aspects can be used to measure loyalty. The first one is positive word of mouth. This positive communication can be in form of recommending to friends, telling positive things about the product and encouraging others to use the product. The second is complaint behavior. This is shown by complaining about the problem in using the product to the employee or the supervisor. The third one is switching behavior. This is shown by the effort to switch to other company's product, tempted by other company's offer and accepting other company's offer. The fourth one is willingness to pay more. This aspect is related to consumer willingness to keep on buying and paying for the product although there is an increase in the product's price.

Based on description above, it can be concluded that loyalty is a consumers' intensity portrayed by repurchase behavior, positive attitude towards the company as a service provider and a tendency to use the same service when the needs arise. This is measured by following indicators: positive word of mouth, no switching behavior, no complaint behavior and willingness to pay more.

Relevant Research

A research form Bloemer and de Ruyter (1999) proved that service quality has an effect towards loyalty. It is also proven by a research from Yu, Chang and Yuang (2006)

which shows that service quality has a positive relation with loyalty. This finding is also supported by a research from Roostika (2011) which proved that service quality has an effect towards loyalty

A research form Cengiz, Ayyidiz and Bunyamin (2007) concluded that company image has an effect towards loyalty. Brunner, Stocklin and Opwis (2008) who conducted a research about satisfaction, company image and loyalty, found out that company image have a significant effect towards loyalty. In the context of education environment, a research from Helgesenand Nesset (2007) can be used as a reference. It showed that image has an impact towards loyalty.

A research in service industry (sanatorium) from Virvilaite, Saladiene and Skindaras (2009) which used 112 respondents and analyzed by OLS regression showed that price has an effect towards loyalty.

A research from Beerli, Martin and Quintana (2004) which investigated about the loyalty in banking industry showed that consumer satisfaction is a significant factor in influencing the consumer loyalty. This research is also supported by a research from Martin-Consuerga, Molina and Esteban (2007) which showed that consumer satisfaction is significantly influencing loyalty. Espejel, Fandos and Flavian (2008) conducted a research about consumer satisfaction's key role in food industry and then analyzed this research using SEM showed that satisfaction has a significant effect towards loyalty.
Ndubisi (2009) proved that trust is a significant variabel in influencing loyalty. This is also supported by Dagger and O'Brien (2010) which shown that trust has a significant impact towards loyalty. In the education institution context, a research conducted by Hennig-Thurau, Langer and Hansen (2001) also proved that trust has an effect towards loyalty.

A research from Chen (2006) shown that service quality is significantly influencing trust. Specifically, in the education environment context, a research conducted by Rojas-Mendez et al (2009) showed that service quality has an impact towards trust. A research from Ball, Coelho and Vilares (2006) showed that image has a significant impact to trust. This is also supported by a research by Lin and Lu (2010) which portrayed that image has an

effect towards trust. A research from Garbarino and Lee (2003) showed that dynamic pricing has an effect towards trust. A research from Ranaweera and Parabhu (2003) showed that consumer satisfaction has a significant relation with trust. This result is also supported by a finding in Akbar and Parvez (2009) research, which discovered that consumer satisfaction, has a significant effect towards trust.

A research form Bei and Chiao (2001) showed that consumer perception towards service quality has an effect on consumer satisfaction. A research conducted by Amin and Isa (2008) also showed that service quality, which projected by physical evidence, responsiveness, reliability, assurance, empathy, and compliance has a significant impact on consumer satisfaction. A research from Padma, Rajendran and Lokachari (2010) which had a hospital in Indina as object and 204 patients and also nurse as a subject and analyzed by regression, showed that service quality has a significant effect on satisfaction. A research from Alves and Raposo (2010) proved that image has an impact on student satisfaction. Palacio, Meneses and Perez (2002) also conducted a research about an effect of image towards student satisfaction in one of Spain University. The result of this research is that an image has an effect towards satisfaction. A research from Hermann *et al.* (2007) showed that price fairness has a direct relation with consumer satisfaction. The relevance of all this researches with this study is the purpose of the study that is testing the effect of price towards consumer satisfaction

Research Framework

Based on the literature review and the result from past relevant researches, it can be concluded that service quality, higher education institution image and tuition fee has effects towards satisfaction and trust, thus this implies on consumer loyalty. The constellation of causality among variables can be constructed into following research framework, as can be seen on Figure 1 below
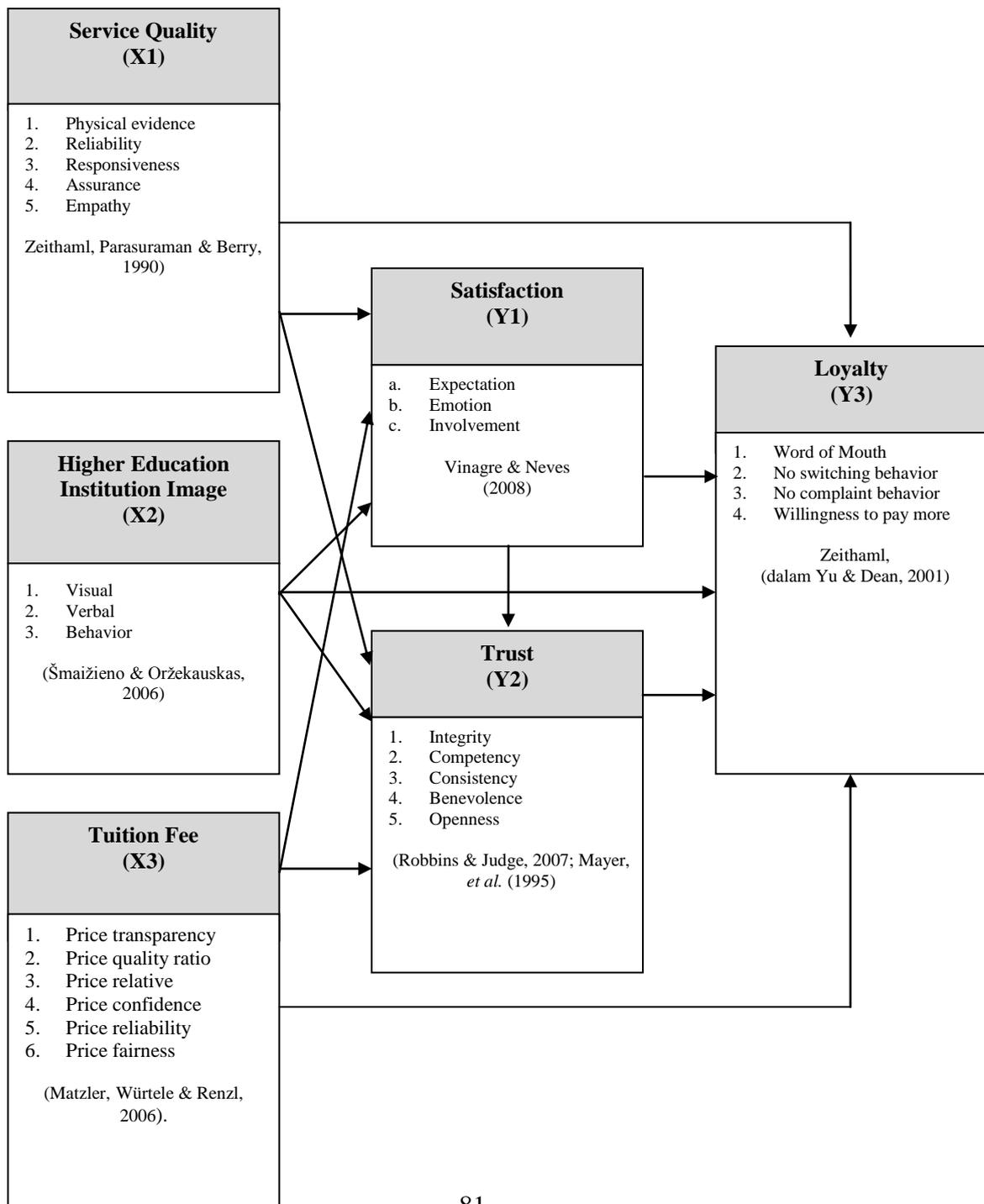
Figure 1: Research Framework

Research Model

This study uses Structural Equation Modeling analysis, with a research model shown in Figure 2 below:
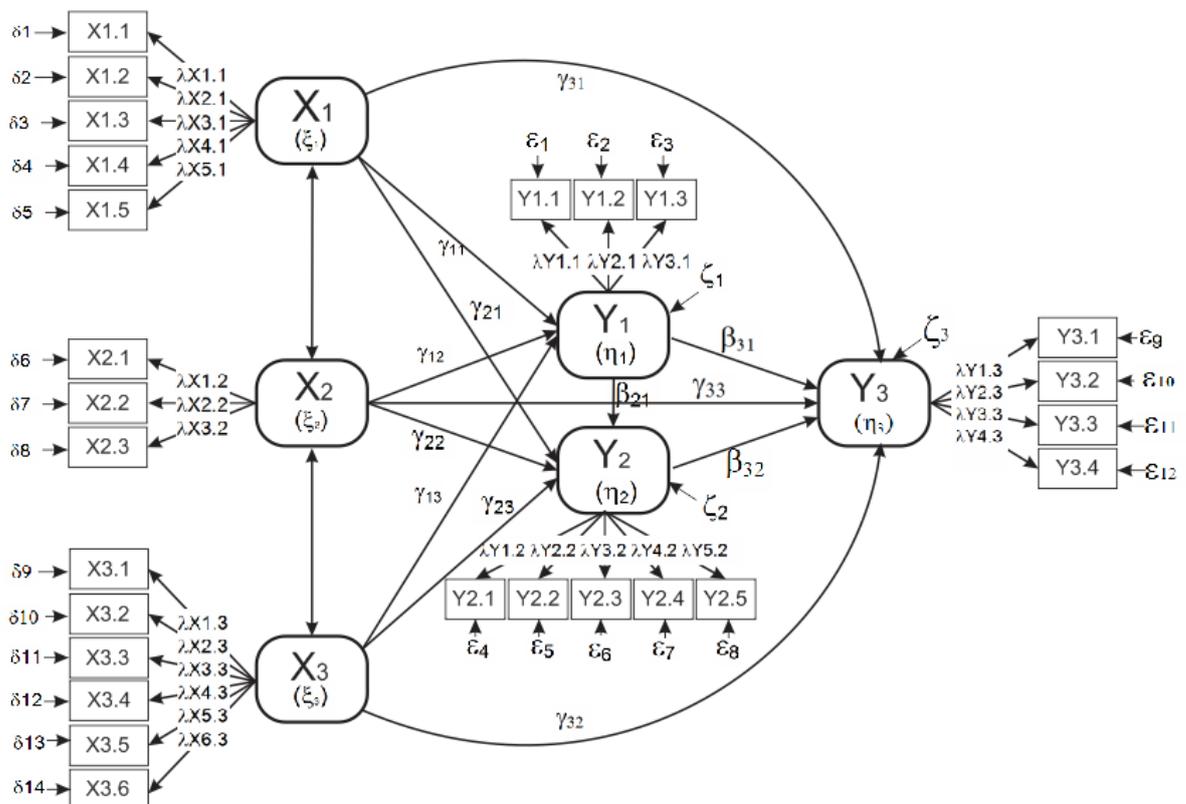

Figure 2: Research Modell

Notes:

ξ_1 = Exogenous Latent Variabel Service Quality (X1)

ξ_2 = Exogenous Latent Variabel Higher Education Institution Image (X2)

ξ_3 = Exogenous Latent Variabel Tuition Fee (X3)

η_1 = Endogenous Latent Variabel Satisfaction (Y1)

η_2 = Endogenous Latent Variabel Trust (Y2)

η_3 = Endogenous Latent Variabel Loyalty (Y3)

γ = The effect of exogenous latent variabel on endogenous latent variable

β = The effect of endogenous latent variabel on endogenous latent variable

λ = Relation between exogenous and endogenous latent variable with their indicators

δ = Measurement error of exogeneous variable indicator

ε = Measurement error of endogenous variable indicator

ζ = Error in equation, which is between exogenous variable and endogenous variable or between endogenous variable and endogenous variable

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Research Hypothesis

Based on the result of relevant researches and research framework, these following hypotheses are proposed:

H_1:   There is a positive effect of service quality on student loyalty

H_2:   There is a positive effect of higher education institution image on student loyalty

H_3:   There is a positive effect of tuition fee on student loyalty

H_4:   There is a positive effect of satisfaction on student loyalty

H_5:   There is a positive effect of trust on student loyalty

H_6:   There is a positive effect of service quality on student trust

H_7:   There is a positive effect of higher education institution image on student trust

H_8:   There is a positive effect of tuition fee on student trust

H_9:   There is a positive effect of satisfaction on student trust

H_{10}:   There is a positive effect of service quality on student satisfaction

H_{10}:   There is a positive effect of higher education institution image on student satisfaction

H_{10}:   There is a positive effect of tuition fee on student satisfaction

RESEARCH METHODOLOGY

Research Design

The method used in this research is survey method with causal design

Population and Sampel

Research population is 1088 students of STIKOM London School of Public Relation Jakarta, with this specification: 920 students from sixth and seventh semester undergraduate program (S1) and 168 students from graduate program (S2). The number of samples used in this research is 260 students (10 x 26 research indicators). The method of sample collection is proportional random sampling, based on study level and concentration determined by random table.

Operational Definition of Research Variable

Variables in this research are service quality, image, tuition fee, satisfaction, trust and loyalty. In order to be able to measure all variables, we need to operationalize the variables into the operational definition as following:

Table 1: Operationalization of Variables

No	Definition of Variable	Indicator	Source	Scale
1.	Service quality is the degree of excellence of organizational activities in fulfilling and meeting consumers needs and requirements.	a. Physical Evidence b. Reliability c. Responsiveness d. Assurance e. Empathy (Zeithaml, Parasuraman & Berry, 1990.)	Questionnaire with 1-5 Likert Scale	Ordinal
2	Image is a set of belief, idea, impression or illustration formed on person's mind about certain objects, which originated from his/her knowledge and experience	1. Visual 2. Verbal 3. Behavior (Šmaižieno & Oržekauskas, 2006)	Questionnaire with 1-5 Likert Scale	Ordinal

No	Definition of Variable	Indicator	Source	Scale
3	Fee is the sum of sacrifice in form of money to get certain product or service	a. Price Transparency b. Price Quality Ratio c. Price Relative d. Price Confidence e. Price Reliability f. Price Fairness (Matzler, Würtele & Renzl, 2006).	Questionnaire with 1-5 Likert Scale	Ordinal
4	Consumer satisfaction is a person's pleasant or disappointing feeling upon comparing product/service performance in relation of his/her expectation	a. Expectation b. Emotion c. Involvement (Vinagre & Neves, 2008)	Questionnaire with 1-5 Likert Scale	Ordinal
5	Trust is a positive expectation in form of inner conviction that other party can fulfill the expectation	a. Integrity b. Competence c. Consistency d. Benevolence e. Openness (Robbins & Judge, 2007; Mayer, *et al*., 1995)	Questionnaire with 1-5 Likert Scale	Ordinal
6	Loyalty is a consumers' intensity portrayed by repurchase behavior, positive attitude towards the company as a service provider and a tendency to use the same service when the needs arise	a. *Word of Mouth* b. No Switching Behavior c. No Complaint Behavior d. Willingness to Pay More (Zeithaml, in Yu & Dean, 2001)	Questionnaire with 1-5 Likert Scale	Ordinal

Data Collection Technique and Instrument Testing

This study uses questionnaire to collect the data. The questionnaire uses likert scale with following answering alternatives: Very Agree/Always (5), Agree/Often (4), Slightly Disagree/Sometimes (3), Disagree/Seldom (2), Very Disagree/Never (1). Before using this questionnaire to gather the research data, we will firstly test the validity and reliability of the questionnaire. Validity test will be conducted by using Product Moment Pearson Correlation, while the reliability test will be conducted by using Alpha Cronbach formula (Azwar, 2003: 43)

Data Analysis Technique

The hypothesis testing is conducted by Structural Equation Modelling approach. According to Hair, *et al* (1995), SEM is often used in various context of research like in education, marketing, psychology, sociology, management, testing and measurement, health, demography, organizational behavior and biology. The basic formulation of Structural Equation Modeling can be summarized as following:

$$Y_1 = X_{11} + X_{12} + X_{13}.... + X_{1n}$$
$$Y_2 = X_{211} + X_{22} + X_{23}.... + X_{2n}$$
$$Y_m = X_{m1} + X_{m2} + X_{m3}.... + X_{mn}$$

To ensure that the result of data analysis in not bias, the data used in SEM analysis should meet several assumptions, or BLUE test (Best Linear Unbiased Estimator). According to Ghozali and Fuad (2005: 36), there are at least two tests that must be

conducted in using the LISREL: normality test and multicollinearity test. According to Ferdinand (2002), the collecting and analyzing procedure when using SEM must meet these assumptions:

a. Sample size: the requirement of sample size in SEM is at least 100, or has to use ratio of 5 observed variable for every estimated variable

b. Normality and linearity: The distribution of the data should meet the normality assumption in order to be qualified to be used in the study

c. Outliers: Outliers is a data that has a unique characteristic and different with any other data. It appears as an extreme, whether in a single or combined variable.

d. The scale of independent and dependent variable of the study must be at least in interval form

According to Ghozali and Fuad (2005: 157), there are several steps in structural equation modeling:

a. Model conceptualization. This step relates to hypothesis development (based on relevant theory) as a basis of combining the latent variable with other variable latent, and with the indicators. In other words, a formulated model is a perception of how latent variable related to each other based on theory and proof from our study discipline. The model conceptualization also has to reflect the measurement of latent variable through various measurable indicators

b. Path diagram construction. This step will facilitate us in visualize the proposed hypothesis in model conceptualization step. Although Lisrel can be operated by using equation, the path diagram usage is much recommended. Model visualization will reduce error degree in model conceptualization. The benefit of path diagram construction will be much cleared when we discuss another steps in SEM

c. Model specification and illustration of the number of estimated parameter: the analysis of data could not be conducted as long as this step has been finalized. LISREL program has two kinds of language: LISREL programming language and SIMPLIS. In LISREL programming

language, an extra caution is needed in ensuring that the constructed model already be represented on mathematical model. As in SIMPLIS command, a complex mathematical model is not needed, and it is possible to write down variable name and determine its relationship by using transcription, as well as basic mathematical symbol like equal to (=) and arrow sign (→)

d. Model Identification. The information acquired from the data is tested to determine whether this information has already estimated the parameter in the model. Here, a unique value for all parameters must be acquired. If the unique value cannot be acquired, then a model modification may be conducted on order to be able to do the identification before doing the parameter estimation

e. Parameter estimation. After the structural model can be identified, then the parameter estimation can be discovered. In this step, parameter estimation of the model is acquired because LISREL as well as AMOS program try to create a model-based covariance matrix which congruent with the observed covariance matrix. Significance testing is conducted to determine whether the parameter created is significantly different with zero

f. Model fitness evaluation. A model is considered to be fit of model-based covariance is the same with observed covariance matrix. Model fitness can be measured based on several index fit (for example RMSEA, RMR, GFI, CFI, TLI, NFI, etc). Model fitness and its criteria will be determined on the next chapter. After conducting the model fitness evaluation, then the research model is tested to determine whether model modification is needed or not. This modification, however, should be based on the relevant theory.

g. The last step of this process is the cross-validation of the model, which is testing the fitness of the model to new data (or validation of sub-sample acquired from splitting-sample procedure). This cross-validation is important if there is a substantial modification conducted in the original model.

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SEM analyses used in this study are multi sample analysis; because LISREL program can be used to analyze data from various source simultaneously (Ghozali and Fuad, 2005: 217). In this study, the grouping of sample is based on student loyalty level, which is the student

who are already loyal, and those who wants to be loyal. Graduate students (S2) represent the loyal category, while the under graduate students (S1) represent the intend-to-be-loyal category.

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