

## Conference Paper

### Analysis of Community Trust Formation Against UPN "Veteran" East Java

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#### Abstract

At present the study of factors influencing public trust in Higher Education in Indonesia has received enough attention from researchers to conduct a more in-depth study so that decisions taken by Higher Education are on target. Therefore, the trust of the public as consumers of Higher Education services is an important thing that needs to be known by the Higher Education with the aim of knowing what things are affecting people's trust in loyalty to UPN College "Veteran" East Java. UPN "Veteran" East Java must continue to improve the quality of its academic services so that public trust will increase so that it will generate a strong sense of loyalty towards UPN "Veteran" East Java. The following study intends to discuss the continued importance of Brand characteristics, Company characteristics and Consumer brand characteristics in shaping public trust in loyalty to UPN "Veteran" East Java. The population in this study were all prospective students of the University of National Development "Veteran" East Java who registered through an independent path. The sampling technique used in this study is a probability sampling technique where each element of population has the same opportunity to become a sample. While the method used is the stratified proportional random sampling method, the sample in this study were prospective independent students of UPN "Veteran" East Java, Data analysis was carried out by using the component-based SEM method using PLS chosen as an analytical tool in this study. The results of this study indicate that Brand characteristics, Company characteristics and Consumer brand characteristics contribute to Loyalty towards UPN "Veteran" East Java.

**Keywords:** Brand characteristic, company characteristic, customer brand characteristic, loyalty

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#### INTRODUCTION

Services are a unique industrial field. It is said to be unique because this field has characteristics that distinguish it from the manufacturing industry. The most obvious uniqueness is in its nature which does not cause the transfer of ownership. In service transactions, ownership transfers do not occur, what happens is the addition of value. Value addition in the service industry is a major problem because the exchange process or transaction is said to succeed when all parties involved in the process get something that is in accordance with their sacrifice. The essence of the exchange is to sacrifice something to get another, it is expected that what is gained exceeds what is sacrificed. The difference in service and manufacturing organization lies in the human role or employee. The nature of services that are inseparable in which production and consumption are carried out simultaneously makes the interaction between employees and consumers during the service transfer process very influential on consumer perceptions of service quality (Grönroos, 1982; Hartline and Ferrel, 1996 ; Surprenant and Solomon, 1987) and this makes employees play

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an important role in service processes (Herrington and Lomax, 2003) even employees are often perceived as services themselves (Shostack, 1977).

In consumer behavior, trust is a perspective of consumer experience after consuming or using a product or service (Schifman and Kanuk, 2007). It can happen that in actual terms, a product or service has the potential to meet customer expectations but it turns out that the results of customer perceptions are not the same as what the producer wants. This can happen because of the gap between what is perceived by the producer (company) and what is perceived by the customer.

According to Riana (2008; 186) stating customer loyalty to product brands is a very important concept, especially in conditions of very tight competition with low growth. In such conditions brand loyalty is needed so that the company can survive. In addition, efforts to maintain brand loyalty are a more effective strategic effort compared to efforts to attract new customers. Suggests that loyalty can be based on the buying behavior of a product that is associated with the proportion of buyers.

UPN "Veteran" East Java which changed its status to State University as of October 6, 2014 must continue to improve the quality of its academic services so that public trust will increase. The following study intends to discuss the importance of the role of human resources in educating the community loyalty to UPN "Veteran" East Java. Furthermore, the study will begin from a discussion of the role of humans in the service industry, then proceed with the exploration of the concept of trust and finally the discussion of the role of employees in efforts to establish consumer trust and the elements that will make consumers loyal.

Formulation of the problem.

From the formulation of the problem and the research objectives above, research questions can be made as follows:

1. Does public trust affect the loyalty of the "Veteran" East Java MU.
2. To find out the factors of public trust in loyalty at UPN "Veteran" East Java.
3. To find out what strategies will be applied by UPN "Veteran" East Java.

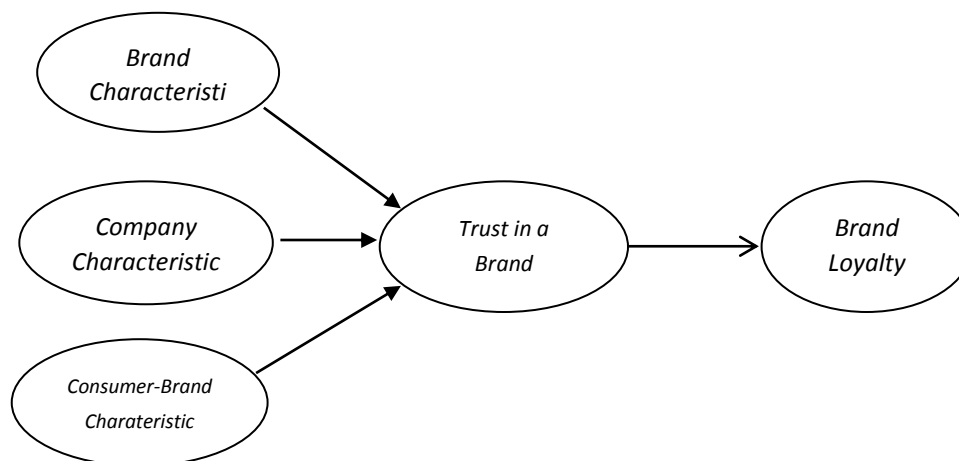
### **Theoretical basis**

By definition, services are activities that have formless elements that involve interaction with customers or with something owned by customers, but do not result in the transfer of ownership. The exchange process that occurs in this field is different from manufacturing although there are agreement between the two parties involved in the process to hand over valuable property (consumers) in order to get something from the producer but an important characteristic here is that there is no transfer of ownership. Therefore, without the transfer of ownership, the center of attention in this process is the quality of interactions between employees and customers that occur.

In general, both for the service industry and manufacturing, the basis of long-term relationships with consumers lies in consumer trust in the company. Trust is the essence of the complexity of relations between humans. This concept represents a component of future quality-centered relationships. Trust can be said to exist when there is willingness of consumers to rely entirely on future corporate behavior (Bruhn, 2003).

Consumers who have confidence in the brand will make consumers not move to other brands. If the trust in a brand owned by consumers increases, brand loyalty will also increase. When consumers believe in a brand, consumers will show more positive attitudes and behavior to a brand because the brand produces positive results.

## Research Hypothesis



## METHODS

### *Operational Definition of Variables*

The operational definitions of the variables to be discussed in this study are:

Trust in a Brand (X)

Is the level of consumer confidence in the product. Riana (2008: 197), brand trust formed 3 factors as follows:

a. Brand Characteristic (X1)

Is a brand characteristic that is related to consumer trust in conducting an assessment before buying.

Brand Characteristics (X1) are formed by 6 indicators, including:

X1.1 Brands with high reputation Represents the reputation achieved by PT.

X1.2 Positive news about the brand is positive information circulating in the community about PT.

X1.3 Consumer knowledge about the brand is the knowledge of consumers about PT

X1.4 A brand that is consistent with its quality is a PT that is consistent in its quality

X1.5 Different from other brands is a difference between PT and other similar PT

### *Company Characteristic (X2)*

It is a consumer assessment of universities based on the knowledge held by consumers. The characteristics of Higher Education can influence the level of consumer confidence in the Company Characteristic Higher Education (X2) formed by 4 indicators including:

X2.1 Trust in Higher Education is consumer trust in Higher Education that can affect consumer confidence in PT.

X2.2 Higher Education will not deceive consumers is a consumer's assessment of a PT that has a good reputation and a sense of security received by consumers, so that consumers will trust the PT

X2.3 College attention to consumers is PT's concern for consumer complaints

X2.4 Consumer confidence in Higher Education is a belief held by consumers to receive products produced by PT

### *Consumer-Brand Characteristic (X3)*

It is the consumer's trust in a brand that can create product loyalty. The characteristics of the consumer-brand are two groups that influence mutual trust in the brand. Consumer-Brand Characteristic (X3) is formed by 3 indicators including:

X3.1 The existence of brand similarities with consumer emotions is a perception created by PT to consumers to provide satisfaction

X3.2 Is a favorite brand is a consumer choice that falls on the PT in accordance with his taste.

X3.3 A brand that matches the personality of the consumer is the level of suitability of the PT with the personality possessed by the consumer

### ***Brand Loyalty (Y)***

It is a commitment to re-purchase products in the future.

According to Riana's statement (2008: 197), loyalty is measured by 3 indicators:

Y1 Always buy

Y2 Recommend to other consumers

Y3 Willing to pay higher

The population in this study were all prospective students of the University of National Development "Veteran" East Java who enrolled through independent channels. The sampling technique used in this study was a probability sampling technique where each element of the population had the same opportunity to become a sample. While the method used is the stratified proportional random sampling method. The sample in this study were new prospective students of the "Veteran" UPH independent pathway. The number of samples in this study were 100 prospective students.

There are two types of data in this study, primary data (questionnaire) and secondary observation data, as well as direct interviews. Data collection in this study is a questionnaire.

The data analysis technique in this study is the data analysis carried out using the component-based SEM method using PLS chosen as the analysis tool in this study. Partial Least Square (PLS) technique was chosen because this device is widely used for complicated causal - predictive analysis and is a suitable technique to be used in predictive applications and theory development as in this study.

## **RESULT AND DISCUSSION**

### ***Measurement Model Testing (Outer Model)***

The next step is to assess the outer model (Measurement Model) by looking at the outer loading and composite reliability of the construct.

Table 1. Outer Loading, the results of the first test with PLS produce outer loading

	<b>Original Sample Estimate</b>	<b>Mean of subsamples</b>	<b>Standard Deviation</b>	<b>T-Statistic</b>
<b>TRUST IN A BRAND</b>				
Brand Characteristic	0.837	0.842	0.084	9.987
Company Characteristic	0.841	0.801	0.071	11.838
Consumer_Brand Characteristic	0.859	0.812	0.106	8.101
<b>BRAND LOYALTY</b>				

Y1	0.829	0.820	0.060	13.782
Y2	0.579	0.540	0.126	4.582
Y3	0.523	0.540	0.117	4.459
Y4	0.811	0.800	0.060	13.516

To find out the validity indicators on the model can be seen from outer loading which is measured by the loading factor (original sample estimate) and t-statistic. Loading factor (original sample estimate) is a correlation between indicators and variables. If the factor loading is  $> 0.5$  then the correlation is called valid and if the t-statistic is  $> 1.96$  (the value of Z at  $\alpha = 0.05$ ) then the correlation is called significant.

Based on the outer loading table above, then the variables with reflective indicators are brand loyalty, where all indicators of the variable have a loading factor (original sample estimate) greater than 0.50 and / or significant (T-Statistic value is more than the value of Z  $\alpha = 0.05$  (5%) = 1.96), so that the indicator is a measure / indicator of that variable. Overall the estimation results have met converging good validity and validity.

#### ***Discriminant validity on reflexive indicators can be seen in cross-loading***

Another way to assess discriminant validity is by comparing square root of average variance extracted (AVE) for each variable with correlation values between variables. The model has high discriminant validity if the AVE root for each variable is greater than the correlation between construct. If the AVE root value is higher than the correlation between other variables, it can be said that this result shows that high discriminant validity.

Table 2. Average variance extracted (AVE)

	Average variance extracted (AVE)
Trust in a brand	
Brand loyalty	0.589

The next measurement model is the value of Average Variance Extracted (AVE), ie the value indicates the magnitude of the indicator variant contained by the latent variable. Convergent AVE values greater than 0.5 also indicate the adequacy of good validity for latent variables. The reflective indicator variable can be seen from the value of Average variance extracted (AVE) for each construct (variable). A good model is required if the AVE value of each construct is greater than 0.5. The test results show that the AVE value for the construct (variable) Brand Loyalty has a value greater than 0.5, so it is valid.

#### ***Composite Reliability Composite reliability is an index that shows the extent to which a measuring device can be relied upon***

If a tool is used twice to measure the same symptoms and the measurement results obtained are relatively consistent, the tool is reliable. In other words, reliability shows a consistency of measuring devices in the same symptoms. The full results can be seen in the following table:

Tabel 3. Composite Reliability

	Composite Reliability
Trust in a brand	
Brand loyalty	0.786

Construct reliability measured by composite reliability value, construct is reliable if the composite reliability value is above 0.70, the indicator is called consistent in measuring its latent variables. The test results show that the construct (variable) of Brand Loyalty has a greater composite reliability value than 0.7. So it's reliable. Variables with Formative indicators namely trust in a brand do not require a measure of validity and reliability.

***Outer weights is an outer weight indicating the level of influence (coefficient) of the measurement variable on its latent variables in the construction of the structural measurement model (outer model)***

Variables with formative indicators cannot be analyzed by looking at convergence validity and composite reliability. Because variables with formative indicators, namely trust in a brand, are basically an indicator regression relationship to variables, then the method of evaluating is to look at the regression coefficient and the significance of the regression coefficient. So we see the outer weight value of each indicator and its significance value.

Table 4. The result for outer weights

	Original Sample Estimate	Mean of subsamples	Standard Deviation	T-Statistic
TRUST IN A BRAND				
Brand Characteristic	0.407	0.464	0.170	2.397
Company Characteristic	0.400	0.385	0.121	3.307
Consumer_Brand Characteristic	0.376	0.323	0.234	1.608
BRAND LOYALTY				
Y1	0.387	0.390	0.060	9.658
Y2	0.332	0.317	0.064	5.205
Y3	0.307	0.318	0.088	3.484
Y4	0.403	0.402	0.056	7.141

The test results on the outer weight table show that all indicators (Y1, Y2, Y3 and Y4) of the Trust in a Brand variable are significant because the T-statistic value is above 1.96 (at  $Z \alpha = 0.05$ ). So it can be concluded that all indicators are valid for measuring the Trust in a Brand variable.

#### ***Analysis of PLS Measurement Model***

The estimation results and measurement model fit to PLS are shown in the figure and the Goodness of Fit table below:

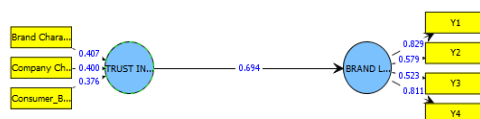


Figure 1. PLS measurement model relationship trust in a brand (X) and Brand loyalty (Y)

### *Evaluation of Structural Model Testing (Inner Model)*

Testing the inner model or structural model is done to see the relationship between variables, significance values and R-square of the research model. After knowing the significant relationship between variables. Hypothesis testing is done by bootstrap resampling method. The test statistic used is t test statistic test. Testing of the structural model is done by looking at the R-Square value which is a goodness-fit model test.

Testing the inner model can be seen from the R-square value in the equation between latent variables. As follows:

Table 5. R-Square

	R-Square
<b>Trust in a brand</b>	
<b>Brand loyalty</b>	0.481

Based on the table above, Value (R<sup>2</sup>) = 0.481. This can be interpreted that the model is quite good, which is able to explain the Brand Loyalty phenomenon of 48.10%. While the rest (51.90%) is explained by other variables (other than trust in a brand) that have not entered into the model and error, meaning that brand loyalty is influenced by trust in a brand of 48.10% while 51.90% is influenced by variables other than trust in a brand.

Then the path is seen in the path coefficient on the inner model:

Table 6. Result for inner weight

	Original sample estimate	Mean of subsamples	Standard deviation	T-Statistic
Trust in a brand				
→ brand	0.481	0.702	0.056	12.378
loyalty				

Sumber: data diolah

Judging from the value of the T-Statistic of each factor in the table, the hypothesis states that:

Trust in a brand affects brand loyalty with a path coefficient of 0.694, acceptable where the value of T-Statistic = 12,378 is greater than the value of Z  $\alpha = 0.05$  (5%) = 1.96, then Significant (Positive).

### *The Effect of Trust in a Brand on Brand Loyalty*

Based on the results of processed data using PLS, it can be seen that trust in a brand (X) has a positive effect on brand loyalty (Y). So the hypothesis that "brand trust" has a positive effect on loyalty (brand loyalty) in UPN "Veteran" is East Java accepted.

This can be interpreted that the high or low brand trust (trust in a brand) at UPN "Veteran" East Java (which includes: characteristics and trust in a brand will be able to create loyalty towards UPN "Veteran" East Java) able to have a positive influence and real loyalty (brand loyalty) at UPN "Veteran" East Java.

This is in accordance with the opinion of Irawan (2005; 16) that trust in a brand is satisfaction on a brand owned by consumers because the consistency contained in the brand can meet the expectations and desires of consumers. The relationship of trust in a brand with brand loyalty is considered as one way to find out the competitiveness of a company. If consumers have a trust in a brand in a product or brand, they are considered to have a deeper brand loyalty towards the brand and consumers will be willing to sacrifice more time and money to get a brand that is valued in accordance with their expectations and reflection.

This is also in accordance with the opinion of Tjahyadi (2006) that consumers who have trust in the brand will make consumers not move to other brands. If the trust in a brand owned by consumers increases, brand loyalty will also increase. When consumers believe in a brand, consumers will show more positive attitudes and behavior to a brand because the brand produces positive results.

## CONCLUSION

Based on the results of the analysis and discussion of this study concluded as follows:

1. Brand trust (trust in a brand) is able to give a real contribution to brand loyalty (UPN "Veteran" East Java).
2. It is expected that the UPN "Veteran" in East Java will pay more attention to the characteristics of the UPN "Veteran" East Java as a State Defender of Higher Education.
3. It is expected that the UPN "Veteran" of East Java to pay more attention to the level of user satisfaction, so that it is expected that later users will recommend to other users about UPN "Veteran" East Java.

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