Customer Value, Customer Relationship And Its Effect On Reputation Of Courses In Jakarta

Miguna Astuti, Yuyus Suryana

Abstract: The primary problem leading to this study is the limited empirical knowledge on non-formal education SMBs or known more as 'courses' in Indonesia and especially in Jakarta Province. This makes the adapted theories and their successful implementation difficult to developt. The paper implores three specific problems: reputation of courses and the impact of customer value (CV) as well as customer relationship (CR) factors on it. The issued and endorsed General Agreement of Trade in Services (GATS) in 1995, followed by law No. 25 of 2005 issued by the government of Indonesia and the Presidential Degree No. 76 and 76 of 2007 established the non-formal education as one of the business fields open for investment without condition. Combined with the high population density in Jakarta and the 102.6 million people of school age population in Indonesia making courses as a very lucrative business and of high level competition. The specific goals and contributions of the research include: (1) identifying customers' perception on customer value of courses in Jakarta (2) identifying customers' perception on customer relationship of courses in Jakarta (3) identifying customers' perception on reputation of courses in Jakarta, and (4) analyzing the effect of customer value and customer relationship on reputation of courses in Jakarta. The research methods used are explanatory and descriptive surveys using simple random sampling technique for pulling sample. The data collecting technique used are literature studies, observations, and questionnaires. The result of the collected data with the primary data source was received in form of number of sample of 135 respondents, in this case were students of courses in Jakarta. The findings are: (1) Customer value perceived as average by customer (2) Customer relationship perceived as average by customer, while (3) Reputation perceived as above than average by customer, (4) The path analysis showed that customer value and customer relationship together have an influence on Reputation of courses in Jakarta, while individually, customer value have no significant effect on reputation of courses in Jakarta.

Keywords: Customer value, customer relationship, reputation, non-formal education SMBs, Courses, Jakarta.

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1 Introduction

The primary problem leading to this study is the limited empirical knowledge on non-formal education SMBs in Indonesia and especially in Jakarta Province. This makes the development of adapted theories and their successful implementation difficult. The non-formal education SMBs more known in Indonesia as 'courses'. In 1995 the WTO issued and endorsed the general agreement on trade in services called General Agreement of Trade in Services (GATS). GATS is a framework of international rules on trade liberalization in the service's sectors which stated 12 commercial services that can be traded internationally. Education is among those 12 commercial services. There are 5 business education services that goes into this categories, which are primary education services, secondary education services, higher education services, non-formal education services and other educational services. In 2007, the Government of Indonesia through Law no. 25 of 2007 establishes education as one of the business sectors open to foreign investment and become a package of liberalization policies. The law further supported by two policies issued by the Government of Indonesia, i.e. the 2007's Presidential Decree No. 76 and No.77. The Presidential Decree No. 76 establishes the criteria and requirements for business fields closed and open for investment, while the Presidential Decree No. 77 establishes 25 business fields that are closed and 291 business fields that are open for investment within and abroad, with or without conditions, and non-formal education services are included in the "open" categories on both decrees.

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Non-formal educations starting from early childhood courses up to adults are very lucrative business. Numbers of children and birthrate in Indonesia can attest to it. Every year, national education department noted the increasing amount of children attending preschools and kindergartens, followed by the increase in the numbers of new preschools and kindergarten. This patterns continue to the higher education levels. Course institutions sprung up as a result of the high demand of primary school admission requirements. Those who wanted their children to be able to attend quality primary schools, must be able to supply the children with the required skills to pass the entrance exam. So forth and so on these pattern continue to higher educational levels. These courses are seen as ways to help improve studies and skills out of formal education such as schools or collages. So in regards, these courses are basically educational institutions in different form. As one of the country that signed the GATS agreement, Indonesia is a lucrative market for education commodity traded internationally. Based on Central Bureau of Statistics in 2013, of the 254 million people in Indonesia, 140 million reside in Java Island. Furthermore, Out of the 6 provinces in Java, more than 9.7 million people reside in Jakarta. With area of 6.6 km2, the population density of this province is the highest among 5 other provinces in Java and moreover among 33 other provinces in Indonesia. Still from the same source, it is stated that of the total population in Indonesia, 102.6 million people are of school age population. This figure is approximately 28 times the population of Singapore and almost 6 times the population of Australia. All those figures followed by the Boston Consulting Group report in 2013 that stated an increase in the number of upper-middle class in Jakarta by 250% within 8 years. In Indonesia, according to the research conducted by the national education department, in 2007 there are 13,446 courses, and is estimated that the number will increase two fold in the next decade. Besides having the highest population density in Indonesia, Jakarta has high level of competition of courses as stated in the increasing number of courses shown by the table below.

Table 1.1 *Increasing Number of Courses Dec 2014 – Feb 2015*

Provinces	Number of Courses	
	December 2014	February 2015
West Java	2,664	3,772
Central Java	2,124	3,201
DI Yogyakarta	296	429
East Java	3,063	4,278
DKI Jakarta	891	1,148

Source: *Ministry of Education and Culture (MOEC)*

The paper implores three specific problems: reputation of courses and the impact of customer value (CV) as well as customer relationship (CR) factors on it. The subject of this research is courses in Jakarta, and the impact of 2 CV's factors and 3 CR's factors on their reputations, shown through objective indicators of credibility, reliability, responsibility and trustworthiness.

2 LITERATURE REVIEW

Looking for a common ground between education and business is considered unlikely several decades ago. Education is about forming the whole human person to realise her or his potential and live a fulfilling life (ADB Review of Education in Indonesia, 2015), in the other end business have goal to gain profit (Griffin and Ebert, 2006). Furthermore, Vanessa Gaffar (2007) stated that all businesses should strive to further enhance their ability and toughness with all the potential that is there to win the competition. Customer relationships have been increasingly studied in the academic marketing literature (Berry 1995; Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994; Sheth and Parvatiyar 1995), so as customer value (Graf and Maas, 2008). In dealing with competitor, elements of CV and CR of the company will have to be used appropriately, either to gain new customer nor competitor's customer, to improve productivity and collaboration with customers and also to increase its reputation. There have been many difficulties for many authors involved in defining value. In attempt to merge diverse definition of CV, Woodruff (1997) propose CV as a customer's perceived preferences and evaluation of those product attributes, attribute performances, and consequences arising that facilitate (or block) in achieving the customer's goals and purposes in use situations. Others stated CV as the difference between the values the customer gains from owning and using a product and the cost of obtaining the product (Nguyen and Le Blanc, 1998; Hollensen, 2003; Kotler, 2003) at a particular time (Lovelock, 2005). On the other hand We may understand that the total customer value is the total sum of product value, services value, personnel value and image value. Besides these monetary, time, physic and energy costs are the total costs of a customer. Customer value can be expressed as a formula (Kotler, 2003): Faults of the customers' demands on the offered educational services can be an opportunity for competitors, the trick is to create superior value to be received by the customer. Barnes (2001) stated that customer value is the core of a relationship in which understanding and appreciation of customer value creation is the main component of a company in carrying out its relationship with customers. There are several definitions of CR. Among the first, Fombrun (1996) stated that Customers-service relations: this department tries to shape customers

perception of the company. Thereon, other authors stated CR as a comprehensive strategy and process of acquiring (Brown, 2000; Sheth and Parvatiyar, 2001), retaining (Brown, 2000; Sheth and Parvatiyar, 2001), partnering (Sheth and Parvatiyar, 2001) with selective customers to create superior value for the company and the customer. Regarding reputation, Fombrun (1996) in line with customer stated that the reputation that constituents ascribe to a company is the aggregate of many personal judgements about the company's credibility, reliability, responsibility, and trustworthiness. In other respect, Fombrun (1996) also stated corporate reputation as a perceptual representation of a company's past actions and future prospects that describes the firm overall appeal to all of its key constituents when compared with other leading rivals. From this definition, it can be concluded that the company's reputation is an understanding of the company's action both in the past and future prospects which outlines the overall approach of all the elements that are important to the company. In line with this view, Weiss et al. (1999) stated corporate reputation as a general organizational characteristic that reflects the extent to which people sec the firm as substantially 'good' or 'bad'. In contrast, Dowling (2001) believes that a company's reputation is a combination of admiration, respect, and confidence of all activities of the organization.

3. Research Objectives And Methodology

Objectives and the contribution

The main goal and the contribution of this research is derived from the insufficient knowledge about non-formal educational SMBs (courses). By increasing the quantity and quality of knowledge about the non-formal educational SMBs (courses), preconditions are created for increasing the level of adapting the existing theory and the usefulness of scientific knowledge for developing a successful SMB practice, which is indeed the goal and purpose of this research. The specific goals and contributions of the research include the following:

1. Identifying customers' perception on customer value of courses in Jakarta.
2. identifying customer perception on Customer Relationship of courses in Jakarta.
3. identifying customer perception on Reputation of courses in Jakarta
4. analyzing the effect of Customer Value and Customer Relationship on Reputation of courses in Jakarta.

Methodology and research instruments

To achieve the specific goals of this research, type of researches conducted are descriptive and verificative. Descriptive research conducted to gain the first, second and third goals of this research, while the verificative research conducted to gain the fourth and last goal of this research. The research was conducted on the target sample based on one shoot survey. The defined independent and dependent variables are examined and analyzed in the period of six months in the year of 2014, largely based on primary data, collected by means of surveying. The research also encompasses some secondary data from the official sources: MOEC (Ministry of Education and Culture), the Central Bureau of Statistics, and others. Primary data were collected using the structured questionnaire, designed for key person (one

source), in this case the courses' customers (students). The collected data were further verified in order to remove the *measurement error*. After encoding and pre-processing in MS Excel program, a statistical path analysis was carried out. Quantitative and qualitative methods were used, descriptive statistics, and the relevant tests of variables' significance.

Defining the research sample

The result of the collected data with the primary data source was received in form of number of sample of 135 respondents, in this case were students of several courses in Jakarta. The sampling method used in this research was simple random sampling. Systematic pattern of sampling was done by locations and age of respondents. The sample size was determined by the statistical test used in this research, which was path analysis. Based on the path coefficient correlation, the minimum sample size for the analysis of this pathway can be determined through a minimum sample size formula Jacob & Patricia Cohen, (1983) and Al - Rasjid (2005):

$$n = \frac{L}{f^2} + k + 1$$

With the assumption of α = 0.05 and the coefficient correlation equals 0.3, then the minimum sample :

4 FINDING AND CONCLUSIONS

Customer Perception on Customer Value of Courses in Jakarta

The tables below show the summary of the student courses' perception on CV which comprise of benefit and cost.

Table 3.1 The summary of Benefit/Value

Item Number		Total Score	Average Score
Product Value			
1	Value of learning materials	**561**	538,9
2	Value of learning format	**521**	538,9
Sum of Product Value		1082	1077,8
Service Value			
3	Value of local text book	**534**	538,9
4	Value of supporting facilities	**525**	538,9
5	Value of services conducted	**568**	538,9
Sum of Service Value		1627	1616,7
Personnel Value			
6	Value of Instructor	**518**	538,9
7	Value of Personnel Courteousness	**568**	538,9
8	Value of Personnel Friendliness	**549**	538,9
Sum of Personnel Value		**1635**	**1616,7**
Image Value			
9	Value of Courses' image	**494**	538,9
10	Value of Courses instructor's Image	**561**	538,9
Sum of Image Value		1055	1077,8
Sum of Value		5389	5389

Source: Primary Data (Processed)

Table 3.2 The summary of Cost

Item Number		Total Score	Average score
Monetary Cost			
11	Cost of Program	**315**	305,5
12	Cost of Transportation	**309**	305,5
Sum of Monetary Cost		624	611
Time Cost			
13	Cost of time on attending Courses	**308**	305,5
14	Cost of time on gaining Service	**295**	305,5
Sum of Time Cost		603	611
Energy Cost			
15	Cost of Energy on Attending Lessons	**308**	305,5
16	Cost of Energy on Gaining Personnel's Services	**300**	305,5
Sum of Energy Cost		608	611
Psychic Cost			
17	Cost of Physic on Attending Lessons	**304**	305,5
18	Cost of Physic on Gaining Personnel's Services	**305**	305,5
Sum of Physic Cost		609	611
Sum of Non-Monetary Cost		2444	2444
Sum of Cost		3068	3068

Source: Primary Data (Processed)

Based on tables above, can be seen that respondents scores value as high, with the highest score on the value of personnel and service. It showed consistency with the high customer score on intangible things. The two highest ranking are value of personnel courteousness and value of services conducted. This may imply that customers preferred the courtesy and the ease of getting the required service from courses. It also can be seen that the monetary cost was perceived higher than the other three. This show that in general, respondents consider the financial side before other things.

Customer Perception on Customer Relationship of Courses in Jakarta

Table 3.3 Summary of Acquiring Score

	Acquiring (Average of)		
	Frequency	Percentage	Score
Very Appealing	8.29	6.14%	41.4
Appealing	33.86	25.08%	135.4
Appealing Enough	72	53.33%	216.0
Not Appealing	14.86	11.01%	29.7
Very Unappealing	6	4.44%	6
Total	135	100%	428.6

Source: Primary Data (Processed)

The average figures stated in the summary table of acquiring score above consist of 7 item of questions. The acquiring activities, such as promotional appeal given by courses, price offered, discounts, front office appeal on how to promote courses, sponsorship programs, rewards and trial class offered by the courses rank as moderate (appealing enough)

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by the customer, proven by the high percentage in the table above. The promotional appeal being rank moderate by customers due to the lack of promotional tools modification, mostly the promotional tools being used by the courses are either brochures or banner. Price, discounts and rewards mostly being given once and in a small percentage. FO appeals on how to promote courses and sponsorship still need to be maximized. While regarding trial class, courses need to be more proactive, especially the FO since during this trial class not only students, but usually their parents also attended it.

Table 3.4 Summary of Retaining Score

	Retaining (Average of)		
	Frequency	Percentage	Score
Very Suitable/Worthy/Unique /Frequent	11.3	8.4%	56.7
Suitable/Worthy/Unique/ Frequent	45.8	34.0%	183.3
Suitable/Worthy/Unique /Frequent Enough	64.2	47.5%	192.5
Not Suitable/Worthy/Unique /Frequent	9.8	7.3%	19.7
Very Unsuitable/Unworthy/Not Unique/Infrequent	3.8	2.8%	3.8
Total	135.0	100%	456

Source: Primary Data (Processed)

The average figures stated in the summary table of retaining score above consist of 6 item of questions. The retaining activities, such as the quality of teaching, quality and value of services, rewards given, discounted test and the uniqueness of teaching method compared to customer expectation rank as average and above average by the customer, proven by the high percentage in the second and third rows of the table above. The quality of teaching, quality and value of services are rank as above average, which indicate that the courses' activity towards maintaining their customer in these regards effective in retaining customers. Differ to the other three activities done by courses towards retaining its customers which are rank as moderate, this implies that those activities are not effective enough in retaining customers.

Table 3.5 Summary of Partnering Score

	Partnering (Average of)		
	Frequency	Percentage	Score
Very Believable/Frequent/ Appealing/Varied	6.25	4.6%	31.25
Believable/Frequent/ Appealing/Varied	33	24.4%	132
Believable/Frequent/ Appealing/Varied Enough	80.25	59.4%	240.8
Not Believable/Frequent/ Appealing/Varied	14.5	10.7%	29
Very Unbelievable/Infrequent/ Unappealing/ Not Varied	1	0.7%	1
Total	135	100%	434

Source: Primary Data (Processed)

The average figures stated in the summary table of partnering score above consist of 4 item of questions. The partnering activities, such as customer trust level, cash back programs, diversity of products and the personnel appeal in promoting new programs rank as moderate (appealing enough) by the customer, proven by the high percentage of the third row in the table above. This implies that the courses effort towards making the customer as valued partner not effectively done.

Customer Perception on Reputation of Courses in Jakarta

Table 3.6 Summary of Reputation Score

	Reputation (Average of)		
	Frequency	Percentage	Score
Very Capable/Qualified/ Sincere	15.0	11.1%	75
Capable/Qualified/Sincere	68.5	50.7%	274
Capable/Qualified/Sincere Enough	48.8	36.1%	146.3
Not Capable/Qualified/ Sincere	2.6	1.9%	5.3
Very Incapable/Unqualified/ Insincere	0.1	0.1%	0.1
Total	135	100%	500.6

Source: Primary Data (Processed)

The average figures stated in the summary table of reputation score above consist of 8 item of questions. The courses' reputation perceived as above than average by its customers, whereas the reputation indicator consist of the ability of courses in delivering quality teaching, the ability of courses in providing quality instructor, the ability of courses in delivering satisfactory service, the ability of courses in gaining community's trust, the ability of courses in providing promised facility, the ability of courses in providing a recognized certificate, and the courses honesty/transparency in managing the business.

Analyzing the Effect of CV and CR on Reputation of Courses in Jakarta
To test the hypothesis of this research, the individual testing (partial) of the independent variables on dependent variable was done using the t-test. Using the formula, the result are as shown below.

Table 3.7. Partial Hypothesis Testing

No.	Variables	Coefficien	t	t-table	Statistical Conclusion
1.	X_1 on Y	$Pyx_1 = 0.094712$	1,4136	1.658	Unsignifficant
2.	X_2 on Y	$Pyx_2 = 0.627119$	9,359929	1.658	Signifficant

This table shows that CV have no significant effect on courses' reputation, and that CR have significant effect on courses' reputation.

Table 3.8. *Effect of CV on Reputation*

Effet of X₁ (Customer Value)	Calculation	Result
Direct	Pyx₁ x Pyx₁	
	0,094712 x 0,094712	0,00897
Through corelatif relation with X₂	Pyx₁ x R_{X1X2} x Pyx₂	
	0,094712 x 0,058 x 0,627119	0,003445
Total Effect of X₁ on Y		0,012415

Table 3.9. *Effect of CR on Reputation*

Effect of X₂ (*Customer Relationship*)	Calculation	Result
Direct	Pyx₂ x Pyx₂	
	0,627119 x 0,627119	0,393278
Through corelatif relation with X₁	Pyx₂ x R_{X1X2} x Pyx₁	
	0,627119 x 0,058 x 0,094712	0,003445
Total Effect of X₂ on Y		0,396723

From the data above the effect of CV and CR on reputation in total equals 41.84%. Sugiyono (2005) stated that the influence of characteristics equals to the number fall into "strong enough" category. In details, the effect of CV on reputation as shown equals to 1.24%, while the biggest effect on courses' reputation in Jakarta as shown by the table above is by CR 39.6%. CV is the ratio between what the customers gain and what the customers give. Key of good reputation according to Gjerde & Slotnick (2000) is to maximize *perceived value*, *customer service* and *company image*, also by considering the *pricing* factor. In other word, Reputation was effected by CV and CR. In this research, the result of CV individually have no significant effect on courses' reputation, whereas in total the effect equals 1.24%. By the individual items of benefits and costs, which are the dimension of CV can be concluded that even though respondent rank the benefits as high, those are basically not the reason of them becoming the courses' students. During survey, most respondents which were the students stated that the main reason of them entering the courses are either due to their parents or their friends. Even those whose already students stated that their reasons of staying in those courses more because of their friends and the inconveniences of searching for the substitute. While from the cost point of view, students consider the time, energy and physic cost as relatively low. On the other hand, parents consider these costs, including the monetary cost as relatively high. These perceptual differences in regards of costs happens due to a very simple reason that the students still receive money from their parents for the tuition, and also other costs. One of the local magazine, NOVA, on 2001 published an article on how parents tend to make decisions for their children regarding their education, either formal or non-formal.

5. CONCLUSIONS, LIMITATIONS AND RECOMMENDATION

The contribution of this research, i.e. its scientific and practical implications, is derived from the fact that the research has covered the non-formal educational SMB's reputation (courses' reputation). It can be concluded that: (1) customers' perception on CV of courses in Jakarta considered as moderate, (2) customers' perception on CR in total considered as moderate, while (3) the customers' perception on reputation of courses in Jakarta considered as above average, (4) the analysis of CV and CR together on courses' reputation show a significant effect, while individually CV have no significant effect on courses' reputation in Jakarta. It should be noted that this research only include two independent variables, CV and CR. However, through this research, other variables known effecting reputation were equals to 58.16% and were not discussed in this research. These residual variables which scored higher that the variables discussed, might comprise: (1) other variables besides CV and CR that theoretically identified but not yet included in the model, (2) other variables besides CV and CR that have not been identified theoretically, (3) other components. It also should be noted that the research covered samples were based on the data by MOEC. The Ministry of Education and Culture stated that out of 13,446 courses in Indonesia and 891 courses in Jakarta, only 21 courses have the accredited status. Further studies in regards of variables stated should consider courses that meet the minimum criteria stated by MOEC as the data population, which equals to 445 out of 891 courses in Jakarta. Different statistical method to further cover this large number population should also be considered.

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