The Effect of Brand Image on Customer Satisfaction and Customer Loyalty
For Wardah Local Cosmetic (Wardah Cosmetic)

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THE EFFECT OF BRAND IMAGE ON CUSTOMER SATISFACTION AND CUSTOMER LOYALTY FOR WARDAH LOCAL COSMETIC (WARDAH COSMETIC)

ABSTRACT

The objective of this study is to examine the effect of brand image on customer satisfaction and customer loyalty for a local cosmetic (Wardah). To achieve this objective, the research elaborates three specific variables. The data was collected using fully-structured questionnaires. Non probability sampling technique with purposive sampling technique was used to collect the data and it covered 100 respondents. The statistical package for social sciences (SPSS 16.0) was used to analyze the data. To test the hypothesis, path analysis was used. The result imply that marketing manager should focus on the brand image to win the customer satisfaction in order to make the customer loyal about their product and service. It is recommended that Wardah Product should consider implementing various strategies for improving the quality of the product, to maintaining customer satisfaction and customer loyalty.

Keywords: brand image, customer satisfaction, customer loyalty, wardah cosmetic

1. INTRODUCTION

In the current competitive business environment, the brand image of a company is very important like products or services offered. Most of the business organizations consider a brand image as a powerful asset for their success. A trusted and recognized brand identity provides confidence for customers to use the
products offered by that brand. Therefore, the successful organizations always work hard to build strong brand and represent it in a consistent and clear way (Egan, 2014). Customer loyalty and customer satisfaction are also widely accepted issues for all of the companies, which are applied as a marketing benchmark for the performance of the company (Bennett and Rundle-Thiele, 2004). It is important to illustrate that if a customer is happy with the product or services then he is interested to show loyal attitude towards the brand i.e. willing to pay more, willing to provide positive word of mouth and to display loyal behaviours (Bennett and Rundle-Thiele, 2004; Schultz, 2005).

According to Kotler (2001), organizational success is a direct consequence of brand image and which is measured as a significant feature of current marketing strategy. The product differentiation is associated with the symbolic value of a brand. In fact, according to Rundle-Thiele (2005) and Kapferer (2005), currently, all of the successful companies have considered that most of the customers are not loyal about particular brand. Moreover, the current business environment is to increase the entry of new product and competition and service leads consumers to choose particular product or services among the group of alternatives (Ballantyne et al., 2011). It is therefore important for the companies to focus on differentiating their product from their competitors. In order to attract new customers and retain the existing customers for any organization, the brand image is very important because of the fact that the customers always seek for branded products or services in this current competitive market environment. It is therefore, the companies are facing intense challenges in maintaining and enhancing customer satisfaction, brand image and customer loyalty. The impression of a brand’s total personality is brand image which might be imaginary and real shortcomings and qualities in the mind of associated customers. According to Wheeler (2013), brand is the name, term, symbol or any other features that differentiate one product from other companies’ products. The brand image should be managed carefully because it is an important asset for the organization in order to create values for the shareholders and other associated groups.
Based on the problems statement above, the purpose of this study is to analyze the effect brand image on customer satisfaction and loyalty intention for wardah local cosmetic (Wardah Cosmetic) in Indonesia. The specific research problems can be derived into following: [1] To examine the relationship between brand image and customer satisfaction for wardah local cosmetic (Wardah Cosmetic). [2] To examine the relationship between brand image and loyalty intention for wardah local cosmetic (Wardah Cosmetic). [3] To examine the relationship between customer satisfaction and loyalty intention for wardah local cosmetic (Wardah Cosmetic).

**1.1. LITERATUREREVIEW AND HYPOTHESES**

In the era of globalization of cosmetic product competition is getting tougher. Many companies try and compete to provide the product better than their competitors do. In this chapter, the researcher will discuss widely about the effect of brand image on customer satisfaction and loyalty intention. The discussion bellow will be derived from the previous studies from the related international journals.

**1.2. Brand Image**

Brand image is the customer impression about a product. Also known as an identifying brand image, brand image is a character that distinguishes a brand with other brands (Jefkins, 1987: 27; Belch and Belch, 2003: 52). The company with an established brand image trying to stimulate the identity of the product by promoting the uniqueness of their brand (Solomon, 2006: 70). The company with the brand name and a strong brand image is able to maintain its market dominance, such as Coca Cola (Bassington and Pettite, 2004: 172). According to Keller (2003: 166), brand image is: [a] assumptions about the brand, reflected the consumer, and based on consumer memory. [b] the way consumers think about a brand in the abstracted in their minds, even when thinking about it, they do not directly deal with the product.
1.3 Customer Satisfaction
Customer satisfaction’s definition has been widely debated as organizations attempt to measure it’s increasing. Customer satisfaction can be experienced in a variety of situations and connected to both good and services. Companies need to produce a very good product and provide good quality of service that yields highly satisfied customers to be competitive and survive in business (Fecikova, 2004). In other word, to gain the customer satisfaction, the company needs to provide a good perceived value of the product or services.

1.4 Customer Loyalty
Loyalty is more aimed at non-random behavior shown by the purchase routine. According to Giddens in FaridYuniarNugroho(2011, p.16), loyalty is a consumer’s choice to buy a particular brand compared to other brands in the product category. The customer will tend to be loyal when customers know the benefits of certain goods or services and in accordance with the requirements. The characteristics of loyal customers as follow (1) Undertake regular re-purchase, (2) Buy outside the line of products/services available, (3) Recommend the products/services to others, (4) Showing have no effect on the attraction power of the competitors. It is in line with Kotler (2012), customer loyalty defined as a commitment to repurchase or re-patronize a preferred product or service.

Figure 2.1
Theoretical Framework

Thus the researcher builds hypothesis for this study as follows.
H1: There is a positive relationship between brand image and customer satisfaction.

H2: There is a positive relationship between brand image and customer loyalty.

H3: There is a positive relationship between customer satisfaction and customer loyalty.

2. RESEARCH METHODOLOGY

This research examined the relationship measurement between independent variable toward dependent variable. The descriptive analysis method was used to explain the results of this study. The population of this study is all customers of Wardah cosmetics in Indonesia. Sampling technique is the process of selecting items from the population so that the sample characteristics can be generalized to the population (Sekaran, 2013). Purposive sampling is a non-probability sampling design in which the required information is gathered from special or specific targets or groups of people on some rational basis (Sekaran, 2013). Since there was unknown numbers of population, the author decided to take 100 samples who has used Wardah cosmetics.

Primary data was collected by distributing questionnaires. Primary data is data obtained directly from the object to be studied. Primary data from this study came from questionnaires filled out by the respondent. The primary data source was the data collected first-hand from the source of the data obtained directly from respondents by the researcher (Sekaran, 2013). The sample was a subset of the population, made up of some members of the population. This subset was taken because many cases that show the impossibility to investigate all members of the population. The questionnaires provide a list of questions and the alternative answers to be chosen by the respondents. All the questions of the questionnaire are close ended question, that the alternative answer of the question was provided and respondents have no opportunity to give another answers. The questionnaires consist of two parts of questions. The first part was designed to collect respondents’ demographic information such as purchasing, gender, age,
occupation, monthly expenses, frequency, and the product. The second part was to examine the customers’ perception of brand image, customer satisfaction and customer loyalty. Likert was used in this study. Likert scale according Sugiyono (2009) is a Likert scale used to measure attitudes, opinions and perceptions person or a group of social phenomenon. Scale interval used in this study is Likert scale interval in the range 1-5. Since 5 point Likert scales are widely used, especially in a business context, the researcher felt that it was appropriate to use the same approach for this study. The methods of data collection in this study are personally administrated questionnaire and mail questionnaire. The researcher gives the questionnaire directly to the respondents and sends a link of the online questionnaire through social media to be filled out.

After collecting the data, a statistical package for social sciences (SPSS) version 16.0 was used for analysing the data. First, the descriptive statistics were used to analyzed for the demographic profile of the passengers, their perception toward service brand image of wardah cosmetics, their level of satisfaction and their loyalty to wardah cosmetics. Second, validity test is used to measure whether the questionnaires are valid or invalid (Ghozali, 2012). Validity measurement used the Confirmatory factor analysis (CFA). Confirmatory factor analysis is a multivariate statistical procedure that is used to test how well the measured variables represent the number of constructs or variables. The reliability of data will be tested by using Cronbach’s alpha statistical test (α). Cronbach alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another (Sekaran, 2013). A questionnaire is reliable if the value of Cronbach’s Alpha is greater (> ) than 0.70 (Ghozali, 2012).

This study used path analysis to figure out how big the structural relationships between latent variables. Latent variables are variables that are not directly observed but are rather inferred (through a mathematical model) from other variables that are observed (directly measured). Its aim is to provide estimates of the magnitude and significance of hypothesised causal connections between sets of variables. Moreover, the feasibility test model uses in this study is
F test, T-test, and the value of the determination coefficient ($R^2$) measure the value statistically.

This research is a causal study using survey methods in the process of collection of data. Primary data was collected by direct distributing questionnaires. The descriptive and statistical analysis method were used in this study. The population of this study was consist of Wardah customers in Indonesia. Purposive sampling was used in this study. Last year students need to think for their future, and they will prepare for their jobs after graduated from university, Linan and Rodriguez (2011). All final international students in Universitas Muhammadiyah Surakarta were chosen as sample because of that justification.

The questionnaire used closed-ended questions with 5-point likert-scales. Likert scale is used to measure behaviour, opinion, and perception of the person or group of social condition or phenomenon (Sugiyono, 2009). Likert scale is given in five options, on a scale of one to five, from strongly disagree to strongly agree. The questionnaire also revealed respondents’ purchasing, gender, age, occupation, monthly expenses, frequency, and the product. The questionnaires were distributed to 82 people, and all of the questionnaires were used because they all matched with the criteria.

3. DATA ANALYSIS

3.1 Brand Image
This study has assessed the brand image with 5-point likert scale, (1) Wardah products are different with other products (2) Wardah products have a clean image, (3) Wardah products are well established.

3.2 Customer Satisfaction
In the questionnaire, the researcher assessed customer satisfaction by using 5-point likert-scale, the questions are such as, (1) Overall I am satisfied with Wardah Products I am using, (2) Using Wardah Products has met with my expectations, (3) I am pleased with the experience of using Wardah Products, (4) My decision to use
Wardah Products was a wise one. Finally number of satisfactory levels also assessed with different levels of capabilities such as opportunity recognition, creativity, problem solving, leadership and communication skills etc.

3.3 Customer Loyalty

In the questionnaire, the researcher assessed customer loyalty by using 5-point-Likert-scale, (Summers, 2000). In the questionnaire, the researcher writes 5-point-Likert-scale such as, (1) My preference for using Wardah products would not change, (2) It would be difficult to change my beliefs about Wardah Products, (3) I will continue using Wardah Products in the future, (4) Even if friends recommend to stop using Wardah Products, my preference for Wardah Products would not change.

3.4 Regression Analysis

<table>
<thead>
<tr>
<th>Tabel 1</th>
</tr>
</thead>
</table>

Validity and Reliability Test Result

The following table shows the result of validity and reliability test

Rotated Component Matrix

<table>
<thead>
<tr>
<th>Variable</th>
<th>Code</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Image</td>
<td>BImage_1</td>
<td>.746</td>
<td></td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>BImage_2</td>
<td>.875</td>
<td></td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>BImage_3</td>
<td>.715</td>
<td></td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>CSatisfaction_1</td>
<td>.946</td>
<td></td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>CSatisfaction_2</td>
<td>.897</td>
<td></td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>CSatisfaction_3</td>
<td>.946</td>
<td></td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>CSatisfaction_4</td>
<td>.819</td>
<td></td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>CLoalty_1</td>
<td>.704</td>
<td></td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>CLoalty_2</td>
<td>.767</td>
<td></td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>CLoalty_3</td>
<td>.816</td>
<td></td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>CLoalty_4</td>
<td>.757</td>
<td></td>
<td></td>
<td>Valid</td>
</tr>
</tbody>
</table>

Sources: Primary data, 2017.

Reliability is a tool to measure the questionnaire whether it is appropriate to use as a measurement tool or indicator of variables applied on a consistent despite time and different items on the test instrument (Sekaran, 2013). Mechanical testing technique used is the Cronbach's alpha value. The minimum reliable level of 0.60 shows that the items used in the study is reliable and
reasonably free from measurement (Hair, et. al., 2006). The results of reliability test of the variables with SPSS 16.0 for Windows, obtained Cronbach's alpha values of each variable are shown in Table 4.12 below.

<table>
<thead>
<tr>
<th>No.</th>
<th>Variable</th>
<th>Cronbach Alpha</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Brand Image</td>
<td>.709</td>
<td>Reliable</td>
</tr>
<tr>
<td>2.</td>
<td>Customer Satisfaction</td>
<td>.932</td>
<td>Reliable</td>
</tr>
<tr>
<td>3.</td>
<td>Customer Loyalty</td>
<td>.769</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Sources: Primary Data, 2017.

The result of reliability test in the Table 4.12 above shown that in each of the studied variable has Cronbach Alpha value is greater than 0.60 which means the entire instruments in this study was reliable. Based on the result displayed on the Table above, it can be seen that brand image variables have Cronbach Alpha coefficient 0.709, where the value is greater than 0.60 which means that the reliability of these variables are accepted. The result of the reliability variables based on Cronbach Alpha coefficient value is 0.932 where the value is greater than 0.60 which means that the customer satisfaction on these variables are accepted. The result of the customer loyalty variables based on Cronbach Alpha coefficient value is 0.769 where the value is greater than 0.60 which means that the reliability of these variables is accepted.

3.5. Path Analysis
Path analysis is the expansion of the regression statistics model. It can be said that regression analysis is the special form of path analysis. Path analysis used to describe or represent and test the model of the causal relationship between variables (Sugiyono, 2009). In this study the author used the regression analysis to test the path analysis model which will be continued by using Sobel test to draw the conclusion. Riduwan and Kuncoro (2012: 116) explain that special program menu for path analysis in SPSS regression analysis, the path coefficients indicated
by the standardized coefficient, known as beta value. The result of path analysis in this study will be presented in the following tables.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1 (Customer Satisfaction)</th>
<th>Model 2 (Customer Loyalty)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient B</td>
<td>Sig</td>
</tr>
<tr>
<td>Constant</td>
<td>3.740</td>
<td>-</td>
</tr>
<tr>
<td>Brand Image</td>
<td>0.905</td>
<td>Significant ***</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R2</td>
<td>0.217</td>
<td></td>
</tr>
<tr>
<td>F test</td>
<td>Significant ***</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.3 explains the findings from the first regression analysis model by using SPSS program, the equation model is as follows:

**Customer Satisfaction** = 3740+0.905 brand image+ e

The constant of Customer Satisfaction is 3.740, it means the customer satisfaction variable has the value of 3.740 without any influence from the brand image. The symbol (+) shows the positive influence from the independent variables toward dependent variable.

Table 4.3 shows that brand image variables have positive influence toward customer satisfaction as the intervening variable with coefficient value as many as 0.905.

Furthermore, Table 4.3 the findings from the second regression analysis model by using SPSS program, the equation model is as follows:

**Customer Loyalty** = -1019+0.424 Satisfaction+e

Table 2 shows the constant of the customer loyalty is -1.019, it means that without customer satisfaction, customer loyalty value is 1.019. The symbol (-) shows the negative influence from the independent variables toward dependent variable. The
The table shows the coefficient value of customer satisfaction is 0.424, so that the customer satisfaction can influence the loyalty about 0.424.

**Sobel Test**

The regression result of some models explains the relationship of word of mouth communication, attitude toward destination and travel intention. The regression will be test using Sobel calculation method, to analyze the influence of mediator variable that used in the formulation of Sobel test. This formulation includes how to measure t test. So the result would follow the formulation.

\[ \sqrt{p3^2 Sp2^2 + p2^2 Sp3^2 + Sp2^2 Sp3^2} \]

To test value of \( z \) count used this formulation.

\[ z = \frac{p3p2}{Sp2Sp3} \]

\( p2 \) = coefficient the independent to the mediator

\( p3 \) = coefficient the mediator to the dependent

\( Sp2 \) = Standard error of Sa

\( Sp3 \) = Standard error of Sb

\[ z = \frac{0.513}{0.137} = 3.744 \]

To analyze the result, \( z \) value compared with \( z \) table, if \( z \) score is greater than \( z \) table, so the conclusion of this variable is influence the mediation.

Based on the manual calculation the result is 3.744 with \( z \) table is 1.99 alpha 0.05. The result is \( z \) value > \( z \) table, or 3.744 > 1.99. So we can conclude variable brand image and customer loyalty significant become mediator of customer satisfaction.

**3.6 Coefficient of Determinant (R\(^2\))**

R Square (R\(^2\)) is also called the coefficient of determinant, essentially used to measure how far the model’s ability to explain the variations of dependent variable.
Table 5

Model Summary 1

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.466</td>
<td>.217</td>
<td>.207</td>
<td>2.213</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), brand image
b. Dependent Variable: customer satisfaction

From the Table 4.16, the $R^2$ value is 0.217, it means that 21.7% customer satisfaction can be explained by brand image variable. While the rest 78.3% can be explained by another another variable. The range of the $R^2$ value is between 0 and 1, the smaller the value of $R^2$, the weaker the relationship between the variables (Ghozali, 2001).

Table 6

Summary 2

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.663</td>
<td>.440</td>
<td>.426</td>
<td>1.976</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Customer Satisfaction and Brand Image
b. Dependent Variable: Customer Loyalty

From the Table 4.17, the $R^2$ value is 0.440 it means that 44% customer loyalty can be explained by the variable of customer satisfaction and brand image. While the rest 66% can be explained by another variable out of the model. The range of the $R^2$ value is between 0 and 1, the smaller the value of $R^2$, the weaker the relationship between the variables.
4. DISCUSSION

The validity test result explains briefly that all questionnaire items were valid, so that the items can be processed and analyzed further. The reliability test result also declares that those variables were reliable. The regression analysis in this study resulting the brand image affecting positively toward the customer loyalty even directly or indirectly through the customer satisfaction. This is in linewith prior (studies of Namukasa, 2013) which found that brand image and customer satisfaction are positively related. The research by Chen, et. al. (2006) resulted customer satisfaction makes direct and positive effects on customer loyalty. Badara, et. al. (2013) indicates the significant effect of the customer satisfaction on customer loyalty. So that the customer satisfaction is the most suitable mediating variable between brand image and customer loyalty. However, the Sobel analysis in this study is resulting that customer satisfaction variable and customer loyalty is significant mediating by brand image.

The hypotheses testing results are as follow:

The first hypothesis stated that brand image has a significant positive and significant effect on customer satisfaction, it means that H1 is accepted.

Then, brand image has positive and significant effect on loyalty. According to the result of this study, brand image to customer loyalty can be significant mediated by customer satisfaction, it means that H2 is accepted.

And the last customer satisfaction variable has a significant positive and significant effect on customer loyalty it means that H3 is accepted.

4.1 CONCLUSION

From the findings, it is found that perceived desirability has significant and positive impact onIn modern competition environment, as consequences of the efforts made to survive and to create an image on customers minds, brand image
is rooted successfully and is increased as a result of customer satisfaction. Now, the retail businesses understand the significance of how they are perceived by their target customers. Like in any other sector, facilitating competitive edge, establishing corporate image, creating customer satisfaction and increasing brand loyalty is essential for long term profitability. For customer satisfaction, beauty product should understand customer-specific needs, provide good quality products, and have the capacity to address customer complaints or problems in a friendly manner. Perceived good product performance is a key driver of brand image and also a good influences customer satisfaction. Knowing how to create customer satisfaction will also provide benefit for consumers. Based on marketing conception, knowing the needs and requirements of the consumers and creating benefits to respond them is the basis for being customer oriented. Indeed, being customer oriented is also one of the most effective strategies to create differentiation among competitors.

4.2 Limitations
[1] Almost all the respondents consist of women. [2] The researcher only focuses on one object Wardah. [3] Most of questionnaire were distributed online, so that the researcher can not control or select the respondent specifically.

4.3 Suggestions
[1] Future studies should consider the possibility of increasing the sample size by including more customers from various cosmetics customers in their studies. [2] It is important for future studies to carry out a research in order to assess the direct and indirect effects of the independent variables on the dependent variables respectively. [3] It is also suggested to investigate other factors that could influence customer satisfaction and customer loyalty. [4] Try to test the model of this study in another brand of beauty product.
REFERENCES


