

# The Effect of Product Quality and Corporate Image on Customer Loyalty through Customer Trust in PT. Insani Baraperkasa

*by Zainal Abidin*

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# The Effect of Product Quality and Corporate Image on Customer Loyalty through Customer Trust in PT. Insani Baraperkasa

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**ABSTRACT:** The increase in coal prices triggers every company to increase production. The better the quality of the coal product, the higher the selling price will be. Coal mining companies are competing to increase coal production with the best product quality with the target of taking advantage of the momentum of rising coal selling prices to get optimal profit. The phenomenon of increasing production demands PT. Insani Baraperkasa as a coal producer is to maintain the quality of its products to maintain consumer trust, and avoid product rejects due to product quality degradation. Does Product Quality affect Customer Trust; Does Corporate Image affect Customer Trust; Does Customer Trust affect Customer Loyalty; Does Product Quality affect Customer Loyalty; Does Corporate Image affect Customer Loyalty? This study aims to analyze and explain the Effect of Product Quality and Corporate Image on Customer Loyalty through Customer Trust at PT. Insani Baraperkasa. The sample selection technique uses the total sampling approach with a sample of 30 people in 15 companies. Data collection techniques using closed questionnaires. The analysis was carried out using Partial Least Square (PLS) with Smart PLS Application version 3.3.3 and using SmartPLS Version 2.2 to test the validity and reliability of respondents. The results showed that, Product Quality had a positive and significant effect on Customer Trust, Corporate Image had a positive and significant effect on Customer Trust, Customer Trust had a positive and insignificant effect on Customer Loyalty, Product Quality had a positive and insignificant effect on Customer Loyalty, Corporate Image had a positive and significant impact on Customer Loyalty.

**KEY WORD:** Product Quality, Corporate Image, Customer Trust, Customer Loyalty

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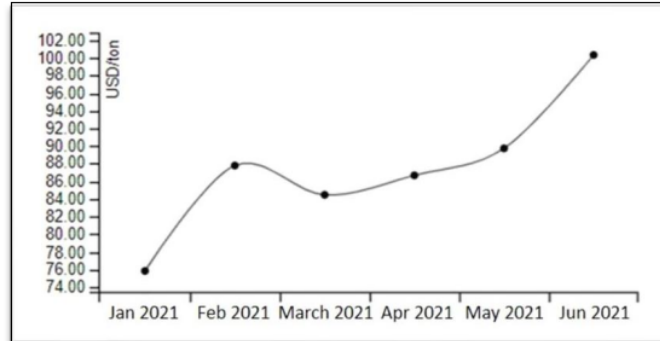
## I. INTRODUCTION

Coal is a type of natural resource that can be used as a raw material for direct energy or as an industrial raw material. The type of utilization will be seen from the quality of the coal itself. Coal quality (Product Quality) is the most important part of a mining industry, for that mining activities really have to carry out management in every business process so that the coal produced is in accordance with the quality criteria agreed upon between the two parties, namely producers and consumers.

The national coal production quota in 2020 was 550 million tons, while the East Kalimantan production quota was 82.197 million tons, including the production contribution from PT. Insani Baraperkasa of 2.5 million tons. For information, on April 6, 2021, the Ministry of Energy and Mineral Resources issued the Ministerial Decree (Kepmen) ESDM Number 266.K/HK.02/MEM.B/2021 regarding the Amendment to the Ministerial Decree (Kepmen) ESDM Number 255.K/30/MEM/2020 related to Fulfilling Domestic Coal Needs in 2021. That way, the national production quota will increase from 550 million tons to 625 million tons. Where, the additional 75 million tons will be used for export purposes. For that PT. Insani Baraperkasa will plan to increase its production by 3.6 million tons.

The phenomenon of fulfilling the quality of coal products (Product Quality) will greatly affect the level of trust from the coal buyer (Customer Trust), where the trust of the buyer (Customer Trust) will have an impact on the level of buyer loyalty (Customer Loyalty). For this reason, a company also needs to maintain its corporate image by committing to provide the best products in order to gain the trust of buyers (Customer Trust) and buyer loyalty (Customer Loyalty).

In addition to the increase in production quotas, there is also an increase in coal prices, as can be seen from the picture below where every month there is an increase in coal prices. The better the Product Quality of a coal, the higher the selling price, for that almost all coal mining companies are competing to create the best Product Quality to get the optimal price. With the price increase, the greater the volume of coal production with good quality, the company's profit will increase.



Coal Reference Price Increase in 2021  
Source: Ministry of Energy and Mineral Resources

Indonesia Coal Indices Incorporating assessment by Argus Media and PT. Coalindo Energi			
Grade (Kcal)	Price \$/ton		
ICI 1 (Indonesian 6,500 GAR/6,200 NAR)	106.09		
ICI 2 (Indonesian 5,800 GAR/5,500 NAR)	95.24		
ICI 3 (Indonesian 5,000 GAR/4,600 NAR)	85.62		
ICI 4 (Indonesian 4,200 GAR/3,800 NAR)	61.75		
ICI 5 (Indonesian 3,400 GAR/3,000 NAR)	32.55		
Monthly ICI Averages			
	Mar	April	May
ICI 1	85.75	90.26	95.12
ICI 2	70.43	78.71	86.62
ICI 3	60.71	70.19	77.94
ICI 4	38.03	47.92	54.72
ICI 5	23.65	25.92	28.45

## II. LITERATURE REVIEW

### 1. Product Quality and Customer Trust

Research by (Suhaily & Darmoyo, 2017) with the title "Effect Of Product Quality, Perceived Price And Brand Image On Purchase Decision Mediated By Customer Trust" with a population sample used of 376 respondents. The results of the hypothesis test are that Product Quality has a significant effect on Customer Trust. Research presented by (Halim et al., 2014) with the title "The Influence of Product Quality, Brand Image, and Quality of Service to Customer Trust and Implication on Customer Loyalty (Survey on Customer Brand Sharp Electronics Product at the South Kalimantan Province)" with a population sample used as many as 200 respondents. The results of the hypothesis test are that Product Quality has a significant effect on Customer Trust.

<sup>19</sup> Hypothesis 1: Product Quality has a positive and significant effect on Customer Trust.

### 2. Corporate Image and Customer Trust

Research conducted by (Sharp et al., 2016) with the title "Influence Of Corporate Image and Relationship Quality On Customer Trust and Customer Loyalty on The PT Garuda Indonesia In Surabaya" with a population sample used of 150 respondents. The results of the hypothesis test are that Corporate Image has a significant effect on Customer Trust. Research researched by (Hutama & Ekawati, 2020) with the title "The Influence of Price Fairness and Corporate Image on Customer Loyalty towards Trust" with a population sample used of 100 respondents. The results of the hypothesis test are that Corporate Image has a significant effect on Customer Trust.

<sup>2</sup> Hypothesis 2: Corporate Image has a positive and significant effect on Customer Trust.

### 3. Customer Trust and Customer Loyalty

Research conducted by (Yuni Adinda Putri, 2018) with the title The effect of service quality and brand trust on loyalty through customer satisfaction in transportation service Go-jek (go-ride) in Palembang City, the results of the analysis state that Customer Trust has no significant effect on Customer Loyalty. This research is also supported by the results of research (Pratiwi, 2015) with the title the influence of brand image, brand trust and customer satisfaction on brand loyalty (case of samsung smartphone). The results of the hypothesis test are that Customer Trust has no significant effect on Customer Loyalty.

Hypothesis 3: Customer Trust has no significant effect on Customer Loyalty

### 4. Product Quality and Customer Loyalty

Research conducted by (Lesmana, 2020) with the title The Formation of Customer Loyalty From Brand Awareness and Perceived Quality through Brand Equity of Xiaomi Smartphone Users in South Tangerang. The research design is single cross sectional, a sample size of 150 respondents. The results show that brand awareness does not have a significant effect on brand equity on Xiaomi smartphones in South Tangerang. This research is also supported by the results of research (Tambrin, 2019) with the title The Effect of Price and Product Quality Towards Customer Satisfaction and Customer Loyalty on Madura Batik. The sample of this study is 200 respondents, the sampling technique used was purposive sampling method. The results of the hypothesis test are the product quality is not significant and positive impact on loyalty.

Hypothesis 4: Product Quality has no significant effect on Customer Loyalty

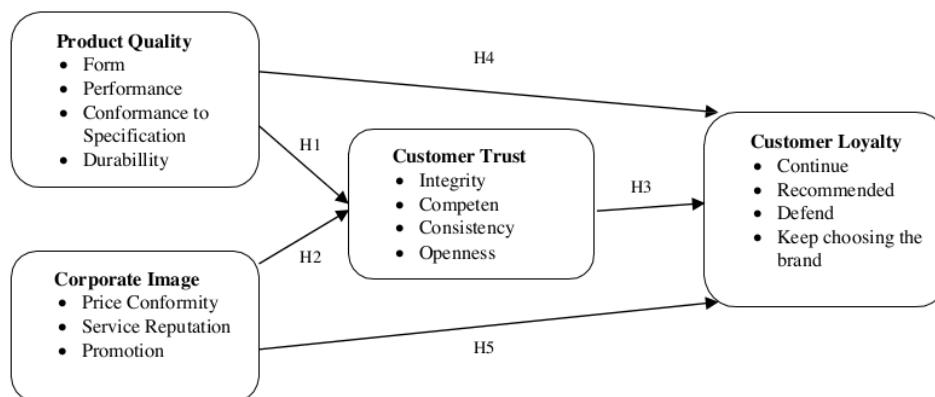
### 5. Corporate Image and Customer Loyalty

Research conducted by (Richard & Zhang, 2012) with the title "Corporate Image, Loyalty, and commitment in the consumer travel industry" with a population sample of 300 respondents which states that there is a significant influence of Corporate Image on Customer Loyalty. This research is also supported by the results of research by (Mahsyar et al., 2020) with the title The effect of customer trust and company image on customer satisfaction and customer loyalty in Indonesia classification bureau in samarinda", with the population sample used as many as 95 respondents. The results of the analysis show that there is a significant influence of Corporate Image on Customer Loyalty.

Hypothesis 5: Corporate Image has no significant effect on Customer Loyalty

Based on the formulation of hypotheses, the research model proposed by the authors is as shown in Figure 1.

Figure 1: Conceptual Framework



Source: Result of author's analysis, 2021

### III. RESEARCH METHODOLOGY

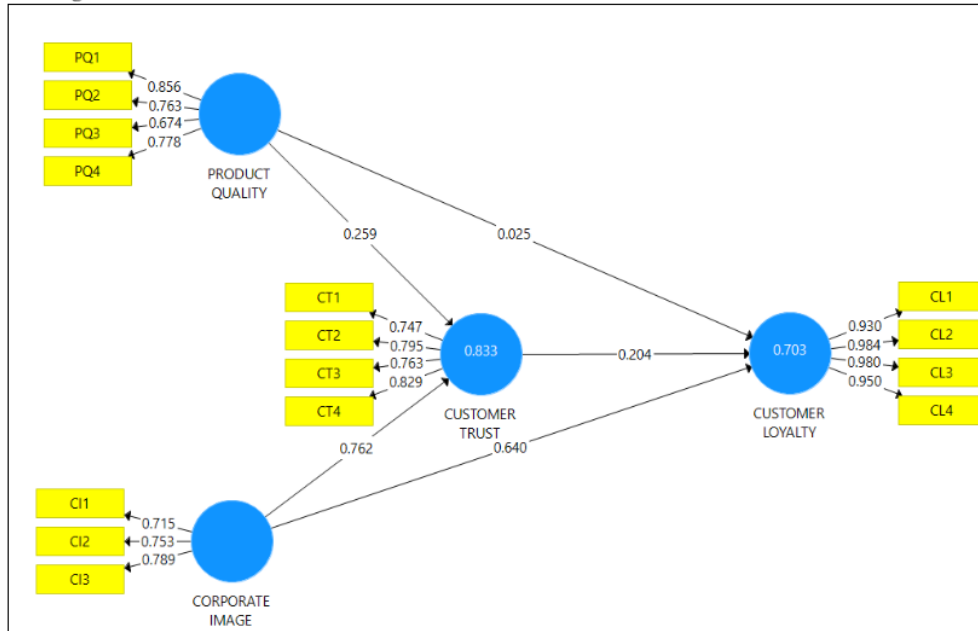
In a thesis research entitled “The Effect of Product Quality and Corporate Image on Customer Loyalty through Customer Trust in PT. Insani Baraperkasa took samples in 15 companies with 30 people as respondents and provided information needed by researchers through filling out questionnaires. Respondents in this study were employees of coal trading companies and end users, at the level of directors/leaders and marketing who understand coal quality and can make decisions to buy coal. The responses were  $s_{34}$ ht using Likert’s five-point scale. The relationship between variables in this study was analysed using the Partial Least Square Structural Equation Modelling method (PLS-SEM). PLS-SEM is more suitable for identification of fewer problems, can use a much smaller and much larger sample, and is easier to construct formative and reflective constructs (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014).

### IV. RESULT AND DISCUSSION

#### Data Analysis

The first-stage model evaluation  $s_{17}$  focuses on the measurement model. Examination of the PLS-SEM estimation for the measurement model allows the researcher to evaluate the reliability and validity of the constructs (Hair, Ringle, & Sarstedt, 2011)  $s_{19}$ n particular, multivariate measurement involves using multiple variables to measure a concept indirectly. Evaluation of the measurement model includes tests of internal consistency reliability, indicator reliability, convergent validity and discriminant validity as shown  $s_{25}$  Table 1. Hair et al (2014) explain that to measure reliability of a construct, two methods can be used, namely Cronbach’s alpha or composite reliability. However, the use of Cronbach’s alpha tends to provide a lower estimated value so that PLS-SEM is recommended to use composite reliability. Indicator reliability on PLS-SEM is measured from the outer loading value which shows the correlation between the indicator and its construct. Convergent validity in constructs can be measured using AVE. Discriminant validity can be measured from cross loading or the loading value of other constructs is a comparison to the value of the outer loading indicator associated with a construct where the required loading indicator value must be more than the cross loading value.

#### PLS Algorithm



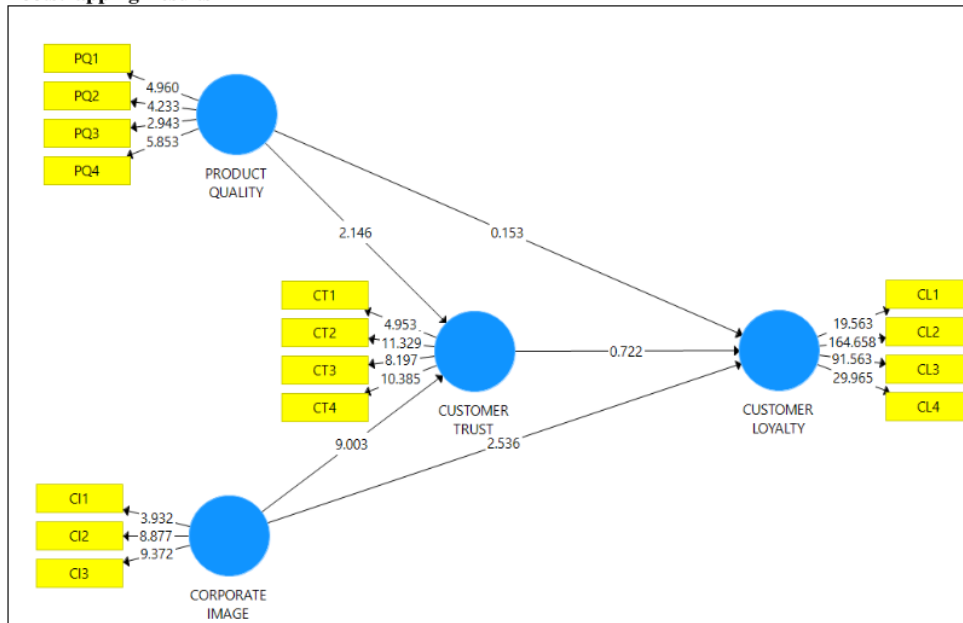
Source: Calculated using SmartPLS, 2021

**Table 1: Evaluation of Measurement Model**

Variables and Indicators	Loadings	Composite Reliability	AVE	Cross Loading
<b>Product Quality</b> <ul style="list-style-type: none"> <li>• Form</li> <li>• Performance</li> <li>• Conformance to Specification</li> <li>• Durability</li> </ul>	0.856 0.763 0.674 0.778	0.853	0.593	Yes
<b>Corporate Image</b> <ul style="list-style-type: none"> <li>• Price Conformity</li> <li>• Service Reputation</li> <li>• Promotion</li> </ul>	0.715 0.753 0.789	0.797	0.567	Yes
<b>Customer Trust</b> <ul style="list-style-type: none"> <li>• Integrity</li> <li>• Competen</li> <li>• Consistency</li> <li>• Openness</li> </ul>	0.747 0.795 0.763 0.829	0.864	0.615	Yes
<b>Customer Loyalty</b> <ul style="list-style-type: none"> <li>• Continue</li> <li>• Recommended</li> <li>• Defend</li> <li>• Keep choosing the brand</li> </ul>	0.930 0.984 0.980 0.950	0.980	0.924	Yes

Source: Calculated using SmartPLS, 2021

#### Bootstrapping Results



Source: Calculated using SmartPLS, 2021



**Table 2.4 Bootstrapping Results**

Path Coefficients						
Variable	Original Sample	Sample Mean	Standard Deviation	t Value	p Values	5% Significance Level
Product Quality (X1) → Customer Trust (Y1)	0.259	0.255	0.120	2.146	0.032	Significant
Corporate Image (X2) → Customer Trust (Y1)	0.762	0.754	0.085	9.003	0.000	Significant
Customer Trust (Y1) → Customer Loyalty (Y2)	0.204	0.240	0.282	0.722	0.471	Not Significant
Product Quality (X1) → Customer Loyalty (Y2)	0.025	0.020	0.165	0.153	0.878	Not Significant
Corporate Image (X2) → Customer Loyalty (Y2)	0.640	0.630	0.252	2.536	0.012	Significant
Specific Indirect Effects						
Variable	Original Sample	Sample Mean	Standard Deviation	t Value	p Values	5% Significance Level
Product Quality (X1) → Customer Trust (Y1) → Customer Loyalty (Y2)	0.155	0.179	0.215	0.723	0.470	Not Significant
Corporate Image (X2) → Customer Trust (Y1) → Customer Loyalty (Y2)	0.053	0.064	0.090	0.587	0.557	Not Significant

Source: Calculated using SmartPLS, 2021

### Hypothesis

After ensuring that the measurement model of the construct is reliable and valid, then hypothesis testing is carried out. Hypothesis testing in this study is carried out on a structural model or inner model which shows a direct or indirect relationship between exogenous and endogenous latent variables. Hypothesis testing is based on the significance value of the path coefficient after resampling or bootstrapping 5,000 times (Hair et al., 2014). The statistical test used is the t test with a confidence level of 95% or a significance level of 5%. The hypothesis is accepted if the t value is more than the t-table value for the two-tailed test, namely 1.96. The results of bootstrapping procedure as shown in Table 2.

Based on Table 2, the results of hypothesis testing can be interpreted as follows:

1. The effect of Product Quality on Customer Trust has a positive path coefficient value of 0.259, t value of 2.146 and p value of 0.032 which indicates that the relationship between the two variables is significant at the 5% significance level because it has t value of more than 1.96. This shows that Product Quality has a positive and significant effect on so that Hypothesis 1 is supported.
2. The relationship between Corporate Image and Customer Trust has a positive path coefficient value of 0.762, t value of 9.003 and p value of 0.000. This shows that Corporate Image have a positive and significant influence on Customer Trust so that Hypothesis 2 is supported.
3. The influence of Customer Trust on Customer Loyalty has a positive path coefficient value 0.204, and t value of 0.722 which indicates that the relationship between two variables is not significant because it has the t value of less than 1.96. This shows that Customer Trust has a positive but insignificant effect on Customer Loyalty so that Hypothesis 3 is not supported.
4. The direct effect between Product Quality and Customer Loyalty has a positive path coefficient value of 0.025 and t value of 0.153 which indicates that the direct effect between the two variables is not significant. While the indirect effect between Product Quality on Customer Loyalty through Customer Trust as a mediator has a path coefficient value of 0.155 with t value of 0.723 which means it is not significant because it is valued less than t table 1.96. This shows that Product Quality has a positive and not significant effect directly on Customer Loyalty and have not an indirect effect through Customer Trust as a mediator so that Hypothesis 4 is not supported.
5. The direct effect between Corporate Image and Customer Loyalty has a positive path coefficient value of 0.640 and t value of 2.536 which indicates that the direct effect between the two variables is significant. While the indirect effect of Corporate Image on Customer Loyalty through Customer Trust as a mediator has a path coefficient value of 0.053 with t value of 0.587 which means it is not significant. This shows that Corporate Image have a positive and significant effect directly on Customer Loyalty but do not have an indirect effect through Customer Trust as a mediator so that Hypothesis 5 is partially supported.

## V. CONCLUSION, LIMITATION AND FUTURE RESEARCH

The results of this study indicate that Product Quality and Corporate Image have a positive and significant direct effect on Customer Trust and Customer Loyalty. In addition, the results also show that Product Quality and Corporate Image do not have an indirect effect on Customer Loyalty through Customer Trust as a mediator. The results of coal quality can affect the selling price, in 2021 there will be a very significant increase in coal prices so companies are competing to provide the best service so that the corporate image has an impact on consumer trust and consumer loyalty.

Like any other research, this research certainly has its limitations, therefore future research can be carried out by expanding the scope of research to determine the effect of Product Quality on Customer Loyalty using different samples, analysis methods and indicators from this study. Future research can consider the effect of Product Quality on Customer Loyalty through Negotiation and Price. Future research also could focus on the impact of control variables such as age, gender, years of service on other outcome variables.



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