THE INFLUENCE OF BRAND IMAGE ON
SATISFACTION TO IMPROVE CUSTOMER
RETENTION TOWARDS BATIK KERIS
IN MALANG CITY

Astrid Puspaningrum
Faculty of Economics and Business Universitas Brawijaya

Abstract: The purpose of this study is to analyze the role of customer satisfaction as a
mediator of the influence of brand image on customer retention of Batik Keris in Malang.
The approach used in this research was positivism (quantitative). The population of this
study was the customers of Batik Keris in Malang City, with a total sample of 50 customers
in Malang City. The data obtained were analyzed using Path Analysis. The results showed
that brand image directly affects the customer satisfaction of Batik Keris. Customer satis-
faction directly affects customer retention of Batik Keris, and customer satisfaction medi-
ates the influence of brand image and customer retention towards Batik Keris. Therefore,
customer retention will be high if the brand image that is highlighted by Batik Keris can
satisfy the customers.

Keywords: customer retention, customer satisfaction, brand image

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Batik is an Indonesian cul-
tural heritage, especially
Javanese, which still exists
today. Batik was also first
introduced to the world by
President Soeharto, who was
wearing Batik at the UN
Conference for the first time.
In order to preserve the
nation’s cultural heritage,
through the Regulation of
Minister of Administrative
and Bureaucratic Reform
Number: PER/ 87/ M.PAN/
8/2005, the government re-
quired state civil apparatus to wear Batik or tradi-
tional dress of the region in question every Friday.
Furthermore, the regulation was followed by many
private companies, which also require their employ-
ees to wear Batik every Friday. For the sake of
togetherness, some companies encourage their
employees to wear batik. Batik is Indonesian cul-
tural heritage and asset that is very unique, must be
preserved and cultivated. In addition, it is also one
of the potential solutions to boost Indonesia’s for-
eign exchange through the revitalization of small and
medium-sized industries. Nowadays, there are many
companies that produce various kinds of Batik. Vari-
ous brands, namely Batik Kinara, Danar Hadi, Solo
Batik, Batik Keris, and so on, have been well-known
in Indonesia. The presence of various Batik brands also leads to intense competition to get more consumers.

One of the famous batik companies that have a good image in consumers is Batik Keris. Batik Keris is a trademark with the highest quality standard, stitching quality and basic materials that have passed quality control to be marketed both domestically and abroad. In addition, the outlet of Batik Keris is convenient, and the service provided is excellent, so the customers can shop satisfactorily. These two points are the main strength of Batik Keris so that they can be the top of the mind of everyone about Batik products in Indonesia” (Ogi, 2011).

Batik Keris is a long-standing company with decades of experience, starting from the home industry to a well-developed company like now. Batik Keris is one of the largest batik companies in Indonesia is Batik Keris, the company has covered clothing, shops, and traditional batik factories spread throughout Indonesia. Since the beginning, Batik Keris strongly emphasized quality; it was also the first product to export and promote abroad.

Therefore, the marketing department of Batik Keris should always design a brand image development program and carry out activities that support marketing to strengthen their brand. Batik Keris should be good at finding market opportunities that are very profitable for batik producers; given the government’s regulation requiring state civil apparatus to wear batik. It is in line with the increasingly intense competition between batik producers in various regions with various advantages aimed at increasing sales volume, regaining declining markets, and maintaining the market that has been obtained by each batik producer.

Nowadays, the role of the brand becomes increasingly important. A brand is not just a symbol or name. It distinguishes a product from other products in the wilderness of commodities as well as emphasizes the perception of quality. A customer purchases a product because of the influence of a brand. This perception is not only about services or goods, but also prestige and quality. Ardianto (1999) stated that companies that involve brand orientation in formulating their corporate strategy have the source to move towards sustainable competitive advantage through brand equity because only brands can provide strong protection.

Thus, if a brand is already well-known, then it will be stuck in the mind of the consumers so that the brand can be distinguished from other brands. The consumers assume that the brand is high-quality, successfully satisfies consumers and has high retention, thus the brand has a good image.

In order to seize and retain customers, a company needs strategies that require commitment, both funding, and human resources. It is conducted to ensure that the products offered are in accordance with the desire of customers so that customer value and satisfaction and distinguish the product with the competing products. This can be done by developing a product differentiation so that it can provide different service values from competitors, which will eventually increase customer satisfaction (Parasuraman et al., 1988).

In creating customer satisfaction, companies must be able to improve brand image. Customer satisfaction can be created through the brand image of its customers. The better the product evaluation and image, the higher the customer satisfaction will be. A high level of customer satisfaction cannot be separated from the company’s internal support, especially support from its human resources (Leo YM Sin et al., 2002).

Graeff (1996) also stated that the rapid development of the market will encourage consumers to consider brand image more than to pay attention to the characteristics of the products offered. Aaker and Keller (1990) concluded that the brand image has a positive influence on customer satisfaction in increasing retention. Nila (2012) concluded that consumers were satisfied with the brand image, which means that companies should be able and strive to improve product benefits, accessibility, recognizability. The product should be in accordance with consumer needs, which in turn will make consumers more satisfied and ignore other products (loyal to the product used).
Nowadays, customer satisfaction is the focus of almost all parties, starting from government, business, customers, and so on. This is because their understanding of customer satisfaction is getting better. It is used as a strategy to win a competition in the business world. For service providers, customer satisfaction is very important, because customers will spread their satisfaction to prospective customers, thus it will increase the reputation of service providers.

The relationship between customer satisfaction and customer retention has been investigated extensively in several studies. Customer retention is a form of loyalty associated with loyal behavior measured by consumer behavior. It is indicated by the high number of consumers buying the product. Meanwhile, loyalty is measured by several components: attitudes, beliefs, feelings, and will to make purchases (Bakar, 2010). Surveys prove that customer retention is based on the unique value that companies can give to customers (Rangkuti, 2002: 3). Retention rate is a level that shows the number of customers they can keep in a certain year compared to the number of customers who were successfully acquired in the previous year (Chan, 2003: 91). According to Bakar, (2010) customer retention is defined as the tendency of future customers to stand on service providers.

Aaker and Keller (1990) stated that customer satisfaction affects buying behavior; satisfied customers tend to be loyal, but loyal customers are not necessarily satisfied. Loyalty is the company’s ability to position its products in the minds of customers, where the company tries to think of customers as partners by building customer confidence, always interacting, and developing business for mutual progress if necessary. Woodside et al (1989) concluded that customer satisfaction influences purchase intensity.

Based on the phenomena and results of previous empirical studies, this study will examine the role of customer satisfaction as a mediator of the influence of brand image on customer retention of Batik Keris in Malang City.

LITERATURE REVIEW

Brand Image

Knapp (2001) defines a brand as internalizing a number of impressions received by customers and consumers, which leads to special memories of perceived emotional and functional benefits. A brand is said to be special if consumers believe that the brands are truly special. Another definition of the brand was stated by Aaker (1996) that brand is a name or symbol that is distinguishing a product from the others (such as logos, stamps, packaging) in order to identify goods or services from a seller or a particular group. Meanwhile, according to Staton (1996), a brand is defined as a name, term, symbol, special design or some combination of these elements that are designed to identify the product or service offered by the seller.

Kotler (2000) stated that brand is a seller’s promise to consistently provide certain features, benefits, and services to the customers, not just a symbol that distinguishes certain products from competitors’. According to the American Marketing Association (Kotler, 2000), a brand is defined as a name, term, sign, symbol, design or combination of all of them to identify the product or service so that it is different from competitors’ product or service. In business, a brand can be the company name, product-service, company logo, symbol or a combination of all of them (Hanafiah, 2004). A brand contains the company’s promise to provide consumers with benefits, privileges and certain services.

The brand is very valuable because it can influence the choices or preferences of consumers. A good brand indicates that the product is preferred by consumers, which eventually leads to better sales and financial performance of the company.

According to Kapfefer (1994), there is no obvious difference between the brand of product and service. The only difference is in terms of economy, where the branding process works in different areas, namely on products and services. Keller (2003) explained that over the years, there have been many strong brands developing in the service sector, such as American Express, British Airways, Hilton Ho-
the trust of customers in a brand. Blacwell et al (2001) in Simamora (2002) also discussed trust. It is like a connection between two nodes; for example, Volvo is a safe car. The two nodes in question are ‘Volvo’ and ‘safe’. The word ‘is’ that connects those two nodes indicates customer confidence.

Brand association is anything related to brand memory. Brand association is a collection of brand relationships when consumers remember a brand (Aaker, 1996). Brand associations become one of the components that form brand equity because brand associations can form a positive image of a brand, which in turn will create positive consumer behavior.

Kotler and Armstrong (1995) stated that consumers will develop brand trust. Consumer confidence in certain brands is called brand image. Consumer confidence will vary according to the actual image until consumers prefer alternative brands through certain evaluation procedures. One procedure that affects the evaluation is the brand trust or brand image.

**Customer Satisfaction**

Nowadays, almost all parties focus on customer satisfaction, starting government, business, customers, and so on. This is because their understanding of customer satisfaction is getting better. It is used as a strategy to win a competition in the business world. Customer satisfaction is important for service providers because customers will spread their satisfaction to prospective customers, which will eventually increase the reputation of service providers.

Customer satisfaction is not easy to define. There are various kinds of the definition given by experts, for example, according to Tse and Wilton (1988), customer satisfaction is the customer’s response to a product or service. Engel et al. (2001) defined customer satisfaction as an after-purchase evaluation, either the same or exceeding customer expectations, meanwhile when the results do not meet customer expectations, dissatisfaction will arise.

Spreng, Mackenzie, and Olshavsky (1996), states that customer satisfaction is measured based on performance appraisal, performance perceptions, and service or product expectations. Fornel et al (1996) measure satisfaction using three items, namely the Ideal Comparison, Confirmation of expectations, and overall satisfaction. Ideal Comparison is a comparison between ideal conditions and product performance in accordance with customer perceptions. Confirmation of expectations is the level of conformity between customer expectations and performance. Overall satisfaction is the result of current consumption and evaluation experiences derived from service standardization, constraints, and habits.

Maxwell K. Hsu et al. (2010), states that customer satisfaction is measured by their satisfaction when shopping at Hypermarket, the choice to shop at Hypermarket is wise, and the shopping experience at Hypermarkets is pleasant and satisfied with the services and products provided. Dong-Mo Koo (2003) revealed that satisfied customers while purchasing products in this store make a wise decision to buy products in this store, and when completing shopping and leaving the store is the right thing.

**Customer Retention**

According to Ranaweera and Prabhu (2003), customer retention is considered a customer tendency to keep using the service or product in the future. According to Khan (2012), customer retention and attracting new customers are used as drivers to increase market share and revenue. According to Lewis M (2009), customer retention is more influenced by shipping cost and shows an empirical analysis that when these costs are the same as when they were at the bottom, then it will develop more retaining behavior from the customer side. According to Kotler (2002: 197), there are 3 dimensions in building Customer Retention, namely Financial Benefits, Social Benefits and Structural Ties.
HYPOTHESIS DEVELOPMENT

The Effect of Brand Image on Customer Satisfaction

Customer satisfaction is important for service providers because customers will spread their satisfaction to prospective customers, thus it will increase the reputation of service providers. In creating customer satisfaction, companies should be able to improve brand image. Customer satisfaction can be created through the brand image of its customers. The better product assessment and brand image, the higher the customer satisfaction (Leo YM Sin et al., 2002). Aaker and Keller (1990) concluded that the brand image has a positive influence on customer satisfaction in increasing retention. Nila (2012) concluded that consumers were satisfied with the brand image, which means that companies should strive to improve product benefits, accessibility, recognizability, and in accordance with consumer needs, which in turn make consumers more satisfied and ignore other products (loyal and keep using the product).

Based on the discussion above, the following is the hypothesis formulated:
\[ H_1: \text{Brand image has a positive and significant effect on customer satisfaction} \]

The Effect of Customer Satisfaction on Customer Retention

Retention rate is a level that shows the number of customers who keep using the product in a certain year compared to the number of customers acquired the previous year (Chan, 2003: 91). According to Ranaweera and Prabhu (2003) (in Bakar, 2010: 34), customer retention is defined as the tendency of customers to keep using the service offered in the future. Aaker and Keller (1990) stated that customer satisfaction affects buying behavior; satisfied customers tend to be loyal and do repeat purchases. Diab (2009) concluded that customer satisfaction contributes to purchase retention.

Based on the discussion above, the following is the hypothesis formulated:
\[ H_2: \text{Customer satisfaction has a positive and significant effect on customer retention} \]

Customer Satisfaction Mediates the Effect of Brand Image on Customer Retention

Customer satisfaction can be built through a brand image in the mid of its customers. The better customer perception towards the product and brand image, the higher the customer satisfaction will be. A high level of customer satisfaction cannot be separated from the company’s internal support, especially support from its human resources (Leo YM Sin et al., 2002). Aaker and Keller (1990) concluded that the brand image has a positive influence on customer satisfaction in increasing retention. Nila (2012) concluded that consumers were satisfied with the brand image. Aaker and Keller (1990) stated that customer satisfaction affects buying behavior; satisfied customers tend to be loyal and do repeat purchases. Diab (2009) concluded that customer satisfaction contributes to purchase retention.

Based on the discussion above, the following is the hypothesis formulated:
\[ H_3: \text{Customer satisfaction mediates the effect of brand image on customer retention} \]

METHOD

Type of Research

In accordance with the main problem and research objectives, this study used explanatory research, which aims to describe the pattern of relationships or influences between two or more variables; the pattern of relationships can be symmetrical, causal and reciprocal (Sugiyono, 2006). The pattern of influence that will be revealed in this study is the influence of brand image on customer satisfaction and customer retention of Batik Keris in Malang.

Population and Sample

The study population is Batik Keris customers in Malang City. According to Djarwanto (1999), a sample is a portion of the population whose characteristics are to be investigated and is considered to be representative of the whole population. Because there is no exact number of population, then the sample size is determined by multiplying 25 by independent variables. This refers to Ferdinand’s state-
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ment (2006) that in multivariate research (including those using multivariate regression analysis), the sample size is determined by multiplying 25 by the independent variable. Based on these provisions, the sample size was 2 \times 25 = 50 customers of Batik Keris in Malang City.

Operational Definition of Variable

Based on its operational definition, a variable is an element of research that shows how to measure a variable which contains indicator. The variables used in this study are:

- **Brand Image (X₁)**
  Kotler (2000) stated that a brand image is a number of beliefs about a brand. According to Aaker and Keller (1990), the indicator used to measure brand image is its recognizability; for example by giving a remarkable, famous and unique name, 'Keris'.

- **Customer Satisfaction (Y₁)**
  Engel et al. (2001) define customer satisfaction as post-purchase evaluation, whether it just meets or exceeds customer expectations. According to Tax et al. (1998), the indicators used to measure customer satisfaction are customer happiness and satisfaction with the service as batik patterns.

- **Customer Retention (Y₂)**
  According to Ranaweera and Prabhu (2003), customer retention is considered a customer tendency to keep using the service provided in the future. According to Aaker and Keller (1990), the indicators used to measure customer retention are loyalty and word of mouth.

Variable Measurement

Sugiyono (2005), stated that the “Likert scale is used to measure the attitude, opinion and perception of a person or group about social phenomena”. With the Likert scale, the variables will be divided into sub-variables. Likert scale is used to measure the variables that will be examined through the responses of respondents. In this study, each respond to the questions in the questionnaire was scored as 1 for Strongly Disagree, 2 for Disagree, 3 for Fairly Agree, 4 for Agree, and 5 for Strongly Agree.

Data Analysis Method

In this research, the data was analyzed using Path Analysis. Path analysis is a form of implementation of multiple regressions using a path diagram as a guide to complex hypothesis testing. This path analysis can be done to estimate the effect size, both directly and indirectly. The presence of this direct effect was tested by t-test. With a significance level = 5%, degrees of freedom (k), and (n-k-1), where n is the number of observations and k is the independent variable, then the t_{count} is formulated as follows:

\[
t_{\text{count}} = \frac{b_i}{SEb_i}
\]

In which:
- \(b_i\) = Estimation of \(X_i\)
- \(SEb_i\) = Standard Deviation of regression coefficient

The criteria for this hypothesis test are as follows: if probability < 5%, then \(H_0\) is rejected, and \(H_1\) is accepted; if probability > 5%, then \(H_0\) is accepted, and \(H_1\) rejected.

Mediation Test

Mediation variables are variables that mediate the relationship between explanatory variables and dependent variables. A test will be done to find out whether a variable is able to act as a mediating variable or not. The mediation test is used to determine whether the variable is complete mediation or partial mediation. Mediation test conducted in this study is illustrated as follows.
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Note:
- (a), (b) and (c) are the results of path coefficient and model
- (d) is a path coefficient of the overall model without any mediating variables.

Test Approach
- If (a) and (b) are significant, while (c) is insignificant, then it can be considered to be complete mediation.
- If (a) and (b) are significant, while (c) is significant, where the coefficient (c) is smaller (decreasing) than (d), then it can be considered to be partial mediation.
- If (a) and (b) are significant, while (c) is significant, where the coefficient (c) is almost the same as (d), then it is not considered to be mediating variable.
- If either (a) or (b) is not significant, then it is not considered to be a mediating variable.

RESULTS

Total Coefficient of Determination

The total coefficient of determination shows that the amount of the dependent variable can be explained by independent variables in the research model. To determine the total coefficient of determination of the path analysis, the following formula was used:

$$R_m = 1 - \left(\sqrt{1 - R_x^2}\right)^2 \left(\sqrt{1 - R_y^2}\right)^2$$

Note: $R_m$ = Total coefficient of determination
$R_x^2$ = R-Squared value from path analysis 1
$R_y^2$ = R-Squared value from path analysis 2

Based on the formula above, the total coefficient of determination is as follows:

$$= 1 - \left(\sqrt{1 - 0.134}\right)^2 \left(\sqrt{1 - 0.020}\right)^2$$
$$= 1 - (0.866) (0.798)$$
$$= 1 - 0.691$$
$$= 0.309$$

The calculation results show that the contribution of brand image to customer satisfaction and its impact on customer retention amounted to 30.9%, while the remaining 69.1% is influenced by other variables outside the research model.
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Results of Hypothesis Test

The results hypothesis tests are presented in Table 1 below:

Table 1 Interaction Effect

<table>
<thead>
<tr>
<th>Interaction Effect</th>
<th>Path Coefficient</th>
<th>t-statistic</th>
<th>Sig</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand image → Customer satisfaction</td>
<td>0.366</td>
<td>2.729</td>
<td>0.009</td>
<td>Significant</td>
</tr>
<tr>
<td>Brand image → Customer Retention</td>
<td>0.378</td>
<td>2.697</td>
<td>0.010</td>
<td>Significant</td>
</tr>
<tr>
<td>Customer satisfaction → Customer Retention</td>
<td>0.418</td>
<td>2.988</td>
<td>0.004</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Processed Primary Data

Hypothesis 1

The Effect of Brand Image on Customer Satisfaction

The hypothesis test about the effect of brand image on customer satisfaction generates \( t_{\text{statistic}} \) amounted to 2.729, with a significance level of 0.009. Because the significance level is smaller than the statistical significance at \( \alpha = 5\% \), so the hypothesis stating that brand image influences customer satisfaction can be accepted. It means that the better the brand image, the higher the customer satisfaction, with an increase of 0.366.

Hypothesis 2

The Effect of Customer Satisfaction on Customer Retention

The hypothesis test about the effect of customer satisfaction on customer retention generates \( t_{\text{statistic}} \) amounted to 2.988, with a significance level of 0.004. Because the significance level is smaller than the statistical significance at \( \alpha = 5\% \), the hypothesis stating that customer satisfaction affects customer retention can be accepted. It means that the better the customer satisfaction, the higher the customer retention, with an increase of 0.418.

MEDIATION TEST

To know the results of customer satisfaction analysis as a mediating effect of brand image on customer retention, we need to know the significance of the influence of brand image on customer satisfaction, the influence of customer satisfaction on customer retention, and the influence of brand image on customer retention.

Based on the results of mediation tests, the influence between a brand image on customer satisfaction shows that brand image significantly influences customer satisfaction, with a coefficient value of 0.366, and customer satisfaction significantly influences customer retention, with a coefficient value of 0.418. Meanwhile, the path coefficient of brand image that is controlled by customer satisfaction can significantly influence customer retention, with a coefficient value of 0.378. The coefficient value is greater than the influence of brand image on customer retention without the mediating variable (customer satisfaction), with a coefficient value of 0.280.

Table 2 The Effect of Brand Image on Customer Retention without Mediated by Customer Satisfaction

<table>
<thead>
<tr>
<th>Interaction Effect</th>
<th>Path Coefficient</th>
<th>t-statistic</th>
<th>Sig</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand image → Customer Retention</td>
<td>0.280</td>
<td>2.021</td>
<td>0.049</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Processed Primary Data
Thus, it can be said that customer satisfaction is complete mediation between the influence of brand image on customer retention.

**DISCUSSION**

Based on the analysis result, it was found that brand image affects customer satisfaction. Consumer satisfaction is very important for companies in terms of marketing. A good brand image will create a good perception of consumers about the product and then build customer satisfaction. It drives companies to create and build a good brand image in order to encourage consumer satisfaction.

Brand image can increase customer satisfaction towards *Batik Keris*. This indicates that the strong impression of the name, *Batik Keris*, increases the level of customer satisfaction. The strong brand image leads customers who wear *Batik Keris* to feel confident. This has a very strong influence in increasing customer satisfaction.

According to Shimp (2003), brand image is a type of association that emerges in the minds of consumers when they remember a particular brand. The association can be in the form of a particular thought or image that is associated with a brand, just as we think about people. Companies can name their brand after the name of a person, place, quality, lifestyle, or artificial name, so it will illustrate the product quality as well.

The results of this study develop the research which was conducted by Graeff (1996) that the rapid development of the market will encourage consumers to consider brand image more than pay attention to the characteristics of the products offered. Aaker and Keller (1990) concluded that the brand image has a positive influence on customer satisfaction in increasing retention. Nila (2012) concluded that consumers were satisfied with the brand image, which means that companies should strive to improve product benefits, accessibility, recognizability, and in accordance with consumer needs, which in turn make consumers more satisfied and ignore other products (loyal and keep using the product).

Based on the analysis results, it was found that customer satisfaction has an influence on customer retention. This indicates that satisfaction is very important for product performance. A product can conquer the market if it can satisfy the customers who use it. Satisfied customers, it will increase customer retention of *Batik Keris*.

Retention rate is a level that shows the number of customers who keep using the product in a certain year compared to the number of customers acquired the previous year (Chan, 2003: 91). According to Ranaweera and Prabhu (2003) (in Bakar, 2010: 34), customer retention is defined as the tendency of customers to keep using the service in the future. Aaker and Keller (1990) stated that customer satisfaction affects buying behavior; satisfied customers tend to be loyal and do repeat purchases.

**CONCLUSIONS AND SUGGESTIONS**

**Conclusions**

Brand image directly influences customer satisfaction towards *Batik Keris*. Therefore, customer satisfaction will increase if *Batik Keris* can build a positive image, which is indicated by a remarkable batik pattern. The customers want to buy the product and always remember *Batik Keris* every time they hear the word ‘*Keris*’.

Customer satisfaction directly influences customer retention towards *Batik Keris*. Therefore, customer retention will increase if they are very happy and satisfied with the products of *Batik Keris*, the patterns, as well as the services provided by the employees.

Customer satisfaction mediates the influence of brand image and customer retention towards *Batik Keris*. Therefore, customers will have high retention if the brand image highlighted by *Batik Keris* can satisfy its customers.
Suggestions

The management team of Batik Keris needs to create ethnic designs and bring out modern elements, for example applying softer colors so that the product looks elegant. The management team of Batik Keris should actively provide accurate information about batik products to customers and promote them, so their product will be well-known. To expand the study, it will be better if further research is conducted on purchase intentions.

REFERENCES
