The Effect ff Brand Image on Customer Loyalty of The "Rahn" Product

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Abstract

Financial institutions such as pawnshops are present in Gresik district, Indonesia. In order to have high customer loyalty, an institution should maintain their image. Thus, the aim of this study is to examine how brand image affects customer loyalty at PT. Pegadaian Syariah Sembayat Branch. The components forming brand image are brand strength, brand advantage, and brand uniqueness. Multiple regression analysis is applied to this study. The findings stated that brand advantage is the only component which significantly affects customer loyalty. Furthermore, the influence of brand advantage on customer loyalty is positive.

Keywords: *pawnshop, brand image, customer loyalty, regression*

Introduction

Financial institutions in Gresik are growing continuously. The business sectors such as banking, insurance, mutual funds, capital markets and pawnshops are expanding rapidly. Financial institutions such as pawnshops are one example of a financial institution engaged in the business sector in the service business sector, in which the market segment of the pawnshop is customers who need funds quickly. Customers borrow money by handing over goods as collateral to those who give loans according to the time specified. If the time has expired and the item is not taken immediately, the item is fully owned by the lender.

Choosing a suitable financial institution that provides what is needed is not easy, especially financial institutions such as pawnshops that provide loan services with collateral. Customers must be more careful and smart to choose which financial institutions are good and trustworthy and whether it should be a sharia or a conventional financial institution.

In almost all financial institutions, both sharia and conventional, the rahn (pledge) contract has been applied even with varying forms and conditions. This variation depends on the emphasis on the operational principles and products of each financial institution itself. The application of rahn in Islamic banks will certainly be different from the application of rahn in Islamic pawning, because the emphasis of the two financial institutions is different. Islamic banks place rahn as a supporting instrument, while Islamic banks place it as the main instrument.

In its own pawnshop financial institutions, the main difference between sharia and conventional pawnshops lies in the payment mechanism. If conventional pawnshops provide interest as a financing benefit that is pawned, the sharia pawnshop uses the ijarah financing contract. The ijarah contract is a credit agreement between a bank and a customer to rent goods or an object of lease where the bank receives a service fee until the object being rented is repurchased by the customer.

The object of this study is the Sharia version of PT. Pegadaian located at Jalan Embong Baru No. 04 Sembayat Village, Manyar District, Gresik Regency. PT. Pegadaian itself is an Indonesian government-owned corporation which has a monopoly on fiduciary service in Indonesia. It has a variety of products offered, including sharia financing (Rahn), krasida, creations, trust, arrum, noble gold savings, remittances, and many more. The product that is the object of this research is pawning with the principle of sharia (Rahn). The sharia pawnshop is close to the market area and is one of the sharia pawnshop financial institutions in northern Gresik. Precisely to the west of the large highway in the Sembayat sub-district. This strategic location can make customers feel

convenient in assessing the locations. However, there are a lot of financial institutions that offer a variety of products using sharia-based system services. Therefore, to maintain customer loyalty, a financial institution must be able to maintain a good brand image to customers.

Brand image is a person's perception that describes his knowledge of a brand. It is formed by three indicators: strength, profit, and uniqueness of the brand itself. These three factors will be used as variables in this study, so that it can be seen how influential the pawning product brand image (Rahn) is on customer loyalty.

Previous studies on brand image was conducted by Song et al. (2019) on the coffee shop industry. This work investigated the structural relationship among brand image, trust, satisfaction, and brand loyalty using Structural Equation Modelling. The study concluded that brand image (brand love and brand respect) had a significant moderating effect. Moreover, satisfaction influenced truth, and truth was positively related to brand loyalty.

Another study on the apparel sector was conducted by Erdil (2015) which examined the effects of price image, brand image, and perceived risk on store image and purchase intention of consumers. By using regression analysis, this study found that there was a significantly direct effect of price image, brand image, and perceive risk on purchase intention. The direct effect of price image and brand image was positive on purchase intention, while there was negative direct effect of perceived risk on the intention to purchase.

The current study is similar to the two previous studies which focused on brand image. However, the dependent variable and the independent variable used in our study are brand loyalty and brand image, respectively. Moreover, there are some differences including the indicator of brand image, which is determined by three variables (brand strength, brand advantage, brand uniqueness). In addition, the object of this study is not in the form of a product but a service, which is the Sharia Financial Institution PT. Pegadaian (Persero) Syariah Sembayat Branch.

The purpose of this study is to examine the influence of each component of brand image on customer loyalty in PT. Pegadaian (Persero) Syariah Sembayat Branch. These components are brand strength, brand advantage, brand uniqueness.

This paper is organised as follows. Section 1 presents the motivation for this study along with the previous studies concerning this issue. Section 2 gives some literature reviews followed by materials and methods in Section 3. Then, Section 4 elaborates on the results and presents some discussions. Finally, Section 5 concludes this study.

Literature Review

Pawnshop

The pawnshop is a popular form of short-term finance among the marginal groups; even though it has high interest rates. To guarantee a pawnshop loan, the borrower leaves his material possession at the pawnshop to get cash as an exchange. The object will be forfeited when the borrower fails to repay (Carter, 2015).

The Civil Code Book of Indonesia (*UU Hukum Perdata*) Article 1150, says that a pawn is a right obtained by a person who owes a movable property, which is surrendered to him by a person owed or by another person in his name, and who gives power to the person who owes it to take the repayment of the item first rather than the other debtor. The exception is of the cost of auctioning the item and the costs incurred to save it after the item has been pawned, which costs must take precedence (Soemitra, 2009).

Furthermore, pawn (Rahn) in sharia means holding something in a way that is justified which allows it to be withdrawn. Rahn can also be interpreted as goods having the value of assets in the view of sharia as collateral for debt so that the person concerned may take out the debt in

whole or in part. In other words, rahn is a contract in the form of mortgaging goods from one party to another party, with debt instead (Umam & Utomo, 2016).

The operations of Pegadaian syariah are based on sharia principles. Basically, sharia-based products have characteristics such as not collecting interest in various forms due to usury, establishing money as a medium of exchange not as a traded commodity, and doing business to get rewards for services or profit sharing. Sharia pawning in terms of fulfilling sharia principles adheres to the National Sharia Council Fatwa of the Indonesian Ulema Council (DSN-MUI) No. 25 / DSN-MUI / III / 2002 dated 26 June 2002 concerning rahn which stated that loans with mortgages as collateral for debt in the form of rahn were permitted, and Fatwa DSN-MUI No. 26 / DSN-MUI / III / 2002 concerning gold pledges. Whereas in the institutional aspect, it still has the Government Regulation No. 10 of 1990 on April 10, 1990 (Soemitra, 2009).

Brand Image

The American Marketing Association defines that a brand is a name, term, sign, symbol, or design, or combination of these things, which is intended to identify the goods or services of a person or group of sellers and to distinguish them from competing products. In other words, the brand identifies the seller or maker. Brands can be names, trademarks, logos, or other symbols (Kotler, 1997).

According to Keller et al (2011), the factors that forms the brand image are: (1) Strength of brand associations, which depends on how information enters the customer's memory and how that information persists as part of the brand image, (2) Advantages of brand associations in which customers can trust the attributes they provide to satisfy the needs and desires of the customer, and (3) Uniqueness of brand associations, which can be based on product attributes, product functions or images that customers enjoy.

Customer Loyalty

Based on Lovelock (2014), customer loyalty is the willingness of customers to continue to subscribe to a company in the long run, by buying and using goods and services repeatedly and better exclusively, and voluntarily recommending them to other parties. Customer loyalty is not formed in a short time but through the learning process and based on the results of the customer's own experience from consistent purchases all the time. When the reality is in line with expectations, then the purchase process continues to repeat and vice versa.

Furthermore, Griffin (2005) argued that a customer is said to be loyal or loyal if the customer shows buying behavior on a regular basis or there is a condition that requires customers to buy at least twice in a certain time interval. Efforts to provide customer satisfaction are carried out to influence customer attitudes, while the concept of customer loyalty is more related to customer behavior than the attitude of the customer.

Customers tend to choose based on brand image, especially when the customer does not have experience with products in certain categories that they have never bought, they will tend to trust the product with the famous brand. They often think that a well-known brand is a better and more valuable product to buy because it implies the guarantee of quality, reliability and better service. In addition, the promotion of a brand supports the understanding of the quality of their products by building and maintaining a positive brand image in the minds of customers (Schiffman & Kanuk, 2012).

Materials and Method

This study is a quantitative study that focuses on causality. The object of the study is a sharia unit of PT. Pegadaian (Persero) Sembayat branch located in Jalan Embong Baru No. 04 Sembayat Manyar Gresik. The variables are divided into dependent and independent variables.

Customer loyalty (y) is defined a dependent variable and brand image (x) as independent variables. The indicator components of brand image consists of brand strength (x_1), brand advantage (x_2), and brand uniqueness (x_3) as suggested by Keller et al (2011).

The population in this study are the customers who have used pawn service products (Rahn) in PT. Pegadaian (Persero) Syariah Sembayat. The sample in this study are customers who statisfy the following criteria: (1) Using sharia (Rahn) mortgage products at PT. Pegadaian (Persero) Syariah Sembayat Service Unit for more than 1 year or use of the product more than 1 time, (2) Moslem, and (3) are at least 21 years of age.

The sampling technique in this work is purposive non-probability sampling. Non-probability sampling is a sampling technique without considering the probability for each population element to be sampled while purposive sampling is a sample determination technique with certain considerations. To determine the sample size, one uses the following calculation formula:

$$n = \frac{NZ^2 p\,(1-p)}{Nd^2 + Z^2 p\,(1-p)}, \qquad\qquad (1)$$

where *n* is sample size, *N* is the number of population, *Z* is the standard unit of standard normal distribution, *d* is the degree of deviation, and *p* is the proportion.

The population of Rahn user is 1,096 customers, whereas the total users of all products are 1,239 customers. The data are updated to July 4th, 2018 based on the information from PT. Pegadaian (Persero) Syariah Sembayat. Therefore, the proportion of Rahn user is $p = \frac{1,096}{1,239} = 0.88$.

Hence, $n = \dfrac{1,239\,(3^2)\,(0.88)\,(1-0,88)}{1,239\,(0.15^2) + (3^2)\,(0.88)\,(1-0.88)} = 40.84$

or rounded up to 41 or more research samples. The sample in this study is 50 customers.

The data are obtained directly with a questionnaire that lists structured questions to respondents. The materials are about the relationship between the brand image of "Pegadaian Syariah" and customer loyalty. Each variable is represented by some indicators that are in the form of statement. There are four statements for each variable. The measurement of each statement is the Likert scale, ranging from 1 to 5. Then, those statements will be averaged for each variable and will be used in multiple linear regression analysis.

The steps of analysis of this research are as follows. First, the validity and reliability tests are conducted to see how valid the statement in the questionnaire is as a measurement and on how reliable the measurement is. Second, descriptive statistics is presented in order to see the characteristics of the data. Third, regression analysis of customer loyalty on brand strength, brand advantage, and brand uniqueness is given mathematically as

$$\hat{Y} = b_0 + b_1X_1 + b_2X_2 + b_3X_3 \qquad (2)$$

where b_0 is the intercept, b_1 is the slope coefficient of X_1, b_2 and b_3 are the slope coefficients of X_2 and X_3. After that, the best model will be interpreted and some conclusions are drawn.

Results and Discussion

Validity and Reliability Tests

A validity test is used to indicate the extent of accuracy of a measuring instrument in performing its measuring function. A validity test is done by using the product moment correlation formula. In other words, we compare the calculated $r_{statistic}$ obtained from the output with r_{table}. The item statement is valid when $r_{statistic}$ is positive and greater than r_{table}. The results are given in Table 1.

Table 1. The results of validity test

Item		$r_{statistic}$	r_{table}	Conclusion
Brand strength (BS)	BS1	0.726	0.2787	Valid
	BS2	0.649	0.2787	Valid
	BS3	0.676	0.2787	Valid
	BS4	0.687	0.2787	Valid
Brand advantage (BA)	BA1	0.672	0.2787	Valid
	BA2	0.474	0.2787	Valid
	BA3	0.583	0.2787	Valid
	BA4	0.574	0.2787	Valid
Brand uniqueness (BU)	BU1	0.336	0.2787	Valid
	BU2	0.344	0.2787	Valid
	BU3	0.745	0.2787	Valid
	BU4	0.830	0.2787	Valid
Customer loyalty (CL)	CL1	0.352	0.2787	Valid
	CL2	0.398	0.2787	Valid
	CL3	0.704	0.2787	Valid
	CL4	0.386	0.2787	Valid

Based on Table 1, all statement items used to measure the variables in this study have a correlation coefficient greater than r_{table}. These results indicate that all statement items (indicators) are valid. After testing the validity, a reliability test is performed to determine the consistency of the measuring instrument. In testing reliability of items, we use the crobanch's alpha coefficient, where the instrument is said to be reliable if r_{alpha} is greater than r_{table}.

Table 2. The results of the reliability test

Variable	*Crobanch's Alpha*	Conclusion
BS	0.765	Reliable
BA	0.696	Reliable
BU	0.704	Reliable
CL	0.580	Reliable

Table 2 shows the results of reliability test in which the Cronbach's Alpha of all variables consisting of brand strength, brand advantage, brand uniqueness, and customer loyalty is greater than the value of r_{table}. This proves that all variable measuring items from the questionnaire are reliable.

Descriptive Analysis for Respondents Profile

Descriptive analysis in this study was carried out on the data of respondents who satisfy the limitation in section 3. The data characteristics are given in Table 3.

Table 3. The Percentage of data characteristics

No	Characteristic	Total	Percentage
1.	Gender		
	a. Male	8	16 %
	b. Female	42	84 %
	Total	50	100 %
2.	Address		
	a. Glagah	3	6 %
	b. Bungah	16	32 %
	c. Manyar	31	62 %
	Total	50	100 %
3.	Age		
	a. 21 – 30 years	9	18 %
	b. 31 – 40 years	19	38 %
	c. 41 – 50 years	14	28 %
	d. > 50 years	8	16 %
	Total	50	100 %
4.	Latest education		
	a. Elementary school	7	14 %
	b. Junior high school	8	16 %
	c. Senior high school	29	58 %
	d. Diploma (D1, D2, D3)	0	0 %
	e. Bachelor (S1, S2, S3)	6	12 %
	Total	50	100 %
5.	Occupation		
	a. TNI	0	0 %
	b. POLRI	0	0 %
	c. Civil servant (PNS)	1	2 %
	d. Private employee	6	12 %

No	Characteristic	Total	Percentage
	e. Others	43	86 %
	Total	50	100 %
6.	Salary a. < Rp. 500.000,00 b. Rp. 500.000,00 – Rp. 1.000.000,00 c. Rp. 1.100.000,00 – Rp. 2.000.000,00 d. Rp. 2.100.000,00 – Rp. 3.000.000,00 e. Rp. 3.100.000,00 – Rp. 5.000.000,00 f. > Rp. 5.000.000,00	27 6 5 9 3 0	54 % 12 % 10 % 18 % 6 % 0 %
	Total	50	100 %
7.	The number of usage a. 1 times b. 2 – 3 times c. > 3 times	0 17 33	0 % 34 % 66 %
	Total	50	100%

Based on Table 3, it appears that women dominate more than men. This can be seen from the percentage of women by 84% of 50 respondents, while male respondents amounted to 16% of 50 respondents. Moreover, according to the place of residence, respondents who live in Glagah subdistrict is just 6% of 50 respondents, whereas in Bungah District, Gresik Regency, there are 32% of 50 respondents or 16 people. Most of them are respondents from Manyar Subdistrict, which is 62% of 50 respondents. This indicates that the majority of customers who use pawning products (Rahn) are people who live in the Manyar Subdistrict area, especially the Sembayat Village, where the office of PT. Pegadaian (Persero) Syariah Sembayat is located.

Furthermore, Table 3 shows that most respondents are aged between 31-40 years and the least are respondents over 50 years of age. Additionally, based on education, it can be seen that the customers of PT. Pegadaian (Persero) Sharia Sembayat is having an elementary education background / equivalent as much as 14% of 50 respondents (7 people), junior high school / equivalent as much as 16% of 50 respondents (8 people), high school / equivalent as many as 58

% of respondents (29 people), Diploma (D1, D2, D3) as many as 0% from 50 respondents (0 people), and Bachelor (S1, S2, S3) 12% from 50 respondents (6 people).

However, according to the occupation, respondents with other types of work are the most popular (86%). This is because most customers of Rahn are entrepreneurs, pond farmers and housewives. Respondents who worked as private employees amounted to 12% or 6 people and the smallest were respondents with the type of civil servant that was only 2% or 1 person, and there were no TNI and POLRI (0%). When considering the salary, those who earn less than Rp. 500,000.00 per month are 54% (27 people) and there is no respondent earning more than Rp. 5,000,000.00 per month. In other words, the majority of respondents are earning less than Rp. 500,000.00 per month.

In addition, the number of respondents based on the length of time being a customer shows that 66% of respondents have used Rahn more than 3 times usage and 34% of respondents use the service for 2-3 times. There are no respondents who only have one time usage. This is because in the sampling process, we applied a purposive sampling technique with the criteria of respondents using Rahn more than once.

Multiple Linear Regression Analysis

This subsection is the essential part of this study, which is the linear regression analysis of customer loyalty on brand image. The effect of brand image components including brand strength, brand advantage, and brand uniqueness on the loyality of customers. The results are given in Table 4(a) and 4(b).

Table 4. Regression analysis of complete model (a) Overall test and (b) Partial Test

(a) Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	20.680	3	6.893	3.456	.024[a]
	Residual	91.740	46	1.994		
	Total	112.420	49			

a. Predictors: (Constant), BS, BA, BU

b. Dependent Variable: CL

(b) Model		Unstandardised Coefficients		T	Sig.
		B	Std. Error		
1	(Constant)	2.039	4.437	.460	.648
	BS	.039	.187	.208	.836
	BA	.529	.225	2.351	.023
	BU	.280	.200	1.401	.168

a. Dependent Variable: CL

Based on Table 4, the overall test reveals the component that has the least influence on customer loyalty at PT. Pegadaian (Persero) Syariah Sembayat. It can be seen that the significance value (sig) is 0.024, which is less than 5% (the specification for this study). Thus, partial test should be conducted to see the influential components. Table 4(b) presents partial test of the regression where brand strength and brand uniqueness variables have no influence on customer loyalty. The only component that has a significant positive influence on customer loyalty is brand advantage.

To form the best model in which all the independent variables are significant, it is necessary to regress the variables by eliminating variable that has a larger p-value (i.e. the least significant variable). Therefore, brand strength is excluded from the model (see Table 5).

Table 5. Regression analysis of CS on BA and BU

Model		Coefficients		T	Sig.
		B	Std. Error		
1	(Constant)	2.393	4.055	.590	.558
	BA	.545	.209	2.604	.012
	BU	.283	.197	1.436	.158
a. Dependent Variable: CL					

Table 5 depicts the regression of customer loyalty on brand advantage and brand uniqueness. However, brand uniqueness is still insignificant. Hence, the final model will be the model with only one independent variable, brand advantage. The results are given in Table 6.

Table 6. Regression analysis of final model (CS on BA)

Model	Coefficients		T	Sig.
	B	Std. Error		
(Constant)	5.529	3.454	1.601	.116
BA	.599	.208	2.880	.006
a. Dependent Variable: CL				

According to Table 6, it can be seen that the p-value of BA is 0.006, which is less than our level of significance. This means that brand advantage has a significant positive effect on customer loyalty at PT. Pegadaian (Persero) Syariah Sembayat Service Unit. In other words, if customers experience more advantage, they tend to use the service again in the future. In addition, the coefficient of determination (R^2) of the model is shown in Table 7.

Table 7. The goodness of fits of the model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.384[a]	.147	.130	1.41313
a. Predictors: (Constant), BA				

Table 7 gives information about the coefficient of determination, which is 14.7%. This shows that the proportion of customer loyalty can be explained by brand advantage of 14.7%, while the remaining 85.3% is explained by other variables that are not included in this study. This small R^2 is strengthened by the results of interviews with respondents. Some of them said that they chose to use sharia mortgage (Rahn) products at PT. Pegadaian (Persero) Syariah Sembayat because they need more capital to build their business.

Conclusion

The study concludes that brand strength and brand uniqueness had no effect on customer loyalty. Moreover, brand advantage has a significant positive influence on customer loyalty. For further study, several suggestions are proposed as follows. It is recommended to add other variables in order to strengthen the goodness of fit of the model, especially the factor of "need". This is because most of them said that they chose to use sharia (Rahn) mortgage products at PT. Pegadaian (Persero) Sembayat because of the need for funding for their business capital.

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