

THE ROLE OF CUSTOMER ENGAGEMENT ON CUSTOMER LOYALTY: A STUDY AT A PRIVATE HIGHER EDUCATION INSTITUTION

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Abstract: *Today, consumers are no longer merely passive recipients of services provided by companies. Consumer's pervasiveness in their service consumption is the embodiment of Goods-Dominant Logic into Service-Dominant Logic paradigm shift. With this shift, consumers are now have the potential to be an effective corporate marketing agent. Private university, as the provider of education services whose survival depends on student participation and funding, is expected to be able to implement the right strategy in the face of the paradigm shift. This study aims to examine the effect of student engagement on student satisfaction. The effect of student satisfaction was then examined on student loyalty. The respondents of 140 students and former students of STIA Al Fithrah in Surabaya became the sample of this study. The results showed that student engagement has an important role to the development of student loyalty.*

Keywords: *customer engagement; customer satisfaction; customer loyalty; university student*

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INTRODUCTION

In decades, the development of higher education in Indonesia is tremendous. According to data analysis by the World Bank, there were only about 2,000 students enrolled in higher education institutions in Indonesia back in 1945 (NY Times, 2010). As for recently, the number is reaching six million in 2017 and is projected to grow over the next five years (Export Gov, 2018). The role of the private sector is thus crucial in this respect because the Indonesian government, despite the locked down portion of 20 percent of the state budget towards education, does not have the capacity to answer all of Indonesia's educational needs (GBG Indonesia, 2017).

In order to grapple with the limitation state, the government has finally allowed foreign universities to open branches in the country to enhance the quality of local universities. Indonesian Minister of Research, Technology and Higher Education Muhammad Nasir said the government of Indonesia decided to open the opportunity for foreign private universities to open branches in Indonesia through cooperation with local private universities (Indonesia Investment, 2018). Despite this promising opportunity for private university to grow in the country, the current global and highly competitive environment among universities is driving their need to develop unique marketing strategies to compete among them (Giner and Rillo, 2015).

Adjacent to the competition with other private university, the existence of public university in the industry is not pertinent to be belittled. In some countries, being enrolled in a public university is considered as a personal privilege (Welch, 2007). Data shows that now and then, the number of public university

selection test applicants is increasing considerably (Pikiran Rakyat, 2018).

Therefore, due to the strict competition among universities in the country, any private university should put more attention on factors that influence people behavior in choosing university. Regarding to this, marketers should also be aware of the current shift in today's market.

Long years ago, company used advertising as a medium to influence people intention to buy (e.g., Lutz et al 1983; MacKenzie et al 1986; Mitchell and Olson, 1981; Shimp, 1981). However, recent literatures (e.g., Duff and Faber, 2011; Aydogdu and Wellman, 2011) provided contra evidences. When it comes to a decision that is very important for one's life, advertising only is not adequate.

New paradigms such as Service Dominant (S-D Logic) perhaps can explain the recent changes of people behavior. The emergent of service dominant logic paradigm shows the shift of customer role in consuming goods or services provided by a company (Xie et al 2008).

Vargo and Lusch (2004) stated that customers are always co-creator of value. It means that customer is not only the passive recipient of value created by the company, but is also the one who capable to contribute in the generation of value in accordance to their preference. Hence, in order to compete, private university should emphasize a greater focus on the existing student to help stand out among them (Giner and Rillo, 2015).

Customer engagement as one implementation of S-D logic paradigm has recently emerged in both academic literature and practitioner discussions as a brand loyalty predictor that may be superior to other traditional antecedents (So et al 2016). It has been widely discussed, but until recently there

is no consensus about its meaning, what phenomena constitute the engagement, its antecedents and its consequences (Maslowska et al 2016). In this paper, the evidence from previous literature were collected and examined in purpose to give contribution in the meaning of customer engagement, and how the construct may contribute to the development of brand loyalty.

THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Every company wants a sustainable psychological relationship between consumer and brand to create consumer participation behavior (Hollebeek, 2011). Rosenbaum and Massiah (2007) proposed customer voluntary performance (CVP) as a concept showing the contribution of customers to an organization. In general, CVP encompasses non-typical marketplace behaviors, such as customers operating as a firm's productive "partial employees" by promoting a firm to others, assisting a firm with overall maintenance, working with and educating new customers, and providing constructive feedback to management (Rosenbaum and Martin, 2012). The same holds for students, who, in a sense, are the customers who contribute to their university (Ueda and Nojima, 2012). Along these line, student, as a loyal customer is considered as a key determinant of a company's success (Butcher et al 2001).

In the past 50 years, customers were satisfied with standardized products at reasonable prices (Sheth et al 2000) and thus became loyal. Today, satisfaction itself is not adequate to be a predictor of customers retention and their willingness to give a positive feedback to their company (Kumar et al 2013).

Several traditional marketing variables which are believed to constitute brand loyalty such as service quality

(e.g., Van Dun, et al 2011; Hsu et al 2012), perceived value (e.g., Ryu et al 2008; Rahi et al 2017), and trust (e.g., Chaudhuri and Holbrook, 2001; Han and Jeong, 2013) were frequently tested in marketing research (Sureshchandar et al 2002). However, those brand loyalty antecedents mentioned previously are considered to be having less significant role in shaping brand loyalty (Oliver, 1999). The insignificant factor of this role is due to the present of other mechanisms that have contribution in shaping brand loyalty (e.g., Hemsley-Brown and Alnawas, 2016; Menidjel et al 2017).

Previously, consumers were regarded as a separate part of a company by being treated as a passive recipient of value created by a company. Company creates its own value of the goods and services that it wants to sell at its own factory (Deshpande, 1983). But as the time went by, the concept of value creation done by "only company" became irrelevant. Recent technological and media developments create the urge for consumer to be a participant of value co-creation (Xie et al., 2008). It means that consumer is a value-creating entity whose contribution cannot be separated from a particular goods or service company (Vargo and Lusch, 2006). This perspective also shows that the product created by the company is merely an intermediate product that serves as a tool in value created by the consumers (Vargo and Lusch, 2004).

By giving the extra role to customers, the relationship between company and consumer becomes increasingly inseparable and familiar, and the intimacy between them will be achieved (Treacy and Wersema, 1993). That intimacy will further produce customer attachment to the company.

Considering the emergence of customer needs to be a part of the company, it is now realized that merely

satisfying customer with the value is not enough because what they value could change. Flint et al. (2002) hence suggest that company must also have the capability to anticipate what customers will value.

The transformation of this customer needs is influenced by the entrance of digitalization era (Moran et al 2014). Companies are now inspired to start looking for ways to create engagement not only from their own customers but also from their customer's friends and followers (Moran et al, 2014). By doing this, it is expected that their engagement could be one potential factor of loyalty building.

Student engagement

Before we go further, it is necessary to define the concept of engagement in general. According to Oxford Dictionary (2008), there are several context of engagement. The definitions include, succeeding in keeping your attention and interest, make somebody take part in something, and employ somebody together. These meanings, imply a collaboration between person and person or person and a group.

In the context of marketing, customer engagement is customer's behavioral manifestation towards a brand or firm, which is beyond their purchase and resulting from several motivational drivers (Van Doorn et al 2010). Customer engagement is also the mechanism of a customer's value addition to the firm, either through direct or and indirect contribution. Kumar et al. (2010) mentioned the direct contribution consists of customer purchase where the indirect contribution consists of incentivized referrals that the customer provides, the social media conversations customers have about the company, and customers feedback or suggestions to the firm.

However, it is important to note that customer engagement is not limited to the willingness of customer to involve in the discussion or activities conducted by company or any group related to the company. Such interpretation will lead to misconception of customer engagement. Consumers may get involved in the discussion of a product, only to find information about the quality of the product in order to mitigate potential risk (Brodie et al 2013). Not necessarily to enjoy it (Brodie et al 2013).

The difference between engagement and loyalty is that value in the engagement process can only be created with and determined by the user in the 'consumption' process and through value-in-use (Lusch and Vargo, 2006). Thus, it occurs at the intersection of the offerer and the customer over time, either in direct interaction or mediated by goods (Lusch and Vargo, 2006). Accordingly, this value will be implemented in co-production behavior.

Customer co-production involves the participation in the creation of the core offering itself (Lusch and Vargo, 2006). It can occur through knowledge sharing with other partners, co-design of the company product, and shared production of related goods. Therefore, behaviors such as making review to improve partners consumption experience and helping potential students to consume better in the university are aspects of co-creation and hence customer engagement behaviors.

Studentsatisfaction

Due to its generalizability, satisfaction concept has now been extended to the context of higher education. Although the empirical research of student satisfaction is still limited, somehow Oliver and DeSarbo (1989) defined student satisfaction as the favorability of a student's subjective evaluation of

the various outcomes and experiences associated with education.

Customers will be satisfied when the performance of a product or service they receive is consistent with their expectation (Oliver, 1981). According to Oliver (1997) customer satisfaction is defined as the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or the service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or over fulfillment (Oliver, 1997). Thus, it can be implied that customer satisfaction a global evaluation of the customers towards products or services they consume (Goncalves and Sampaio, 2012). The same holds for students, who, in a sense, are the customers who contribute to their university (Ueda and Nojima, 2012).

Student loyalty

Although there is still no accepted definition of customer loyalty (Zhang et al 2010), previous literatures often express loyalty as a behavioral or attitudinal commitment to a brand. Behavioral measurements consider consistent, repetitious purchase behavior as an indicator of loyalty (Bowen and Chen, 2001). The behavioral measurement views loyalty based on expressed behavior from previous purchases. Therefore, behavioral measurement is not always the result of a psychological commitment toward the brand (Tepeci, 1999). For example, a student may continue his study in the same university since the location of the campus is the most convenient location for him. Or else, it is the only university that suits his educational needs. However, when another university appears to offer a better packages for him, he switches because the new university offers better value. Thus, repeat purchase does not

always mean commitment.

Attitudinal measurements use attitudinal data to reflect the emotional and psychological attachment inherent in loyalty (Bowen and Chen, 2001). The attitudinal measurements are concerned with the sense of loyalty, engagement and allegiance (Bowen and Chen, 2001). For instance, a former student of a particular private university recommend his university to others because he holds his university in high regard. While in fact, he does not take his graduate program in that private university, since he is accepted in public university which he thinks could give a better opportunity for him.

The effect of student engagement on student satisfaction

Customer engagement is a customer experience co-created with a company (Lusch and Vargo, 2010). According to Vivek et al. (2012), customer engagement is the intensity of an individual's participation and connection with the organization's offerings and activities initiated by either the customer or the organization. This engagement, from the point of view of company, can mitigate the problem of not knowing what consumers want. By engaging customer in the service or product development, it is expected that information asymmetry between company and customers could be minimized (Thomke and Von Hippel, 2002).

Basically, a person will be satisfied when the value is greater than the cost incurred (Johnson, 1998). The level of satisfaction is derived from the relationship and the level of emotional connectedness of the customer (Pansari and Kumar, 2017). It means, the more engaged individuals are in approaching or repelling a target, the more value is added to or subtracted from it (Oyner and Korelina, 2016). As student is treated

as consumer in the context of higher education, further generalization along with the concept is applied.

Hence, Hypothesis 1 was proposed based on the prior literatures is as follow.

H1: Student engagement has a positive effect on student satisfaction.

The effect of student satisfaction on student loyalty

Although the relationship between customer satisfaction and customer loyalty has been tested many times (e.g., Li and Petrick, 2008; Back and Lee, 2009), yet several empirical studies gained different results. For instance, Verhoef (2003), who found no effect of customer satisfaction on customer loyalty. While most often loyalty is measured as a direct consequence to customer satisfaction (Heskett et al 1997).

A number of studies show that customers have strong revisit intentions if they are satisfied with a given service (Petrick, 2002; Hui et al., 2007; Han and Ryu, 2009). Prior findings also show that customer satisfaction affects customer recommendation to others (Wu and Liang, 2009; Choi and Chu, 2001; Lee et al 2007).

This study focused on student loyalty in higher education sector. It is expected that college administrators could gain rapport with current and or former students. In educational services, loyalty requires developing a solid relationship with students who eventually provide the financial basis for future university activities (Annamdevula and Bellamkonda, 2016). An educational institution benefits from having loyal students not only when students are formal attendees, the success of an educational institution also depends upon the loyalty of former students (Annamdevula and Bellamkonda, 2016). Hence, Hypothesis 2 was proposed based on the prior literatures is as follow.

H2: Student satisfaction has a positive effect on student loyalty.

RESEARCH METHOD

To test the research hypotheses, quantitative method was used. A survey through questionnaire was distributed to measure student perception with respect to the construct of interest.

The study was conducted online. A sample of respondents from STIA Al Fithrah consists of 140 existing and former students were drawn. Snowball sampling is used to obtain a list of potential respondent.

The survey instrument was compiled and adopted from the prior literature (So et al 2016). A 5-point Likert-type scale (1 = strongly disagree until 5 = strongly agree) was used in this study. To measure customer engagement and customer satisfaction, 10 items from So et al. (2016) were adopted and adjusted to the context in this study. The items are as follow.

Student engagement. This construct was measured with these following items: a) When someone criticizes my campus, it feels like a personal insult, b) I always try to protect the reputation of my campus, c) The success of my campus is my success d) I trust that my campus is credible.

Student satisfaction. This construct was measured with these following items: a) It is very delightful to be the student of this campus, b) The lecturers are qualified, c) The administration staffs are helpful, d) My campus has a very good network (i.e., job placement).

While for loyalty measurement, items from Chaudhuri and Holbrook (2001) were adapted as a reference.

Student loyalty. This construct was measured with these following items: a) I will recommend this campus to my colleague, b) I will recommend this campus to my family, c) I will donate to

my campus whenever they need it, d) I will spread positive information about my campus.

RESULT AND DISCUSSION

Result shows that the profile of the respondent are as follow. The percentage of male participated in the study is 46.875% and female is 53.12%. The monthly expenditure reported is around 2,500,001 until 5,000,000 rupiahs at most

Table 1. Statistical Test Result of Student Engagement on Student Satisfaction

Model	Coefficients ^a			T	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
(Constant)	1.690	.242		6.976	.000
SE	.553	.062	.604	8.910	.000

a. Dependent Variable: SS

Source: Processed data (2018)

Table 2. Statistical Test Result of Student Satisfaction on Student Loyalty

Model	Coefficients ^a			T	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
(Constant)	2.081	.240		8.676	.000
SS	.534	.062	.591	8.602	.000

a. Dependent Variable: SL

Source: Processed data (2018)

The first hypothesis test showed that student engagement has a significant effect on student satisfaction. As shown in Table 1, the significant effect can be seen from the significancy level which is 0.000 ($p < 0.05$). While the second hypothesis test showed that student satisfaction has a significant effect on student loyalty. As shown in Table 2, the significant effect can be seen from the significancy level which is 0.000 ($p < 0.05$).

CONCLUSION AND FUTURE RESEARCH DIRECTION

This research is conducted to

examinethe degree of student engagement and how it can affect the level of student satisfaction which in turn, will have an effect on student loyalty towards his university. Traditional marketing tools such as advertising or direct promotion which are conducted and controlled by the university itsels have been very common in the marketing practice of higher education industry. However, due to the shift of Goods Logic Dominant into Service Logic Dominant, there should be more to be considered in order to gain more customer attention.

Customer engagement, as the embodiment of customer as a co-creator of value is in fact has a contribution to a firm. In turn, as for current or former students in the higher education business, student engagement has a contributing role for university longetivity. The more students love and engaged with their campus, the more satisfied they will be with the facilities provided. This satisfaction leads to students sense of belonging. When current or former students feel the sense of belonging, they will conduct loyalty behavior to regard their university.

Results show that all hypotheses are accepted. Thus, this study confirmed that student engagement has a positive effect on student satisfaction. It is also confirmed that student satisfaction has a positive effect on student loyaty.

The results also support the ability power of customer engagement concept, in regard to loyalty building of university current and former students. Ultimately, a recommendation could be drawn from this study is that student engagement should be maintained by the university in order to obtain student participation in promoting their campus.

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