

Influence of Positioning Strategy and Relationship Marketing towards Brand Imaging and Their Implication towards Brand Loyalty

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***Abstract---**Objective of the study is to investigate simultaneous and partial effect of Positioning and Relationship Marketing Strategies, as perceived by customers, towards Brand Image on customers of pre-paid GSM providers in Makassar. The population was all customers of pre-paid GSM cellular providers in Makassar. The sampling technique was stratified random sampling. The sample was categorized based on GSM cellular provider (brand) they used. First, Positioning strategy and Relationship marketing have positive, partial and simultaneous influence towards Brand Image of the pre-paid GSM cellular provider customers in Makassar. Secondly, Positioning Strategy Relationship Marketing and Brand Image have simultaneous influence towards Brand loyalty of the pre-paid GSM cellular provider customers in Makassar. Partially, Brand Image has stronger influence towards Brand Loyalty. Therefore, substantially, brand loyalty depends on brand image as the content factor while positioning strategy and relationship marketing become the contextual factors. The originality of this study is that this is a comprehensive study analyzing relationship between Performance of Positioning and Marketing Strategy, Their Relationship to Brand Image and Its Implications towards Brand Loyalty.*

***Keywords---**Positioning Strategy, Relationship Marketing, brand Imaging, Brand Loyalty*

I. Introduction

Rapid development in economics, politics, technology and other sectors has brought changes towards human life. Globalization has brought new dimensions towards human being life that was once fairly limited. Globalization allows human being to access to information and has resulted in what is called the information age. Recently, there has been significant increase in information and as the result, human beings need convenient instruments to obtain and deliver information. One of the instruments is telecommunication service.

Telecommunication service has significant influence towards the national economic growth. The government has issued several policies and regulations on the national telecommunications sector in which private institutions can participate in development and management of the telecommunications sector, more particularly cellular telecommunication.

Having been launched in 1994, GSM (Global System for Mobile Communication) has provided an alternative communication system for the public. It is said that GSM is more convenient than landline provided by Telkom. Until recently, cellular telecommunication has become the most popular telecommunication business in Indonesia. Cellular telecommunication is not only dependable but also spread all over Indonesia allowing communication between people living in other cities or even across island.

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The establishment of the 1999 Decree number 36 on telecommunications on September 8, 2000 as amendment of the 1989 Decree number 36 became the milestone for the national telecommunication service sector. The Decree stated that private institutions can provide telecommunication service without partnering with public institutions such as Telkom and Indosat. Foreign investor can have at up to 95% of shares in Indonesian telecommunication service companies.

In order to survive, telecommunication service operators should keep developing their competitive advantage and focus on their customers. They should take their customers and their need into account while designing their business activities and sales programs. Companies who are able to predict and meet their customer's need are those who understand how much contribution customers have towards a business entity.

In Indonesia, GSM is closely associated to cellular or mobile phone. Vast network of operations and distribution and habit of showing off one's belonging encourage people to use GSM cellular. It is estimated that the value of the national cellular industry in 2007 is 80 trillion rupiahs. The number almost doubled the value in the previous year, which is 45 trillion rupiahs.

To attract investors or publications, there are cellular phone operators who keep their customers' numbers on "always on" even though they never bought voucher for top-up. These operators wished to maintain high number of customers. Take PT Indosat cellular as an example. In September 2017, the number of PT Indosat cellular customers dropped 170,000 from 12.87 million to 12.70 million customers. Negative growth in the number of customers occurs because PT Indosat deleted all numbers that had been inactive for more than three months immediately. XL and Telkomsel took the same steps despite efforts to cover it up. They avoided selling their products on sale because it will result in negative growth. As a matter of fact, without selling their products on sale and the positive growth of customers, their average income of each customer kept declining.

Negative growth (a phenomenon showing behavior of cell phone provider customers who switched operators or deactivate their cards) also took place in terms of market share of some cellphone providers. Amidst increasing number of customers, market share of Telkomsel declined from 55.9% in March, 2016 to 51.2% in December, 2017. In other words, market share of Telkomsel was -8.5%. Furthermore, the market shares of Indosat from 27.1% to 26.1% making the growth -3.8%. At the opposite, the market share of Excelcomindo increased from 16.9% to 22.7% making the growth +34.0%.

The fundamental issue in cellular phone industry is the lack of customer loyalty, more particularly those who use pre-paid number. These customers tend to change their numbers within the same provider or even switch to another provider. When customers are using landline, operator can disconnect their phones and delete their data immediately. Cellphone providers can inactivate their customers' prepaid numbers at least three months after they are activated. Prepaid number customers may only use their number a week and then throw them away. Therefore, on March, 2017, the number of customers reached 88.5 millions. The number may remain the same or even decrease in the following years. It is predicted that, from 88.5 million cellular customers, 4 millions are prepaid customers.

Telecommunication service operators, both landline and cellular (GSM), will keep conducting some programs (promotion) to attract more customers. Increasing number of customers generates higher income and profit. To maintain positive customer growth, cellular phone operators, PT Telkomsel, PT Indosat, and XL, keep advertising their prepaid, for example PT Telkomsel that launched SimPATI and AS, PT Indosat that launched Mentari and IM3 and XL that launched XL Bebas and XL Jempol.

At present, cellular phone providers are competing against each other to provide affordable tariff. It takes place because cellular telephone customers have tendency to switch operators in order to get the most affordable tariff. Despite being non-permanent, promotional tariff is very attractive for customers. In addition, when operators get a lot of profits from this promotional tariff, they may extend the tariff. Promotional tariff may work for the same operators or limited number of

operators only. The operators are quick to take advantage of this situation and offering affordable rate as their promotional strategies. However, they do not pay attention to other critical issues such as maximum tariff management, service, and quality improvement. Observant customers will look for other operators with the most affordable rate once their current promotional package ran out, while those who are not will blame their cellphone operators when they have to pay normal tariff without any notification. Some of the latter group of consumers realizes they have to pay higher tariff because of their carelessness. They did not read terms and condition their providers had carefully. Customers will usually be aware that something is wrong when they have to pay higher tariff and buy their prepaid phone voucher repeatedly.

Discrepancy between promotional and regular tariffs causes three types of disadvantages for cellular phone operators. First, consumers switch to another provider because they felt cheated. Secondly, customer's level of trust is decreasing; loyal customers will not switch to another operators but their satisfaction plummeted. Third, customers have tendency to spread their negative brand experience to their network (word-of-mouth). Therefore, cellular phone providers should develop a more realistic package for their customers or potential customers. They should conduct long-term brand coaching instead of temporary ones that work during promotions only. It is really challenging to win back customers who have had negative brand experience since they no longer have emotional closeness to the brand.

Consumer buying behavior is influenced by several factors including culture, social class, personality. Prior to purchasing, a customer go through a series of processes. Therefore, companies should project their marketing efforts on factors that they can control, for example analyzing how their customers respond to their marketing program. Companies that understand how consumers respond to their sales promotion and pricing will benefit more than its competitors (Kotler, 2001: 174).

The originality of this study is that this is a comprehensive study analyzing relationship between Performance of Positioning and Marketing Strategy, Their Relationship to Brand Image and Its Implications towards Brand Loyalty. Customer's tendency to switch providers to find the most affordable prepaid tariff may hinder the cellular phone providers from getting more customers and generating higher revenue (Solimun, 2018). Low brand loyalty will reduce brand competitiveness and increase marketing costs. In other words, it will have negative influence towards the future of cellular phone providers. Telecommunication service is such a competitive market that its market share in major cities in Java and Sumatra (Jakarta, Surabaya, Bandung, Semarang and Meand) has become saturated. Makassar, the 6th largest city in Indonesia, still has a lower market penetration compared to these five major cities. Not only does this condition encourage new competition between providers, but it also demands the need to develop appropriate marketing strategies for cellular telecommunications services that can anticipate customers who have low brand loyalty.

Currently, customer loyalty has become main objective of marketing activities. This generally occurs because customers get very little information (Hutahayan, 2019). Therefore, companies should conduct more intensive marketing communication and select the most appropriate for their targeted customers. Companies should emphasize on benefit customers get after purchasing their brand or products. Marketing staffs should know exactly what customers need and want. Furthermore, companies should develop business strategies to attract potential customers and increase their customers' loyalty (Hutahayan, 2019). To achieve these goals, companies should provide better service to gain customer satisfaction. Customer satisfaction is pivotal because it can improve customer's attitudes and strengthen repurchase behavior.

Furthermore, customer loyalty becomes a vital element of business since loyalty is a behavior that drives to purchases repeatedly. Customer loyalty will be the key for companies to achieve not only short-term success but sustainable competitive advantage. In other words, customer loyalty has a strategic role for companies. Therefore, companies should

start paying attention to customers who have low loyalty and are easily influenced by other products, particularly when market research shows that this group is quite large. Based on this condition, Walker, et al. (1999: 282) stated that it is imperative to maintain customer's loyalty because it helps companies improving their performance and generating higher income; in other words, acquiring loyal customers is the goal of most companies.

Critically low repurchase attitude requires company to explore various factors that cause the phenomenon further. This generally occurs because customers get very little information. Therefore, companies should conduct more intensive marketing communication and select the most appropriate for their targeted customers. Companies should emphasize on benefit customers get after purchasing their brand or products. Marketing staffs should know exactly what customers need and want. Furthermore, companies should develop business strategies to attract potential customers and increase their customers' loyalty. To achieve these goals, companies should provide better service to gain customer satisfaction. Customer satisfaction is pivotal because it can improve customer's attitudes and strengthen repurchase behavior.

Mattila (2003) stated that methods to improve quality of services provided to customers are to reduce poor service and provide satisfaction to customers. These will attract customers to keep purchasing and behave positively towards certain products and service. These two are indicators of customer loyalty. Bowen and Chen (2001: 213) explained that loyal consumers will increase sales through a wider variety of product purchase and more frequent purchase. The impact is generating profitability for companies. Dick and Basu (1994: 99) postulated that the key to competitive advantage in competitive situation is ability of companies to increase customer loyalty. Customer loyalty will be the key for companies to succeed, not only in the short term but also in the long run (sustainable competitive advantage).

Value creation and customer satisfaction, more specifically how companies develop their image among customers, are two methods companies or cellular operators take to develop customer loyalty. Zeitham and Bitner (2003) revealed that image can influence customer's perception of goods and services companies offered. Furthermore, Kandampully and Dwi (2000: 17) stated that company image will influence individual perception towards quality of services received from the company provides.

Several recent studies show that corporate image is another determinant of service loyalty. Kang and James (2004: 267) described the role of images in influencing consumer perceptions about service and stated that "when customers have positive image towards a service provider, they will neglect minor error. However, when customers have negative impact towards a service provider, they will create a fuss over minor issues."

Creating a good brand image is not an easy task for a company or service provider because this is an accumulation of their business activities. LeBlanc and Nguyen (1996: 45) stated that "company reputation has always been associated to its image and has an impact on consumers' expectations of services these companies provided." If companies can provide service that meets or even exceeds customer's expectation, the companies can improve or even fix their image. However, their performance is below expectations, their image will fade significantly.

Every company leave lasting image on its customers. Company image can be developed through advertising. Company image will affect personal expectations of service the company provided. Good image equals to high expectation from prepaid customers. If cellular operator cannot meet customer expectations, then the customer will feel unsatisfied. Anderssen and Lindestad (1998: 11) emphasized that image can influence consumer satisfaction.

Experts keep analyzing which market segments to target, which market targets are more profitable for company and methods to meet needs and expectation of consumers. Thus, it is critical to develop strategies that combine products and markets to meet customer's need and expectation. They are strategy to determine market segments, targeted customers and product positioning in the target market.

Kotler (2001: 247) explained that marketing without differentiation means that companies ignore segment differences and offer one type of product for the entire market. Marketing by differentiation means companies choose several segments and design different products for each segment (Fernandes, 2018). On the other hand, in concentrated marketing, companies choose a large market share in one or several sub-markets. Selected market coverage strategy depends heavily on company's resources, life cycle of its products, market variability and marketing strategies of its competitors (Fernandes,2017).

Having determined the segment and target market, the following step is to determine positioning. According to Czinkota and Ronkainen (2001: 125), positioning is act of designing offers and corporate image so that target market knows and appreciates company's effort to distinguish itself from its competitors.

Product positioning refers to how consumers use their memories to remember important attributes of a product. Thus, positioning strategies in the market are company guidelines regarding which positions it will take in a predetermined segment. Marketing staff can follow several strategies in setting a company's position (Fernandes,2019), for example positioning a product on specific product attributes, describing benefits of the product and its application, comparing the product with its direct competitors, other products in different product classes, or a combination of various positions.

Cellular provider companies took a few steps to increase their customer loyalty, for instance developing their brand image. Very little is known about GSM providers' positioning and relationship marketing strategies until recently. Furthermore, there are very few studies discussing influence of positioning and marketing strategies towards brand image or how much contribution these strategies have towards brand loyalty.

Based on the elaboration, objective of the study is to investigate simultaneous and partial effect of Positioning and Relationship Marketing Strategies, as perceived by customers, towards Brand Image on customers of pre-paid GSM providers in Makassar.

II. Literature Review

Customer loyalty is closely related to consumer high involvement to seek for information about goods and service as well as how much impression consumers have towards the goods and service, which becomes the outcome of marketing communication applied by a company (Kanuk, 2001: 243 and Dick and Kunal, 1994: 101). Valid information that companies guarantee product availability in the market segment that it serves as indicated by consumer perceptions towards implementation of positioning and relationship marketing strategies will stimulate customer loyalty.

In low consumer involvement, brand memory attached to consumer's memory that allows purchase attitudes in a brand is caused more by their habits and by the compulsion of limited evaluation, so that consumer loyalty that is built in a brand is categorized as spurious loyalty. In the evaluation process, consumer attitudes can only give a small difference between brands that are in their repurchase and only situational driven.

Low customer loyalty may be associated to poor brand image and less than favorable marketing communication strategies that company applied; one of which is marketing communication through positioning strategy and marketing relationship. Besides brand loyalty, customer perception towards product positioning in targeted market and relationship marketing also has significant influence towards brand image. In other words, requirement to develop brand loyalty is to develop customer perception towards marketing communication and brand image. Customers should maintain a harmonious relationship to their customers, developing informative advertisement and prove that their products are more qualified than those of their competitors. In this context, marketing communication plays integral role because it helps companies making sure that their marketing communication strategy, including positioning strategy and relationship marketing, works effectively to develop customer loyalty. Positioning strategy and relationship marketing company

applied should result in performance that meets customer's expectation. Performance, according to Hawkin (The Oxford Paperback Dictionary, 2000), means (1) the process or manner of performing, (2) a notable action or achievement, (3) the performing of a play or other entertainment."

In the context of performance based on Balanced Scorecard perspective, positioning strategy and relationship marketing are performance in internal business perspective that develops brand image and loyalty, two requirements for achieving performance based on customer's perspective that is to maintain customer loyalty. Kaplan and Norton (2001) explained that based on company perspective, customer performance consists of customer satisfaction, customer acquisition, customer retention, customer profitability and market share. Furthermore, these experts described that ability to get new customers, manage loyal customers and customer profitability are important elements of market share.

Two steps company take to apply marketing communication are through marketing program or marketing mix that represents positioning strategy. Marketing communication is carried out by the company through a marketing program or marketing mix in the implementation of positioning strategies. Furthermore, companies apply relationship marketing to create long-term relationships with consumers. Cravens and Piercy (2009: 85) stated that the concept of positioning explains how much idea customers have about certain company or brand. Cravens and Piercy (2009: 93) also postulated the concept shows how both customer and prospective customers evaluate particular company or brand. Furthermore, Cravens and Piercy (2009: 79 & 83) argued that there is a significant relationship between positioning strategies targeting strategies and segmentation strategies. When a company has finished identifying its Market-Products and advantages of the product, management can proceed to targeting strategy. This is the core of the marketing strategy, because goal-setting will guide classification of goals and development of positioning strategies. Market-Product Identification is the result of situation analysis that observes market structure, market segmentation, competitors, marketing and research information systems.

Cravens and Piercy (2009: 14) described relationship between segmentation in the scope of market situation analysis and determination of target markets and positioning in the scope of marketing strategies. Thus, in strategic marketing process, awareness and attention of targeted customers about particular company or brand is closely related to positioning, targeting and segmenting strategies carried out by the company. In terms of positioning strategy, consumers focus on accuracy of company's position or brand, an effort to meet customers' needs and expectation (Cravens and Piercy, 2009: 83). Related to segmenting strategy, customer focuses their attention on how much attention company paid to recognize the basic nature and various customers' need and expectation (Cravens, 2009: 81). Furthermore, in terms of targeting strategy, consumer focuses on how much efforts company make to serve its target market and apply its product-market strategy (Cravens and Piercy, 2009: 83).

In accordance to relationship marketing, Parasuraman, Zeithaml and Berry (2000) stated that two requirements to create a lasting relationship with customers are trust and commitment.

Having compared this dissertation and the previous related studies, the author found some similarities and differences between this dissertation and the previous research.

In this dissertation, the author aims at describing marketing communication effect through positioning strategy and relationship marketing pre-paid cellular phone providers apply due to fierce competition between pre-paid GSM cellular phone providers and pre-paid CDMA cellular phone providers.

This study also aim at describing effect of positioning strategy and relationship marketing towards brand image and their implications towards brand loyalty. Positioning strategy refers to consumer's perception about product positions as the result of the implementation of positioning strategies in the target market. This perception is a response from marketing communication carried out by a company in applying a positioning strategy as the final stage of segmenting and targeting

market activities. In other words, relationship marketing refers to consumer's perceptions relationship marketing strategy company apply in order to establish long-term relationships with its consumers.

Finding of this study focuses on how effective company's marketing communication is in implementation of positioning strategy and relationship marketing towards development of brand image and its implication towards brand loyalty. The author does not investigate types of media the cellular providers used to apply their marketing communication (positioning strategy and relationship marketing) since all of the cellular providers generally used the same media.

Figure 1 describes relationship between positioning strategy, relationship marketing, brand image and brand loyalty. Based on the Figure, positioning strategy and relationship marketing have influence towards brand image. In addition, there is a relationship between positioning strategy and relationship marketing. Finally, positioning strategy, relationship marketing and brand image influence brand loyalty.

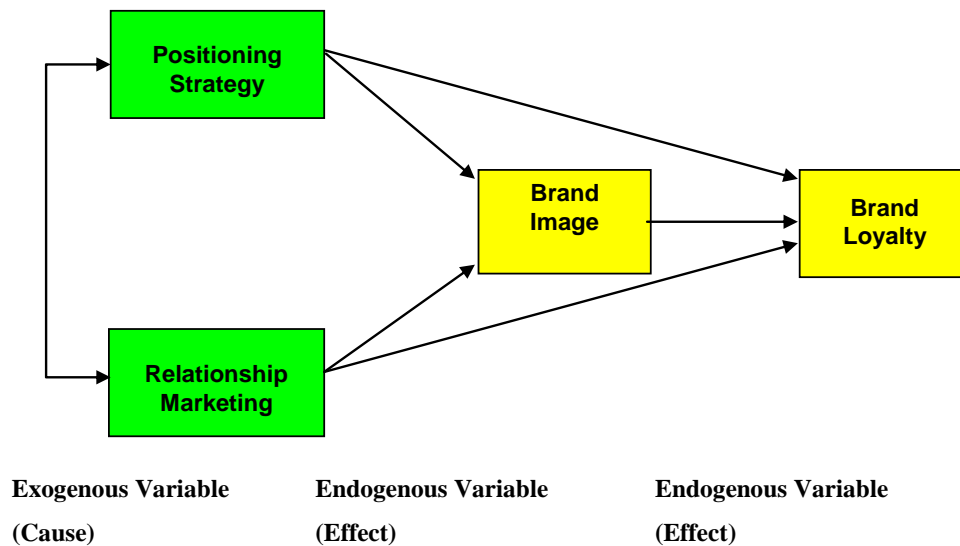


Figure 1. Paradigm of the Study

Figure 1 showed that brand image functions as an intervening variable connecting effect of positioning strategy and relationship marketing (independent variables) towards brand loyalty (dependent variable). Therefore, in addition to having indirect influence towards brand loyalty (through brand image), positioning strategy and relationship marketing also have direct influence towards brand loyalty.

Based on the statements of problem and the conceptual framework, the hypotheses are as follows:

- 1) Positioning Strategy and Relationship Marketing, perceived by customers, have positive (both partial and simultaneous) influence towards brand image of pre-paid GSM cellular provider customers in Makassar;
- 2) Positioning Strategy, Relationship Marketing and Brand Image have positive (both partial and simultaneous) influence towards brand loyalty of pre-paid GSM cellular provider customers in Makassar.

III. Methodology

The population was all customers of pre-paid GSM cellular providers in Makassar. Hence, the sources of data were all customers of pre-paid GSM cellular providers in Makassar or the population. The sampling technique was stratified random sampling. The sample was categorized based on GSM cellular provider (brand) they used. Proportional sampling was the technique used to determine number of samples in each category.

Structural Equation Modeling (SEM) was the analysis method used to decide the minimum samples. Ferdinand (2002: 43) stated that the minimum requirement for sample was 5 (five) times of total indicators. This dissertation used 62 indicators and therefore, the minimum samples were 310 respondents (5 x 62 respondents).

To analyze the effect of positioning strategy and relationship marketing towards brand image and their implications towards brand loyalty, there were three types of variables to observe (two independent variables and one dependent variable). The independent variables were positioning strategy and relationship marketing, while the intervening variable was brand image. Brand loyalty became the dependent variable. Positioning strategy measured customer perception on company or brand position, whether or not the company or brand was able to meet customer's need and expectation. Relationship marketing measured consumer's level of trust towards a company or brand (whether or not a company or brand was committed to fostering relationships with consumers). Brand image measures consumer's impression of a company or brand (how much memory they have about either one) while brand loyalty measures consumer loyalty to a company or brand.

Structural Equation Modeling (SEM) was used for hypothesis-testing. Structural Equation Modeling is integration between Confirmatory Factor Analysis, Estimation Models, and Path Analysis (Solimun, 2002K). Confirmatory Factor Analysis aims to examine construction of instruments while Estimation Model aims to obtain a useful model from relationship between latent variables for estimation/prediction. At last, Path Analysis aims to describe influence of exogenous latent variables towards endogenous latent ones. This analysis model was selected because the exogenous variables (Positioning Strategy and Relationship Marketing) and endogenous variables (Brand Image and Brand Loyalty) were arranged as latent variables, constructed from the variables manifest. In addition, it was predicted that the exogenous variable would influence the endogenous variables and one of the endogenous variables would influence another endogenous variable.

IV. Result of Analysis

Influence of Positioning Strategy and Relationship Marketing towards Brand Image

The following structural equation showed causal relationship between Positioning Strategy (ξ_1) and Relationship Marketing (ξ_2) towards Brand Image (η_1).

$$\eta_1 = 0.56*\xi_1 + 0.37*\xi_2 + \zeta_1 \text{ (Errorvar.= 0.20 , R}^2 = 0.80)$$

$$\square = 0.84$$

Description: ξ_1	:	Positioning Strategy/KSP (the first exogenous variable [ksi_1])
ξ_2	:	Relationship Marketing/RM (the second exogenous variable) [ksi_2]
η_1	:	Brand Image/BI (the first endogenous variable) [eta_1]

Correlation coefficient showing relationship between Positioning Strategy (ξ_1) and Relationship Marketing (ξ_2) was $\square = 0.84$. Their degree of relationship was high (Guilford, 1956: 145). Positive correlation between Positioning Strategy (ξ_1) and Relationship Marketing (ξ_2) means higher Positioning Strategy would improve Relationship Marketing. This indicated that there is synchronization between these two types of marketing communications or synchronization between consumer responses when Positioning Strategy was applied and that when Relationship Marketing was applied. This correlation was significant at 5% error level and $t = 30.25$. Table 1 showed the relationship between Positioning Strategy (ξ_1) and Relationship Marketing (ξ_2).

Table 1. Testing Result on Relationship between Positioning Strategy and Relationship Marketing

Correlation Coefficient (γ)	Degree of Relationship	t	Result
0.84	High (positive)	30.25	t > t table Sig.

Coefficient of Positioning Strategy (ξ_1) and Relationship Marketing (ξ_2) was $\gamma_1 = 0.56$ and $\gamma_2 = 0.37$ consecutively. Positive γ for both variables means they had positive influence towards Brand Image (η_1). In other words, more improved Positioning Strategy and Relationship Marketing would result in higher Brand Image. This indicated that Positioning Strategy and Relationship Marketing were relevant to development of Brand Image. Positioning Strategy had higher coefficient compared to Relationship Marketing.

The $\gamma_1 = 0.56$ showed that the influence of ξ_1 was high (Guilford, 1956: 145). The influence was significant when the level of confidence was 95% and $t = 4.42$. It means one of the hypotheses which stated that Positioning Strategy (ξ_1) had positive influence Brand Image (η_1) can be accepted.

The $\gamma_2 = 0.37$ showed that the influence of ξ_2 was low yet significant (Guilford, 1956: 145). The influence was significant when the level of confidence was 95% and $t = 3.17$. It means one of the hypotheses that Relationship Marketing (ξ_2) had positive influence towards Brand Image (η_1) can be accepted. Table 2 summarized the influence of positioning strategy and relationship marketing towards brand image.

Table 2. Testing Result on Influence of Positioning Strategy and Relationship Marketing towards Brand Image

Exogenous Variable	Determination Coefficient (R^2)	Degree	F	Result
IV.1 Positioning Strategy and Relationship Marketing (Simultaneous)	0.80	$R = \sqrt{R^2} = 0.89$: Strong	914.00	F > F table Sig.: H_{02} is rejected
Exogenous Variable	Determination Coefficient (R^2)	Degree	F	Result

IV.2 Positioning Strategy (Partial)	0.56	Fair (31.41% - positive)	4.42	t > t table Sig.: H ₀₂₍₁₎ is rejected
IV.3 Relationship Marketing (Partial)	0.37	Weak (13.7% - positive)	3.17	t > t table Sig.: H ₀₂₍₂₎ is rejected

The hypothesis testing showed that positioning strategy had the strongest and most significant influence towards brand image. Positioning Strategy developed Brand Image more effectively compared to Relationship Marketing,

Compared to external factors, both variables had a more dominant influence towards Brand Image (80%). The percentage showed that these variables were dominant determinant for Brand Image.

Influence of Positioning Strategy, Relationship Marketing and Brand Image towards Brand Loyalty

The following structural equation showed causal relationship between Positioning Strategy (ξ_1), Relationship Marketing (ξ_2) and Brand Image (η_1) towards Brand Loyalty

(η_2) pada struktur yang diuji adalah sebagai berikut:

$$\eta_2 = -0.041*\xi_1 + 0.045*\xi_2 + 0.78*\eta_1 + \zeta_2 \text{ (Errorvar.= 0.39 , R}^2 = 0.61)$$

- Description: ξ_1 : Positioning Strategy/KSP (the first exogenous variable [ξ_1])
- ξ_2 : Relationship Marketing/RM (the second exogenous variable [ξ_2])
- η_1 : Brand Image/BI (the first endogenous variable [η_1])
- η_2 : Brand Loyalty/BL (the second endogenous variable [η_2])

The coefficient of Positioning Strategy (ξ_1), Relationship Marketing (ξ_2), and Brand Image (η_1) was: $\gamma_3 = -0.041$; $\gamma_4 = 0.045$ and $\beta = 0.78$ respectively. Negative γ for Positioning Strategy showed that this variable had negative influence towards Brand Loyalty (η_2). In other words, higher Positioning Strategy would result in lower Brand Loyalty. Positive γ for Relationship Marketing indicated that the variable had positive influence towards Brand Loyalty (η_2). It means more improved Relationship Marketing will improve Brand Loyalty. Positive β for Brand Image showed that Brand Image had positive influence towards Brand Loyalty (η_2). It means higher Brand Image means higher Brand Loyalty. Among these three, Brand Image had the highest coefficient. This indicated that Relationship Marketing and Brand Image (of which coefficient is positive) are relevant to development of Brand Loyalty. However, the implementation of Positioning Strategy was not relevant for developing Brand Loyalty.

$\beta = -0.041$ showed that the influence of ξ_1 was very low (Guilford, 1956: 145). The influence was not significant when level of confidence was 95% and $t = -0.25$. It means the hypothesis that Positioning Strategy (ξ_1) had positive influence towards Brand Loyalty (η_2) was rejected.

$\beta = 0.045$ showed that the influence of ξ_2 was very low (Guilford, 1956: 145). The influence was not significant when level of confidence was 95% and $t = 0.32$. It means the hypothesis that Relationship Marketing (ξ_2) had positive influence towards Brand Loyalty (η_2) was rejected.

$R^2 = 0,78$ showed that the influence of η_1 was strong (Guilford, 1956: 145). The influence was not significant when level of confidence was 95% and $t = 4.03$. It means the hypothesis that Brand Image (η_1) had positive influence towards Brand Loyalty (η_2) was accepted. Table 3 summarized the influence of positioning strategy, relationship marketing and brand image towards brand loyalty.

Table 3. Testing Result on Influence of Positioning Strategy, Relationship Marketing and Brand Image towards Brand Loyalty

Exogenous Variable	Determination Coefficient (R^2)	Degree	F	Result
IV.4 Positioning Strategy, Relationship Marketing and Brand Image (Simultaneous)	0.61	$R = \sqrt{R^2} = 0.78$: Strong	357.397	$F > F$ table Sig.: H_{03} was rejected
Exogenous Variable	Influence Coefficient (β)	Degree	t	Result
IV.5 Positioning Strategy (Partial)	-0.041	Very Weak (0.17% - negative)	-0.25	$t < t$ table Non-sig.: $H_{03(1)}$ was accepted
IV.6 Relationship Marketing (Partial)	0.045	Very weak (0.20% - positive)	0.32	$t < t$ table Non-sig.: $H_{03(2)}$ was accepted
IV.7 Brand image (Partial)	0.78	Strong (60.84% - positive)	4.03	$t > t$ table Sig.: $H_{03(3)}$ was rejected

The hypothesis testing showed that, among those three, Brand Image had the strongest and most significant influence towards Brand Loyalty. Brand Image developed Brand Loyalty more effectively compared to Positioning Strategy and Relationship Marketing.

Compared to external factors, these three variables had a more dominant influence towards Brand Loyalty (61%). The percentage showed that these variables were dominant determinant for Brand Loyalty.

That positioning strategy and relationship marketing had influence towards brand image, positioning strategy and relationship marketing did not have direct influence towards brand loyalty and brand image had influence towards brand loyalty showed that Brand Image functioned as pure intervening variable, a medium for Positioning Strategy and Relationship Marketing to indirectly influence Brand Loyalty. In other words, Positioning Strategy and Relationship

influenced Brand Loyalty in which there was correlation between positioning strategy and relationship marketing. Furthermore, Brand Image was the only variable affecting Brand Loyalty.

The finding of this study is in accordance to the theories elaborated in Section 2; the marketing communication the cellular providers had developed as an attempt to apply relationship marketing and positioning strategies has positive influence towards their brand image. Strong brand image resulted in brand loyalty and repurchasing intention.

Based on the finding, positioning strategy has influence towards brand image and positioning strategy consists of product positioning, product prices, product distribution and product promotion. Consumer perception of product positioning, the application of positioning strategies in the target market through marketing communication, is closely related to brand image. The implementation of positioning strategy follows the market segmentation and selection of target market.

Furthermore, the influence of relationship marketing towards brand image refers to relationship marketing developed based on trust and commitment. Consumer trust and the company's commitment to establish long-term relationships with its consumers has positive influence towards brand image.

Brand image, as the result of the implementation of relationship marketing and positioning strategy, determines level of brand loyalty. Thus, requirement of brand loyalty is effective implementation of relationship marketing and positioning strategy that helps developing the brand image.

V. Discussion

The finding of this study is in line with Kanuk, et al (2001: 243)'s model and Dick and Kunal (1994: 101)'s study; customer loyalty is the result of customers' positive impression towards certain brand and this positive impression is the effect of marketing communication. Two types of marketing communication investigated in this dissertation are kinerja positioning strategy and relationship marketing. Customers will have positive brand image and re-purchase certain products (brand loyalty when they can access abundant information about product availability, pricing, product positioning, product distribution, promotion and relationship marketing. The finding of this study showed that information has indirect influence towards brand loyalty; it develops brand loyalty through brand image. Figure 2 summarized the finding of this study on the influence of positioning strategy and relationship marketing towards brand image and their implications towards brand loyalty.

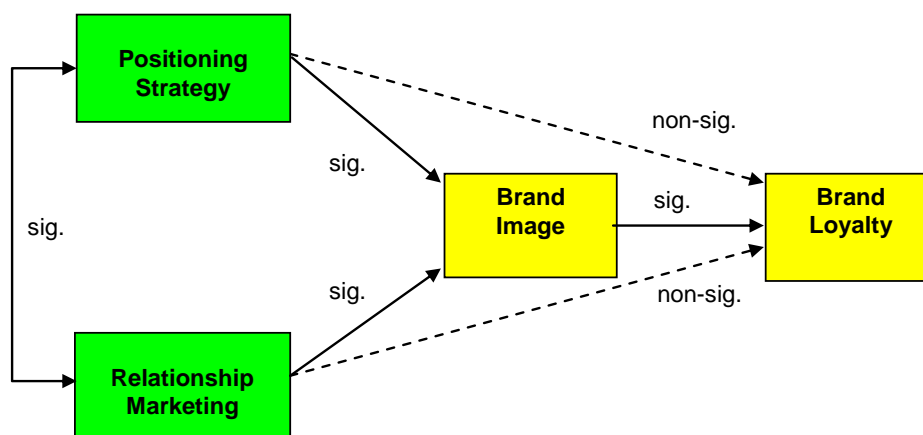


Figure 2. Testing Result on Research Model

The model explained that neither positioning strategy nor relationship marketing has significant contribution towards brand loyalty, but they have significant influence towards brand image. Putting aside the influence of positioning strategy and relationship marketing towards brand loyalty, the author developed another model describing the influence of positioning strategy and relationship marketing towards brand image and their implications to improve loyalty. Figure 3 summarized the relationship between the four variables.

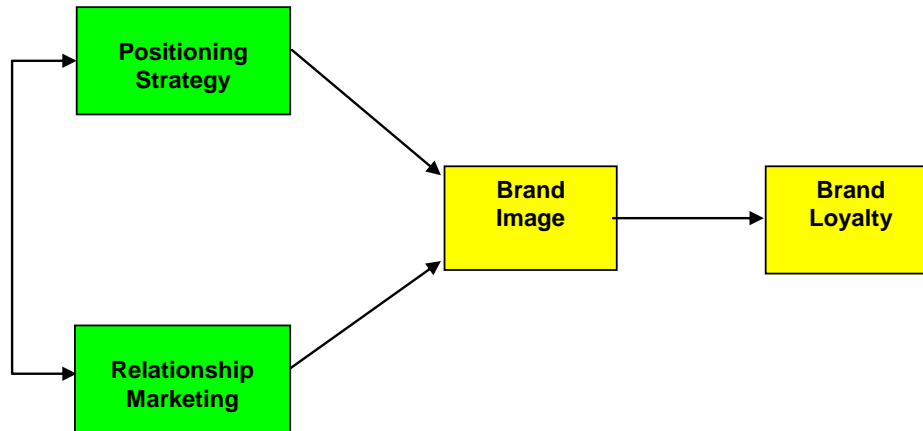


Figure 3. Brand Loyalty Development through Brand Image Model

This dissertation supports Kanuk's model and Dick and Kunal's study; it provides empirical evidence that marketing communication (positioning strategy and relationship marketing) influences customer perception towards a brand and therefore, results in brand image and brand loyalty. In addition, this dissertation also reported that positioning strategy and relationship marketing have strong influence towards brand image (80%). In other words, companies should take these strategies into account because they have significant influence towards brand image and brand loyalty.

Kanuk and Dick and Kunal stated that besides brand image, brand loyalty depends on consumer high involvement to search for information about certain products. However, customers who do not find information about certain products (low consumer involvement) may still purchase the products because they are accustomed of the products (habitual action) or under certain occasion forced to buy them. In other words, brand image depends on not only marketing communication but also consumer involvement, how much effort they make to find information about a product. Low consumer involvement results in relatively low brand image and spurious loyalty (situational-based loyalty). Low consumer involvement provides very little contribution towards product evaluation and as the consequence, repurchase intention is relatively low.

Based on the elaboration, the model describing brand loyalty can be developed further involving customer involvement in searching for information about certain products as an intervening variable in the influence of marketing communication (positioning strategy and relationship marketing) towards brand image in order to develop brand loyalty. The following model described relationship between consumer involvement, marketing communication, brand loyalty and brand image.

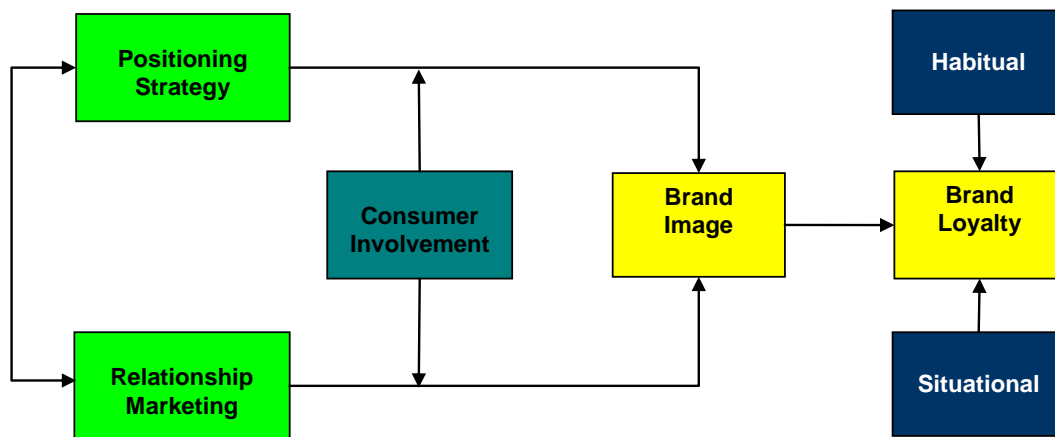


Figure 4. Brand Loyalty Development through Brand Image and Customer Involvement as Enhancement Model

Based on the model, the objective of marketing communication (positioning strategy in marketing mix and relationship marketing to develop long-term relationship with customers) should not be limited to developing positive brand image; it should also develop consumer involvement in which customers actively seek for information about certain brand. In addition, the implementation of positioning strategy and relationship marketing should provide complete and accessible product information for customers and encourage customer involvement to access product information. Not only do these help customers remember the product, but they also help companies developing a lasting brand image and brand loyalty.

Companies can use the influence of positioning strategy and relationship marketing towards brand image and brand loyalty to focus on their less-than-optimum aspects of brand image.

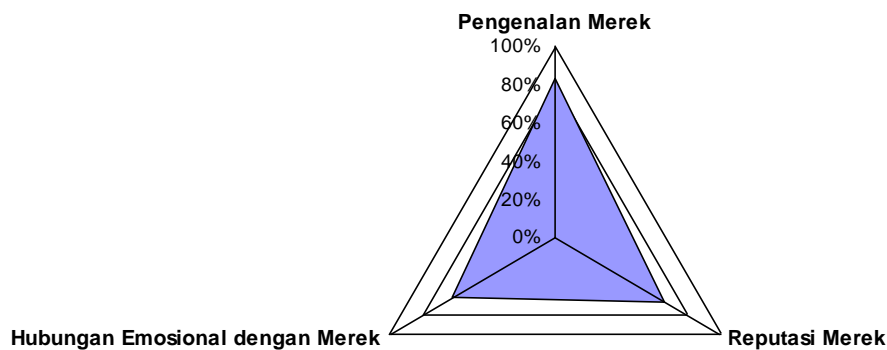


Figure 5. Direction of Brand Image Development

Based on Figure 5, brand image attached to customer's head is dominated heavily by brand introduction but puts aside brand reputation or emotional connection between customers and a brand. Hence, positioning strategy and relationship marketing should focus on these two aspects (brand reputation as well as emotional connection between customers and a brand). Figure 6 summarizes finding of the study on components of positioning strategy to improve. Based on the figure, average performance of all components of positioning strategy is 60%.

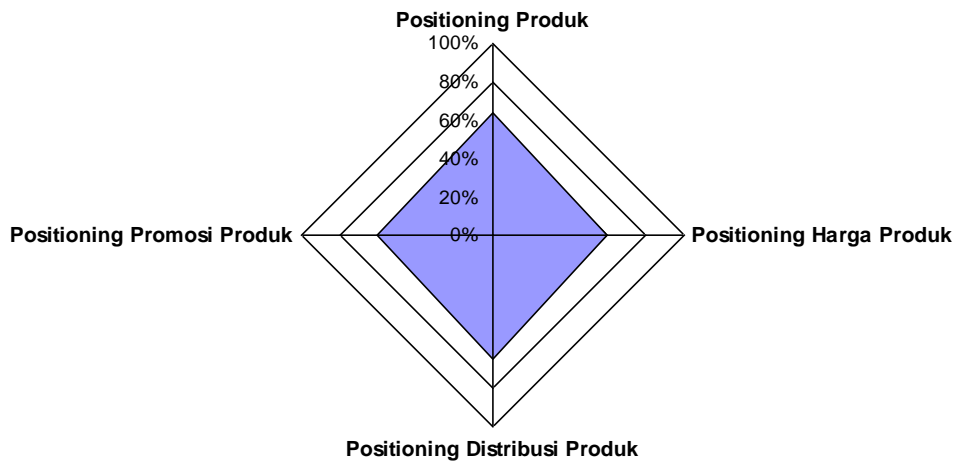


Figure 6. Positioning Strategy Development

It can be concluded that the requirement to create an effective positioning is to improve all components of positioning strategy (product positioning, pricing, distribution and promotion) simultaneously.

Similar to positioning strategy, of which average performance is 60%, the requirement to create an effective relationship marketing program is to increase brand loyalty and a commitment to develop long-term and strong relationship with customers.

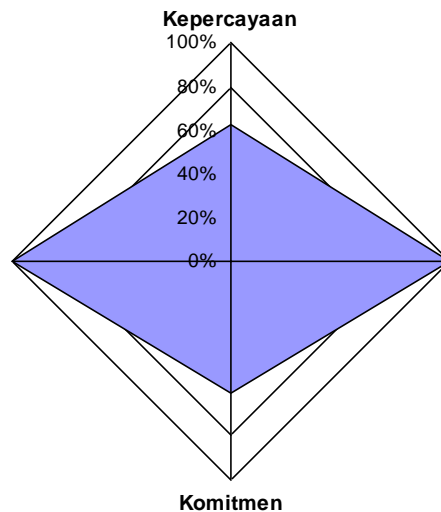


Figure 7. Relationship Marketing Development

Table 4 describes some aspects the cellular providers should prioritize in order to develop an effective positioning strategy and improve brand image.

Table 4. Priority in Positioning Strategy Development

No.	Item	Percentage	Rank
PRODUCT POSITIONING			

5	Non-damaged goods	50.7%	1
6	Consistent quality	55.9%	2
9	A match between product specification and additional pricing	57.6%	3
1 2.	Good product design	60.8%	4
4	High quality	60.8%	5
2	Benefit	61.1%	6
1 3.	A match between product and its utilization	62.6%	7
1 0.	A match between product design and its utilization	63.3%	8
1 1.	Appealing product design	64.0%	9
3	Wide arrays of benefit	66.6%	10
8	A match between product specification and its nature	66.7%	11
7	Attractive features	67.4%	12
1 5.	A match between product and its classification	67.5%	13
1 4.	Accurate product positioning compared to its competitors	73.3%	14
1	A match between product utilization and customer expectation	76.5%	15
PRODUCT PRICE POSITIONING			
1	V.1 Affordability	58.2%	1

9.			
1 7.	V.2 A match between price and quality	59.9%	2
1 8.	V.3 Accurate pricing	60.3%	3
1 6.	V.4 A match between price and product utilization	61.3%	4
PRODUCT DISTRIBUTION POSITIONING			
2 0.	V.5 Effective product distribution	65.1%	1
PRODUCT PROMOTION POSITIONING			
2 5.	Effective direct marketing	57.6%	1
2 1.	Effective advertisement	58.2%	2
2 4.	Effective publicity	60.1%	3
2 2.	A match between advertisement and product	60.3%	4
2 3.	Effective personal sales	67.4%	5

In order to win the business competition, the cellular providers should pay closer attention to positioning (product, price, distribution and production) of their pre-paid plan. One aspect these providers should maintain is a match between their products and customer's expectation. One method to improve this aspect is analyzing customer's need, more particularly one its competitors are unable to fulfill.

According to Czinkota and Ronkainen (2001: 125), positioning strategy should be a guideline for cellular providers in determining which positions to take in a predetermined segment. Cellular provider companies can use several strategies in determining their position in the market (product, price, distribution, and promotion positioning). Each provider can select a positioning strategy that they think work most effectively. In the previous section, the author ran a descriptive analysis on the competitive advantages of Indosat, Telkomsel and Excelcomindo pre-paid plan.

Using competitive advantage as the basis for designing product, price, distribution, and promotion positioning strategy allows the providers to create an effective and one-of-a-kind marketing strategy. Such strategies allow customers to retain lasting information about certain product, its price, distribution and promotion. In other words, competitive advantage-based positioning strategy helps developing brand image and brand loyalty more effectively.

Kotler and Armstrong (2001: 245) argue that in one important aspect in market positioning is competitive positioning for each product offered to the target market. Another important aspect of market positioning is suitability of the target marketing, or developing market positioning based on market segmentation and predetermined target markets. Thus, effectiveness of market positioning will depend on market segmentation process and selection of target market. In market segmentation, cellular providers should provide valid and reliable information about buyer groups, their characteristics, need, and purchasing behavior. Furthermore, in selecting target market, the providers should be able to evaluate how attractive each segment is and then decide which segments they will serve. Having completed these two processes, the providers can select market positioning strategies that match characteristics of their segment.

As a communication strategy (Kasali, 1998: 527), positioning strategy should provide information about advantages of products, their price, distribution, and promotion to consumers. Companies should also design their positioning strategies carefully to have higher performance than their competitors. Thus, based on the positioning strategy, consumers can distinguish products and brands from one company to the other easily and purchase ones they need. When a successful positioning strategy works effectively, customers will have positive perceptions or associations about certain companies, their products and brands. Furthermore, successful positioning strategy will result in positive brand image. An indicator to evaluate implementation of a positioning strategy is analyzing discrepancy or gap an estimated position (when customers have positive impression about a brand and a company can launch their products in a predetermined market segment successfully) and actual position of a brand in the market among other brands (Hiam & Schewe, 1994: 259-261).

Customer perception of a product or brand changes based on market structure or competition. Therefore, companies should evaluate their predetermined positioning strategy continuously (Kasali, 1998: 527 and Hiam & Schewe, 1994: 259-261). In addition to focusing on the dynamic nature of positioning, companies should emphasize positive attributes of their product positioning relevant for their consumers (Kasali, 1998: 527). Furthermore in terms of communication strategy, companies should design an effective communication strategy, one that provides positive and meaningful message about its positioning statement.

In relationship marketing, priority improvements that need to be done in building a brand image as a result of descriptive analysis can be seen in the following table.

Table 5 describes some aspects the cellular providers should prioritize in order to develop an effective relationship marketing program and improve brand image.

Table 5. Priority in Relationship Marketing Development

N o.	Item	Percentage	Rank
TRUST			
2	V.6 A match between advertisement and actual service	59.0%	1
3	V.7 Valid information	60.2%	2
4	V.8 Reliable transaction	62.4%	3

5	V.9 Affordable tariff	62.6%	4
8	V.10 Professional service	62.9%	5
6	V.11 Accessible product information	63.2%	6
9	V.12 Reliable customer service	63.6%	7
1	V.13 Confidentiality of customer data	64.3%	8
7	V.14 Communication between customers and providers	67.1%	9
COMMITMENT			
1	V.15 Added value	59.1%	1
6.			
1	V.16 A match between customer expectation and the actual service	59.9%	2
0.			
1	V.17 Relationship between providers and customers	60.1%	3
4.			
1	V.18 A match between product development and customer expectation	60.3%	4
1.			
1	V.19 A match between product development and unattended need of customer	60.3%	5
5.			
1	V.20 Updated information	60.8%	6
2.			
1	V.21 Good service	61.3%	7
3.			

To develop their brand image and brand loyalty, the cellular providers should pay attention not only to their positioning strategy, but also their relationship marketing. In addition, the providers should run an analysis on their competitors' positioning and relationship marketing strategy.

Furthermore, the providers should use their competitive advantages to design relationship marketing strategies, develop positive brand image and brand loyalty. The author had run a descriptive analysis and described the advantages of

relationship marketing position of Indosat, Telkomsel and Excelcomindo, three pre-paid cellular phone providers involved in this study.

According to Butler (2000), the keys to successful implementation of relationship marketing are how many information companies have about their customers and how creative their customized products are. In developing their relationship marketing, the cellular providers, service companies, should develop intensive interaction to their customers. Requirements to develop this interaction are advances of technology, skillful human resources and reliable information about their customers. Intensive interaction, advances of technology and skillful staffs allow effective implementation of relationship marketing and help companies maintain relationship with their customers (Zeithami & Bitner, 2003:136). As the result, compared to transactional marketing, relationship marketing emphasizes on a long-term and continuous relationship between companies and customers. Companies should convince their customers that they are more than an alternative institution for business transaction; instead, they are the only places that understand customers' need and expectation (Rust, Zahoeik and Keiningham, 1996:374). In order to sell products both at present and in the future, companies have to pay regular attention to customers (Futrell, 1996:370). In relationship marketing, companies should convince their customers that they are committed to produce qualified, beneficial and affordable products (brand). Buying their products means customers will get more benefit than what they paid for (Schiffman and Kanuk, 2001:173). To achieve these goals, companies should gain a better understanding on their customers and then use the information to provide customized products and service.

Furthermore, it is expected that relationship marketing improves brand loyalty (Schiffman and Kanuk, 2001:4). This dissertation shows that, with brand image as the intervening variable, relationship marketing has significant influence towards brand loyalty. Trust between companies and customers and commitment of the companies to develop lasting relationship with their customers are the bases of relationship marketing. Similar to positioning strategy, companies should rely on their targeted market prior to selecting an effective relationship marketing strategies. Chan (2003: 23) argued that companies waste their time and energy when they are providing qualified service to situational customers; they would waste significant amount of profit they had generated from their loyal customers. Companies should pay closer attention to developing product value for customers, for instance improving economic and social benefit of their products as well as developing structural bond between companies and their customers (Berry and Parasuraman as cited in Kotler, 2001:61). Two programs the cellular providers conduct to increase economic benefit of their products and develop their brand image and brand loyalty are *Program Pemasaran Frekuensi* (frequency marketing program) and *Program Pemasaran Klub* (club marketing program). Through the former program, the cellular providers give discount and voucher to their customers based on their buying frequency or volume, while through the latter program the providers give membership card and some incentive to their loyal customers.

One program the cellular providers conduct to increase social benefit of their products is to develop a personalized partnership with their customers. This personalized relationship allows customers to feel that they are a part of the providers, improves brand loyalty and develops lasting commitment between customers and the providers. A method to improve the social partnership is integration between customers and the providers' service system (via computer or other instruments).

Implementation of relationship marketing programs develops regular communication between the providers and their customers and eventually develops brand loyalty. When companies provide qualified products and reliable service, regular personal attention and affordable pricing, customers will have higher repurchasing intention, higher brand loyalty and higher tendency to spread positive information about the company to their social network (word of mouth).

Rust, Zahoeik and Keiningham (1996:378) explained that there are four components of relationship marketing companies should pay close attention to, namely: 1) product that develops brand loyalty, 2) skillful employees who have good interpersonal skills; 3) appropriate customers; and 4) monitoring how effective a running relationship marketing program is. To launch a brand that develops brand loyalty, companies should use their positioning strategy as the basis for their relationship marketing program. Both positioning strategy and relationship marketing program should analyze product attributes, price and distribution and compare them to those of other companies. Furthermore, market segmentation and targeted market are two components of positioning strategy and relationship marketing companies can use to select their prospective customers.

VI. Conclusion and Recommendation

Based on the finding and discussion, it can be concluded that: First, Positioning strategy and Relationship marketing have positive, partial and simultaneous influence towards Brand Image of the pre-paid GSM cellular provider customers in Makassar. An increase of Positioning Strategy and Relationship Marketing will cause another increase in customer satisfaction and Brand image. Positioning strategy has stronger influence towards Brand Image compared to Relationship Marketing which means the providers spend more time for product positioning than developing relationship marketing program or their Brand Image. Secondly, Positioning Strategy Relationship Marketing and Brand Image have simultaneous influence towards Brand loyalty of the pre-paid GSM cellular provider customers in Makassar. Partially, Brand Image has stronger influence towards Brand Loyalty; Brand Image has direct influence towards Brand Loyalty while Positioning Strategy and Relationship Marketing do not. Positioning Strategy and Relationship Marketing, which competitors can copy very easily, have a short and situational influence towards repurchasing intention. Negative and low influence of Positioning Strategy indicated that the sole reason customers are loyal to certain brand is its brand positioning in the market (product, price, distribution, or promotion positioning). Therefore, substantially, brand loyalty depends on brand image as the content factor while positioning strategy and relationship marketing become the contextual factors.

Furthermore, based on the finding and discussion, it is recommended that: Practical Recommendation: (1) In order to develop an effective brand image, the providers should use all information they get from their relationship marketing activities to develop a positioning strategy. This allows the providers to synchronize their positioning strategy and relationship marketing program; (2) to improve brand loyalty, the providers should focus their marketing strategy to programs that develop their brand image. Academic Recommendation: (1) In order to encourage further discussion on brand loyalty, future researchers should involve some factors (other than positioning strategy and relationship marketing) that influence brand image; (2) future researchers should also analyze factors that do not have any correlation to brand image in order to explain brand loyalty; and (3) future researchers should investigate relationship marketing from two marketing sectors, namely 1) activity and issue in relationship marketing (organizational); and 2) outcome of relationship marketing from customer point of view.

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