

# **THE ROLE OF CUSTOMER SATISFACTION IN MEDIATING MARKETING COMMUNICATION EFFECT ON CUSTOMER LOYALTY**

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## **ABSTRACT**

This study aims to test the effect of a) marketing communication on customer satisfaction; b) marketing communication on customer loyalty; c) customer satisfaction on customer loyalty; and d) to identify the role of customer satisfaction in mediating marketing communication effect on customer loyalty of the IM3 user community in Jember regency, East Java province. The study was designed in a form confirmatory research, with the whole IM3 community members in the regency as the study population. By using random sampling, 100 respondents were taken as the samples. Structural Equation Modeling (SEM) was applied as the data analysis model. The result shows that: a) marketing communication has a significantly positive effect on customer satisfaction; b) marketing communication has a significantly positive effect on customer loyalty; c) customer satisfaction has a significantly positive effect on customer loyalty; and d) customer satisfaction has a very important role in mediating marketing communication effect on customer loyalty of the IM3 user community in Jember regency.

**Keywords:** marketing communication, customer satisfaction, customer loyalty.

## **INTRODUCTION:**

A company, in an effort to sell products, needs to establish good communication with its customers through marketing. According to Nickles (in Swasta and Handoko, 2000), marketing communication is a seller-buyer communication activity that is significantly influential in the decision making process of marketing. It also creates a satisfying exchange between the seller and the buyer by encouraging both parties to play their roles well during a transaction. The point is that marketing communication is a two-way exchange of information between parties or agencies involved in marketing. The parties involved will listen, react, and speak to create a satisfying relationship exchange. A marketer must understand how the communication takes place. A marketing communication model will answer things related to who sends it, what to say, what communication channel to use, to whom, and what the consequences will cause. In the communication process, a good communicator must be able to deliver the message to the recipient. A communication process model can give an illustration to marketers about how to influence or change the costumers' attitude through a persuasive communication implementation design. The activity process is intended to get a final response from the audiences in a form of purchases, high satisfaction and a mouth-to-mouth positive story. Marketing communication represents a collection of all brand elements and communications in a marketing mix that facilitates a brand to reach its target (i.e. the customers).

Information technology, in globalization era, has produced various kinds of information media providers for customers, including cellular phone network service operators. The increasing number of cellular service providers has forced each of them to improve their product quality, in both sectors: goods and services. A provider needs not only to implement a brilliant product-positioning strategy in market through a quality standard establishment, but also to maintain the brand position in customers' mind through an appropriate promotion strategy. Product competition has also led to an increase in the cost of advertising and other promotional activities in an attempt to seize the customer's attention. An appropriate marketing communication may avoid losses due to ineffective and inefficient promotional activities. Marketing communication strategy can be included in marketing-communication-mix concept. An understanding of communication is intended to make the delivered information to be able to result in the desired impact that is reaching a similarity in expectation. All types of communication, both instructional and motivational, are aimed to make the recipient react something as desired by the message sender. Communication suggests a mind, a meaning or a message that is shared equally between the sender and the recipient. Another word that is similar to the communication is community. It also emphasizes a similarity or togetherness. Community refers to a group of people who get together or live together to achieve certain goals, and share meanings and attitudes (Mulyana, 2003). The process, that builds a relationship between manufacturers and individuals or groups in a product delivery, is made to meet customers' needs and desires in order to achieve a higher satisfaction level through the creation of a qualified product. Communication in marketing activities is quite complex. A more complex communication requires a more effective strategy planning for the communicator to deliver a message to the communicant. A merged study between marketing and communication will result in a new study called marketing communication. Marketing communication is a communication application that aims to help the marketing activities of a company. The application is strongly influenced by the different forms of media used, the message appeal, and the service frequency. Business communication application is very important, especially in the delivery of communication messages that faces various issues, differences in perceptions, cultural differences, and limitations of the medium used.

PT. Indosat, has a variety of products such as prepaid service and postpaid service, as well as GSM and CDMA networks. The types of SIM cards produced by PT. Indosat include IM3, Star One, Matrix, and Mentari. Indosat is also a telecommunication company the on-going development. The company also provides other kinds of telecommunication products, such as online mobile phones, broadband and Wi-Fi network. IM3 is a product of PT. Indosat designated for young people. It offers telephone service, internet service and SMS, with affordable prices. This low price strategy is definitely expected to improve the number of IM3 users. A way conducted by PT. Indosat to support the strategy is by forming regional communities for IM3 users, known as IM3 community. The step is one of marketing

communication strategies taken by PT Indosat to keep the customers. IM3 Community is normally formed by at least 100 people of IM3 users. Generally, the members of the community are high school students/people of their ages and also college students. The members are provided with various services and facilities, such as bonus (in a form of credits), chance to win prizes in quizzes conducted by PT. Indosat, and even sponsorship from PT. Indosat in various events they might hold. The community formation is one of the company's marketing communication strategies to help the marketing department sell the company's products (i.e., IM3 SIM cards). With a proper concept, the strategy is able not only to become effective purchase stimulation for the prospective users, but also to grow, improve, or even maintain the customer satisfaction and customer loyalty towards the company's products (i.e., IM3 Card).

Marketing communication has an effect on customer satisfaction (Halimi and Chavosh, 2011). The existence of marketing communication will enhance the relationship between customer and company (Morgan and Hunt, 1994). Marketing communication maintains the relationship between manufacturers and customers by considering all aspects, including communication aspects concerning the products, the price range, the place, and the promotion manner. A successful communication strategy in marketing will bring success to the company's sales. This happens because of the customers' being satisfied with the communication activities which have been implemented by the company will eventually create the customers' loyalty towards the company's products. Customer loyalty on a particular product depends on several factors, namely: the cost potentially spent to switch to other products, the similarity of quality, the quality of the substitute products, the risk of cost changes due to switching to substitute products, the changes in the level of satisfaction derived from the new products compared with the experience from the previous product use, and the good relations with customers (Morgan and Hunt, 1994).

Marketing communication in a company can be conducted by providing feedback for the customers and persuasively affecting the customers to use or purchase the company's products. This method is considered to be able to give a direct impact to the customers. The communication effects can be cognitive and affective. It is expected to build a certain information consciousness in the customer's mind, directly or indirectly. The implementation of marketing communication can also be done by telemarketing or contacting customers with high intensity, which allows a considerable interaction with the customers, evaluating some of the programs that have been carried out, changing marketing strategies, as well as doing market research with a purpose to find out the satisfaction or dissatisfaction expressed by the customers.

All of them lead to one purpose, i.e., to keep the customers' loyal. Some studies find that customer satisfaction has a significant effect on customer loyalty (Hawkins et al, 1995; Fornel et al, 1996; Peltier et al, 2002; Dimiyati, 2014). Xuecheng and Wu (2010) stated that customer satisfaction is related to customer loyalty. The more satisfaction the customers feel then the stronger loyalty they keep.

The logical argument of these findings is that the customer loyalty is formed through a learning process. It is a process in which a customer through his/her experience tries to find the most suitable product for him/her, in the sense that the product can provide a satisfaction in line with the expectation and need. Customers will continue to try various kinds of products before finding a product that really fits. Customer satisfaction is a very important part in creating customer loyalty. Customer loyalty is usually marked with the intensity of repurchases and purchase recommendations. If a customer is satisfied for a product then he/she will continue to buy it, use it or even tell others about the product advantages based on the own experience in using the product. In this case, it is a characteristic of customer loyalty. Customer satisfaction should be maintained and enhanced in order to create and keep the loyalty to the product. When a customer obtains a satisfaction from a product purchase then the condition will create a positive attitude toward the product, so that the customer will repurchase. On the contrary, some other studies show that customer satisfaction does not affect customer loyalty. It is indicated by the number of satisfied customers of a certain product that switch to other products of its kind that give better offers when the costumers are more in need of the same services (Jones and Sasser, 1995; Dimiyati, 2011; 2015). The big gap in the results requires a further research to conduct.

PT. Indosat, in order to increase customer satisfaction and customer loyalty, has formed a community

among IM3 users. This community is aimed to maintain relations with IM3 customers. The community is a media intended not only for selling PT. Indosat products but also increasing the customers' loyalty by relying on interpersonal closeness between the customers and the company. Besides, the community also aims to establish a communication between the company and its customers. Therefore, this community focuses on group communications. In addition to the activity, PT. Indosat also holds a regular monthly meeting between the community person-in-charge or representative to discuss activities that are planned to do with the community and also network and service matters. Through the activity, PT. Indosat can establish a direct relationship with the customers that will be useful for PT. Indosat to create evaluations and corrections in the marketing. This activity is able to improve the customers' satisfaction in using the product (IM3). Another interesting strategy being applied by PT. Indosat to foster customer loyalty, especially for the members of the IM3 community is visiting schools to offer cooperation. PT. Indosat, in this case, provides a facility in the form of automatic attendance application that is operated by using the barcode on student cards to indicate the student's attendance. In return, all students must use IM3 SIM card to apply the program. Every network provider company commonly has similar activities with their customers. However, based on the results of the discussions carried out by IM3 community members, PT. Indosat plans to provide other sustainable programs instead of ending up with just one event. This growing closeness between the company and the customers will certainly create customer loyalty.

Based on the business phenomenon, the research gap and the existing theories, the problems discussed in the study related to IM3 community in Jember can be formulated as follows: a) What is the effect of marketing communication on customer satisfaction?; b) how is the effect of marketing communication on customer loyalty ?; c) how is the effect of customer satisfaction on customer loyalty ?; d) how is the role of customer satisfaction in the mediation of marketing communication effect on customer loyalty among IM3 communities in Jember?. This research aims to: a) study the effect of marketing communication on customer satisfaction; b) study the effect of marketing communication on customer loyalty; c) study the effect of customer satisfaction effect on customer loyalty; d) determine the role of customer satisfaction in the mediation of marketing communication effect on customer loyalty among IM3 communities in Jember regency. The interesting point that distinguishes the study from the previous ones in the same field is the fourth research purpose, since it has not been observed in previous studies. The fact has become an interesting aspect to conduct the research and to add a benefit in the development of science and managerial decision-making.

## **LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK: MARKETING COMMUNICATION:**

Communication is a process of delivering a message from a sender to a receiver either by an individual or?? To another individual, an individual to an organization, and an organization to an individual or to another organization that can be done through a media on the communication channels or written communication. Marketing communication is a way that a company uses to inform, persuade, and remind the customers directly and indirectly about the company's product (Kotler and Armstrong, 2005). According to the definition, it can be formulated that marketing communication includes a continuous process of message production, management and delivery, toward the target to reach the maximum purpose. A company needs to establish an effective communication with its customers through a marketing communication in an effort to sell its products. A good communicator must be able to deliver his/her messages well to the receiver, in accordance with his/her expectation. A communication process model can give an illustration to marketers about how to influence or change the customer's attitude through a design, implementation and persuasive communication (Kotler and Armstrong, 2005). Marketing communication maintain manufacturer-customer relationship by considering all aspects, including the communication concerning the product aspects, the level of price, the place, the promotion strategies and techniques. In doing a marketing communication, a manufacturer needs to make use of the marketing campaign mix consisting of advertising, personal selling, direct marketing, sales promotion, community relations, and marketing through the internet. Indeed, promotional mix is used as one tool to do a promotion, but overall this aspect is not an absolute value. These aspects still

need to combine with other aspects, namely interactivity elements. Both will be combined into a single unit in designing a marketing strategy. Through marketing communication the customers' needs and desires can be figured out and achieved.

#### **CUSTOMER SATISFACTION:**

Customer faces such a diverse range of products that can satisfy their certain needs. They choose among those products that best fit their expectation. Spreng et al (1996) states that customer satisfaction is a feeling of content that arises when a customer compare his/her perception of the performance of a particular product with his/her expectation. Meanwhile, Kotler and Keller (2006) states that customer satisfaction is one's feeling of happiness or upset as a result of a comparison between the performance of a product and his/her expectation. Customer satisfaction can also be defined as an evaluation toward the selected alternative to find out whether it meets or fails to meet the customer's expectation (Engel et al, 1993). To win a competition, a company must definitely have the ability to satisfy its customers. Customer satisfaction is a trigger to increase profit for the company in the future, and also a vital step that must be highly considered by a company either in the fulfillment of individual customer(s) in the level of micro- and macro-economics. Basically, customer satisfaction relates to the difference between the expectations and the perceived performance or results. Generally, customer expectation is estimation or belief about what a customer will receive if he/she buys or consumes a product. While the perceived advantage is the customer's perception of what he/she feel after consuming the product (Tjiptono, 1997). A happy or content customer tends to behave in a positive way by showing eagerness to repurchase the product that has made him/her happy. Whether a buyer is satisfied or not after the purchase, depends on the offered performance in connection with the buyer's expectation.

#### **CUSTOMER LOYALTY:**

Customer loyalty to a product is reflected through the customer's habit to purchase a product continuously. Therefore, in order to understand the customers' needs and expectations as well as to achieve the objectives, a company needs to observe customer loyalty. Oliver (in Kotler and Keller, 2006) defines customer loyalty as a strongly held commitment to repurchase or re-subscribe a certain product in the future, although there is an effect of situation and marketing efforts that can potentially cause the change of behavior. According to Griffin (2002), a loyal customer tends to repurchase the product, purchase among the product lines, recommend the product to others, and be able to show the quality of similar products produced by other companies. To determine customer loyalty, a company is required not only to observe the customers' habit (especially habit of repurchase), but also to learn where to buy, how to buy it, and under what condition these products must be purchased. A loyal customer will make purchases repeatedly over a certain period.

A loyal customer is very meaningful to the vendor, since the cost to acquire the new customers is more expensive than maintaining the existing customers. Loyalty is developed by following four stages, namely: cognitive loyalty, affective loyalty, conative loyalty, and action loyalty (Tjiptono, 2000). Cognitive loyalty uses a base of information that is forcing refers to one product or another product. In this stage, loyalty is only based on belief, and is hardly strong. Meanwhile, affective loyalty is based on aspect of customer attitude. Attitude is a function of cognition and it is also a hope in the early period of purchase and is a function of the previous attitude plus the satisfaction of the next period. Loyalty in this stage is much more difficult to change because it was entered through the customer's mind. Conative loyalty is the desire to continue using the same products in the future. It can also be called an interest in loyal behavior. Conative loyalty is a loyal condition that includes a deep commitment to make purchases. Loyalty action is the ultimate stage of customer loyalty. It includes behavioral habits and routine responses. Action is seen as a very important thing in combining the next stage.

#### **CONCEPTUAL FRAMEWORK:**

A company's relationship with customers through marketing communication can improve the interaction and the evaluation for the company on customer satisfaction and dissatisfaction. According to Mujiharjo (2006), customer

satisfaction and dissatisfaction on a product will affect the subsequent behavioral patterns, which are reflected through the behavior before, during or after the process of purchasing/consuming the product. If the customer is satisfied, he will recommend the product to others. Customers who are not satisfied can file a complaint to the company. Optimal customer satisfaction will encourage customer loyalty, as Morgan and Hunt (1994) say that marketing communication will enhance the relationship between the customer and the company. Halimi and Chavosh (2011) show that marketing communication influence customer satisfaction. The operational definition of marketing communication in this study is focused on how PT. Indosat use to inform, persuade, and remind the customers directly and indirectly of IM3 products, as measured by three indicators referring to Kotler and Armstrong (2005), namely: advertising, public relations, and sales promotion. Advertising concerns about the customers' rating on how PT. Indosat conveys information about IM3. Public relations concerns about the customers' assessment on the communication media provided by PT. Indosat for IM3 communities through company events. Sale promotion includes the customers' rating to a series of techniques made by PT. Indosat to promote IM3 through special price programs. The operational definition of customer satisfaction is the feeling of pleasure or disappointment from a customer that comes from his/her impression on IM3 products and his/her expectations, as measured by three indicators (refers to Tjiptono (2000)), namely: satisfaction on the product, product benefits and satisfaction on the service of the product. Customer satisfaction should be accompanied by customer loyalty. A loyal consumer not only has the potential to be a word-of-mouth advertiser, but also has a long-term period of loyalty on the company's products.

Fornel (1996) states that customer satisfaction influence buying behavior, where satisfied customers tend to be loyal customers, but loyal customers do not need to be satisfied. A loyal customer is one who repurchases the same product, informs other potential customers and become an antidote to competitor attacks. Generally, customers expect that the products they consume are receivable, enjoyable and satisfying. That is the reason why customers need information from the company about the products produced. Customers will assess marketing communication they receive with a hope they receive effective information about the company's products. A good marketing communication will lead to customer satisfaction. Customer evaluation on marketing communication lies in the balance of the expectation and the perception of the company's relationship with the customers. If the perception meets or even surpasses the expectation, then the evaluation will result in an ideal marketing communication. Meanwhile, if the expectation hardly meets with the perception, it will produce a negative evaluation on the marketing communication.

Customer satisfaction has an important role in shaping customer satisfaction. Customer satisfaction has an effect on customer loyalty. The operational definition of customer loyalty is a behavioral intention of customers in IM3 community expressed in they keep on using the product (IM3) for a long time, as measured by four indicators referring Tjiptono (2000), namely: the intention to repurchase IM3, the intention to say positive things to others about IM3, the intention to recommend IM3 to others, and the intention to show a sense of immunity or refusal towards the appeal of similar products produced by other companies. Customer loyalty is a long-term impact of customer satisfaction. At a certain level, customer satisfaction is able to build customer loyalty. Customers that are continuously satisfied tend to make repurchases on the same product. Considering the formulation of the research problems, the research objectives, and the literature review, the conceptual framework of the study can be arranged as shown in Figure 1.

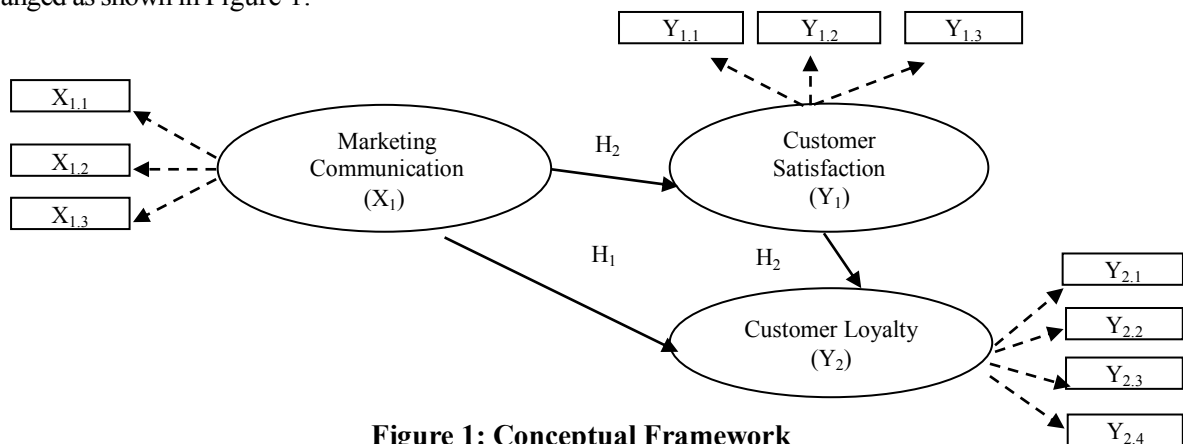


Figure 1: Conceptual Framework

Marketing communication becomes the first variable in this study, and it is measured by three indicators from Kotler and Armstrong (2005), namely: sending messages through the media (advertising), public relations activities and social events (public relations), and sales promotion with exhibition. Marketing directly affects customer satisfaction. The second variable is customer satisfaction, which is measured by using three indicators (refers to Dimiyati (2011)), namely the satisfaction of the product, and the satisfaction on product benefits and the satisfaction in service. The third variable is customer loyalty. Customer loyalty is measured with four indicators referring to Tjiptono (2000), namely: the intention to re-purchase products, the intention to say positive things, the intention to recommend to others, and the immunity toward other similar products. The conceptual framework of this study explains that there are three paths of direct influence and one path of indirect influence. Direct influence path is the effect of marketing communication on customer satisfaction, the effect of marketing communication on customer loyalty, and the effect of customer satisfaction on customer loyalty. Meanwhile, the indirect influence path is the influence of marketing communication on customer loyalty through customer satisfaction mediation. This study will test three direct influences, as well as analyze the comparative magnitude of the direct influences of marketing communication on customer loyalty with indirect influence (the influence of marketing communication on customer loyalty through customer satisfaction mediation). Comparative analysis is used to determine the role of marketing communication as an exogenous variable rather than the role of customer satisfaction as an intervening variable in influencing customer loyalty.

Based on the research objectives, the problem formulation and the conceptual framework related to IM3 product in IM3 community in Jember, thus the research hypothesis can be put forward as follows:

**H<sub>1</sub>** is marketing communication has a significantly positive effect on customer satisfaction;

**H<sub>2</sub>** is marketing communication has a significantly positive effect on customer loyalty;

**H<sub>3</sub>** is customer satisfaction has a significantly positive effect on customer loyalty.

#### **RESEARCH METHODOLOGY:**

The study is designed as a confirmatory research with all the IM3 community members in Jember as the population. The total sample of 100 respondents is determined according to the sum of all research indicator variables multiplied by 10 (Ferdinand, 2002). Random sampling is applied as the sampling technique. The data analysis model is applied according to Structural Equation Modeling (SEM). The research variables consist of an exogenous variable (that is marketing communication ( $X_1$ )), an intervening endogenous variable (namely customer satisfaction ( $Y_1$ )), and one bound endogenous variable (that is customer loyalty ( $Y_2$ )). The research data is a primary data obtained from questionnaires and a secondary data collected from documentation. The measurement of all latent variables uses Likert's scale assessment scoring with five answer choices ranging from 1-5. This scale is an interval scale (Indriantoro and Supomo, 2002; Sekaran, 2003). Based on the conceptual model (Figure 1), the SEM model can be structured as follows:

$Y_1 = \lambda_{1.1}X_1 + \delta_1$ ;  $Y_2 = \lambda_{2.1}X_1 + \delta_2$ ;  $Y_2 = \lambda_{2.1}X_1 + \beta_{2.1}Y_1 + \delta_3$   
 $\lambda$  = coefficient path of endogenous to exogenous variables;  $\beta$  = coefficient of endogenous variables to endogenous path;  $\delta$  = error model

#### **RESULT AND DISCUSSION:**

##### **INSTRUMENT VALIDITY AND RELIABILITY:**

The results of instrument validity and reliability with Confirmatory Factor Analysis using AMOS program version 18 (Table 1 in the appendix) showed that the result of all latent variable indicators (marketing communication, consumer satisfaction and customer loyalty) are valid and reliable. It is indicated by the value of t (CR) for the loading factor of each variable has a greater value than the critical value (CR >1.96) at 0.05 level. Meanwhile, the probability is smaller than  $\alpha$  ( $P < 0.05$ ), and the construct reliability value of all latent variable indicators is greater than the recommended value (construct reliability  $\geq 0.70$ ).

SEM models must meet multivariate normal assumptions, avoid multicollinearity or singularity, and

show no outlier in the research data. The analysis result shows that the normality or assessment of normality (CR) (Table 2 in the Appendix) gives a value of 1.551 which is located between -1.96 up to 1.96 (the critical value at significant level of 0.05 is  $\pm 1.96$ ). It can be stated that the normal multivariate data has a sample covariance matrix determinant value of 1.100 and this value is away from zero. It can be said that there is not a problem of multicollinearity and singularity on the analyzed data. There is also no multivariate outlier in research data indicated by the value of Mahalanobis distance (for the highest observation data of  $18.307 \leq \chi^2$  value;  $df = 10$ ;  $\alpha = 0.05$ ). The result of model conformance test (Table 3 in the Appendix) shows that the result of SEM model meets all criteria used to judge the worthiness of an SEM model, which means that there is a match between the models with the data, so that the model is feasible. The next step is to test the hypothesis through causality test between variables. Based on the results of causality test (Table 4 in the Appendix) each path coefficient can be interpreted.

### **HYPOTHESIS 1:**

Marketing communication has a significantly positive effect on customer satisfaction in IM3 community in Jember.

The data analysis result (Table 4 in the Appendix) concludes that the accepted hypothesis 1 is shown by the positive path coefficient of 0.992 with CR amounted to 10.054. It obtains a significant probability ( $p = ***$ ) is smaller than the significance level ( $\alpha$ ) required of 0.05. This means that a better customer assessment on marketing communication will increase more customer satisfaction, and vice versa.

The logical argument that is supporting the hypothesis 1 acceptance is that through marketing communication, the seller and buyers can exchange information, so that each party is able to find out the needs and desires to be achieved. Judging from the respondents' characteristics it is noted that the majority of IM3 community members is dominated by young people (mostly high school or college students). Customers with this characteristic tend to have high expectations on marketing communication. The customer's expectation arises because through marketing communication carried out by the company the relationship between the company and its customers becomes stronger. The close relationship helps the company identify and meet the expectations of the customers, so that the customers' satisfaction is reached. The result of the respondent assessment on each indicator shows that: a) for advertising indicator, the majority of customers says that IM3 has showed communicative advertisements that are able to please the customers and provide them an overview of the products offered by PT. Indosat; b) for public relation indicator, most respondents think that the communication conducted by PT. Indosat on IM3 product through company events is communicative and attractive, so that it is able to provide interesting information about the IM3 product among the community members in Jember; c) for sale promotion indicator, most respondents agree that IM3 product has given good sale promotions which are able to provide product information or rebate on price that satisfies the customers. This finding means that marketing communication conducted by PT. Indosat for IM3 product can maintain a close relationship between the company and the customers and can increase the interaction between the customers and the company as well as the customers and other customers. With this point, the company will be able to identify and meet the expectations of the customers. The complete fulfillment of customer expectations will create customer satisfaction. Mujiharjo (2006) expresses that customer satisfaction and customer dissatisfaction on a product will affect the subsequent behavior patterns. Making satisfied customers start from a good marketing communication. A good communication relation of a company with its customers makes the companies meet the needs of customers more easily and the customers will feel content. The study finding is consistent with Ahmad (2009); Surya and Setiyaningrum (2009); Halimi and Chavosh (2011); and Morgan and Hunt (1994).

### **HYPOTHESIS 2:**

Marketing communication has a significantly positive effect on customer loyalty in IM3 community in Jember regency.

The hypothesis test result (Table 4 in the Appendix) shows that with the positive path coefficient of 0.949 and with CR amounted to 2,299, a significant probability ( $p$ ) of 0.005 is smaller than the



significance level ( $\alpha$ ) required of 0.05. It proves that the hypothesis 2 is acceptable. The finding means that a better customer assessment on marketing communication will increase more customer loyalty, and vice versa, if the assessment result is poor, customer loyalty will decrease. An appropriate implementation of marketing communication will be able to establish an effective communication and a long-term close mutual relationship between the company and its customers.

This favorable mutual relationship will lead to a partnership between the company and its customers. The relationship that exists between PT. Indosat with the IM3 communities in the Jember regency is a partnership. It is identified with the intention to give the best value to the partner. It is supported by the fact that most respondents says, as shown by the indicator, that PT. Indosat has conducted a good marketing communication about the IM3 product, so that it can build customer loyalty. As mentioned before, the respondents are mostly high school or college students. They have a tendency to build a strong relationship through community groups. The relationship within a community can work well if an effective communication is established among the parties involved in the relationship. The creation of customer loyalty can be started from a good application of marketing communication. With that condition, it will be easier for a company to meet the needs of its customers, and satisfied customers will eventually become loyal customers. This finding is in line with Ahmad (2009) which states that the marketing communication significantly affects customer loyalty. The study result is also in accordance with Tjiptono (2000) who stated that a good marketing communication would improve customer satisfaction and potentially become a mouth-to-mouth advertiser. It also becomes the foundation of a long-term customer loyalty towards a company's product. The result also supports the previous researches (Ahmad, 2009; Hawkins et al, 1995; Fornel et al, 1996; Peltier et al, 2002; Dimiyati, 2014; Surya and Setiyaningrum, 2009). It is also consistent with Xuecheng and Wu (2010) who found that customer satisfaction influences buying behavior, where satisfied customers tend to be loyal customers, but loyal customers do not need to be satisfied. Customer loyalty indicates that a company has succeeded putting their products in the customers' minds. It is where the company tries to position its customers as partners by way of establishing customer confidence to always interact with the company. If necessary, customers can also participate in developing the company for the future progress.

### **HYPOTHESIS 3:**

Customer satisfaction has a significantly positive effect on customer loyalty among the members IM3 community of Jember.

The analysis result shows that Hypothesis 3 is acceptable. It is indicated by the positive path coefficient value of 1.449, the CR value of 2.492, and the significant probability value ( $p$ ) of 0.009 (it is less than 0.05 (Table 4 in the Appendix)). It means that the increase of customer satisfaction will also increase customer loyalty, and vice versa, a poor customer satisfaction will reduce customer loyalty. Customer satisfaction is a very important part in the effort of building customer loyalty. Customer loyalty is reflected through the action of repurchase and purchase recommendation. If a consumer is satisfied with a product, he/she will keep buying the product, use it or even tell others the advantages of the product based on his/her experience in using the product. Customer satisfaction should be maintained and enhanced in order to create and maintain customer loyalty. Customer loyalty is a commitment strongly held by customers to buy again or re-purchase the product or service in the future.

Customer loyalty toward a particular product or service depends on several factors, namely: the cost for switching to other products or services, the similarity of quality, sale promotions or services of the substitute goods or services, the risk of changes in the costs of substitute goods or services and the risk of changes in the level of satisfaction derived from new products compared with the experience of the previous product used. A consumer, in meeting the needs and expectations, will buy a particular product or service. If the chosen product or service can satisfy the consumer, then the product will give a good impression in the consumer's memory. With this condition, customer loyalty begins to grow.

These finding is also relevant with Fornel (1996) who said that customer satisfaction influences buying behavior, where satisfied customers tend to be loyal customers, but loyal customers do not need to be satisfied. The rise of customer loyalty reflects that the company is able to position their products in the customers' minds. The company tries to position its customers as partners by way of establishing

customer confidence, always interact, and together develop the company for the future progress. The finding supports Fornel et al (1996) and Ahmad (2009) who stated that a higher customer satisfaction would lead to a higher customer loyalty. A satisfied customer will recommend the company's products to others, repurchase the product, and become loyal to the company's products.

### **CUSTOMER SATISFACTION ANALYSIS ROLE IN THE MEDIATION OF MARKETING COMMUNICATION EFFECT ON CUSTOMER LOYALTY:**

The analysis of customer satisfaction role in the process of mediating the marketing communication effect on customer loyalty among IM3 community members in Jember is conducted by comparing the magnitude of the marketing communication direct influence on customer loyalty to the magnitude of the marketing communication indirect influence on customer loyalty through customer satisfaction mediation. If the direct effect value is greater than the indirect influence, it means that the role of marketing communication is higher than the mediating role of customer satisfaction in influencing customer loyalty. If the direct effect value is smaller than the value of the indirect effect, it means that the mediating role of customer satisfaction in influencing customer loyalty is higher than the role of marketing communication (Dimiyati, 2014).

The result of analysis on the variable effect (Table 5 in the Appendix) showed that the direct influence value of marketing communication on customer loyalty is 0.776. The direct influence value of marketing communication on customer satisfaction is 0.992. The influence of customer satisfaction to customer loyalty is 1,449. Meanwhile, the indirect influence, namely the influence marketing communication on customer loyalty through customer satisfaction mediation is 1.437. Thus, it is known that the direct influence value of marketing communication on customer loyalty (0.776) is smaller than the indirect effect of marketing communication on customer loyalty through the mediation of customer satisfaction (1.437). It means that the mediating role of customer satisfaction in influencing customer loyalty is higher than the role of marketing communication in influencing customer loyalty directly. This indicates that customer satisfaction has a very important role in building customer loyalty. This finding is very logical if it is associated with the concept of communication marketing, customer satisfaction and customer loyalty. Marketing communication of the company will produce an effective communication between company and customers. An effective communication is to make customers understand and become interested in using the company's products and after using the company's products become satisfied, and eventually become loyal.

### **CONCLUSION:**

Referring to the analysis result and the research discussion, some points can be concluded. First, marketing communication has a significantly positive effect on customer loyalty, especially in IM3 community in Jember regency (Hypothesis 1 is accepted). This finding means that marketing communication conducted by PT. Indosat related to IM3 product can maintain a close relationship between the company and its customers, and can increase the interaction between the customer and the company, as well as the customers with other customers. It indicates that the company can identify and meet the expectations of the customers. A customer expectation fulfillment will create customer satisfaction. Second, marketing communication has a significantly positive effect on customer loyalty, in IM3 community in Jember (Hypothesis 2 is accepted). Marketing communication carried out by PT. Indosat for IM3 product is able to establish an effective communication and a mutual relationship that leads to a long-term beneficial partnership. These partnerships will create customer loyalty. Third, customer satisfaction has a significantly positive effect on customer loyalty, especially the members of IM3 community in Jember regency (Hypothesis 3 is accepted). This condition is logical because a satisfied consumer will keep buying the product, use it or even inform to others about the product advantages based on his/her experience in consuming the product. Customer satisfaction should be maintained and enhanced in order to create and maintain customer loyalty. The mediating role of customer satisfaction in influencing customer loyalty is higher than the role of marketing communication in influencing customer loyalty directly. This means that customer satisfaction has a

very important role in mediating the effect of marketing communication on customer loyalty in IM3 community of Jember.

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**APPENDIX**

**Table 1: Validity and Reliability Test Result of Research Variable Indicators**

Latent Variable	Validity				Construct Reliability
	Indicators Variable	P	Note	GFI	
Marketing Communication (X <sub>1</sub> )	X <sub>1,1</sub>	***	Valid	1.000	0.858
	X <sub>1,2</sub>	***	Valid		
	X <sub>1,3</sub>	***	Valid		
Customer Satisfaction (Y <sub>1</sub> )	Y <sub>1,1</sub>	***	Valid	0.931	0.870
	Y <sub>1,2</sub>	***	Valid		
	Y <sub>1,3</sub>	***	Valid		
Customer Satisfaction (Y <sub>2</sub> )	Y <sub>2,1</sub>	***	Valid	0.931	0.844
	Y <sub>2,1</sub>	***	Valid		
	Y <sub>2,1</sub>	***	Valid		
	Y <sub>2,1</sub>	***	Valid		

Source: Data Analysis Result with the AMOS 18 Program.

**Table 2: The Assumptions SEM Test Result**

Assessment of Normality						
Variable	min	max	skew	c.r.	kurtosis	c.r.
Y24	1.000	5.000	-.877	-3.580	1.052	1.188
Y13	1.000	5.000	-.734	-2.995	1.763	1.598
Y12	2.000	5.000	-.637	-2.599	.568	1.159
Y11	2.000	5.000	-.520	-2.123	-.129	-.264
Y21	1.000	5.000	-.910	-3.716	1.776	1.625
Y22	2.000	5.000	-.774	-3.158	-.200	-.409
Y23	2.000	5.000	-.849	-3.465	1.144	1.335
X13	2.000	5.000	-.521	-2.126	1.360	1.776
X12	2.000	5.000	-.405	-1.655	.647	1.321
X11	2.000	5.000	-.393	-1.606	.098	.201
Multivariate					8.495	1.551
Outlier Test Results						
Observation number	Mahalanobis d-squared			p1	p2	
3	18.307			,000	,010	
7	18.202			,004	,054	
21	18.039			,006	,026	
2	17.736			,007	,005	
70	17.666			,010	,004	
94	17.636			,033	,112	
..etc.	...			...	...	
Multicollinearity Test = Determinant of sample covariance matrix = 1.100						

Source: Data Analysis Result with the AMOS 18 Program.

**Table 3: The SEM Model Suitability Index**

Criteria	Cut Off Value	Result	Note
Chi Square	Expected < Chi Square Table ( $\gamma: 45; \alpha = 0.05$ ) = 61,656	38.727	Fulfilled
Df	Must be positive	45	Fulfilled
Sig. Probability (P)	$\geq 0.05$	0.050	Fulfilled
RMSEA	$\leq 0.08$	0.062	Fulfilled
GFI	$\geq 0.90$	0,933	Fulfilled
AGFI	$\geq 0.90$	0,900	Fulfilled
Chi Square/df	$\leq 2$ atau 3	1,383	Fulfilled
TLI	$\geq 0.95$	0,974	Fulfilled
CFI	$\geq 0,95$	0,984	Fulfilled

Source: Data Analysis Result with the AMOS 18 Program.

**Table 4: Causality Test Among Research Variable**

Variable	Path Coefficient	CR	Probability	Note
$Y_1 <---- X_1$	0.992	10.054	***	Significant
$Y_2 <---- X_1$	0.776	2.299	0.005	Significant
$Y_2 <---- Y_1$	1.449	2.555	0.009	Significant

Source: Data Analysis Result with the AMOS 18 Program.

**Table 5: The Effects Among Research Variable**

Standardized Direct Effects		Endogen Variable	
		Customer Satisfaction	Customer Loyalty
Exogen Variable	Marketing Communication	0.992	0.776
	Customer Satisfaction	0.000	1.449
Standardized Indirect Effects		Endogen Variable	
		Customer Satisfaction	Customer Loyalty
Exogen Variable	Marketing Communication	0.000	1.437
	Customer Satisfaction	0.000	0.000

Source: Data Analysis Result with the AMOS 18 Program.

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