

# **THE EFFECTS OF THE CUSTOMER'S EXPERIENCE ON THE REPUTATION OF DEPARTMENT STORES**

## **A SURVEY OF DEPARTMENT STORE'S CUSTOMERS IN BANDUNG**

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### **Abstract**

*The objectives of this research are to identify: first, the customer's experience to department stores in Bandung; second, to identify the reputation of department stores in Bandung; third, to identify the effects of the customer's experience on the reputation of department stores in Bandung. The methods used in this research are descriptive survey and explanatory survey, with the time dimension of cross-sectional research. The population of research are department store's customers in the region of Bandung, the number of research samples is 280. The data collected consist of the primary and secondary data. The collection of primary data was done by using observation, interview and questionnaire techniques, while the secondary data were*

*collected by documentary technique and literature study. The primary data were analyzed by using Structural Equation Modeling (SEM). The research shows that the customer's experience to department stores in Bandung is impressive, although there were indicators entering into the fair criteria: accessibility and promise fulfillment. The reputation of department stores in Bandung according to the customer's perception is positive/good, although there were indicators entering into the fair criteria: good workplace. The result of hypothesis test shows that the customer's experience has an effect on the reputation of department stores.*

*Keywords: retail business, competitive advantage, department store, customers' experience, reputation, brand image*

## INTRODUCTION

Currently Indonesia with the highly large population (257 million, in 2013) with extremely large needs, as well as purchasing-power capacity that is increasingly improved in the future, has make the retail business an interesting business. So that the competitive level that is increasing tight among the both local and foreign retail business actors, requires a fundamental change in order to be able to compete, moreover to be able to progress in global competition. This encourages the retail business actors for finding the ways that can reinforce the competitive advantage with a capacity of providing a prime service.

With the improved Indonesian economy, then the purchasing-power level of Indonesian people will also be improved, this will also change the society's life style. The society wished a shopping place that is more comfortable, safe, clean with the better quality products (Pudjianto, Aprindo, 2013). Department store, according to Presidential Regulation No. 77/2007 concerning modern market, is a store selling in retail manner for the consumption goods particularly the clothing products and equipments, with the area is more than 900 m<sup>2</sup> as well as having the ordering of goods based on the consumer's sex or age level, such as Sogo, Matahari, Ramayana, Yogya and the like.

One of popular cities becoming a tourist destination for shopping is Bandung City, a flower city with its enchantment and beauty having a separate typical feature, nearly throughout corners of Bandung City there are many stores and Factory Outlets, offering the goods having a good quality and they can be bought with a fairly cheap price. Even Bandung City has become one of tourist destinations for the tourists coming from Malaysia, particularly a shopping place Pasar Baru or around Cihampelas. (Bandung is a tourist city of Bandung City's Government, [Bandunggo.id/image/download/bandung.kota.wisata.doc](http://Bandunggo.id/image/download/bandung.kota.wisata.doc)). The retail business competition in

this city is increasingly tight with the presence of shopping center, such as: Paris Van Java, Bandung Supermal and the like.

Table 1. The Number of Department Stores in Bandung of 2014

No.	The name of Department store	The name of stand	The number of stands
1.	PT. Matahari Putra Prima	Matahari	2
2.	PT. Panen Lestari Internusa	Sogo	1
3.	PT. Metro Retail Mart	Metro	1
4.	PT. Akur Pratama	Yogya	11
<b>TOTAL</b>			<b>15</b>

Source: Badan Pusat Statistik and Aprindo Jabar (2014)

The competitive level that increasingly tight among the retail business actors, both local and foreign, needs a fundamental change for competing, moreover for progressing in global competition. This encourages the retail business actors in finding the ways that can reinforce a competitive advantage for winning the competition with a capability to provide a prime service, so that it makes the reputation in the retail business to be positive. From the result of survey conducted by a marketing magazine (2014:89) concerning the reputation of Department Store in Indonesia can be seen in Table 2. From the survey it can be concluded that largely from the department stores surveyed have had not yet a good reputation (positive).

Table 2. Corporate Reputation Award 2014

Category of Department Store High Class			The Category of Department Store Medium Class		
Company Name	CII	Category	Company Name	CII	Category
PT. Panen Lestari Internusa (Sogo)	1.858	Excellent	PT. Matahari Department Store , Tbk.	1.592	Excellent
PT. Metropolitan Retail Mart (Metro)	1.131	Excellent	PT. Tozy Sentosa (Centro Dept Store.)	0.825	
PT. Benua Harapan Luas (Debenhams)	0.605		PT. Ramayana Lestari Sentosa Tbk.	0.586	
PT. Selaras Inti Buana (Seibu Indonesia)	0.406				

Source: Marketing (2014:89)

Providing a satisfactory service to customer is one of department store's focuses in order that every customer gets a best shopping experience at its each stand. ESEA (Excellent Service Experience Award) has been provided to the retail business for its achievement in providing a best shopping experience to its customer, held by Carre Centre for Customer Satisfaction and

Loyalty (Carre CCSL). From the research we obtained an index called Excellent Service Experience Index (ESEI), such as in Table 3. The result of survey stated from several department stores existing in Bandung, only Matahari and Sogo could provide the best shopping experience to their customers. From this description, the formulation of problems revealed are:

1. How are the customer's experience and the reputation of department stores in Bandung according to the customer's perception.
2. Has the customer's experience an effect on the reputation of department stores.

Table 3. Excellent Service Experience Index

Category	
Department Store	Matahari, Sogo, Centro
Hypermarket/modern market	Hypermart, Carrefour
Minimarket	Indomaret
Convenience store	7 Eleven, Indomaret Point

Source: <http://www.matahari.co.id>, 2014

## THEORETICAL REVIEW

### The customer's experience

According to Lemke (2011:869), the customer's experience is conceptualized as the customer's holistic and subjective response for a direct and indirect meeting with the company. The dimensions of the customer's experience according to Lemke et. al. (2011:869) and Hatane (2013:11):

- Accessibility: an easy way for the consumers in interacting and accessing the products.
- Competence: a capacity owned by the product provider.
- Customer's admission: the consumer's feeling that his or her presence has been known and identified by the product provider.
- Readiness for helping: the consumer's feeling concerning the easy way for him or her for assistance.
- Treatment personally: the consumer's feeling that himself or herself gets a treatment/facility making himself or herself to be comfortable as individual.
- Problem solving: the consumer's feeling that his or her problems are solved by the product provider.
- Promise fulfillment: the promise fulfillment conducted by the product provider.
- Value-for-time: the consumer's feeling that the time he or she has is appreciated by the product provider.

## Reputation

According to Terblanche (2009:10), the customer-based reputation is the customer's evaluation entirely to the product, service, activity, communication and interaction with the company. While Walsh & Beatty (2007:227) defined the *customer-based reputation* (CBR) as the customer's evaluation entirely in his or her reaction to the company, goods, service, communication, activity, interaction with the company and or its representatives (such as employee, management, other customers). The dimensions of reputation according to Walsh, Beatty and Shiu (2009:187), and Bernard Swoboda (2013:447) are:

- *Emotional appeal*: the retailer has employees treating respectfully the customers, the retailer has employees care about the customer's need, the retailer pays attention to the customers, and the consumer trusts to the retailer.
- *Good employer*: the retailer appears like a good company for working, the retailer appears to treat the employees as well, the retailer appears having a very good leadership.
- *Reliable and financially strong company*: the retailer tends to surpass its competitor, the retailer appears identifying and utilizing the market chance, the retailer appears having a strong prospect for the growth in the future.
- *Social and environmental responsibility*: the retailer appears making efforts to create new employment, the retailer appears being responsible for the environment, the retailer will get a reduced profit for ensuring a clean environment.
- *Product and service quality*: the retailer is a strong company that can be reliable, the retailer offers the innovative products, the retailer offers the high-quality product and service.

Terblanche (2009:5) stated that in order to achieve the competitive advantage, the contemporary tendency among the retailers is to offer an interesting and eternal experience to the customer. This can be considered as an effort to create an emotional relationship with the customer through an aforethought for the *tangible* and *intangible* elements. The interaction between the customer and the environment where they do shopping is an initial point for the formation of relationship between the retailer and the customer. This interaction has the rational and emotional dimensions and assists to create a value. The customer's experience designed properly makes to be very difficult for the other retailers to imitate. The creating of shopping experience for the customer by the retailer is to build the retailer's reputation.

## RESEARCH METHODS

For the research purpose a descriptive design was adopted and an explanatory survey was conducted.

Analysis unit was the department stores in Bandung include: Matahari, Metro, Sogo, and Yogya (the total of department stores: 15 stands). Observation unit was the customers of department stores in Bandung.

A sample size of 280 respondents was identified using power test. Sampling technique adopted was proportional stratified random sampling. Data collection instruments were interviews, observations and questionnaires.

Data thus collected was subject to multivariate structural equation modeling (SEM) using software LISREL 8.7.

## ANALYSIS AND DISCUSSION OF FINDINGS

### The customer's experience and the reputation of department stores in Bandung according to the customer's perception

Table 4. The Descriptive Statistics of The Average Score in The Customer's Evaluation for the customer's experience Variable

Dimension/ Indicator	Matahari			Yogya			Metro			Sogo			Total		
	Score	Average	Criteria	Score	Average	Criteria	Score	Average	Criteria	Score	Average	Criteria	Score	Average	Criteria
Accessibility															
Total Dimensions	233	3.07	Fair	353	2.92	Fair	195	3.68	Good	113	3.77	Good	894	3.19	Fair
Competence															
Total Dimensions	269	3.54	Good	426	3.52	Good	197	3.72	Good	118	3.93	Good	1010	3.61	Good
Customer's Admission															
Total Dimensions	255	3.36	Fair	399	3.30	Fair	187	3.53	Good	117	3.90	Good	958	3.42	Good
Readiness for Helping															
Total Dimensions	264	3.47	Good	429	3.55	Good	204	3.85	Good	122	4.07	Good	1019	3.64	Good
Treatment personally															
Total Dimensions	267	3.51	Good	438	3.62	Good	203	3.83	Good	122	4.07	Good	1030	3.68	Good
Problem solving															
Total Dimensions	255	3.36	Fair	420	3.47	Good	198	3.74	Good	113	3.77	Good	986	3.52	Good
Promise fulfilment															
Total Dimensions	245	3.22	Fair	404	3.34	Fair	193	3.64	Good	107	3.57	Good	949	3.39	Fair
Value-for-time															
Total Dimensions	254	3.34	Fair	405	3.35	Fair	196	3.70	Good	113	3.77	Good	968	3.46	Good
Total Score of The customer's experience	2042	3.36	Fair	3274	3.38	Fair	1573	3.71	Good	925	3.85	Good	7814	3.49	Good

From the Table 4 we see that the customer's experience to the department stores in Bandung is classified into the good criteria with the details of department stores: Matahari is fair, Yogya is fair, Metro is good and Sogo is good. Although the customer's experience to the department stores in Bandung is classified into the good criteria, but there were still indicators classified into the fair criteria: accessibility and promise fulfillment by the department stores in Bandung.

Table 5. The Descriptive Statistics of The Average Score in The Customer's Evaluation for The reputation of department stores Variable in Bandung, according to The customer's perception

Dimension/ Indicator	Matahari			Yogya			Metro			Sogo			Total		
	Score	Average	Criteria	Score	Average	Criteria	Score	Average	Criteria	Score	Average	Criteria	Score	Average	Criteria
<b>Emotional attraction</b>															
Attention	262	3.45	Good	419	3.46	Good	205	3.87	Good	120	4.00	Good	1006	3.59	Good
Trust	257	3.38	Fair	434	3.59	Good	203	3.83	Good	115	3.83	Good	1009	3.60	Good
<b>Total Dimensions</b>	519	3.41	Good	853	3.52	Good	408	3.85	Good	235	3.92	Good	2015	3.60	Good
<b>Work environment</b>															
Ideal Workplace	212	2.79	Fair	371	3.07	Fair	179	3.38	Fair	108	3.60	Good	870	3.11	Fair
Employee's quality	250	3.29	Fair	400	3.31	Fair	203	3.83	Good	108	3.60	Good	961	3.43	Good
<b>Total Dimensions</b>	462	3.04	Fair	771	3.19	Fair	382	3.60	Good	216	3.60	Good	1831	3.27	Fair
<b>Financial Performance</b>															
Chances for growing and developing	276	3.63	Good	456	3.77	Good	213	4.02	Good	120	4.00	Good	1065	3.80	Good
Management	280	3.68	Good	450	3.72	Good	210	3.96	Good	119	3.97	Good	1059	3.78	Good
<b>Total Dimensions</b>	556	3.66	Good	906	3.74	Good	423	3.99	Good	239	3.98	Good	2124	3.79	Good
<b>Responsibility for social environment</b>															
Care about environment	260	3.42	Good	421	3.48	Good	197	3.72	Good	111	3.70	Good	989	3.53	Good
Social responsibility	257	3.38	Fair	410	3.39	Fair	202	3.81	Good	111	3.70	Good	980	3.50	Good
<b>Total Dimensions</b>	517	3.40	Good	831	3.43	Good	399	3.76	Good	222	3.70	Good	1969	3.52	Good
<b>Quality of product and service</b>															
Quality of product/service	262	3.45	Good	422	3.49	Good	220	4.15	Good	116	3.87	Good	1020	3.64	Good
innovative	255	3.36	Fair	425	3.51	Good	208	3.92	Good	118	3.93	Good	1006	3.59	Good
<b>Total Dimensions</b>	517	3.40	Good	847	3.50	Good	428	4.04	Good	234	3.90	Good	2026	3.62	Good
<b>Total Score of The reputation of department stores</b>	2571	3.38	Fair	4208	3.48	Good	2040	3.85	Good	1146	3.82	Good	9965	3.56	Good

From the Table 5 we see that the reputation of department stores in Bandung is classified into the good criteria with the details of department store: Matahari is fair, Yogya is good, Metro is good and Sogo is good. Although the reputation of department stores in Bandung is classified into the good criteria, but there were still indicators classified into the fair criteria: work environment/ideal workplace.

The classification of response scores for the average each indicator

Lowest score = 1

Highest score = 5

$$\text{Score range} = \frac{5 - 1}{5} = 0.8$$

Thus we obtain the criteria of classification for the average each indicator/ dimension are as follow:

Table 6. The Criteria of Classification for the Average Each Indicator/Dimension

Score interval	Category
1.00 – 1.79	Very Bad
1.80 – 2.59	Bad
2.60 – 3.39	Fairly Good
3.40 – 4.19	Good
4.20 – 5.....	Very Good

While the categories of the customer's experience and the reputation of department stores in Bandung according to the customer's perception are as follow:

Table 7. The Categories of The customer's experience and Reputation

Variable	Score	Category
1a. The customer's experience	7.814	Impressive
1b. Reputation	9.965	Positive

#### 1. The Classification of response scores for the customer's experience variable

For the variable of the customer's experience quality is measured by 8 (eight) question items

Lowest score = 1 x 8 x 280 = 2240

Highest score = 5 x 8 x 280 = 11200

$$\text{Score range} = \frac{11200 - 2240}{5} = 1792$$



Thus we obtain the criteria of classification for the customer's experience are as follow:

Table 8. The Criteria of Classification for The customer's experience

Score interval	Category
2240–4031	Very unimpressive
4032–5823	Unimpressive
5824–7614	Fairly Impressive
7616–9407	Impressive
9408– 11200	Very Impressive

2. The classification of response scores for the reputation variable of department stores

For the reputation variable of department stores is measured by 8 (eight) question items

Lowest score =  $1 \times 10 \times 280 = 2800$

Highest score =  $5 \times 10 \times 280 = 14000$

$$\text{Score range} = \frac{14000 - 2800}{5} = 2240$$

Thus we obtain that the criteria of classification for the reputation of department stores are as follow:

Table 9. The Criteria of Classification for the Reputation of Department Stores

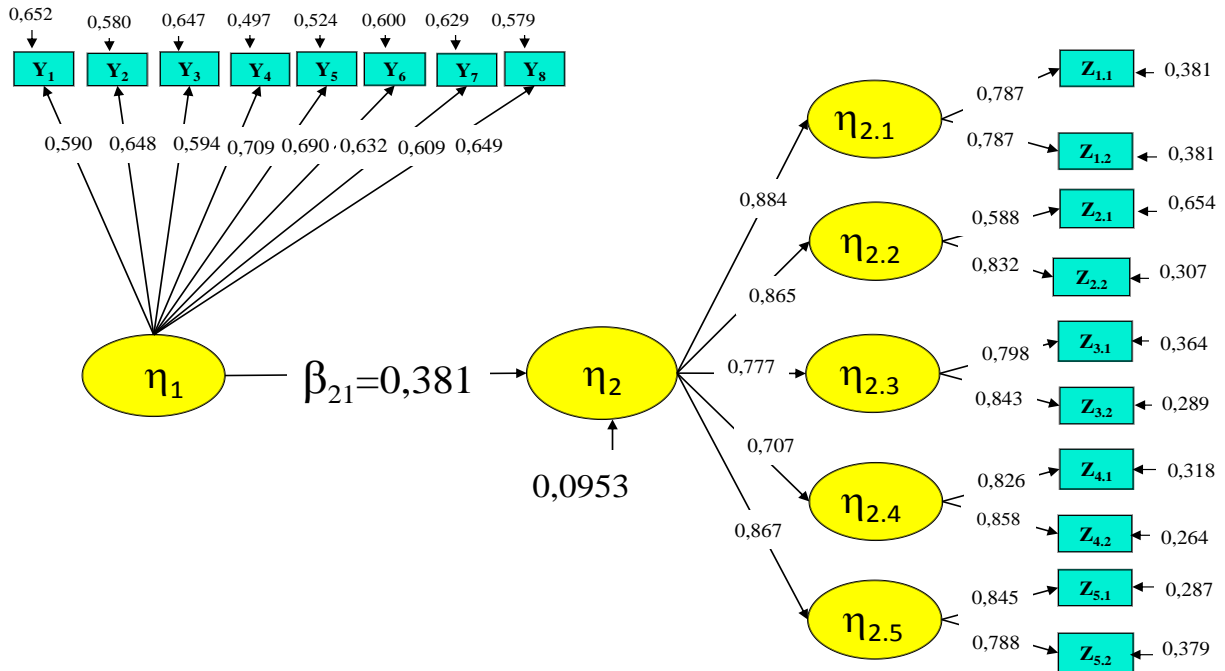
Score interval	Category
2800–5039	Very Negative
5040–7279	Negative
7280–9519	Fairly Positive
9520– 11759	Positive
11760– 14000	Very Positive

### The effects of the customer's experience on Reputation

From the result of calculation for the hypothesis to the effects of the customer's experience and commodity on the reputation of department stores, we obtain structural equation hypothesized as follows:

$$\eta_2 = 0.381\eta_1 + 0.095$$

Figure 1. The Structural Model for the effects of the customer's experience on the reputation of department stores



From the result of calculation obtained it can be seen the coefficient for the effects of the customer's experience ( $\eta_1$ ) on the reputation of department stores ( $\eta_2$ ) by 0.381 with nilai t-hitung untuk uji statistik by 2.988.

Table 10. The Result of Calculation for the Structural Model for the effects of the customer's experience ( $\eta_1$ ) on The reputation of department stores ( $\eta_2$ )

Endogen Latent Variable	Hexogen Latent Variable	Lane Coefficient	$t_{count}$
The reputation of department stores ( $\eta_2$ )	The customer's experience ( $\eta_1$ )	0.381	2.988

In order to test the effects of variable hypothesized, we used  $t$  test with the test criteria for the research  $\alpha$  by 0.05. The value for the border is stated by a significant test is 1.96. Statistic hypotheses tested are as follow:

Ho.  $\beta_{21} = 0$  The customer's experience has no effect on the reputation of department stores

Ha.  $\beta_{21} \neq 0$  The customer's experience has an effect on the reputation of department stores

The results of test statistics calculation in the partial test hypothesis for the customer's experience on the reputation of department stores have been summarized and can be seen in the following Table:

Table 11. Partial Test ( $t$  test) to the effects of the customer's experience on the reputation of department stores

Hypothesis	$t_{\text{count}}$	$t_{\text{table}}$	A	Decision	Description
$\beta_{21} = 0$	2.988	1.96	5%	$H_0$ rejected	Significant

Based on the result of calculation, we obtain the value of  $t_{\text{count}}$  for the customer's experience by 2.988. The value of  $t$  test statistic obtained is in the rejected area  $H_0$  :  $t_{\text{count}}$  is larger than  $t_{\text{table}} = 1.96$ . ( $t_{\text{count}} = 2.988 > 1.96$ ) then it can be decided to reject  $H_0$ . Thus it can be concluded that the result of statistic testing shows that the customer's experience has an effect on the reputation of department stores.

The amount of the effects of the customer's experience on the reputation of department stores is  $(0.381 \times 0.381 \times 100\%) = 14.5\%$ . The customer's experience provides the effects directly if there is no other variable regarded by 14.5% on the reputation of department stores.

## CONCLUSIONS

1. The customer's experience to the department stores in Bandung according to the customer's perception is impressive, and the reputation of department stores in Bandung according to the customer's perception is positive. In addition, from the findings of research we see from several research variables of department stores in Bandung having the fair criteria, including:
  - a. The customer's experience: Accessibility and promise fulfillment
  - b. Reputation, including: good workplace/ideal workplace in the department stores
2. The customer's experience has an effect on the reputation of department stores by 14.5%.

## SUGGESTIONS

1. The management of department stores should be more regarding the accessibility, for facilitating the customers access the products, the department stores can provide the website, email, free-pulse telephone. The website of department store must be made to be complete about some information the customers need, with the language that is easily understood and interesting. Likewise with the promise fulfillment, the department

store must provide some information or promotions that accurate, consistent and reliable for its customers. The information/promotions conducted by the department store will shape the customer's expectation, so that information/ promotions that are inconsistent with what is conveyed will lead to the customers become to be disappointed and distrust to the department store.

2. The management of department store can expectedly make the department store as a good work environment according to the customer's perception. The management of department store necessarily regards the development of its employees' career and welfare, so that the customers have a trust for their future to the department store.

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