The Influence of Corporate Image, Satisfaction of Trust and Loyalty of Plasma Farmer in Palm Oil Mill Sei Galuh PTPN V Riau

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Abstract

This study was aimed to analyze the influence of corporate image and satisfaction to trust. To analyze the influence of corporate image and satisfaction to loyalty and influence of farmer's confidence to farmer loyalty at palm oil mill Sei Galuh.The population of this research is 4.000 farmers. The sample size that will be used is 364 people. Data used in this research are primary data and secondary data. Data collection methods used by the authors in this study are by using Questionnaire. Data analysis method used is descriptive and quantitative. Descriptive is used to provide an overview of the data. Quantitative, i.e. analysis by collecting, categorizing and tabulating data, using the WarpPLS approach. Data analysis using WarpPLS approach.WarpPLS is an alternative approach that shifts from a Covariant-based SEM approach to variance-based.The results of this study show the image of the company affects the trust. These results prove that the better the image of the company then the confidence of farmers to the company will increase. Satisfaction affects trust. This proves that the better the satisfaction of farmers, the farmer's confidence in the company will increase. Corporate image affects loyalty. These results prove that the better the image of the company the higher the loyalty of farmers to the company. Satisfaction affects loyalty. This proves that the better the satisfaction of farmers, the loyalty of farmers to the company will increase. And Trust affects the loyalty of farmers. These results prove that the higher the confidence of farmers to the company, the higher the level of loyalty of farmers to the company.

Keywords: Company Image, Satisfaction, Trust and Farmer Loyalty

Introduction

Agriculture and plantations are the main sectors that shape the economy for the people of Indonesia. One of the agro-industry sectors that tend to grow and have good prospect in the future is Oil Palm Plantation. Judging from the first, palm oil plants as perennials will produce palm oil and palm kernel has been known in Indonesia since Netherlands era.

Palm oil as a crop producing palm oil and palm kernel is one of the plantation croPOM that is the source of non-oil and gas income for Indonesia and based on data from Indonesian Palm Oil Entrepreneurs Association. Palm Oil Industry is the largest foreign exchange contributor after Oil and Gas. For the year 2016 foreign exchange donated amounted to US $ 17.8 billion. The prospect of palm oil commodities in the world vegetable oil trade has prompted the Indonesian government to spur the development of oil palm plantations. Therefore, oil palm plantation expansion continues to increase from year to year.

Riau Province is one of the areas with the largest oil palm plantation area in Indonesia continues to increase the area of plantation that also automatically increase the production of palm oil. One of the companies that produces palm oil is PT. Perkebunan Nusantara V, a pioneer of Plantation Company in Riau Province, is a state-owned Plantation established on March 11, 1996 result of consolidation of

PTP II development plantations, PTP IV, and PTP V in Riau Province.

The Company's legal basis is stipulated in accordance with Government Regulation of the Republic of Indonesia No. 10 of 1996 concerning Deposit of State of the Republic of Indonesia for Establishment of Limited Liability Company (Persero) PT Perkebunan Nusantara V. with the issuance of Government Regulation of the Republic of Indonesia No 72 of 2014 concerning the Addition of State Equity Participation to PTPN III Company (Persero) State Owned Enterprise (Holding SOE plantation), where 100% of the Company's shares are owned by the state, it is transferred 90% to PTPN III as holding *holding of* SOE Plantations. Thus, the Company's current status is a subsidiary of Holding SOE Plantations.

One of the units that purchase oil palm bunches Plasma as well as third party is Plasma plantation/Purchase of Raw Materials Sei Garo /Sei Pagar / Sei Galuh, This unit aims to optimize oil palm bunches purchase from Plasma plantations and Third Party to meet the bunches supply for Oil Palm Factory Sei Garo/Sei Pagar/Sei Galuh. This is related to the lack of loyalty of plasma farmers in selling oil palm bunches to PT. Perkebunan Nusantara V is due to the debt repayment obligations to the company has paid off. Farmers assume the freedom to infect oil palm bunches (OPB).

The real condition in Plantations Site Sei Galuh OPB production the core office in Plantations Site Sei Galuh only 10% or 60-70 tons per month. The decrease of production experienced by Plantations Site Sei Galuh is one of the higher competitions with similar companies or private parties and OPB takers.

Farmers' trust is an after-sale evaluation in which the selected alternatives are at least equal to or exceed the farmer's expectations. The intended belief in the study is a response of trust felt by a farmer about evaluating the purchase price of OPB as perceived and received.

According Tjiptono (2010) Trust associated with *emotional bonding* is the ability of a person to entrust a company or a brand to perform or run a function. Farmer's belief is the farmer's response to a perceived mismatch evaluation between the expectations and the actual performance of the product in the wearer.

With the competition between companies in the same field, in many cases will actually cause a positive impact for these companies.Corporate image is considered very important for every company because it is the overall impression formed in community about the company. Image can be related to business name, architecture, product variety, tradition, ideology and impression on communication quality which is interaction between consumer and company. The company is expected to communicate clearly about how the company meets customer-oriented needs and needs, so as to lead the community in positively image the company.

According to Susanti (2015) corporate image is a dynamic and profound affirmation of the culture, nature and organizational structure. Image is a person's perception of the company based on what they know or that we are about the company. Image can also be said of a person's judgment about the good of a company. The image or perception of the peasant is closely related to the subjective awareness of reality, so what the farmers do is a reaction to subjective perceptions. Image is closely related to the marketing strategy of *positioning* or placement of the product or *brand* in the hearts of farmers.

Based on the background of the above problem, there is a gap *(gap)*, that is difference of result from previous research which have been done (research *gap*), that is Fayumi (2014) Results research shows that corporate image and satisfaction affect to trust, corporate image and satisfaction influence to loyalty but different result at research of Maliyah (2015: 2) image does not have an effect on to loyalty. Then, the place of research conducted on Palm oil mill Sei Galuh, in contrast to previous research. In addition to the *research gap*, there is also *a gap phenomenon* from the background of the problem that has been described. *The gap phenomenon* is the gap that exists between the existing theory and facts. From the results of the above exposure, the object of this research is POM Sei Galuh; researchers want to do research with the reasons: to understand measure and consider the company's image and satisfaction felt by the farmers is very important for the company. Considering the phenomenon, especially those occurring in POM Sei Galuh, it is necessary to do exploration related to the construction of effective strategies used, as well as efforts to increase the confidence of farmers to create loyalty of farmers.

Based on the description, the purposes of this research are:
1) Does the company image affect the farmer's confidence in POM Sei Galuh?
2) Does satisfaction affect the farmer's confidence in POM Sei Galuh?
3) Does the image of the company affect the loyalty of farmers on POM Sei Galuh?
4) Does satisfaction affect farmer loyalty to POM Sei Galuh?
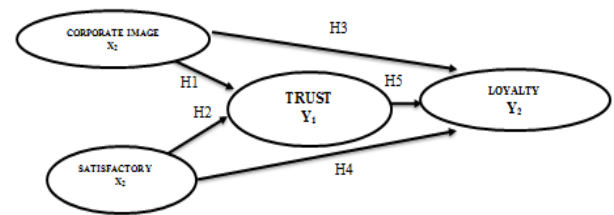5) Does the farmer's confidence affect the farmer's loyalty to POM Sei Galuh?

Figure 1. Research Framework

Hypothesis
The hypothesis formulations of the tests performed are as follows:
H1   : Corporate image has a positive effect on farmers' trust.
H2   : Satisfaction has a positive effect on farmers' trust.
H3   : Corporate image has a positive effect on farmer loyalty
H4   : satisfaction has a positive effect on farmer loyalty.
H5   : Farmers' trust positively affects farmer loyalty.

Research Methods
Research sites
This research was conducted at Palm Oil Mill Sei Galuh located at Tapung Sub district, Kampar Regency, Riau Province, which is located approximately 22 KM from Pekanbaru City, while the research time was conducted for 3 (three) Months in October 2017 up to done .

Types and Data Sources
The types and sources of data required in this study are:
1. Primary data is data that refers to information obtained from the first hand by researchers related to the variable of interest for the specific purpose of study (Sugiyono, 2012)
2. Secondary Data Secondary data refers to information collected from existing sources (Sugiyono, 2012).

Population and Sampling

Population refers to the entire group of people, events, or interests that researchers want to investigate (Sugiono, 2012). In this study, *the* research *population* is Farmers/Plasma Planters which is built Plasma Plantation and Sei Pagar Seed Purchase/Sei Garo/Sei Galuh taken from Rayon Sei Galuh amounting to 4000 Plasma Farmers from 10 village unit cooperative (VUC).

The sample is the part of the population that is directly subjected to the research. Sampling in this study was conducted using a sample of work *area* or *probability area sample*. The sample area is a *sampling* technique that is carried out by taking representatives from each region contained in the population (Sugiono, 2012). To facilitate the research, the sample calculation is rounded to 364 peasants.

Method of collecting data

Questionnaire is a data retrieval technique that is done by giving a set of questions or questions written to the respondent to answer it. Questionnaires suitable for use when the respondent is large enough and spread.

Analysis Technique

The analytical technique used in this research is *Structural Equation Modeling* (SEM) operated through WarpPLS.5.0 program. This research requires a data analysis and interpretation that will be used to answer research questions to reveal certain social phenomena. So the data analysis is the process of simplification of data into a form more easy to read and interpreted. The model to be used in this research is the model of causality or influence relationship to test the proposed hypothesis, the analysis technique used is *SEM*. As a model of structural equations, WarpPLS.5.0 has often been used in equations and strategic management research.

In this study data analysis using WarpPLS approach. WarpPLS is one of the variance-based SEM statistical methods designed to solve multiple regressions when specific data problems occur, such as very small sample size, *missing values* and multicollinearity (Jogiyanto and Abdilah, 2009: 11). Warp's is an alternative approach that shifts from a Covariant-based SEM approach to a variance-based. Covariant-based SEMs aim to estimate models for testing or confirmation of theories, whereas SEM variants aim to predict models for theory development. Therefore Warp PLS is a predictor of causality used for theory development. The reflective indicator model assumes that the covariance between measurements is explained by a variant that is a manifestation of its latent construct:

1. Descriptive statistics
   Descriptive statistics are intended to provide an overview of the respondents' demographics and descriptions of the research variables.
2. Hypothesis testing
   Hypothesis test in this research is done with warpPLS analysis tool is a variance-based structural equation analysis (SEM) that can simultaneously perform testing of the measurement model (*outer model*) as well as testing the structural model (*Inner model*). *Outer model is* used for validity and reliability test, while *inner model is* used for causality test (hypothesis testing with prediction model) (Jogiyanto and Abdillah, 2009: 14).

Measurement Model (Outer Model)

Outer Model is a model to assess the validity of measurement, the measurement

model parameters (convergent validity, discriminant validity, *composite reliability* and *Cronbach's alpha)* included the value of R^2 as a parameter the accuracy of prediction models (Jogiyanto and Abdillah, 2009: 57).

Validity test

   Convergent validity of the measurement model with the reflective model of the indicator is judged by the *loading factor* (the correlation between *item score or component score* with *construct score)* calculated by warpPLS. The reflective size is said to be high if it correlates more than 0.70 with the constructs you want to measure. The model has sufficient *discriminant validity* if the *average variance extracted* root (AVE) for each construct is greater than the correlation between constructs with other constructs in the model (Chin, 1997 in Jogiyanto and Abdillah, 2009: 60).

Test Reliability

   Test reliability in warpPLS can use two methods, namely *Cronbach's alpha* and *Composite reliability*. *Cronbach'alpha* measures the lower limit of the reliability value of a construct while *composite reliability* measures the true value of a construct's reliability. A construct is said to be reliably if the *Cronbach's alpha value* must be more than 0.6 and the *composite reliability* value should be more than 0.7.(Jogiyanto and Abdillah, 2009: 81).

Structural Model (Inner Model)

   The structural model in warpPLS is evaluated by using R^2 for the dependent construct, the *path* or *t-value* coefficient *value of* each *path* for significant tests between constructs in the

structural model. The value of R^2 is used to measure the level of variation of the independent variable changes to the dependent variable. The higher the value of R^2 means the better the prediction model of the proposed research model.

Research Result
Evaluating the Measurement Model or Outer Model

Construct validity

   The construct validity of the *measurement model* with reflective indicators can be measured by *loading* scores and using the *Average Variance Extracted* (AVE), *Communality*, and *Redundancy* (Jogiyanto and Abdillah, 2009) parameters. A construct is expressed as variable if the value of *loading* score > 0.7, AVE> 0.5. It is concluded that the *loading factor* value of all variables is above 0.70 and the value of AVE> 0, 50. As stated Jogiyanto and Abdillah (2009) that if the score *loading* > 0.7 and AVE> 0.50 then the data is said to be valid.

Reliability Construct

   The construct reliability of the *measurement model* with reflexive indicator can be measured by looking at the *composite reliability* value of the indicator block measuring the construct. A construct is said to be reliable if the value of *composite reliability* above 0.70 (Jogiyanto and Abdillah, 2009: 62). The results show that the value of *composite reliability* for all constructs is above 0.7 indicating that all constructs in the estimated model meet the criteria of *reliability* . The lowest *composite reliability score* is 0, 8 31 in the corporate image variable and the highest *composite*

reliability value is 0.851 on the satisfaction variable.

The suggested value is above 0.6 and the results show that *Cronbach's Alpha* values for all constructs are above 0.6. The lowest value is 0.728 on the corporate image variable and the highest value is 0.778 in the trust variable.

Evaluation of Structural Model or Inner model

Inner model or structural model testing is done to see the relationship between construct, significance value and *R-square* of the research model. The structural model is evaluated by using *R-square* for the t test dependent construct as well as the significance of the structural path parameter coefficients. In assessing the structural model with PLS warp starts by looking at R-square for each dependent latent variable. Figure 1 below shows the structural model executed using WarpPLS *5.0.*
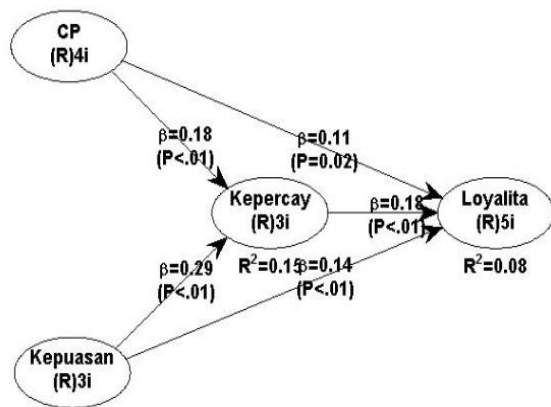

Figure 2. Structural Model Using WarpPLS 5.0.

Hypothesis Testing

The significance of the estimated parameters provides very useful information on the effect of the research variables. The basis used in

testing the hypothesis is the value found in *the* following *output path coefficients*:

Table 1. Path Coefficients

No	Path	Direct Effect		Indirect Effect	
		Coefficient	P-Value	Coefficient	P-Value
1	CP-Kep	0 , 180	<0.001		
2	K-Kep	0 , 290	<0.001		
3	CP-Loyal	0 , 106	0.020	0.132	0.019
4	K- Loyal	0.143	0.003	0.152	0.017
5	Kep-Loy	0.181	<0.001		

Source: Data processing with WarpPLS, 201 7

The Influence of Corporate Image on Trust

Based on the above table, the influence of company Citra with trust is significant with the value of Path Coefficient 0. 180, p Value < 0.0 0 1. This indicates that there is influence between the image of the company and trust. Thus, in this study which states that "there is influence between corporate images with trust" is accepted.

The Effect of Satisfaction on Trust

Based on the above table shows that the influence between satisfactions to trust is significant with the value of Path Coefficient 0. 290, p Value < 0.0 01 which shows that there is an influence relationship between satisfactions with trust. Thus in this study which states that "satisfaction effect on trust" is accepted.

The influence of corporate image on loyalty

Based on the above table shows that the relationship between corporate images to loyalty is significant with the value of Path Coefficient 0. 106 , p Value 0.0 20 which shows that there is influence relationship between corporate image with loyalty. Thus in this study which states that "corporate image affect loyalty" is accepted.

The effect of satisfaction on Loyalty

Based on the above table, the relationship of satisfaction with loyalty is significant with the value of Path Coefficient 0. 143, p Value 0.0 03. This indicates that there is influence between satisfactions with loyalty. Thus, in this study which states that "there is influence between satisfaction and loyalty" is accepted.

The influence of trust on Loyalty

Based on the above table shows that the relationship between trusts to loyalty is significant with the value of Path Coefficient 0. 181, p Value < 0.0 01 which shows that there is an influence relationship between trust and loyalty. Thus in this study which states that "trust affects loyalty" is accepted.

Conclusions and Recommendations

Conclusion

This study uses WarpPLS in analyzing the relationship between variables. Based on the analysis and discussion in the previous section, it can be concluded as follows.
1. Corporate image affects trust. These results prove that the better the image of the company then the confidence of farmers to the company will increase.
2. Satisfaction affects trust. This proves that the better the satisfaction of farmers, the farmer's confidence in the company will increase.
3. Corporate image affects loyalty. These results prove that the better the image of the company the higher the loyalty of farmers to the company.
4. Satisfaction affects loyalty. This proves that the better the satisfaction of farmers, the loyalty of farmers to the company will increase.
5. Trust affects the loyalty of farmers. These results prove that the

higher the confidence of farmers to the company, the higher the level of loyalty of farmers to the company.

Suggestion

Based on the results of research that has been done, the researchers provide some suggestions to Palm Oil Mill Sei Galuh as follows.
1. MCC Sei Galuh always try maximally in helping farmers , meaning that according to the company farmers have not maximized in helping farmers such as giving counseling to the farmers in need and help lift the farmers TBS .
2. Farmers are always loyal to Palm Oil Mill Sei Galuh, meaning there are still farmers who are not loyal to the company due to the increasing number of competitors with the same field; it shows that the company must increase the confidence of farmers to loyal farmers.
3. Thecompany is publicly known and has a distinctive color and slogan characteristic, indicating that the farmers have known the company well and can be trusted, Palm Oil Mill Sei Galuh in order to give commitment to the farmers in the form of CSR.
4. The services provided by Palm Oil Mill Sei Galuh should be improved , because according to the farmers the company is still less in terms of serving the farmers, so the farmers feel less satisfied with the services provided, such as by providing more attractive waiting room facilities , overcoming long queues and consistent sorting system and accurate scales.

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