

**THE EFFECT OF CORPORATE IMAGE AND SALES
PROMOTION ON CUSTOMER LOYALTY**

(A CASE STUDY OF CARREFOUR IN CIKARANG)

By

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THESIS ADVISOR

RECOMMENDATION LETTER

This thesis entitled **“The Effect of Corporate Image and Sales Promotion on Customer Loyalty (A case study of Carrefour in Cikarang)”** by Liu Yuanyuan in partial fulfillment of the requirement for Bachelor Degree in faculty of Business Administration and International – major in Business Administration, has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. We therefore recommend this thesis for oral Defense.

Cikarang, Indonesia January 31,2013

Acknowledged By
Head of Business Administration
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Recommended by

.....

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DECLARATION OF ORIGINALITY

I declare that this thesis, entitled **“THE EFFECT OF CORPORATE IMAGE AND SALES PROMOTION ON CUSTOMER LOYALTY”** is to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or on part, to another university to obtain a degree

Cikarang Indonesia, January

31,2013

The researcher

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PANEL OF EXAMINERS

APPROVAL SHEET

Here with, the Panel of Examiners declare that the thesis entitled **“The Effect of Corporate Image and Sales Promotion on Customer Loyalty (A case study of Carrefour in Cikarang)”** submitted by **Liu Yuanyuan** majoring in Business Administration, faculty of Business Administration and International Relations was assessed and proved to have passed the Oral Examination on February , 2013.

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ABSTRACT

In today's competitive business world, customers are considered to be kings. Customers have several choices to make among alternative products, and they exercise a high level of influence in the market with respect to product size, quality and price. Hence, it is important for producers to meet the needs of customers in order to stay competitive. One of the marketing communication tools that is used in attracting the attention of the customer and build their loyalty is sales promotion, and the other factor that may affect customer loyalty is corporate image.

The research is conducted in Jababeka, Cikarang, Bekasi. In the specific area, there are so many similar retail stores, such as, Carrefour, Alfamart, Giant, Indomart and so on. The competition level is very intensive. In order to survive, the retailers must know how to improve customer loyalty.

The aim of this research therefore is to determine the effect of sales promotion and corporate image on customer loyalty in retail. In the research, the study method used in gathering information from the respondents was through questionnaire. Simple random sampling was used to select a sample size of 60, while descriptive and inferential statistical analyses are conducted with the aid of SPSS software.

Like many other organizations, retailers like Carrefour spends a large part of their total marketing expenses on sales promotion and corporate image building. Hence, the research attempts to find the effect of sales promotion and corporate image on customer loyalty using a sample of customers of students from a single university. The research finds out that, corporate image and sales promotion have positive effects on customer loyalty.

Keywords: Corporate Image, Sales Promotion, Customer Loyalty, Carrefour market, Indonesia

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CHAPTER I

INTRODUCTION

I.1. Background of study

Retail is the sale of goods and services from individuals or businesses to the end-user. Retailers are part of an integrated system called the supply chain. A retailer purchases goods or products in large quantities from manufacturers directly or through a wholesale, and then sells smaller quantities to the consumer for a profit. Retailing can be done in either fixed locations like stores or markets, door-to-door or by delivery. Retailing includes subordinated services, such as delivery.

1.1.1 Retail in Indonesia

Indonesia with a population of 220 million, the fourth largest in the world, is a potential market for retail business. A presidential decree No. 118/2000 allowed foreign retailers to operate in the country. Since then a number of foreign retailer companies entered the country operating large outlets such as hypermarket.

The expansion of supermarkets was faster early the 1990s with new outlets springing up in strategic areas rapidly reducing the role of traditional market centers. At that time many new residential complexes were opened in Java notably in the Jabotabek area. The opening of new human settlements open room for new market but almost all dominated by supermarkets.

In the middle of the 1990's when Makro and Goro opened their outlets especially in Jakarta, supermarkets faced potential competitors for the first time. Makro and Goro introduced a new format of modern markets different from

supermarkets especially in size of place they occupied and the variety of their products. The difference was sharper in services to their customers. Makro and Goro are not as generous in services to its customers but it offers cheaper prices. They put out greater emphasis in price than in services to attract buyers.

The expansion of foreign hypermarket has prompted local retailers to follow their steps. The Matahari Group, which was previously the largest operator of department stores, has opened its own hypermarket outlet. Hero, which has the largest number of supermarket outlets, has also joined in the hypermarket competition. It even plans to expand some of its supermarket outlets to become hypermarkets.

In 2006, the number of retail companies in the country increased from 2005. Hypermarkets expanded 30% in outlets from 106 to 138 units; supermarket grew 11% from 1,141 outlets to 1,277 outlets and minimarkets 15% from 6,465 outlets to 7,476 outlets. In 2006, the number of retailer outlets shot up 15% to 8,891 from 7,712 units in 2005 with locations in large cities in the country.

The high increase in the number of modern retail outlets in the country has been attributable mainly to minimarkets, which have recorded a sharp increase in the number of outlets. In 2005, the number of minimarket outlets totaled 6,465, but in 2006, the number shot up to 7,476 units.

The minimarket outlets are dominated by Indomart and Alfamart. The outlets include those under the franchise system and ones individually managed.

Most of modern retailers both local and foreign companies are located in Java, the most densely populated island of the country.

In 2006, Jakarta has 3,384 outlets of modern retailers or 38.1% of the total number in the country. West Java had 1,249 outlets or 14.08%, East Java had 1,075 units or 12.12%, Central Java 905 outlets or 10.2%. After Java, Sumatra has the largest number with 551 outlets or 6% of the total number in the country.

Jakarta leads in the number of outlets for all types of modern retailers. Jakarta has 39 units or 28% of 138 outlets of hypermarket in the country, 21% of supermarket outlets and 40% of minimarket outlets in the country.

According to the Jakarta Trade Office, the number of hypermarket outlets in 2005 was already too many in the city. In July, 2006, the Jakarta city administration revised the regional regulation No 2/2002 on private market.

The competition of retail industry is getting more and more intensive in Indonesia. Retailers are trying to find a way out. That is competition background of retail business in Indonesia.

1.1.2 Carrefour Indonesia in Indonesia

PT Carrefour Indonesia (Carrefour Indonesia) is a hypermarket and supermarket chain operator in Indonesia. The company currently operates 83 outlets located across 28 cities in Indonesia. It operates as a subsidiary of Carrefour S.A., an international hypermarket chain based in France. Carrefour Indonesia is headquartered in Jakarta, Indonesia.

With the development of globalization, many other companies have set foot in retail market of Indonesia. Nowadays there are many competitors in Indonesia, here are some top competitors:

- a) **PT Matahari Putra Prima Tbk**
- b) **PT Lotte Shopping Indonesia**
- c) **PT Hero Supermarket Tbk**

- d) **PT Rimo Catur Lestari, Tbk**
- e) **P.T. Lion Super Indo, LLC**
- f) **PT. Agis Tbk**
- g) **PT Hero Supermarket Tbk**

In Indonesia's competitive retail business world, customers are considered to be kings. Customers have several choices to make among alternative products, and they exercise a high level of influence in the market with respect to product size, quality and price. Hence, it is important for producers to meet the needs of customers in order to stay competitive. One of the marketing communication tools that is used in attracting the attention of the customer and build their loyalty is sales promotion.

Sales promotion technique is an important tool in creating loyalty, this is so because sales promotion does not only bring the product to the attention of the buyers but provide incentives to encourage purchase. The impact of sales promotion on consumer behavior reveals mixed results. For example, Lau, Chang, Moon and Liu (2006) study showed that sales promotion is an important factor to differentiate hardcore loyal consumers from brand switchers and that sales promotion was the most important factor to attract brand switchers..However, a gap that is yet to be fully explored is the comparison of the effects of promotion on loyal consumer and non-loyal consumers. That is the use of sales promotion as a factor that influence loyalty among consumers and switcher had not been fully explored and more importantly in an emerging economy like Nigeria.

Among these competitors, corporate image is considered as important factors in establishing and maintaining loyalty among customers (Raj, 1985). Corporate image is related to customer retention likelihood (Ball et al. 2006; Nguyen & Leblanc, 2001). According to attitude theory, the foremost cause of corporate image is the evaluation of services which increases value and becomes more

accessible in memory (Fazio, 1989). Examining airline services Ostrowski et al. (1993) argue that positive experience over time ultimately leads to positive image. Studies showed the direct impact (Nguyen & Leblanc, 2001) as well as indirect effect (Ball et al.2006) of corporate image on customer loyalty.

Customer loyalty is increasingly seen to be crucial to the success of business organizations, with the growing realization that attracting new customers is far more expensive than retaining existing ones. It has been suggested that a way of increasing customer retention is through secure relationships between buyers and sellers, that is customer loyalty. Not for retailing, but all organizations, customer loyalty is on the top.

This research aims to find out that the effect of corporate image and sales promotion on customer loyalty.

I.2. Company Profile ---Carrefour

Carrefour S.A.(French pronunciation) is a French multinational retailer headquartered in Boulogne Billancourt, France, in Greater Paris. It is one of the largest hypermarket chains in the world with 1,395 hypermarkets at the end of 2009, the second largest retail group in the world in terms of revenue, and the third largest in profit after Wal-Mart and Tesco. Carrefour operates mainly in Europe, Argentina, Brazil, China, Colombia, Dominican Republic, United Arab Emirates and Saudi Arabia, but also has shops in North Africa and other parts of Asia, with most stores being of smaller size than hypermarket or even supermarket. Carrefour means "crossroads" in French. Previously the company head office was in Levallois-Perret, also in Greater Paris

1.2.1 History

The first Carrefour store opened on 1 January 1958 in suburban Annecy near a crossroads (carrefour in French). The group was created by Marcel Fournier, Denis Defforey and Jacques Defforey and grew into a chain from this first sales outlet. In 1995 it merged with Promodès, known as Continent, one of its major competitors in the French market.

Marcel Fournier, Denis Defforey and Jacques Defforey had attended several seminars in the United States led by "the Pope of retail" Bernardo Trujillo, who influenced them to move forward with Carrefour idea.

The Carrefour group was the first in Europe to open a hypermarket, a large supermarket and a department store under the same roof. They opened their first hypermarket on 15 June 1963 in Sainte-Geneviève-des-Bois, near Paris in France.

In April 1976, Carrefour launched a private label Produits libres ,free products – libre meaning free in the sense of liberty as opposed to gratis, line of fifty food stuffs, including oil, biscuits (crackers and cookies), milk, and pasta, sold in unbranded white packages at substantially lower prices.

In September 2009, Carrefour updated its logo.

In May 2011, Carrefour reviewed its situation under conditions of stagnant growth and increasing competition in France from rivals including Casino Guichard-Perrachon SA, and planned to invest €1.5 billion (\$2.1 billion) to change the supermarket with the new concept of Carrefour Planet in Western Europe.

1.2.2 Carrefour Indonesia

PT Carrefour Indonesia (Carrefour Indonesia) is a hypermarket and supermarket

chain operator in Indonesia. The company conducts business operations under Carrefour and Carrefour Express store banners. Carrefour Indonesia's product portfolio includes a wide array of apparel, toys, games, snacks, baby care products, household goods, furniture products, fresh fruits and vegetables alongside electronics and other general merchandise items. Furthermore, the company trades in-house label products such as Carrefour, Carrefour Paling Murah, Bluesky and Harmonie. It also provides a range of services including mobile phone top-ups, free parking, travel, credit cards and savings services.

1.3 Problems Identification

Carrefour in most places is usually able to attract a lot customer. However, the one located in Cikarang is not so. Though many types of merchandise are available for sale, environment is comfortable, front line customer service is good, the number of customers shopping in there is below expectation.

To add to its competitors list, Indomart, Startmart and Giant have also opened adjacent to the Carrefour in Cikarang. These competitors have many things in common in terms of product offerings. As a result, customers have many options to choose when it comes to purchasing their daily needs.

It's hard to maintain loyal customers as they are inclined to purchase products in the nearest place to their residence. Therefore, it's necessary for Carrefour to revitalize their marketing efforts to increase customer loyalty. Otherwise, it will be difficult for Carrefour to survive in the long run.

Based on the above reasons and study background, the researcher assumes that too many competitors are the reason. How to attract customers shopping in Carrefour and maintain customer loyalty is the purpose of this research. The researcher wants to analyze the effect of corporate image and sales promotion on

customer loyalty.

I.4 Statement of the problems

In this study, there are four specific problems that will be discussed. These problems are:

- Does Corporate Image have an effect on customer's loyalty?
- Does Sales Promotion have an effect on customer's loyalty?
- Is there any correlation between Corporate Image and Sales Promotion?
- Do Corporate Image and Sales Promotion have an effect on customer's loyalty?

I.5 Research objectives

The objectives of this research are as following:

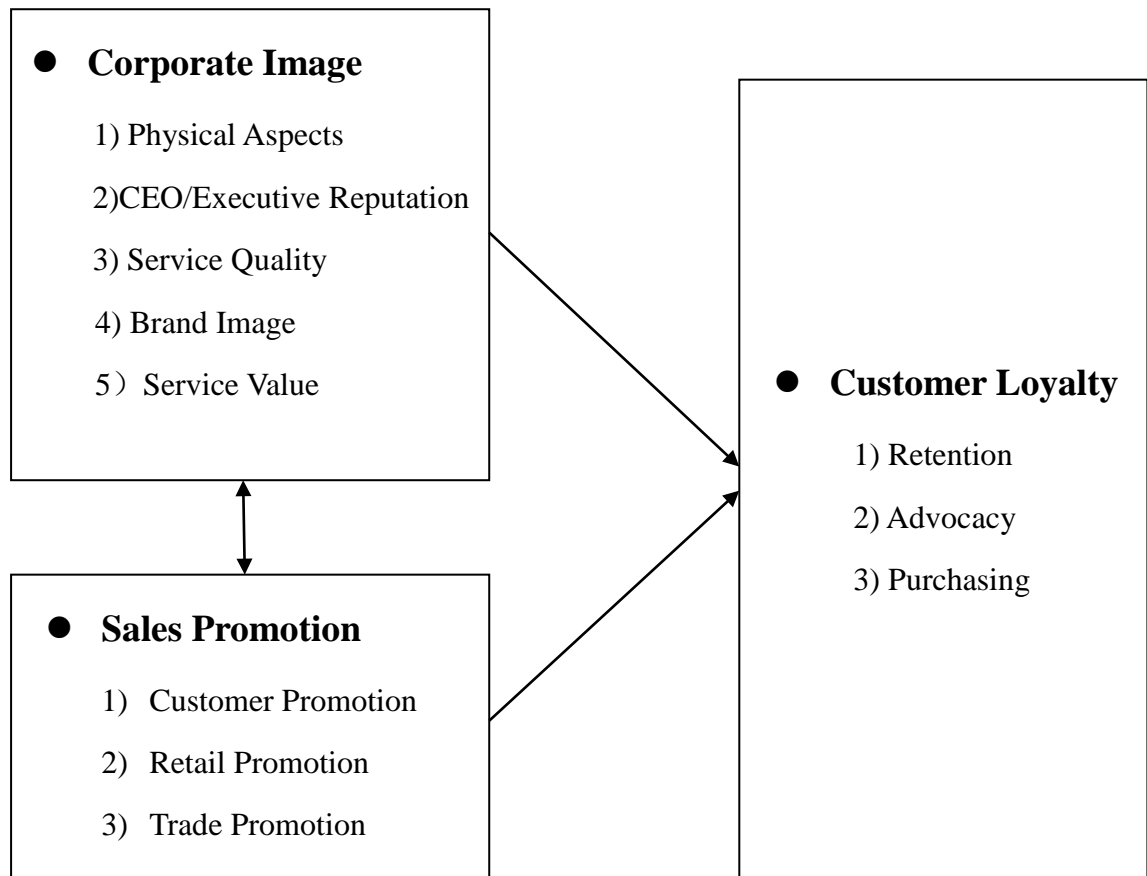
1. To find out whether or not Corporate Image has an effect on customer's loyalty.
2. To find out whether or not Sales Promotion has an effect on customer's loyalty.
3. To find out whether or not there is a correlation between Corporate Image and sales promotion.
4. To find out whether or not Corporate Image and sales promotion have an effect on customer's loyalty.

I.6 Significance of the study

There are so many researches which have been done already, and most of them study the effect of a single factor on customer loyalty, like customer service etc. The study on the relationship between corporate image and sales promotion and their effect on customer loyalty is not common.

There are so many indicators influencing corporate, sales promotion and customer loyalty and these indicators are usually interrelated. This research is intended to find a new way to maintain or increase customer loyalty. The researcher believes it will be beneficial to companies-in-concern.

1.7 Theoretical Framework



Soure: Self Constructed

I.8. Scope and limitation of the study

- The research just focuses on the effect of corporate image and sales promotion on customer loyalty based on the research in Carrefour.
- Researcher takes Carrefour located in Jababeka, Bekasi as research target. Local economic level, shopping habits and environment may have some effect on results.

- c) Method in the research is regression analysis.
- d) The independent variables to be analyzed are only corporate image and sales promotion. Other than these factors are not considered.

CHAPTER II

LITERATURE REVIEW

2.1 Corporate Image

There is no doubt that customer loyalty is an important concept for any business organization as it will determine its continued success and future existence. This has become more so due to the heightened competition, either from local businesses or from well-known international organization coming into this globalized market scenario. Thus understanding factors that contribute to this construct is considered very important. (<http://www.ukessays.com>)

A corporate image is the general public holds about a particular business. Many companies invest a great deal of time and other resources in an effort to influence the opinion that consumers hold about the products offered by the business, as well as the business itself. This process of cultivating positive public relations extends to not only interaction with consumers, but also ongoing interaction with the media, labor unions, industrial associations, and other entities that have a direct and indirect impact on public opinion. Corporate image is the best way of perceiving and corporations image. (Source: Dowling, G.R(1986), “ Strategic Brand Concept- Image Management).

One of the most basic ways of shaping a corporate image is establishing and maintaining positive relationships with the general public. This effort usually begins by offering products that successfully meet the needs of customers, thus generating goodwill. As consumers come to know and trust the product lines offered by the business, they begin to share their opinions with others. This positive word of mouth helps to introduce other consumers to the products

offered by the business, and makes it easier to establish a favorable perception in the minds of more people. After reviewing past literatures, five dimensions of corporate image was identified, namely; physical outlook, recognizability of logo, slogan and symbols, CEO/Executive reputation, service quality of front-line staff and services value. (Source: Selame, E,& Kanuk, L,L. (1987), *Consumer behavior*, Englewood Cliffs, NJ: prenticeHall).

Moreover, in this research discuss about corporate image, corporate image is a particularly complex concept. In fact, image has been said to be composed of a set of elements that go beyond and individual's mere perception. In this respect, some authors suggest that corporate image is "the net result of the interaction of all experiences, impressions, beliefs, feelings and knowledge people has about a company" (Worcester, 1997)

The internalization of these elements has meant that researchers recognize that image is identified as a non-palpable item and can only be perceived by each individual in his own way. Thus, the perception of one individual will never be the same as that of another (Gray and Smelter, 1985). Using this reasoning, Nguyen and LeBlanc (1998, 2001) recently stated that corporate image is not a single entry, since it depends on the perception of each specific group of people and on the type of experiences and contracts they have had with the company. (Dowling, 1986, 1988)

Meanwhile, in the banking business, there have been many good studies concentrating on analyzing the perceived quality of the service being offered. One example is the study by Bahia and Nantel (2000). These authors developed a reliable and valid scale composed of 31 items grouped into six dimensions which enabled them to measure perceived quality of banking services. The study of service quality is something that is obviously distinct from an analysis of the image transmitted by a financial institution. However, we should like to repeat

that quality studies have made a major contribution to a better understanding of the image concept, due to the great influence exerted by certain aspects such as service quality on the forming of the image as perceived by consumers. But in this study the researcher find another five sub dimension of corporate image which is physical aspect, CEO/Executive reputation, service quality, service value and brand image (logo, slogan and symbols).(Source: <http://www.ukessays.com>)

2.1.1 Physical Aspect

Focusing our attention more specifically on the analysis image on dimension of corporate image which is physical aspect, that is the production and consumption of services take place simultaneously in a physical environment created and controlled by the service organization. The physical environment is another contact element which may have a strong impact on the customer's satisfaction (Bitner,1990; Harrell et al.,1980), and his/her perception of the service quality (Parasuraman et al., 1988).

Moreover, the capacity of environmental elements to create and communicate corporate image is well recognized, especially for service organizations (Abratt, 1989; Booms and Bitner, 1982; Kotler, 1973; Schmitt et al., 1995). Several researchers have suggested that the physical setting can also influence employees' satisfaction, productivity, and motivation (Davis, 1984; Sundstrom and Altman, 1986).

Physical environment is considered as the packaging of services and has three components: ambient conditions, spatial layout, and décor and orientation signals (Bitner, 1992). Ambient conditions are various elements such as color, light, temperature, noise, odor and music, all of which might have an impact on the customers' five senses, their perception as well as their response to the

environment. Spatial layout is the design and arrangement of buildings, equipment, and furniture according to the needs of the service delivery process. Décor and orientation signals are visual symbols used to create an appropriate atmosphere and direct customers during the service encounter. Since we are in an era which is governed apparently by image, several researchers have underlined its ubiquitous role in the management process of corporate image (Baker, 1987; Bitner, 1992; Kotler, 1973; Schmitt et al., 1995). The client's reactions to the physical environment might be cognitive, physiological and emotional (Bitner, 1992).

At the cognitive level, the client finds in the physical environment various non-verbal cues which communicate to him/her the service offering's nature and value or the service provider's reputation. For example, when a client visits his/her communication consulting firm for the first time, the office décor and furniture quality may be indicators of the firm's success or its service charges. The physiological reaction is a result of ambient conditions of the setting. It may cause comfort or discomfort during the service encounter which encourages the client to pursue or interrupt the service consumption; and consequently, may have an influence on his/her attitudes and behaviors toward to the service provider. Finally, the physical environment may elicit the client's emotional reaction, which also affect his/her attitudes and behavior.(Source: Sirgy, J.M.(1982), " self-concept in Consumer Behavior: A Critical Review").

2.1.2 CEO/Executive Reputation

Next dimension or sub dimension of corporate image is CEO/Executive reputation. CEO reputation is a one area which high profile organizations may retain and develop their competitive advantage is in the area of chief executive officer (CEO) reputation. Besides that, the previous researches also suggest that CEO reputation, as an intangible asset, should be actively managed and promoted by an organization for competitive advantages.

A CEO is an individual at the apex of an organization whose personal reputation can have immediate and long lasting impact upon the organization. CEO's of large, powerful business organizations are public figures who often build reputations that are culturally and socially pervasive, expanding beyond the scope of reputation with shareholders, customers and employees.

A full two-thirds (66 percent) of consumers say that their perceptions of CEOs affect their opinions of company reputations. Executives, like consumers, also do not overlook the importance of a leader's reputation – they attribute nearly one-half (49 percent) of a company's overall reputation to the CEO's reputation. Executive leadership is critical to burnishing the overall reputation of organizations today, particularly when it is estimated that a large 60 percent of a company's market value is attributed to its reputation.(Source: <http://www.webershandwick.com>)

In recent times, we are seeing CEOs as more than just officers appointed by a board to supervise the running of a company. A CEO often viewed as the embodiment of the company, responsible for both the successes and failures of all aspects of the organization. The new "all powerful" image is nurtured not only by the record of the CEO, but also by the public's trust; a trust that has been cultivated and perpetuated in no small part by the promotional effort of the modern day media.

2.1.3 Service Quality

Service quality is a comparison of expectations with performance. A business with high service quality will meet customer needs whilst remaining economically competitive. Improved service quality may increase economic competitiveness.

This aim may be achieved by understanding and improving operational processes; identifying problems quickly and systematically; establishing valid and reliable service performance measures and measuring customer satisfaction and other performance outcomes.

From the viewpoint of business administration, service quality is an achievement in customer service.^[4] It reflects at each service encounter. Customers form service expectations from past experiences, word of mouth and advertisement. In general, Customers compare perceived service with expected service in which if the former falls short of the latter the customers are disappointed. (Source: http://en.wikipedia.org/wiki/Service_quality)

Meanwhile, service quality also include in the sub dimension of corporate image. Grönroos (1984 as cited from Wong and Sohal, 2002) defined service quality as a perceived judgment, resulting from an evaluation process where customers compare their expectations with the service they perceive to have received. The author also suggested that service quality issues could be split into technical quality (what is done) and functional quality (how it is done). Grönroos (1984) further declared that the quality of a service is dependent on two variables: expected service and perceived service, and that any previous experience with a service could influence the expectations of a consumer, whereas the perceived service is the result of a consumer's perception of the service itself.

Besides, Holmlund and Kock (1995), studying industrial services, expanded on the ideas of Grönroos (1984) by adding a third dimension, economic service quality, which incorporates the idea that businesses must be profitable. Following on from the above definitions, service quality has also been described as a form of attitude, related but not equivalent to satisfaction that results from the comparison of expectations with performance (Zeithaml, et al., 1988 as cited from Wong and Sohal, 2002).

2.1.4 Service Value

Furthermore, there is also another sub dimension of corporate image which is from the researcher that is services value. Moreover, value is not inherent to services “rather it is experienced by the customers” (Woodruff & Gardial, 1996:7) and therefore perceived by them. Thus, it is suggested that perceived value can be understood following the proposal by Zeithaml (1988:14), as “a global evaluation” that the customer develops concerning the usefulness of a product or service, based on “the perceptions of what he or she has received in contrast to what he or she has given.” Thus, value is “a positive function of what is received and a negative function of what is sacrificed” (Oliver, 1999:45), if indeed it is possible to use the term value to describe perception that are exclusively positive or negative.

On the above basis, service value could be the result, in part of quality, understood as “a global judgments, or attitude, relating to the superiority of the service”(Parasuraman et al, 1988;16). In this line of research, a significant number of contributions present value as an advance quality and so, it becomes a macro-concept which includes quality (Oliver, 1999). thus, “quality components are mportant elements of value.....although service value also includes other components”.(Lapierre, Filiatrault & Chebat, 1992;236).

The study sub dimension of corporate image like physical aspect, CEO/executive reputation, service quality, service value and lastly is brand image (logo, symbols and slogan) especially for the researchers to study about the impact of this sub dimension on customer loyalty. Brand image, in the information economies perspective, the brand constitutes a strategic, long-term asset for service firm.

2.1.5 Brand Image (logo, slogan and symbols)

The brand image refers to the way a market as a whole views a given company or product. Many companies attempt to create a strong brand that people identify with a given product. Some of the best examples of this include Xerox, whose name has become synonymous with making a copy, and Kleenex, whose name has come to mean "tissue" in general.

In addition to desiring to create brand recognition in general, most companies also want their product or company to have a specific image or to be looked upon in a certain way. This brand image can shape how they release a product, the type of product they released, the type of advertising they do, and the type of customers they cater to.

A company may decide it wishes to have a brand image as a luxury brand. In such cases, it would cater to a high end market. Its products would be priced at an expensive price point, it would advertise only in high end magazines and it would be sold only in boutiques or high end stores, not at discount warehouse stores or outlet locations. Rolex watches, for example, have done a good job of creating an image as a high end and expensive brand, and as such people will pay a premium to purchase these watches because of what they stand for.

Another company may take a different tactic and decide it wants to highlight value as its brand image. Wal-Mart, promises that customers can "Save Money and Live Better." It is not trying to create a luxury image, but is instead trying to position itself as an option for the budget conscious family.

Choosing a brand image is very important for a company, so that the corporate entity can appropriately target its market. Choosing too many different images or trying to represent too many different things can create a problem for a company. If the company tries to target itself as both a luxury item and as a discount brand, then it will not have a clear-cut marketing strategy. Since there would be no target market for such a product since the luxury market wouldn't want a

discount item and the discount market wouldn't want to pay luxury prices, the product might find itself a failure as a result of the muddled image it was presenting to customers.

The brand is an important relational tool in the firm's customer relationship management (CRM) arsenal, as suggested by research from Erdem and Swait (1998). Thus, the brand can act as a defensive marketing tool to maintain current customers as well as an offensive marketing tool to gain new customers and customer loyalty. It is important to understand in the context of service, the primary service brand and the organization are often synonymous (Berry, 2000).

(Source: <http://www.wisegeek.com>)

2.1.5 Here are the indicators used for Corporate Image

- 1) Physical Aspects
- 2) CEO/ Executive Reputation
- 3) Service Quality
- 4) Brand Image
- 5) Service Value

2.2 Sales Promotion

Sales promotion is one of the seven aspects of the promotional mix. (The other six parts of the promotional mix are advertising, personal selling, direct marketing, publicity/public relations, corporate image and exhibitions.) Media and non-media marketing communication are employed for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability. Examples include contests, coupons, freebies, loss leaders, point of purchase displays, premiums, prizes, product samples, and rebates

Sales promotion includes several communications activities that attempt to provide added value or incentives to consumers, wholesalers, retailers, or other organizational customers to stimulate immediate sales. These efforts can attempt

to stimulate product interest, trial, or purchase. Examples of devices used in sales promotion include coupons, samples, premiums, point-of-purchase (POP) displays, contests, rebates, and sweepstakes. (Source: http://en.wikipedia.org/wiki/Sales_promotion)

Sales promotion has been established in literature that only consumers with repeat purchases are profitable (Nagar, 2009). It is not every repeat purchase that is connected to consumer's commitment of a brand. However, consumer's commitment is important for a repeat purchase. Therefore, business operators need to develop marketing programmes that will not only reinforce customer's commitment but also encourage repeat purchases. A part of the functions of sales promotion is not only to reinforce commitment of consumers but to encourage repeat purchases. Effects of sales promotion on consumer behavior have been widely studied in literature (Nagar, 2009). Sales promotion has effects on various aspects of consumer's purchase decisions such as brand choice, purchase time, quantity and brand switching (Nijs, Dekimpe, Steenkamps and Hanssens, 2001); consumers' sensitivity to price (Bridges, Briesch and Yim, 2006).

However, whether the effect of consumer loyalty and purchasing behavior could be moderated by sales promotions has not yet been examined extensively. Regardless of a widespread interest in the relationship between sales promotion and purchasing behavior, most studies of this kind focus on the effect of sales promotions on choice at the time they are offered (DelVecchio, Henard, Freling, 2006). Only a few have investigated the lag effect of sales promotions on brand preference and the resultant buying behavior once the promotion campaign is rescinded.

Sales promotion are highly effective in exposing customers to products for the first time and can serve as key promotional components in the early stages of new product presentation. The main purpose of this research is the effect of sales promotion as a tool on customer attention to purchase used in market.

Sales Promotion is one of the key factors in the marketing mix and has a key role in market success. Promotion is used to ensure that consumers are aware of the products that the organization is offering. The promotional mix is the combination of the different channels that can be used to communicate the promotional message to the consumers. The channels to be used are: advertising, direct marketing, public relations and publicity, personal selling, sponsorship and sales promotion (Rowley, 1998).

One of most important of channels is sales promotion. Sales promotion is action-focused marketing events whose purpose is to have a direct impact on the behavior of the firm's consumers. There are three major types of sales promotion: consumer promotion, retail promotion, and trade promotion. (Source: <http://www.scientificpapers.org/download/33/>)

2.2.1 Consumer Promotion

Consumer promotions are promotions offered by manufacturer directly to consumers (Blattberg and Neslin, 1990). Throughout the world, sales promotion offered to consumers are an integral part of the marketing mix for many consumer products (Huff and Alden, 1998; Chandon and Laurent 2000). Studies that strive to understand the impact of sales promotion on consumers are very important. Thus, sales promotion tools are amply employed by retailers and manufacturers to achieve their commercial objectives in terms of sales volumes, market share, category penetration and so forth.

Consumer promotions are Actions intended to convince individuals to purchase a good or service. Customer promotions are targeted towards end consumers. Tools include samples, coupons, discount cash refunds, price packs, premiums, advertising specialties, patronage rewards, point-of-purchase displays and demonstrations, and contests, sweepstakes and games. (Source:

<http://www.businessdictionary.com>)

2.2.2 Retail Promotion

Retail promotions are designed to promote the goods and services offered in the business district and to directly generate retail sales. Retail promotions should be used as part of a broader promotional strategy, which also can include special events and image-building promotions. Retail promotions can either be discount-oriented sales events or targeted non-sale promotional events.

2.2.2.1 Special Event

Special events are traffic-building events that are designed to generate eventual (not necessarily immediate) retail sales for businesses in the district. Special events should be used as part of a broader promotional strategy, which also can include retail promotions and image-building promotions.

Special events should be designed to appeal to specific groups of consumers or as staged celebrations involving the entire community. In planning special events, it is important to be clear about the target audience for the event and to plan specific activities that will appeal to each target audience. To ensure that businesses support and benefit from the event, unique merchandising opportunities should be provided for businesses along the corridor.

Free lessons—Researcher takes free lesson as a independent variable. For example, free lessons on make-up, sewing, hair styling, skin care, gardening, building a pergola/deck/retaining wall.. The list is endless by seeing how to get the best use out of your products they're likely to buy a range of accessories and essential items to help them achieve the results they're looking for.

2.2.2.2 Image-Building Promotion

Image-building promotion consists of ongoing activities to define a healthy

image for the commercial district. Successful image-building campaigns build upon the commercial corridor's existing assets and offerings, its market potential and the values of community. The identity developed in image-building promotions should form the basis for a broader promotional strategy, which also includes retail promotions and special events.

Through marketing campaigns, a business district can promote itself as a unified area with a recognizable identity and image. Marketing campaigns can accomplish a range of goals, including:

- Building general knowledge and interest in a neighborhood commercial district, including promoting and branding the neighborhood business district or providing information about the retail and restaurant offerings through a business directory for the district.
- Promoting the district as a niche shopping destination.

In the section, “**buy one get one free**” is considered as an independent variable.

2.2.3 Trade Promotion

In business and marketing, “trade” refers to the relationship between manufacturers and retailers. Trade Promotion refers to marketing activities that are executed in retail between these two partners. Trade Promotion is a marketing technique aimed at increasing demand for products in retail stores based on special pricing, display fixtures, demonstrations, value-added bonuses, no-obligation gifts, and more.

Trade Promotions can offer several benefits to businesses. Retail stores can be an extremely competitive environment; trade promotions can help companies differentiate their products from the competition. Companies can utilize Trade

Promotions to increase product visibility and brand awareness with consumers. Trade Promotions can also increase a product's consumption rate, or the average quantity of a product used by consumers in a given time period. Furthermore, effective Trade Promotions can enlarge a product's market segment penetration, or the product's total sales in proportion to the category's competition. Moreover, companies use Trade Promotions to improve distribution of their product(s) at retailers and strengthen relationships with retailers. Lastly, Trade Promotions can be leveraged to introduce new product launches into retail stores

The point of a trade promotion is to persuade resellers to carry a brand, give it shelf space, promote and push it. Tools used for consumer promotions can also be used as trade promotions. In addition, manufacturers will do things like offering discounts off list price, advertising allowances and display allowances as trade promotion tools, like in-store displays.

Based on the instruction above, in the section, researcher would like to take "In-store displays" as an independent variable.

Product displays— are promotional fixtures. Variations of product displays include Point-of-Sale Displays, which are located near cash registers to encourage impulse buying; Floor Stickers, or advertisements for products on the aisle of a store; Feature Displays, which can be located at the end of an aisle to draw attention to a product; and Special Racks, or manipulation of a store shelf to make more space available for a product or bring attention to the promoted product. In-store Displays can be perceived as more visually appealing to consumers than product alone on a retail shelf.

2.2.4 Indicators of Sales Promotion

Based on the statements above, in the research there are indicators used for Sales promotion:

- | | | |
|-------------------------|-----------------|---------------------|
| 1) Samples | 2) Price Packs | 3) Discount |
| 4) Buy one get one free | 5) Free lessons | 6) Product displays |

2.3 Customer Loyalty

The term customer loyalty is used to describe the behavior of repeat customers, as well as those that offer good ratings, reviews, or testimonials. Some customers do a particular company a great service by offering favorable word of mouth publicity regarding a product, telling friends and family, thus adding them to the number of loyal customers. However, customer loyalty includes much more. It is a process, a program, or a group of programs geared toward keeping a client happy so he or she will provide more business.

Customer loyalty can be achieved in some cases by offering a quality product with a firm guarantee. Customer loyalty is also achieved through free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs. The ultimate goal of customer loyalty programs is happy customers who will return to purchase again and persuade others to use that company's products or services. This equates to profitability, as well as happy stakeholders.

Customer loyalty may be a one-time program or incentive, or an ongoing group of programs to entice consumers. Buy-one-get-one-free programs are very popular, as are purchases that come with rebates or free gifts. Another good incentive for achieving customer loyalty is offering a risk free trial period for a product or service. Also known as brand name loyalty, these types of incentives are meant to ensure that customers will return, not only to buy the same product again and again, but also to try other products or services offered by the company. (Source: <http://www.wisegeek.com/what-is-customer-loyalty.htm>)

Customer loyalty is considered as the foundation of competitive advantage and has strong influence on company's performance (Rust et al., 2000). Zeithaml et al. (1996) defines customer loyalty as the willingness to stay with current service provider. Loyalty is a purchaser's commitment with service, product, or brand (Oliver, 1999). Customer loyalty is evident itself in variety of the behaviors, "the more common being repeatedly patronizing the service provider and recommending the service provider to other customers" (Lam et al., 2004; Zeithaml et al. 1996). A customer's point of view about value acknowledgement from service provider may motivate him/her to patronize the provider again.

Numerous research studies showed that companies can generate more profit through retaining their current customers rather than to attain previous ones (Hogan et al., 2003, Lee-Kelley et al., 2003). Furthermore, it was observed that loyal customers were less interested in changing the company because of price and they also engaged in positive word-of-mouth communication and refer it to other customers (Reichheld & Teal, 1996). In 2003, Anderson and Srinivasan claimed that "a dissatisfied customer is more likely to search for information on alternatives and more likely to yield to competitor overtures than is a satisfied customer. These annotations point to the significance of customer loyalty, which provides growth, and continued survival for the companies operating in service sector. Due to high competition in service sector companies the provider again.

Customer loyalty is very important but it is a tricky sentiment to track. It is difficult to measure customer loyalty because proof of loyalty, the state of being loyal, is most often shown after an action occurred that indicates a person's loyalty. However, past action often indicates but doesn't guarantee future loyalty. How to measure something that hasn't happened yet? Looking for patterns when analyzing responses to survey questions designed to measure specific indicators that, when taken in context by the analyst, have varying degrees of certainty as to future action. Bob Hayes, author of *Measuring Customer Satisfaction and Loyalty*, breaks it down into 3 measurements:

Retention, Advocacy and Purchasing. (Source: <http://www.sjm06.com>)

2.3.1 Retention

Customer Retention is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. A company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace.

Customer retention is more than giving the customer what they expect; it's about exceeding their expectations so that they become loyal advocates for your brand. Creating customer loyalty puts 'customer value rather than maximizing profits and shareholder value at the center of business strategy'. The key differentiator in a competitive environment is more often than not the delivery of a consistently high standard of customer service.

Customer retention has a direct impact on profitability. Research by John Fleming and Jim Asplund indicates that engaged customers generate 1.7 times more revenue than normal customers, while having engaged employees and engaged customers returns a revenue gain of 3.4 times the norm. (Source: http://en.wikipedia.org/wiki/Customer_retention)

Retention is a reflection of a customer's willingness to remain with a particular company's service or products and is useful to measure customer loyalty. Questions designed to determine loyalty are often based on the "How likely are you..." model to predicate future behavior. This question is an indication of the relationship the customer has with the company and may be an indicator of overall satisfaction. Although, the smart analyst should be aware that the question alone, without corroborating evidence, may be an indication of a deeper dissatisfaction with the competition rather than satisfaction with their current

company.

This least of all evils attitude is often found in service industries such as cable/internet providers, wireless companies and banking. To be helpful, retention questions should be supported by an investigation of the second measure, Advocacy.

2.3.2 Advocacy

Social media has a strong influence on consumer purchase decisions, but for many marketers, customers are anonymous online. Social media conversations aren't connected to in-store purchase activities and loyal customers with the potential to be persuasive advocates are not recognized or engaged in a personal way. Many marketers looking to build brand advocacy target potential advocates based on demographic profiles, a brand's Facebook followers or social advocacy scores that may not have a strong connection to the brand and limit their influence on sales.

New research from dunnhumby and BzzAgent highlights how shopper insights can bring a new level of effectiveness to social marketing programs. By targeting known customers through their purchase history and identifying those active and influential in social media, brands can encourage greater levels of advocacy and generate a substantial and long-sustaining lift in sales. (Source: <http://www.dunnhumby.com/int/loyalty-to-advocacy>)

There are some questions, such as, "How likely are you to recommend...?" Or "How likely are you to purchase other products from us?" and "How satisfied are you with...?" are typical advocacy questions. They are related to retention because the assumption is that a customer that is a cheerleader for or satisfied with your organization is likely to remain with you. They relate to the customer's perception of the company's image that they are doing something right. Determining what that "right" something is requires additional investigation. It

may be related to a single experience or simply to an overall – but general – impression

There is overlap between Advocacy and Retention but they are distinctly different. Advocacy requires less action on the part of the customer, because to advocate does not mean purchasing. Where Retention requires the customer to engage with current company through the basic transaction of making an additional purchase (or renewing a service), which in itself is a strong indication of customer satisfaction.

However, the strongest indication of customer satisfaction is related to Purchasing

2.3.3 Purchasing

Purchasing questions like, “How likely are you to (continue)(increase)(purchase different) products from Company?” are the best indicators of growth through customer loyalty. They seek to determine if the amount spent per existing customer will increase or decrease based on additional purchases within or across product lines. It is distinguished from the retention question of how likely are you to switch because a switching question may mean a repeat of the same revenue (0 growth) rather than an increase in spending (positive growth)

2.3.4 Indicators of Customer Loyalty

Based on the statements above, in the research there are indicators used for Customer Loyalty:

- 1) Retention
- 2) Advocacy
- 3) purchasing

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Method

The research methodology is a procedure of collecting data to find out purpose. The data collection of target population, survey method, design of questionnaire and presenting and demonstrated finally, used methods for the analysis and conclusion. Cooper and Schindler (2010, p136) believe that researcher is any structured inquiry carried out to provide information for problem; good research generates dependable data that are derived by professionally conducted practices and that can be used reliably for decisions making.

3.1.1 Quantitative Research

Quantitative research is the systematic scientific investigation of properties and phenomena and their relationships. The objective of **quantitative research** is to develop and employ mathematical models, theories and/or hypotheses pertaining to natural phenomena. The process of measurement is central to **quantitative research** because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships (Creswell, 1994). **Quantitative research** is generally approached using scientific methods.

Moreover, **quantitative research** is a formal, objective, systematic process in which numerical data are utilized to obtain information about the world (Burns and Grove cited by Cormack, 1991, p140).

Simply say, **quantitative research** uses data that are structured in the form of numbers or that can be immediately transported into numbers. It is a very controlled, exact approach to research.

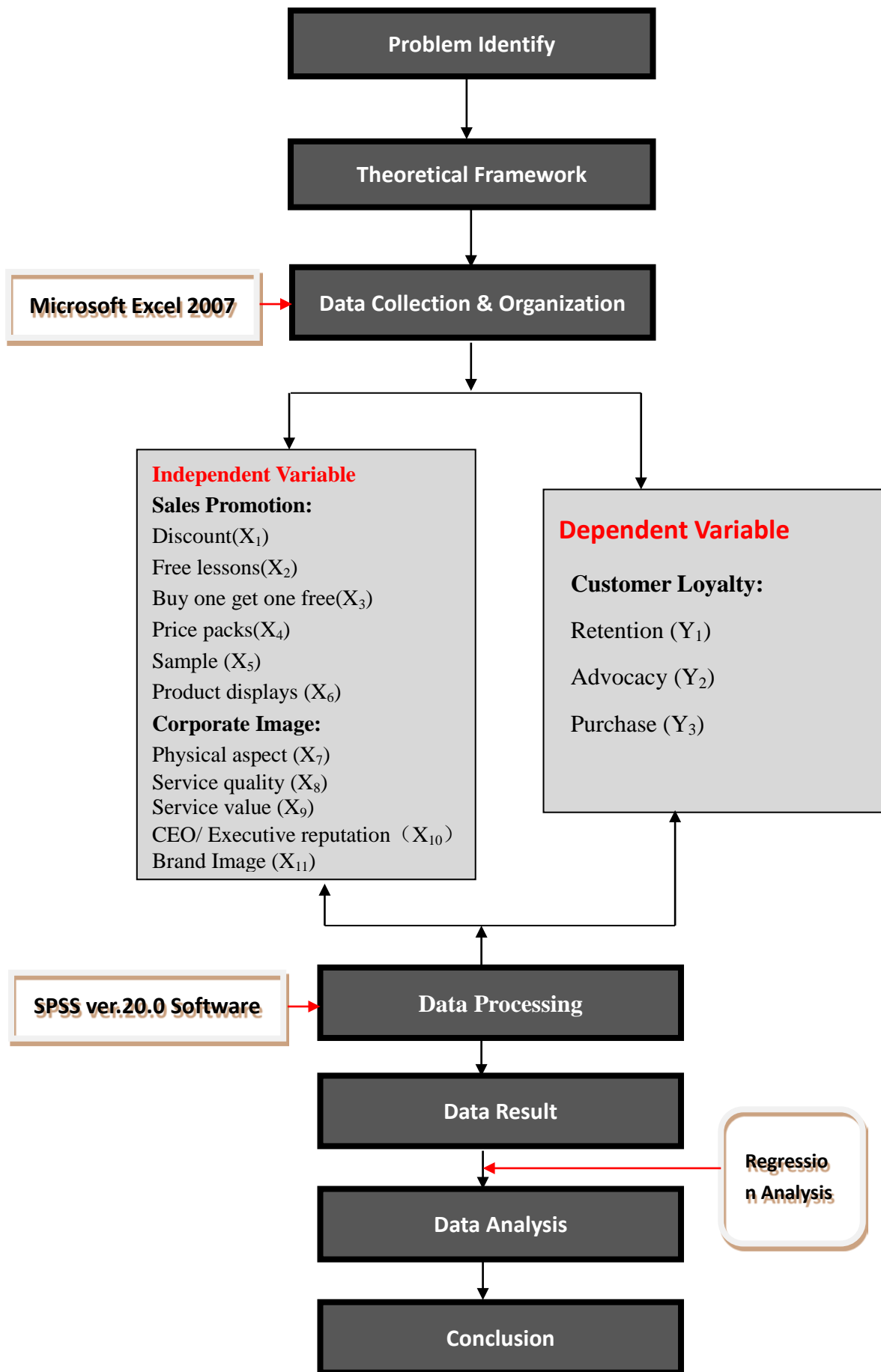
3.1.2 Descriptive Analysis

The purpose of using descriptive research is to collect actual information in detail which best describe the happening situation, to identified problem and practices, to ease in making comparison and evaluation, to determine what people respond in facing the same problem and also learn from their decision making experience to solve the same problems that might occurs in future.

Descriptive research is purposed to describe. There are no longer developing ideas, clearing up vague concept, and trying to learn something about the situation. One common focus of descriptive research is to describe characteristics of certain groups, another common use of descriptive research is to estimate the proportion of people in the population who do not something or do something. (Neil.B H, Holbert & Speece, Mark W. 2009)

3.2 Research Framework

Based on the structure of the research, the following is a chart showing the procedure.



3.3 Research Instruments

3.3.1 Data Collection

Secondary data is a type of data that had been collected for a certain objective. It means the data or information from the existing sources. In this context, the data used are secondary raw data, as the data has been obtained from result of studies done by others, but it still need further processing in order to fit this research.

3.3.2 Data Type and Sources

The data needed in this research is categorized into quantitative and qualitative data. The quantitative data refers to the data which are derived in the form of numbers. Meanwhile, the qualitative data are those which are not obtained in the form of numbers but literatures, concepts, theoretical focus, and other things that can support the conducted research.

3.3.3 Data Analysis

The data processing tools used to test the hypothesis are Microsoft Excel2007 and SPSS version 20.0 application software. The software are very important since both are relatively easy to operate, especially SPSS, which will process more complicated data directly into result, such as regression model, correlation, and coefficient, etc.

3.4 Testing the Hypothesis and Data Analysis

3.4.1 Classic Assumption Tests

The estimation method used in this research is the Ordinary Least Squares (OLS) method. This method is chosen because it is a popular method for regression analysis and also it is simpler mathematically. To make sure that there are no data problems, the data should meet several assumptions. The statistical tests are:

3.4.1.1 Normality Test

Normality test is conducted to test whether the dependent variable, independent variables, or both has normal distribution or not. The good regression model has normal distribution or near normal.

Normality test can be measured from several ways such as plot spread data and also statistical test such as: Chi-square, Kolmogorov-Smirnov, Lifefors and Shapiro Wilk.

This research the researcher will use Plot Spread to analyze whether the dependent variable and independent variables has normal distribution or not. To analyze the plot, the researcher sees the spread of the data (dots) on the diagonal axis. If the data spread near and follow the diagonal line the regression model fulfills the normality assumption. However, if the data spread is far or not follows the diagonal line, the

3.4.1.2 Multicollinearity Test

Multicollinearity Test is conducted to test whether any correlation inter independent variables found or not. If the correlation exists, means there are problems in multicollinearity. In some cases, multiple regression results may seem paradoxical. Even though the overall P value is very low, all of the individual P values are high. This means that the model fits the data well, even though none of the X variables has a statistically significant impact on predicting Y. This is possible when two X variables are high correlated; they both convey essentially the same information. In this case, neither may contribute significantly to the model after the other one is included. However, together they contribute a lot. If multicollinearity is present in a multiple regression model, the model is still good for prediction, but interpretation of individual coefficient is not valid.

To discover if there is relationship among independent variable. The test is using tolerance (T) and variance inflation factor (VIF) value. For Multicollinearity, VIF should be greater than 0.1 and less than 10. If the test meets these criteria meaning that your data is not facing multicollinearity.

3.4.1.3 Autocorrelation test

Autocorrelation test conducted to test whether correlation between disturbance error in t period and t-1 period exist or not. If correlation exists, it means there is autocorrelation problem. A good regression model is free from autocorrelation.

Most of autocorrelation can be found in regressions that use time series data (monthly, quarterly, semi-annually, annually, etc.)

Durbin-Watson value is used for detecting whether autocorrelation exists or not. Positive autocorrelation exist if the Durbin-Watson value is less than -2, while negative autocorrelation exist if the Durbin-Watson value is more than 2. There is no autocorrelation if the Durbin-Watson value is between -2 until 2.

3.4.1.4 Heterocedascity test

This test is conducted to detect whether the variance different from residual from one to another. If the residual variance from one to another research is constant, it is called homocedascity. If the variance is different, it is called heterocedascity. A good regression model is the one which heterocedascity is not exists.

To detect the existence of heterocedascity, a scatterplot will be used. If there is a certain pattern in the scatterplot (wave, cube, etc.), the heterocedascity exists. If the dots do not have a certain pattern, it means the data is free from heterocedascity. If there is no heterocedascity in the regression model, the model can be used.

3.4.2 Multiple regression analysis

Regression analysis is used for understanding the relationship between variable and to predict the value of one variable based on another variable.

Regression models are used to test whether a relationship between variable exists or not.

Formula:

$$y = \alpha + \beta_1x_1 + \beta_2x_2 + \dots + \beta_ix_i$$

Where:

y= Dependent Variable

a= intercept (value of y when x=0)

β_1 =the slope (beta coefficient) for X1

x1=first independent variable that is explaining the variance in Y

β_2 =the slope (beta coefficient) for X2

x2=second independent variable that is explaining the variance in Y

β_i = the slope(beta coefficient) for X_i

X_i=i independent variable that is explaining the variance in Y

3.4.3 Multiple coefficient of determination (R^2)

Coefficient determination is a summary measure that tells how well the sample regression line fits the data. It measures how many percentage the Y variable explained by the regress or jointly. It is a nonnegative quantity and lies between 0 and 1.

3.4.4 Coefficient of correlation (R)

The value of R shows whether the correlation between dependent variable and independent variables is strong or weak. It measures the strength of linear relationship between the dependent and independent variable.

The coefficient of correlation can be computed directly from the coefficient of determination as follow:

$$R = \pm \sqrt{r^2}$$

Some points that should be noticed are:

1. R ranges from -1 and +1
2. The larger $|R|$ (absolute value of R) is, the stronger is the linear relationship.
3. R near zero indicates that there is no linear relationship between X and Y, and the scatter plot typically appears to have a shotgun effect.
4. $R=1$ or $R=-1$ implies that a perfect linear pattern exist between that two variables in the sample. In other words, X and Y are perfectly correlated.
5. Values of $R=-1$, 0 or 1 are rare in practice. Common values lie between these numbers.
6. The sign of R tells whether the relationship between X and Y is a positive or negative one.

The coefficient of correlation is analyzed using Pearson Correlation. If the value is more than 0, it means that positive correlation between X and Y variable exists. On the other hands, if the value is less than 0, it means that negative correlation between X and Y variable exists. The strength of the linear relationship can be analyzed as follows:

- a. 0.00-0.25 : Weak
- b. 0.25-0.50 : Fair
- c. 0.50-0.75 : Strong
- d. 0.75-1.00 : Very Strong

3.4.5 Testing the Hypothesis

To determine if there is a linear relationship between X and Y, a statistical test (F-Test and T-test) is performed. The null hypothesis is that there is no linear relationship between the two variables (i.e., $\beta=0$), and the alternative hypothesis is that there is a linear relationship (i.e., $\beta\neq 0$). If the null hypothesis can be rejected, then we have proven that a linear relationship does exist.

3.4.5.1 F-Test

F test is used to see whether the variables are independent collectively can influence dependent variable (Business Statistics, 2004, p146). To accept or refuse the hypothesis it depends on the value of the significance.

The hypothesis for F-test is:

Ho: Corporate image has an effect on customer loyalty.

Corporate image has no effect customer loyalty

H1: Sales promotion has an effect customer loyalty.

Sales promotion has no effect on customer loyalty

If F value less than 0.05, Ho is accepted. But if the F value is more than 0.05, Ho is rejected.

3.4.5.2 T-Test

The researcher uses t test to see the influence of each independent variable in regression model towards the dependent variable (Business Statistics, 2004, p148), in comparing value of significant t (sig. t) each independent variable with significant standard $\alpha=0.05$. Hypothesis that is used are:

If significance $t < 0.05$, Accepted H_0 .

If significance $t > 0.05$, rejected H_0 .

In another word, the determination of accepting or rejecting hypothesis is the same F-test. If t value less than 0.05, H_0 is accepted. But if the t value is more than 0.05, H_0 is rejected.

3.5 Limitation

The limitations in conducting the research are primarily due to the time constraints and accessibility to the books as the groundwork for the theoretical analysis. The time given to finish the investigation was considered insufficient. This condition probably made the expected quality of research could not be achieved, as it should be. The difficulties in finding books and other references in researcher's campus library had also been an important matter. It was costly since the researcher had to go to other campus libraries and research centers which provide more literatures needed to support the research.

This study is conducted in President University. The respondents were those who have purchased more than once in Carrefour.

3.6 Sampling Design

A sampling method in which all members of a group (population or universe) have an equal and independent chance of being selected. Most customers have purchase experience in Carrefour, so in this research, random sampling is proper.

According to *Multivariate Data Analysis (2010)* by Joseph F. Hair, Jr, Rolph E. Anderson, William C. Black and Barry J. Babin, the minimal sample size is 50, so in the research sample size is set up as 60.

CHAPTER IV

DATA ANALYSIS AND RESULT INTERPRETATION

4.1 Validity and Reliability test Result

The questionnaire consists of customer loyalty, corporate image and sales promotion component questions. The formula to check the construct validity uses Cronbach α , and the data processing used SPSS 20 versions program, The r computing value is listed as the below.

4.1.1 Pretesting

In validity testing, each question is tested by SPSS 20. Based on the r table is depending on how many respondents, and as paragraph 3.6.1, the quantity of pretesting is 20. Generally, what is an acceptable probability for a beta error - that may NOT find a statistically significant difference between the samples when there actually is a difference in the populations? This is also often estimated by convention as .20, .15, or .10, the first of these being the most common (Usability Techniques by by Daryle Gardner-Bonneau, Ph.D), and the r table value is 0.423, so if the computing of r value should more than 0.423, it can be valid according to Multivariate Data.

In Reliability testing, Cronbach Alpha is used as parameter in determining whether the measuring tool is consistent or not. As stated in table 3.4, if the instrument has reliability coefficient point ≥ 0.6 , it can be said as reliable.

Table 4 1 *Validity and Reliability pre-test*

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X1.1	56.64	69.445	0.504	0.861
X1.2	56.82	70.119	0.407	0.865
X1.3	56.72	69.418	0.447	0.863
X1.4	56.7	67.607	0.54	0.859
X1.5	57	69.121	0.442	0.863
X2.1	56.75	70.586	0.459	0.863
X2.2	56.64	70.597	0.498	0.861
X2.3	56.78	68.964	0.537	0.859
X2.4	56.96	69.468	0.411	0.865
X2.5	56.84	68.261	0.568	0.858
X2.6	57.43	65.764	0.496	0.863
Y1.1	57.34	65.653	0.698	0.852
Y1.2	57.18	68.513	0.597	0.857
Y1.3	56.91	68.416	0.593	0.857

Source: SPSS 20.0 Output

Hereby, based on the data of table 4.1 above, the value of valid test for variables should more than 0.423, and as shown above, all the variables are valid because their values are all more than 0.423. That means all the variables can be used for future analysis.

Value of reliability coefficient point is listed in Cronbach's Alpha of table 4.1. And it is clear that all data is more than 0.6, which means all variables are reliable.

4.1.2 Real testing

Table 4 2 *Validity and Reliability real-test*

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X1.1	56.64	69.445	0.504	0.861
X1.2	56.82	70.119	0.407	0.865
X1.3	56.72	69.418	0.447	0.863
X1.4	56.7	67.607	0.54	0.859
X1.5	57	69.121	0.442	0.863
X2.1	56.75	70.586	0.459	0.863
X2.2	56.64	70.597	0.498	0.861
X2.3	56.78	68.964	0.537	0.859
X2.4	56.96	69.468	0.411	0.865
X2.5	56.84	68.261	0.568	0.858
X2.6	57.43	65.764	0.496	0.863
Y1.1	57.34	65.653	0.698	0.852
Y1.2	57.18	68.513	0.597	0.857
Y1.3	56.91	68.416	0.593	0.857

Source: SPSS 20.0 Output

The quantity of real testing is 60 and the r table value is 0.250, so if the computing of r value is more than 0.250, it can be called as valid. After valid and invalid statements are found, it should be decided whether to revise those invalid statements or simply eliminate them. In this study, invalid statements are deleted.

The reliability test standard is still the same. As shown in table 3.4, if the instrument has reliability coefficient point ≥ 0.6 , it can said as reliable

Based on the data of table 4.2 above, the values of valid test for variables are listed in column of Corrected Item-Total Correlation. And the values of reliable test for variables are listed in column of Cronbach's Alpha if Items are deleted.

All values in column of Corrected Item-Total Correlation are more than 0.250. It means all values are valid. All values in column of Cronbach's Alpha if Item

Deleted lies between 0.800-1.00. It means the data is highly reliable with a total of 17 statements.

4.2 Respondents Characteristic Analysis

The sample for this research is students who live in President University Student Housing. The actual sample used in this research is 60 respondents in total.

4.3 Classical Assumption Tests of Least Square Method

4.3.1 Normality test

P-Plot is used to assess how well empirical data approximates a particular theoretical distribution, in this case a linear relationship distribution.

The figure 4.2 below shows that the Normal Probability Plot is a straight line, thus the data is normal. If the data is normal, F-test and t-test can be used to test various statistical hypotheses.

From histogram in figure 4.3 below, the histogram is bell-curved shaped. This means that the data variables are normally distributed. Therefore, the normality assumption is met.

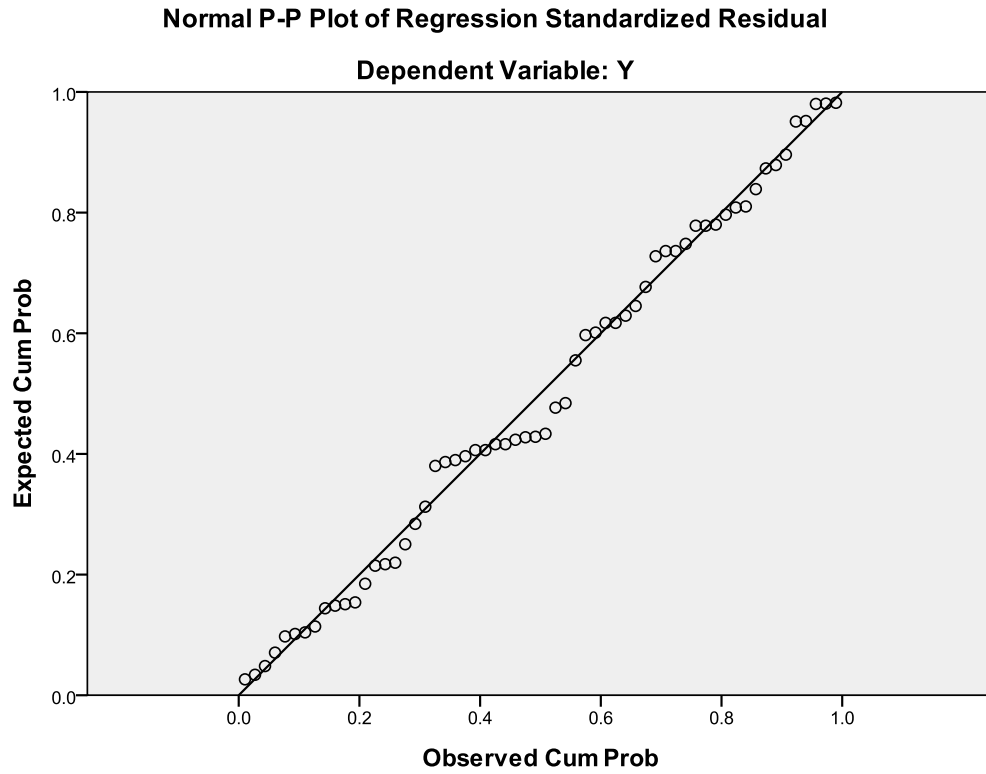


Figure 4 1 *P-Plot*
Sources: SPSS 20.0 output

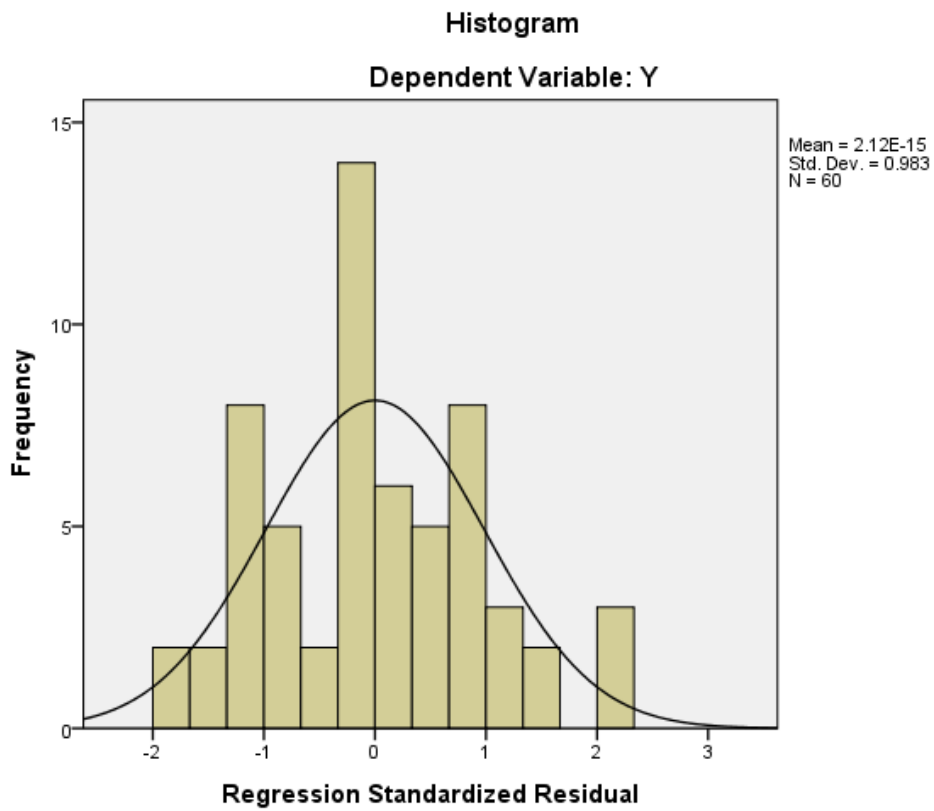


Figure 4 2 *Histogram*

Source: SPSS 20.0 output

4.3.2 Multicollinearity test

According to the chapter 3, paragraph 3.7.1.2, Multicollinearity test is conducted to test whether any correlation inter independent variables found or not. If the correlation exists, means there are problems in multicollinearity.

If VIF (variance inflation factor) values are below 5, the researcher can conclude that there is no multicollinearity problem

Table 4 3 *Multicollinearity Test*

Source: SPSS 20.0 output

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.721	.585		1.232	.223		
X1	.748	.165	.556	4.545	.000	.794	1.259
X2	.020	.098	.025	.205	.838	.794	1.259

a. Dependent Variable: Y

Form table 4.5 above, the VIF value is 1.259, 1.259, and all of them are less than 5. Thus there is no multicollinearity problem.

4.3.3 Autocorrelation test

Autocorrelation test is conducted to test whether correlation between disturbance error in t period and t-1 period exist or not. If correlation exists, it means there is autocorrelation problem. A good regression model is free from autocorrelation.

Durbin-Watson value is used for detecting whether autocorrelation exists or not. Positive autocorrelation exist if the Durbin-Watson value is less than -2, while negative autocorrelation exist if the Durbin-Watson value is more than 2. There is no autocorrelation if the Durbin-Watson value is between -2 until 2.

From the table 4.4 below, the Durbin Watson value is 1.712 (the value is more

than -2 and less than +2). Therefore, the non-autocorrelation assumption is met.

Table 4 4 *Autocorrelation Test*

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
dimension0 1	.568 ^a	.322	.299	.63911	1.815

a. Predictors: (Constant), X2, X1

b. Dependent Variable: Y

Source: SPSS 20.0 output

4.3.4 Heteroscedascity test

This test is conducted to detect whether the variance different from residual from one to another. If the residual variance from one to another research is constant, it is called homocedascity. If the variance is different, it is called heterocedascity. A good regression model is the one which heterocedascity is not exists.

From figure 4.4 on next page, there is no certain pattern like cube, parabola, or other pattern. Thus the data is free from heteroscedascity and the model can be used.

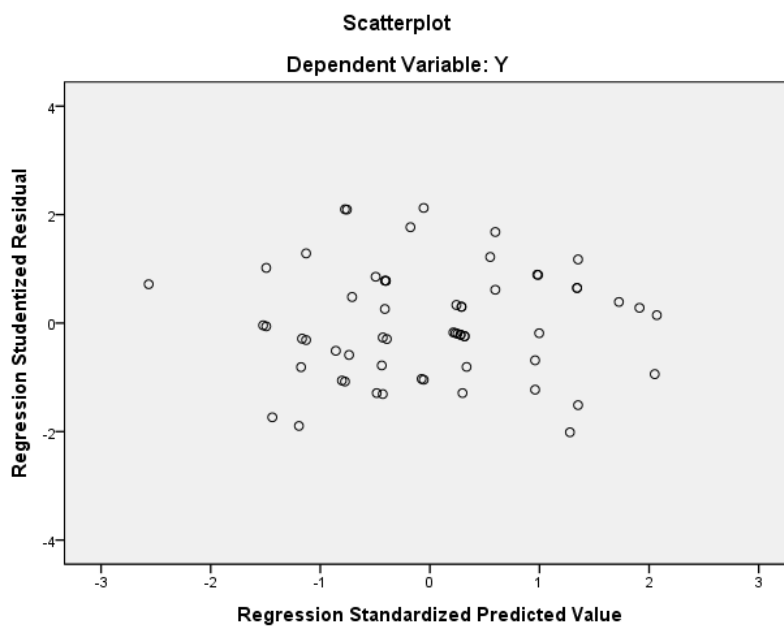


Figure 4 3 *Heteroscedascity Test*

Source: SPSS 20.0 Output

4.4 Regression Analysis

4.4.1 Multiple coefficient of determination (R²)

R squared explains about the contribution of consumer loyalty variable towards Corporate Image and Sales Promotion. Base on the table 4.6, the value of R squared is 0.322, which means that 32.2% variation of dependent variable can be explained by independent variable and vice versa. The 68.7% is explained by other variables that not included in the model.

4.4.2 Hypothesis Testing

4.4.2.1 F-test

F-test is used to test the significance of all independent variables toward dependent variable.

The hypothesis for F-test is:

Ho: There is no effect between Corporate Image and Customer Loyalty towards Carrefour

H1: There is an effect between Corporate Image and Customer Loyalty towards Carrefour

Ho is rejected if p value less than 0.05, while Ho is accepted if the p value is more than 0.05.

Table 4 5 ANOVA

Source: SPSS 20.0 Output

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.079	2	5.540	13.562	.000 ^a
	Residual	23.282	57	.408		
	Total	34.361	59			

a. Predictors: (Constant), X2, X1

b. Dependent Variable: Y

According table 4.7, the p value is 0.000, less than 0.05, which means the Ho is rejected, H1 is accepted. There is a relationship between Corporate Image and Customer Loyalty towards Carrefour

4.4.2.2 T-test

T-test is used to test the significance of independent variable (individually) toward dependent variable.

The hypothesis for T-test is:

Ha0: Corporate Image has no effect on Customer Loyalty

Ha1: Corporate Image has an effect on Customer Loyalty

Hb0: Sales promotion has no effect on customer loyalty

Hb1: Sales promotion has an effect on customer loyalty

According table 4.10, the p value of X1 is 0.000 ($0.000 < 0.05$), X2 is 0.838 ($0.838 > 0.05$). It means Ha1 and Hb0 both are accepted and Ha0 and Hb1 are rejected

Table 4 6 *Coefficients*

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.721	.585		1.232	.223
	X1	.748	.165	.556	4.545	.000
	X2	.020	.098	.025	.205	.838

a. Dependent Variable: Y

Source: SPSS 20.0 Output

From the T-test analysis, the regression equation is:

$$y = 0.721 + 0.748X1$$

CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Based on the result of the research and a series of statistical tests, some findings of the relationship between The Effect of Corporate Image and Sales Promotion on Customer Loyalty (A case study of Carrefour in Cikarang) can be summarized as follows:

- a. There is a positive effect between Corporate Image on Customer's Loyalty. If the Corporate Image increases by 1 scale, the customer loyalty will increase by 0.748
- b. Sales Promotion has no effect on Customer's Loyalty
- c. There is no correlation between Corporate Image and Sales Promotion.

5.2 Recommendation

Based on the study, there are some suggestions that will be described below:

5.2.1 For Carrefour

There are many retail stores around the area, and maintain customer loyalty is more profitable than attract new customers. As the analysis shows that, just sales promotion has positive effect on customer loyalty, so Carrefour should held sales promotion as many as ,possible to train customers to form a habit purchasing in Carrefour.

5.2.2 For further study

In order to improve the quality of research, the researcher expressed the following suggestions:

- a. Analyze the corporate image and sales promotion with more samples from places, which would increase the accuracy of study.
- b. Conduct interview with respondents to get a deeper result.

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Appendix 1 Questionnaire

This questionnaire is used as the observation data in the research regarding the effect of corporate image and sales promotion on customer loyalty.

I would be thankful if you want to spare your time to fill up its questionnaire about Carrefour customers' loyalty by giving checklist sign in each question on the scale that you might answer. Thank you for your time and consideration.

There are 14 questions and each question has 5 scales. Out of 5 scales, please choose which the most answer you are considers. The scales are as follows:

1. Strongly Agree (SA)
2. Agree (A)
3. Moderate (M)
4. Disagree (D)
5. Strongly Disagree (SD)

1 Batch : _____ Age: _____
2. Major : _____ Education _____

No	Considerations	SA	A	M	D	SD
		5	4	3	2	1
	Customer Loyalty(Y)					
1	I like to keep purchasing in Carrefour					
2	I like to recommend Carrefour to my friends and family					
3	I like to increase my purchase volume in Carrefour					
	Corporate Image(X1)					
1.1	The Service quality of Carrefour is good.					
1.2	The Physical environment of Carrefour is good.					
1.3	The Service value of Carrefour is good.					
1.4	The Brand image of Carrefour is good.					
1.5	CEO/ Executive reputation of Carrefour is good.					
	Sales Promotion(X2)					
2.1	I like to purchase in Carrefour because of price packs promotion					
2.2	I like to purchase in Carrefour because there is buy one get one free activity					
2.3	I like to purchase in Carrefour when there is discount					
2.4	I like to purchase in Carrefour when there are product displays					
2.5	I like to purchase in Carrefour because there are free lessons about how to make use of my products					
2.6	I like to purchase in Carrefour because offering product samples					

Appendix 2 Validity & Reliability

Case Processing Summary

		N	%
Valid		14	100.0
Cases Excluded ^a		0	.0
Total		14	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.902	14

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X1.1	56.64	69.445	0.504	0.861
X1.2	56.82	70.119	0.407	0.865
X1.3	56.72	69.418	0.447	0.863
X1.4	56.7	67.607	0.54	0.859
X1.5	57	69.121	0.442	0.863
X2.1	56.75	70.586	0.459	0.863
X2.2	56.64	70.597	0.498	0.861
X2.3	56.78	68.964	0.537	0.859
X2.4	56.96	69.468	0.411	0.865
X2.5	56.84	68.261	0.568	0.858
X2.6	57.43	65.764	0.496	0.863
Y1.1	57.34	65.653	0.698	0.852
Y1.2	57.18	68.513	0.597	0.857
Y1.3	56.91	68.416	0.593	0.857

Validity and Reliability Actual-testing

Case Processing Summary

		N	%
Cases	Valid	60	100.0
	Excluded ^a	0	.0
	Total	60	100.0

- a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.868	14

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X1.1	56.64	69.445	0.504	0.861
X1.2	56.82	70.119	0.407	0.865
X1.3	56.72	69.418	0.447	0.863
X1.4	56.7	67.607	0.54	0.859
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X2.1	56.75	70.586	0.459	0.863
X2.2	56.64	70.597	0.498	0.861
X2.3	56.78	68.964	0.537	0.859
X2.4	56.96	69.468	0.411	0.865
X2.5	56.84	68.261	0.568	0.858
X2.6	57.43	65.764	0.496	0.863
Y1.1	57.34	65.653	0.698	0.852
Y1.2	57.18	68.513	0.597	0.857
Y1.3	56.91	68.416	0.593	0.857

R-Table

Degrees of Freedom	Probability, p (<i>two-tailed</i>)		
	0.05	0.01	0.001
1	0.997	1.000	1.000
2	0.950	0.990	0.999
3	0.878	0.959	0.991
4	0.811	0.917	0.974
5	0.755	0.875	0.951
6	0.707	0.834	0.925
7	0.666	0.798	0.898
8	0.632	0.765	0.872
9	0.602	0.735	0.847
10	0.576	0.708	0.823
11	0.553	0.684	0.801
12	0.532	0.661	0.780
13	0.514	0.641	0.760
14	0.497	0.623	0.742
15	0.482	0.606	0.725
16	0.468	0.590	0.708
17	0.456	0.575	0.693
18	0.444	0.561	0.679
19	0.433	0.549	0.665
20	0.423	0.537	0.652
25	0.381	0.487	0.597
30	0.349	0.449	0.554
35	0.325	0.418	0.519
40	0.304	0.393	0.490

45	0.288	0.372	0.465
50	0.273	0.354	0.443
60	0.250	0.325	0.408
70	0.232	0.302	0.380
80	0.217	0.283	0.357

Appendix 3 Regression

Descriptive Statistics

	Mean	Std. Deviation	N
Y	3.6845	.76315	60
X1	3.8467	.56732	60
X2	4.2900	.95344	60

Correlations

		Y	X1	X2
Pearson Correlation	Y	1.000	.567	.277
	X1	.567	1.000	.453
	X2	.277	.453	1.000
Sig. (1-tailed)	Y	.	.000	.016
	X1	.000	.	.000
	X2	.016	.000	.
N	Y	60	60	60
	X1	60	60	60
	X2	60	60	60

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	X2, X1 ^a		Enter
—			

a. All requested variables entered.

b. Dependent Variable: Y

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.568 ^a	.322	.299	.63911	1.815

a. Predictors: (Constant), X2, X1

b. Dependent Variable: Y

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.079	2	5.540	13.562	.000 ^a
	Residual	23.282	57	.408		
	Total	34.361	59			

a. Predictors: (Constant), X2, X1

b. Dependent Variable: Y

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.721	.585		1.232	.223
	X1	.748	.165	.556	4.545	.000
	X2	.020	.098	.025	.205	.838

a. Dependent Variable: Y

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.5725	4.5815	3.6845	.43334	60
Std. Predicted Value	-2.566	2.070	.000	1.000	60
Standard Error of Predicted Value	.084	.314	.137	.042	60
Adjusted Predicted Value	2.5084	4.6309	3.6835	.43510	60
Residual	-1.23807	1.34014	.00000	.62818	60
Std. Residual	-1.937	2.097	.000	.983	60
Stud. Residual	-2.012	2.122	.001	1.008	60
Deleted Residual	-1.33574	1.37277	.00097	.66158	60
Stud. Deleted Residual	-2.069	2.192	.002	1.023	60
Mahal. Distance	.036	13.269	1.967	2.126	60
Cook's Distance	.000	.136	.018	.028	60
Centered Leverage Value	.001	.225	.033	.036	60

a. Dependent Variable: Y

Histogram

Dependent Variable: Y

