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# **REPUTATION AND PARTNERSHIP IN IMPROVING LOYALTY OF PT TELKOM FOSTER PARTNERS IN INDONESIA**

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## **ABSTRACT**

*The occurrence of fluctuations in the number of partners and the amount of funds channeled by PT Telkom against its partners has illustrated the existence of problems inside the partnership. On the other hand, to be able to maintain customer loyalty and reach new customers, the company must be able to guard and maintain the company's reputation in the eyes of the public, especially customers and potential customers. This study aims to examine the influence of reputation and partnership on the loyalty of foster partners built by PT Telkom in Indonesia.*

*Based on this research purpose, quantitative research method that will be used is causality research. Observation time horizon is cross section/one shot, which means information or data obtain is the result of research conducted at one particular time that is in 2018. The unit of analysis in this study is Small Business (SB) who have received Corporate program Social Responsibility (CSR) from PT. Telkom Indonesia. While owners and managers of SB business become the unit of observation. The population is all Small Business (SB) built by PT Telkom throughout Indonesia. Small Business (SB) that become sample unit must have become the guidance of PT. Telkom minimum 2 (two) years. The technique of determining the sample location is using Cluster Random Sampling (CRS).*

*Based on the reference to the minimum sample requirement used, the sample is taken as many as 200 Small Business (SB). The samples are distributed to 7 Regional with proportional allocation based on the population in each region and taken at random (Simple Random Sampling). This analysis is to answer the research objectives, using Structural Equation Modeling (SEM).*

*The results showed that the reputation and partnership had a significant effect on partner loyalty. Partnerships have a greater role than reputation in enhancing partner loyalty. Partnership aspects that play the biggest role in increasing loyalty is coordination, followed by deal, commitment, trust, and partner interdependency. While the reputation aspect that plays the biggest role in increasing loyalty is customer value, followed by physical environment, corporate identity, accountable, cost, profit, image.*

*This finding is expected to be useful for PT Telkom's management in an effort to improve entrepreneurship education, partner loyalty through efforts to enhance partnerships supported by the recognition of a better reputation among stakeholders.*

**Keywords:** Reputation, Partnership, Partner Loyalty, Entrepreneurship Education.

## INTRODUCTION

### Background Research

The implication of trade liberalization in the global era is very influential on the empowerment of UMKM. From the production side, trade liberalization demands a productive and efficient business system, whereas from consumption side, it has consequences to shift consumption patterns as a result of shifting consumption behaviour so as to demand the improvement of product quality. It is also a fact that SMEs, with their various problems, grow, die and develop following the development of the Indonesian economy. Thus, growing SMEs need to be enabled to act as an institution capable of competing against other economic actors. Therefore, efforts to empower SMEs should continue to be directed to improve capabilities and ease in accessing information, capital and market resources through mastering and mapping and organizational and management development.

PT Telkom Indonesia has a concern and commitment to support the improvement of the quality of life of the community both economically and socially, through the utilization of funds from the company's profit share, to improve the economic and social conditions of the community around the company's operational areas. The provisions governing the development of small-scale enterprises for SOEs are contained in Law no. 19 Year 2003, concerning State-Owned Enterprises (BUMN) article 88 paragraph (1) which states BUMN can set aside part of its net profit for the purposes of small business/co-operative development and community development around state-owned enterprises. Law no. 19 of 2003 set the provisions on the allowance and use of profit SOEs for the purposes of small business co-operation/co-operation and community development around the state.

Partnership of PT Telkom to the business actors as the Foster Partners is the perpetrators of UMKM which have become the guidance through CSR program and partnership fund from PT. Telkom from 2001 to 2016 amounting to Rp.3,073,728,342,000 with the target of business actors as the Foster Partners as many as 127,796 SMEs scattered throughout Indonesia.

Lending in terms of area or regional, Regional Division I Sumatera was ranked first as many as 33,058 MSE with Partnership Fund loan of Rp.701 Billion more. Followed by, Regional Division V East Java as much as 22,158 MSE, with a partnership loan program amounting more than Rp.550 billion. It is also proportional to the size of the region and the number of MSMEs in the region. Compared with the number of MSMEs that are fostered with the value of funds disbursed, the average UMKM get Rp.24,051,835, - If compared with the number of SMEs in Indonesia in the year 2016 as much as 52.507.530 UMKM, then MSMEs that are fostered by PT. Telekomunikasi Indonesia Tbk is only 0.243 percent.

Development of Partners and Partnership Fund PT. Telkom Based on Total SMEs from 2012-2016 are presented in Tables 1 and 2.

No	Sector	UMK (MB) Quantity					
		2012	2013	2014	2015	2016	Quantity
1	Industry	1601	703	2189	1892	1785	8170
2	Trading	4974	2130	6669	6977	6371	27121
3	Agriculture	171	102	222	229	200	924
4	Livestock	366	151	429	429	351	1726
5	Plantation	212	80	203	207	201	903
6	Fishery	295	113	296	333	276	1313
7	Services	1689	686	2115	1894	1750	8134
8	Others	38	10	40	20	22	130
<b>Total</b>		<b>9346</b>	<b>3975</b>	<b>12163</b>	<b>11981</b>	<b>10956</b>	<b>48421</b>

Source: PT. Telkom, 2017.

Based on Table 1 that the MSEs who become PT. Telkom partners is the trade business sector with the number of partners assisted during the last five years as many as 27,121 MSE followed by industry and service business sectors respectively 8,170 and 8,134 MSE's. The development of the number of MSE partners built by PT. Telkom for five years is fluctuated. In the year 2013 it experiencing a drastic decline, but in 2015 UMK fostered by PT. Telkom experienced a significant increase. The development of value of Partnership fund channel from PT. Telkom to UMKM Partner assisted by Business Sector from 2012-2016 is presented in Table 2.

No	Sector	Fund Allocation (IDR Billion)					
		2012	2013	2014	2015	2016	Quantity
1	Industry	52882	21328	70687	56207	60974	262078
2	Trading	148605	62540	206051	194079	203490	814765
3	Agriculture	58406	2571	6717	6796	7177	81667
4	Livestock	12101	4806	14868	12807	13287	57869
5	Plantation	4972	2068	6358	5558	5401	24357
6	Fishery	8625	3510	9753	9198	7967	39,053
7	Services	55690	20901	70216	55364	61459	263630
8	Others	2591	466	11773	949	1167	16946
<b>Total</b>		<b>343872</b>	<b>118190</b>	<b>396423</b>	<b>340958</b>	<b>360922</b>	<b>1560365</b>

Source: PT. Telkom, 2017.

Based on Table 2, we can see that there are fluctuations in PT Telkom's funds to 8 sectors namely industry, trade, agriculture, livestock, plantation, fishery, services, and others from 2012 to 2016, which decrease in 2013 compared to 2012, rising again in 2014, then declining in 2015, and increasing again in 2016 with a total amount of funds of IDR. 360,922,000,000.00. Total

salary of funds issued by PT Telkom during 2012 until 2016 for the eight sectors is Rp.1.560.365.000.000, 00.

In line with the number of MSEs that become partners of PT. Telkom, the largest distributed partnership fund is in the trade sector followed by service and industry sectors. This shows that most of PT. Telkom is channeled to businesses in the trade, industry and services sectors.

To achieve the target of PT Telkom's program, it is necessary to have partner loyalty to utilize PT. Telkom Indonesia product. PT. Telkom is the largest telecommunication company in Indonesia. Telkom has historically had a very large customer base which was initially dominated by PSTN services. Along with the development of technology, Telkom's way of business is also required to change in order to be able to maintain its position. One of the dedicated services is SME sector that has a very large population. With a sufficiently developed and adequate telecommunication infrastructure facility it is very possible for PT. Telkom to be able to offer the products and services to this potential sector. The occurrence of technological development also requires SMEs to be able to follow the trend of business development as well as e-commerce that will facilitate transactions without limited by the time and distance. Telkom currently has 9 products and services for SMEs that will be adjusted to the characteristics of relevant SMEs. The types of products and services ICT PT. Telkom, are:

1. Bostoko.
2. Connectivity and Internet.
3. UMKM Portal.
4. STAR Care.
5. STAR Cloud.
6. STAR Connect.
7. Telkomsel Update.
8. VPN Anywhere.
9. Wifi ID.

There are so many products and services of PT Telkom that can be utilized by SMEs in managing their business.

The need for partner loyalty, explained by researchers that loyalty is an aspect that will add value to the trademark of the company as a securitization asset. Conceptually, Griffin (1995) proposes the characteristics of loyal customers: makes regular repeat purchase, purchase across product and service lines, refers others, demonstration in immunity to the pull of the competition. Meanwhile, the fluctuation in the number of MSE partners and the number of fund flows as illustrated in Tables 1 and 2, is suspected to be due to the unfamiliar loyalty issues of the partners.

The condition, allegedly related to aspects of partnership development undertaken by PT Telkom with its partner SMEs. According to the Regulation of the Minister of State-Owned Enterprises of the Republic of Indonesia No. PER-09/MBU/07/2015 dated September 15, 2015 on Partnership Program and Community Development Program of State-Owned Enterprises, the understanding of Partnership Program is: tough and independent through the utilization of profit of SOEs.

The concept of partnership according to Lin (2013) is a long-term relation based on mutual recognition and understanding between the parties involved so that the success of each company depends on the other company. Partnership attributes are interdependence, trust, and commitment underpinning partnerships among business firms in dealing with upstream

suppliers, downstream customers, and market competitors. On the other hand, Yu & Shiu (2014) describe the components of partnership that include: Partner interdependency, in which case the companies work together to gain access to resources and to reduce environmental uncertainty; Partner commitment, is the extent to which parties' willingness to engage in cooperation to manage stable relationships, and maintain low cost relationships, and trust in relationship stability; Partner coordination, an attempt to harmonize the activities of members involved in the company; and partner trust, the willingness of one party to rely on others.

The facts presented above about the total fluctuation of the partner quantity and the amount of fund flow issued by PT Telkom to its partners can be said as an illustration of problems existence under the conditions of ongoing partnership.

On the other hand, to be able to maintain customer loyalty and reach new customers, the company must be able to guard and maintain the company's reputation in the eyes of the public, especially customers and potential customers. Good reputation is an invaluable treasure for any company because the reputation of a reliable, strong and solid company will become a great benefit. For companies engaged in the supply of goods and services, with a positive corporate reputation then this can protect the company from rival company attacks. A good and strong corporate reputation will grow into the "*Personality*" of the company, so that most people can understand and forgive the mistakes experienced by the company. A positive corporate reputation will make its customers loyal and hopeful when companies will deploy new products or brands, so companies need less effort and expense to promote their products to the market. Differences perceptions of corporate image in the minds of each customer will bring the impact of different perceptions of the customers on what the company offers. On the other hand, Fombrun et al. (2004) put forward five principles that are keys to building corporate reputation: corporate visibility, transparency, distinctiveness, consistency, and authenticity.

## Research Objective

Based on the background of the research, the research aims to examine the influence of reputation and partnership on the loyalty of PT Telkom's partner in Indonesia.

## LITERATURE STUDY

### Reputation

Fombrun et al. (2004) explain that corporate visibility, transparency, uniqueness, consistency and authenticity as the five principles that are key to building a strong corporate reputation. Gaultier-Gaillard & Louisot (2006) mentioned that reputation builds upon trust established by all stakeholders through precise and prior behavior and is a social construct that tends to rely on individual beliefs and perceptions. Van Der Merwe & Puth (2014) describe Corporate reputation is defined as a collective assessment of stakeholders about the character of the organization, which clarifies that the firm's trust (as subjective expectation and trust in organizational character) is the result of the company's reputation.

The company's reputation is built on ethical organization, intellectual property, ethical decision making, international dimension and progress of global communications, while according to some researchers, reputation depends on managerial or teaching relevance, scholarships and business school stakeholders.

Based on the study of various dimensions of the company's reputation, which involves many aspects such as corporate identity, image, physical environment, social responsibility, customer, price, corporate profit, corporate visibility, transparency, privilege, consistency and authenticity, resources, ethics, customer, accountable, etc., then the company's reputation dimension in this research covers corporate identity, image, physical environment, corporate profit, cost, customer value, and accountability.

## **Partnership**

The concept of partnership by Cravens & Nigel (2013), is an effort to work with stakeholders, including vertical relationships consist of supplier and customer relationships and horizontal relationships consist of lateral and internal partnerships. In Customer-Supplier relationship (Supplier Customer Relationship), suppliers and buyers of raw materials, substitutes and components, equipment, and services (such as consultation and maintenance) are linked together in a vertical distribution channel. The relationship between suppliers and customers varies from transaction to inter-firm cooperation. A transactional working relationship (tradable) is a simple exchange of basic products at competitive prices. In contrast, cooperative associations are much more interactive and make adjustments naturally. The union forms a strong social, economic, service and technical relationship for a long time. While internal relationships occur between business units, departments and individual officers, the goal is to further encourage and facilitate cross-functional collaboration of the specialization phase. Successful internal relationship strategy requires strong internal collaboration and is able to cross functional boundaries. While lateral correlation in the opinion of Dilk et al. (2008), is a collaboration between companies and other organizations.

Meanwhile, in another opinion, Grundey & Daugelaite (2009) distinguish vertical partnerships and horizontal partnerships based on partner locations. Vertical partnerships are partnerships between local (regional), national, and international organizations. Horizontal partnership is a partnership between organizations on the same level. While the definition of partnership by Grundey & Daugelaite (2009) is a form of cooperation with one or several natural and legal entities under a partnership agreement (contract), which allows parties to share benefits or losses with other partners and orientate towards achieving common goals by making efforts to evaluate possible risks.

In the opinion of Lin (2013) partnership is a long-term relation based on mutual recognition and understanding among the parties involved where the success of each company depends on the other company. Social interaction among business enterprises deals with upstream suppliers, downstream customers, and market competitors based on partner attributes of mutual dependency, trust, and commitment.

According to Sabiote & Román (2009), in his research mention that social things have a positive influence on customer satisfaction, trust, and positive word from mouth. In addition, long relationships between customers and companies mediate the impact of social things on customer satisfaction and trust. So from that research, it can be seen that customer and social relationships have an influence on customer trust and customer satisfaction. Then Ma (2012) finds that business partnerships are implemented on the relationship between consumers and service organizations, affective commitment and continuance commitment to service organizations, and personal relationships with service employees. On the other hand, researchers explain that the cooperating parties use trust as the basis and interdependent support model so called "*Partnership*".

Based on the study of the various dimensions of the partnership, which involves many aspects such as parties involved in partnership, as well as attitudes or characteristics in partnership, the dimensions of partnership in this study include dimensions: partnership agreement, objectives, commitment, coordination, and trust.

## Partner Loyalty

There are two main things that the company considers in the customer retention are:

1. The higher cost of acquiring new customers in the increasingly fierce competition climate, because the success in implementing a service quality strategy by a company is always followed by competitors.
2. The level of ability in earnings profits, directly proportional to the permanent growth of relationships between companies and customers.

Andres Kuusik (2007) argues that there are many approaches loyalty dominated since 1970 that reveals that loyalty is a function to create repeat purchases from repeat purchases or patterns from the purchase itself.

The repurchase function as a loyalty feature proposed by Oliver loyalists is a deep commitment to buy back or subscribe to a product or service efforts, as well as other matters that have the potential to move customers to competing companies. It is also in line with the concept of researcher that loyalty is a repurchase for the same prejudice and preference for a particular brand/company.

Interaction with many "*people*" is recognized to be directly consumptive to increased risk for customers. On the other hand, the high interaction between individuals, can also be an opportunity for the development of customer loyalty is getting better as well.

Researcher discloses that customer loyalty is a very strong commitment to consistently buying products or services of choice in the future, despite the temporary influence and marketing efforts that potentially lead to switching behaviour. Meanwhile, according to Griffin (1995), the concept of customer loyalty is more directed toward behaviour than attitudes, and loyal customers will exhibit purchasing behavior defined as non-random purchases expressed over time by multiple decision-making units. The loyalty view associated with customer behaviour is also stated by Foster (2000) that customer loyalty is built on a customer's "*trust*" attitude toward the company and the quality of customer relationships with those of the companies it encounters.

The measurement of customer loyalty includes several dimensions. Characteristics of loyal customers according to Griffin (1995), among others:

- a) Repeat purchase (make repeat purchase regularly).
- b) Purchase across product lines (purchasing outside the product/service line).
- c) Refers others (invites others).
- d) Immunity (showing immunity from the pull of competition, not easily affected by the pull of competition of other similar products).

Based on the comparative dimensions of customer loyalty, and adjusted to the unit of research analysis, the customer loyalty in this study includes dimensions: high repeat buy, patroness the company, closed from competing products or services (Closed to competitive product or service), and provide recommendations in encouraging the use of the company's product or service (Recommendation the company product).

## Development of Hypotheses

Valenzuela et al. (2010) that ethical reputation helps retain customers. In addition, Stanaland et al. (2010) found that CSR affects the company's reputation, consumer confidence, and consumer loyalty. The company's reputation and consumer confidence have a positive effect on consumer loyalty that is an important feature of a successful company. On the other hand, Tawinunt et al. (2015) that CRM has become one of the most important strategies in attracting and increasing tourist visits. CRM's main goal is to attract tourists while achieving customer loyalty.

Based on the search results of these studies, can be arranged hypothesis as follows:

*H1: Reputation and partnerships have an effect on partner loyalty*

## METHODOLOGY

To pursue the research purpose, quantitative research method that will be used is causality research. Causality research is intended to test the truth/fact/principle of an existing knowledge. "*Causality research is used to obtain evidence of caused-and effect (causal relationship)*" (Malhotra, 2010; Cardoso et al., 2018; Suryadi et al., 2018).

Observation using time horizon is cross section/one shot, meaning the information or data obtained is the result of research done at one particular time that is in year 2018. Researcher said that explanatory research can be done to test hypothesis by withdraw a random sample of a population.

The analysis unit according to the Sekaran & Bougie (2010) is "*unit of analysis refers to the aggregation of the data collected during the subsequent data analysis stage*". So the unit of analysis in this study is Small and Medium Enterprises who have received Corporate Social Responsibility (CSR) program from PT. Telkom Indonesia. While the unit of observation is the owners and managers of SMEs business.

Population in this research is all Small Business and Medium (UMKM) built by PT Telkom all Indonesia. Terms of SMEs to be the sample unit is SMEs that have become the guidance of PT. Telkom minimum 2 (two) years. Consideration that the SMEs who have been a partner Telkom minimum 2 years in the hope that the program has a significant impact on loyalty to utilize PT products of Telkom Indonesia.

The technique of determining the sample location using Cluster Random Sampling (CRS) with the following steps:

1. Creating a sampling frame that is a list of UMK Partners Assistance PT Telkom Indonesia as much as 7 Regional scattered throughout Indonesia.
2. Selecting MSE of Witel Partnership Partnership from Region I to Regional VII that become Telkom Indonesia's Bidder Partners.
3. Selecting the existing Partner in the Witel-witel as the sample location.

The sample size taken is about 100-150 subjects for the minimum sample size. According to Kelloway (1998) that in general the sample size of 100-200 observations which is an adequate minimum limit.

Based on that opinion is a reference to the minimum sample requirements used then the sample will be taken as many as 200 SMEs. The sample will be distributed to 7 Regional with



proportional allocation based on the population in each region and taken at random (Simple Random Sampling).

This analysis is to answer the research objectives, using Structural Equation Modeling (SEM). The use of SEM refers to the objectives as well as the paradigm and the research model, ie testing the causal relationship model between the latent variables (unobservable variable). SEM (Structural Equation Modeling) is a statistical technique capable of analyzing patterns of relationship between latent constructs and their indicators, latent constructs with each other, and measurement error directly. SEM allows for the analysis between some dependent and independent variables directly (Hair et al., 1994).

## RESULTS AND DISCUSSION

### Goodness of Fit–Outer and Inner Model

In PLS Path Modeling there are two models, outer model and Inner model. The test criteria were performed on both models. The inner model specifies the relationships between the independent and dependent latent variables, whereas the outer model specifies the relationships between the latent variables and their observed indicators

Structural model (inner model) explained relationship between latent variables. Inner model evaluated by R-square and Prediction relevance (Q-square) from Stone-Geisser's with variabel procedure. Refer to Chin (1998), the value of R-square amounted to 0.67 (strong), 0.33 (medium) and 0.19 (weak). Prediction relevance (Q-square) or known as Stone-Geisser's used to know the capability of prediction with blindfolding procedure. If the value obtained 0:02 (minor), 0:15 (medium) and 0:35 (large), and only used for the endogenous construct with reflective indicator. Here is the value R square and Q-Square for each construct.

<b>Latent Variable</b>	<b>R-Square</b>	<b>Cronbachs Alpha</b>	<b>AVE</b>	<b>Composite Reliability</b>	<b>Q square</b>
Reputation		0.948	0.764	0.958	0.681
Partnership		0.935	0.688	0.946	0.593
Loyalty	0.567	0.963	0.748	0.968	0.683

Source: SmartPLS 2.0.

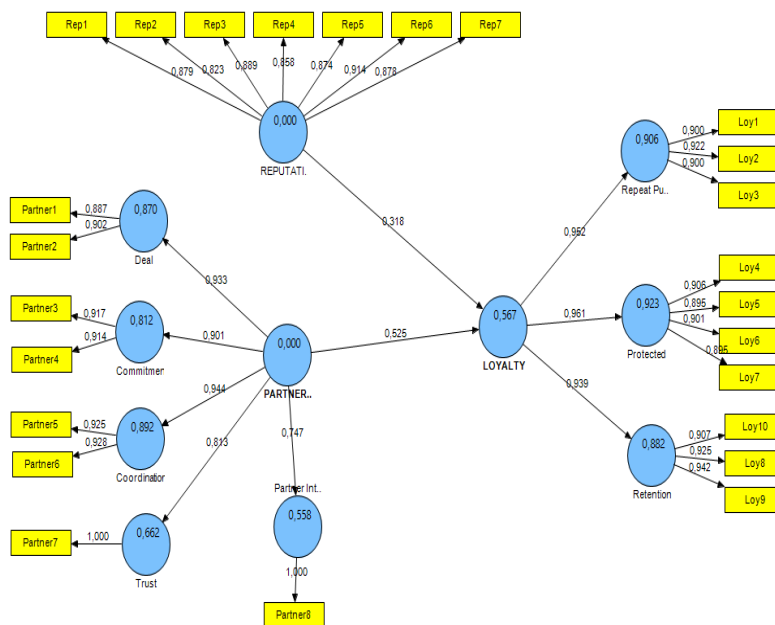
The Table 3 show the value of  $R^2$  from Loyalty as endogenous variable is in criteria more than enough ( $>0.33$ =medium), and Q square value is in large ( $>0.35$ ) criterion, so it can be concluded that research model supported by empirical condition or fit model. To check convergent validity, each latent variable's Average Variance Extracted (AVE) is evaluated. It is show that all of the AVE values are greater than the acceptable threshold of 0.5, so convergent validity is confirmed. Composite reliability and Cronbachs Alpha of variables  $>0.70$  show that all of variables in the model estimated fulfil the criteria of discriminant validity. Then, it can be concluded that all of variables has a good reliability.

<b>Indicator-Dimension</b>	<b><math>\lambda</math></b>	<b>SE (<math>\lambda</math>)</b>	<b>t-value</b>
<b>Loyalty -&gt; Repeat Purchase</b>	<b>0.952</b>	<b>0.013</b>	<b>72.708*</b>
Loy1 <- Repeat Purchase	0.900	0.021	42.879*
Loy2 <- Repeat Purchase	0.922	0.018	49.839*
Loy3 <- Repeat Purchase	0.900	0.019	47.684*
<b>Loyalty -&gt; Protected</b>	<b>0.961</b>	<b>0.009</b>	<b>108.272*</b>
Loy4 <- Protected	0.906	0.020	45.736*
Loy5 <- Protected	0.895	0.022	41.545*
Loy6 <- Protected	0.901	0.020	44.512*
Loy7 <- Protected	0.895	0.021	41.819*
<b>Loyalty -&gt; Retention</b>	<b>0.939</b>	<b>0.016</b>	<b>59.789*</b>
Loy8 <- Retention	0.925	0.016	57.937*
Loy9 <- Retention	0.942	0.014	66.839*
Loy10 <- Retention	0.907	0.023	39.748*
<b>Partnership -&gt; Deal</b>	<b>0.933</b>	<b>0.014</b>	<b>65.688*</b>
Partner1 <- Deal	0.887	0.020	45.267*
Partner2 <- Deal	0.902	0.013	67.242*
<b>Partnership -&gt; Commitment</b>	<b>0.901</b>	<b>0.020</b>	<b>44.175*</b>
Partner3 <- Commitment	0.917	0.013	70.387*
Partner4 <- Commitment	0.914	0.015	60.524*
<b>Partnership -&gt; Coordination</b>	<b>0.944</b>	<b>0.011</b>	<b>89.881*</b>
Partner5 <- Coordination	0.925	0.016	58.619*
Partner6 <- Coordination	0.928	0.015	60.919*
<b>Partnership -&gt; Trust</b>	<b>0.813</b>	<b>0.028</b>	<b>29.515*</b>
Partner7 <- Trust	1000		*
<b>Partnership -&gt; Partner Interdependence</b>	<b>0.747</b>	<b>0.066</b>	<b>11.363*</b>
Partner8 <- Partner Interdependence	1000		*
Rep1 <- REPUTATION	0.879	0.024	37.166*
Rep2 <- REPUTATION	0.823	0.042	19.392*
Rep3 <- REPUTATION	0.889	0.022	40.432*
Rep4 <- REPUTATION	0.858	0.032	26.810*
Rep5 <- REPUTATION	0.874	0.029	30.165*
Rep6 <- REPUTATION	0.914	0.018	52.193*
Rep7 <- REPUTATION	0.878	0.028	31.401*

Note: \*valid for  $\alpha=0.05$

The result of measurement model of dimensions by its indicators show that the indicators are valid which the value of  $t < 1.98$  (t-table at  $\alpha=0.05$ ). The results of measurement model of latent variables on their dimensions show to what extent the validity of dimensions in measuring latent variables (Table 4).

Following figure (Figure 1) show the complete path diagram:



**FIGURE 1**  
**COMPLETE PATH DIAGRAM OF RESEARCH MODEL**

**Structural Model**

Based on the research framework, then obtained a structural model as follow:

$$\eta_1 = 0.318\xi_1 + 0.525\xi_2 + \zeta_1$$

Where,

$\eta_1$ : Loyalty.

$\xi_1$ : Reputation.

$\xi_2$ : Partnership.

$\zeta_1$ : Residual.

**Hypothesis Testing Result**

Table 5 show the result of hypothesis testing simultaneous and Table 6 result of hypothesis testing for partially.

- a. **Simultaneous hypothesis testing:** Below is the result of simultaneous testing of hypothesis.

Table 5 SIMULTANEOUS TESTING OF HYPOTHESIS			
Hypothesis	R <sup>2</sup>	F	Conclusion
Reputation And Partnership-> Loyalty	0.567	63.526*	Hypothesis accepted

Note: \*significant at  $\alpha=0.05$  (F table=3.09).

Based on the table, it is known that within the degree of confidence of 95% ( $\alpha=0.05$ ) simultaneously there is the influence of Reputation and Partnership significantly to Loyalty, amounted to 56.7%, while the rest of 43.3% is affected by other factor did not examined.

**b. Partial hypothesis testing:** Below is the result of partial testing of hypothesis.

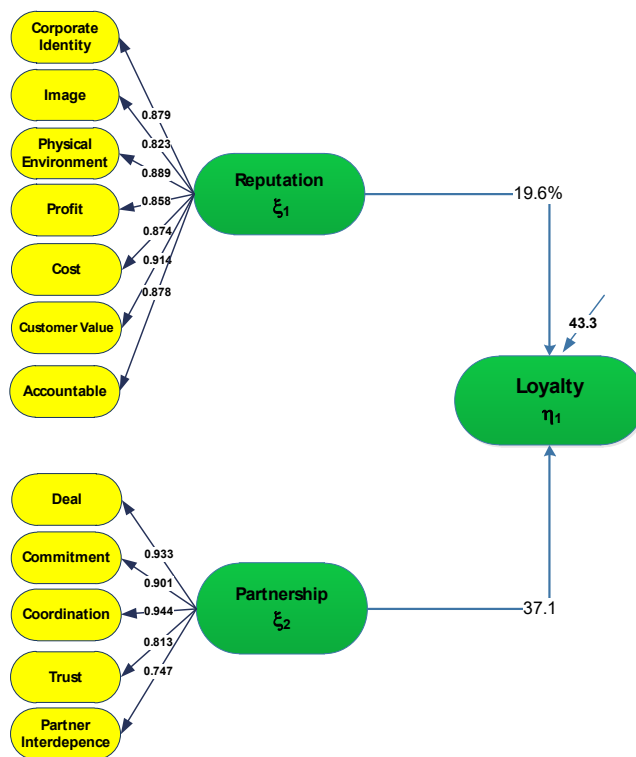
Table 6 PARTIAL TESTING OF HYPOTHESIS					
Hypothesis	$\gamma$	SE ( $\gamma$ )	t	R <sup>2</sup>	Conclusion
Reputation -> Loyalty	0.318	0.123	2.581*	0.196	Hypothesis accepted
Partnership -> Loyalty	0.525	0.091	5.757*	0.371	Hypothesis accepted

Note: \*significant at  $\alpha=0.05$  (t table=1.98).

The table show that partially, reputation and Partnership influential significantly to Loyalty, which is Partnership has a greater influence (37.1%).

**Research Finding**

Based on hypothesis testing result, will describe the research model finding (Figure 2).



**FIGURE 2  
RESEARCH FINDING**

The purpose of this study is to examine the influence of reputation and partnership on the loyalty of PT Telkom's partner in Indonesia, and the research findings show that both reputation and partnership have a significant effect on partner loyalty. This finding shows a support for the

hypothesis developed. Partnerships have a greater role than reputation in enhancing partner loyalty.

Partnership aspects that play the biggest role in increasing loyalty are coordination, followed by deal, commitment, trust, and partner interdependency. While the reputation aspect that plays the biggest role in increasing loyalty is customer value, followed by physical environment, corporate identity, accountable, cost, profit, image.

These findings thus support the results of Valenzuela et al. (2010) studies that ethical reputation helps retain customers. In addition, the finding also support the finding of Stanaland et al. (2010) who found that company's reputation and consumer confidence have a positive effect on consumer loyalty that is an important feature of a successful company. On the other hand, this finding also in line with the finding of Tawinunt et al. study (2015) that customer relationship has become one of the most important strategy in achieving customer loyalty.

However, the results of this study is different from the research of Caruana et al. (2015) that company reputation influences customer loyalty mediated by customer satisfaction. While in this study, reputation directly affects customer loyalty, although with a lower influence than the partnership.

So the findings of this study develop the results of previous research on factors that influence loyalty behaviour. This finding also have implications for the management of PT Telkom in an effort to increase partner loyalty through partnership enhancement efforts supported by better reputation recognition among stakeholders.

## CONCLUSIONS

The results showed that the reputation and partnership had a significant effect on partner loyalty. Partnerships have a greater role than reputation in enhancing partner loyalty. Partnership aspects that play the biggest role in increasing loyalty is coordination, followed by deal, commitment, trust, and partner interdependency. While the reputation aspect that plays the biggest role in increasing loyalty is customer value, followed by physical environment, corporate identity, accountable, cost, profit, image.

This finding is expected to be beneficial to the management of PT Telkom in an effort to increase partner loyalty through partnership enhancement efforts supported by better reputation recognition among stakeholders.

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