Effect of Customer Co-Operation Capability and Corporate Image on Firm Financial Performance with Mediating Role of Customer Loyalty

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ABSTRACT
Customer loyalty is very essential for better performance of any business. This study envisioned to investigate the influence of customer cooperation capability and corporate image on financial performance of pharmaceutical firms. This study also aimed to investigate the mediation effect of customer loyalty between the relationship of customer cooperation capability and corporate image with financial performance. For the achievement of objectives of the study, quantitative research approach with cross-sectional research method adopted. PLS statistical software was employed data analysis. This study found that customer cooperation capability and corporate image have significant and positive influence on customer loyalty and customer loyalty enhance the financial performance of Indonesian SMEs. Moreover, results also illustrated that customer loyalty has significant mediation role between customer cooperation capability and corporate image and financial performance of Indonesian pharmaceutical firms. The study contributes in existing body of literature and offer fresh empirical evidence regarding the influence of customer cooperation capability and corporate image on financial performance of Indonesian pharmaceutical firms. Findings of this study are significant for policy makers of pharmaceutical firms.

Keywords: Customer Cooperation Capability, Corporate image, financial performance.

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INTRODUCTION
Any business especially pharmaceutical organizations may attain higher financial outcomes in response to the greater “customer cooperation capability” (CCC). In the literature of cooperation development and services with PSF (Ngo & O’cass, 2013; Woo & Emnew, 2005), CCC may be defined accordingly the PSFs’ competence collaboratively work with customers of the business for effective information sharing, opportunities exploration, taking decisions technically and resolving the issues of design, growth, and distribution of professional services. Cooperation regarded as the set of combined tasks among businesses that are working in the context of supply chain at the level of difficulty (Siahtiri, 2017). Moreover, these activities consisting of a range of integrated operations likewise problem resolving (Woo & Emnew, 2005), highlighting new opportunities to strengthen the relations with business counterparts(Giesler & Veresiu, 2014), and information sharing (Carbonell, RodriguezEscudero, & Pujari, 2009). In the result of this high interaction of relations and strong integration of resources will produce (Egert, Thiesbrummel, & Deutscher, 2014; Von Nordentlycht, 2010), service and products with the decreased cost that ultimately will enhance financial performance of the business (Kohtamäki, Partanen, & Möller, 2013; Ilen, Eisingerich, & Tsai, 2015).

The conflicting opinions of researchers create various ambiguities with regard to the customer collaboration, customer affiliation, challenge and its effectiveness on the financial performance of business Managers of pharmaceutical business pay their focus to understand that in what ways the adverse impacts of customer cooperation may be reduced for enhancing financial outcomes of the business. By keeping view the concerns of mangers, the researcher in this study adopt a different approach from the existing literature instead of incorporatingmerely on the positive or adverse impacts of client cooperation on financial outcomes, this study incorporate favourable and non-favourable component of customer cooperation with a comprehensive framework by hypnotizing association of customer cooperation and business financial performance. Financial performance of the business depends upon the competitive advantage that is resulted from thecustomer loyalty (Kang, Hur, & Kim, 2014). Accordingly, Uncles, Dowling, and Hammond (2003) defines that customer loyalty is the willingness of customer to continue with the same brand or service supplier. Moreover, it is the commitment of buyer with facility, product, or brand. There are diversity of the behaviours involved in the customer loyalty (Hosseini, Maleki, & Gholamian, 2010; Ishaq, 2012). A client may possibly get motivation of loyalty from the recognition and value provision of service provider. There are various studies that recommend that business may reap more profit by retaining their existing customers instead of managing previous ones (Santouridis & Trivelas, 2010). Additionally, researchers concluded that customers that are loyal are less intended to swath the company for the reason of price but they also involved in positive word-of-mouthin referring other customers (H. A. Lee & Lambert, 2008).

Anderson and Srinivasan (2003) argued 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”. Above explanations indicate the importance of customer loyalty that results in the development, and sustained survival of the businesses. In response to the greater competition in service industry, firms respond to competition by implementing retention strategy rottenly (Bakti & Smaeedi, 2013). Greater loyalty of customers will produce better efficiency and better financial performances. Various studies have emphasis on the examination of
customer loyalty with respect to the antecedents (McMullan & Gilmore, 2008; Yi & Gong, 2008). Additionally, researchers have investigated the customer loyalty and customer satisfaction with moderation relation of the switching costs (Ishaq, 2012; Valenzuela, Mulki, & Jaramillo, 2010). Moreover, prior scholars attempted to study the relation of company image, expected value and service excellence and their impact on customer loyalty (Andreason & Lindestad, 1998; Chang & Fong, 2010). However, current research has the aim of examining the influence customer cooperation capability and corporate image on financial performance of Indonesian pharmaceutical firms with mediating role of customer loyalty. Better financial performance is dependent upon the efficient management of these relations and conducting of processes that help customer cooperation (Jaakkola, Helkkula, & Aarikka-Stenroos, 2015). Customer cooperation capability is significantly important in the context of service industry where business attempt to resolve issues of customers associated with business and deliver complex, information-centered facilities to customer cooperation (Asmayadi & Hartini, 2015).

It is obvious that only customer resources are not the elements that determine effective financial performance of the business but these resources are regarded one of the most significant elements. Customers largely provide assets in the result of cooperation in various ways at the various levels of difficulty (Asmayadi & Hartini, 2015). By considering customer resources with in the process of service provision, avoiding from delivering wrong product or diminishing the expenses of eliminating error, may results in the cost reduction of the process that ultimately will improve financial outcomes of business. On the other hand, it is regarded as a great challenge for managers to manage cooperation in the service process with regard to the financial performance of the business because various customers are not willing to cooperate or have the inappropriate information and skills of cooperation (Mustak, Jaakkola, & Halinen, 2013; Santos & Spring, 2015). Moreover, importance of customer loyalty in any organization cannot be overemphasized. However, previous researches have shown that achieving 100% loyalty threshold is almost impossible and unusual since many of the customers different industries today are patronizing multiple brands (Rust, Lemon, & Zeithaml, 2004). In this era of hard competition, getting customers loyalty is becoming challenging due to high competitions (Salimon, Yusoff, & Abdullateef, 2013).

**LITERATURE REVIEW**

Accordingly, Knowledge based view (KBV) recommend that for the achievement of higher growth and performance, business are required to gather information that is based on the business mobilizing assets and competences (Rungtusanatham et al., 2003). For that, mobilizing resources and competences are essential for enjoying market opportunities and variations (Abahoe, 2016; Helfat & Peteraf, 2003). Furthermore, Li et al. (2019) recommend that accumulated customer information and technological knowledge are both significant knowledge resources that support capabilities to enhance in response to market disparities. In the prior studies of cooperation, researchers have focused on the significance of confidence and assurance for the expansion of theses relations (Lui, Wong, & Liu, 2009). In contrast, other researchers focus on the contextual elements that include (Lui & Ngo, 2012), values (Brito, Brito, & Hashiba, 2014), action, response and cooperation patterns (Lui & Ngo, 2005). Hence, it can be concluded that previous researchers have paid less focus on the significance of customer information that is essential for the provision of customized and knowledge-centered operations in the customer cooperation. Moreover, effective customer cooperation demand developed level of experience and information that results in the development and enhancement of customer assurance (Siadthiri, 2017).

**Firm financial performance**

With regard to the strategic management perspective, performance is regarded as one of the most significant constructs (M. J. Lee & Jang, 2007). However, in spite of its relevance, researchers are debating about the performance with regard to its conceptualization, dimensions, and evaluations (Bourne et al., 2013). According to the research of Venkatraman and Ramanujam (1986), business performance is regarded as a multidimensional concept (Morgan and Strong, 2003; Simpson et al., 2012) that include the financial and operational performance, as well as its corporate effectiveness with regard to the reduced amount of internal errors, application of appropriate and suitable activities, resource execution, and attainment of desired goals. With regard to the stakeholder theory, business performance concerned with the productivity, market worth and expansion (Vij & Bedi, 2016). On the other hand, by considering its multidimensionality, various researches evaluated the financial performance with the application of only one predictor that makes it a one-dimensional construct. In fact, evaluation of financial performance is a most critical factor (Sosiawani et al., 2015). In the research, numerous researchers have unanimous opinion that objective measures of performance are more appropriate than the subjective measures that depends upon the self-assessed judgments of managers (Jaafar & Sharif, 2014). Moreover, objective measures with regard to the small- and medium-sized enterprises (SMEs) are not easy to gather. Maximum number of the pharmaceutical businesses is solely owned that are not essentially required to publish their financial reports (Harash, Al-Tamimi, & Al-Timimi, 2014). If these reports are published, these may consist of biased data and information because of weak auditing system. Additionally, owners are reluctant to reveal their financial information for external in general (Leitner & Güldenberg, 2010). For the reason, various researchers have applied subjective and perception-based measures for the evaluation of performance multidimensionality. Therefore, current study also used subjective measures for the measurement of financial performance of Indonesian pharmaceutical firms.
Hypotheses Development

Customer Cooperation Capability (CCC) and customer loyalty

Prevailing definition of CCC is in line with the studies that regard customers as the active contributors rather than passive contributors (Shin et al., 2017). With regard to the capability construct, resources and competences are the key sources of competitive uniqueness and businesses that are good at developing these competencies enjoy a great level of development and financial outcomes (Helfat & Peteraf, 2003). Accordingly, Aarikka-Stenroos and Jaakkola (2012) having the opinion that customers should cooperate keenly with business in a set of activities that range from the information sharing about the business necessities, objectives interval, and budget to exchange their market information and understanding (Peled & Dvir, 2012). On the other hand, researchers argue that customers participate their resources with respect to the decision making on managerial and technical challenges, and highlight available opportunities for the development of new products (Muskat et al., 2013). Literature on the cooperation with various perspectives of business support the opinion that member involved in the resource sharing include information distribution, cooperative problem resolving, target setting, and opportunity pursuing (Chan, Yim, & Lam, 2010). By studying the extensive literature of employed relationship of the business and customer during the course of service and product delivery process, it is witnessed that the association of customer and business is a cooperative association instead of modest contribution in the service competition. Many of the researchers have witnessed the direct relation of customer cooperation on innovative service outcome, facility performance, and sales outcomes (Apennes Solem, 2016). However, some of the scholars have highlighted association of the variables (Melton & Hartline, 2010). Illustratively, Melton and Hartline (2010) argued that customer cooperation with regard to the new service expansion procedure impact on the sales rate.

However, Tsai, Wu, and Huang (2017) have the opinion that some of the customers are not willing to cooperate or face lack of cooperation abilities and skills. This study hypothesized that:

H1. Customer cooperation capability has significant association with customer loyalty.

Corporate Image and customer loyalty

Corporate image has been critically considered as an important factor that determines overall organization and corporate success (Kandampully & Hu, 2007; Melewar, Sarstedt, & Hallier, 2012). This assertion is based on the fact that the business image lies in the mind of the users and forms the benchmark which customers use to judge the reliability of the product and service providers (Abd-El-Salam, Shawky, & El-Nahas, 2013). Even though image has been regarded as an important asset which a company can possess however, a globally definition of it does not exist (Pina et al., 2006). The diverse view of image considers it from two perspectives of organization and marketing literature (Keisliou et al., 2013). From the perspective of organization, image is considered as the way employees of a company would want external customers to perceive their company. On the other hand, the suggestion of marketing literature regards image of a bank as the feelings of all the customers and other external stakeholders with respect to their attitudes and beliefs for it (Bravo, Montaner, & Pina, 2012). Importantly, this concept has been widely applied to explain the way customers feel about a business, the services, and products which the company offers and its reputation which can generate value (Fatollahiazadeh, Hashemi, & Kahreh, 2011).

A company can maintain a good marketing standing and increase its share of the market if the customers are holding good perception about the company (Korda & Snoj, 2010). However, the specific association of company image and satisfaction has been a subject of debate. In this instance therefore, previous studies have established a diversification of image and customer loyalty (Elbakoush, 2015; Fatma & Rahman, 2014). The study of Rahman, Rashid, and Khalid (2014) had the objective of investigating the impact of store image on client satisfaction and loyalty among grocery retailing outlets in Russia and conducted a study among 1000 customers. The test of the conceptual model of the study which was based on a simple path model which shows a connection that happens among independent variable of the and dependent variables of the study reveals that store business image has stronger effect on customer satisfaction than store loyalty. The study further shows that store as a brand, that is the ways the retailers perform their functions tend to be more important than what the store offers and this will greatly lead to client satisfaction and loyalty.

Furthermore, the study that was conducted by Abd-El-Salam et al. (2013) equally aligned with the findings Martensson (2007). The authors having the objective of exploring the relationship that exists among corporate image, service excellence, client satisfaction and loyalty conducted a study in Egypt. The result of the study indicates that there is significant relationship among the variables of the study. In addition, Minkiewicz et al. (2011) empirically examined the link that exists between customer satisfaction and corporate appearance in the flexible services sector. The findings of study revealed that corporate image significantly influenced customer satisfaction. The practical implication of the study suggests that the service provider must give priority to their strong and clear image in order to ensure customer satisfaction. The study further asserts that for corporate image to be used for the enhancement of customer satisfaction, organizations must pay attention to the issues of mission, modernity, agreeableness, adventure and competence.

It is also important that the management must monitor the manners in which employees conduct themselves with respect to their responsibilities, organizations, sincerity and sociability as such can boost the image of the company and will subsequently lead to customer satisfaction and loyalty. Tu, Wang, and Chang (2012) indicated that business image has a substantial impact on client satisfaction and loyalty. The implication of the study suggests that for any organization to sustain mutually profitable and long-term relationship with customers,
special focus should be paid to corporate image and its components. Achieving long term and profitable relationship will eventually lead to competitive advantage and increase in the share of market. In addition, the study of (Ishaq, 2012) revealed that company image among other factors significantly influenced customer satisfaction. The implication of their study proposes that since image has a significant role in creating value and building customer satisfaction, it highly essential that management puts a serious mechanism in place that will help to monitor enhancement of image among the customers. Their findings are equally applicable to the pharmaceutical sector. Therefore this study hypothesized: H1. Corporate image has significant association with customer loyalty.

Customer loyalty and financial performance

Concept of customer loyalty is central to both academic and organizational practices. Importantly, the era of stiff competition among organizations and the ubiquitousness of the commercial banks in the recent time have particularly called for management of customer loyalty through which the service providers can maintain competitive advantage (Aydin & Ozer, 2005). For any organization to sustain brand longevity it must take into consideration concept of customer loyalty as a key component of its activities (Hunja et al., 2011). Perhaps this notion has made several academic scholars to delve into what customer loyalty involves from different perspectives. This particularly implies that there is no universally acceptable definition of loyalty. For instance, Bowen and Chen (2001) defines customer loyalty as a genuinely held commitment to continue to buy or re-patronize same product or service that is preferred consistently in the future in spite of alternative offers and other distractions that can cause switching behaviour. Uncles et al. (2003) in their initial conceptualization regarded customer loyalty as a behaviour that is formed towards a particular product over time. According to Setó-Pamies (2012), loyalty behaviour varies and this may include repetitive purchases from the same service provider or an improvement in the level of relationship with one supplier. In addition, Dick and Basu (1994) believed that loyalty is caused by a strong internal disposition and which eventually leads to continuous purchases with same supplier. Based on different perspectives of customer loyalty, this study aligns with the position of Oliver and defines Customer loyalty as the genuine feeling and attitude of customers to continually patronize a particular service provider irrespective of outside attractions and other situational influences. Furthermore, earlier scholars such as Mostert, Petzer, and Weideman (2016) regarded loyalty as the deliberate purchase displayed overtime by an individual or an organization with respect to one certain brand or set of brands. The implication of this therefore suggests that a customer that who is loyal will remain with the bank over a period of time and will likely patronize any form of new services/products and perhaps make positive referrals for their banks (Mostert et al., 2016). Other scholars have also argued that customers may display different levels of loyalty towards their service providers (Lam, Burton, & Lo, 2009). The benefits of customer loyalty are tremendous and have been documented in literature. For instance some authors believe that when customers are loyal, the income of company will increase since such loyalty will lead to buying more services and products (Mohammed & bin Rashid, 2012). Other scholars assert that loyalty brings about new businesses through referrals while others maintain that it can reduce cost of operation since it is quite expensive to recruit new customers than retaining the ones (Ahmad, 2011).

Both attitudinal and behavioural components may be applied for the measurement of loyalty (Keisidou et al., 2013). In fact, attitudinal elements represent the mental and emotional affection regarding loyalty that is applied to comprehend the cognitive elements that indicate the purchasing intentions and potential actions (Tseng et al., 2017). These elements are regarded as the value added to the products (Kushwaha & Agrawal, 2014). Additionally, behavioural elements emphasis on the previous purchasing patterns of customer (Fathollahzadeh et al., 2011) and is evaluated through the repeating purchases that indicate the behaviour of customers toward a particular product. Word-to-mouth publicity refers to the active loyalty of customers and their willingness to purchase that particular product or service. On the other hand, passive loyalty refers to the situation where customers are not completely satisfied with the service delivered or goods purchased but they prefer to continue with that company (Fathollahzadeh et al., 2011). Hence, true loyalty is regarded as the situation where customer remains with the company even when they are not fully satisfied with the services of the business (Bravo et al., 2012). So, loyalty which is categorized by commitment is termed as premium quality (Gounaris & Stathakopoulos, 2004). Additionally, (Tucker, 1964) has the opinion that brand loyalty is the result of biased and combined features that do not contribute similarly to the decision of purchaser. Loyal clients are featured as the consistent buyer, endorsing the brand to others, defending bad comments against it by strongly advocating their selections (Moorthy et al., 2018). In the similar ways, Lai, Griffin, and Babin (2009) recommended that loyalty enhances the financial outcomes of business. Therefore this study hypothesized:

H1. Customer loyalty has significant association with Financial Performance.

H2. Customer loyalty mediates the association between Customer cooperation capability and corporate image with financial performance.

Research Framework

Contemporary study is intended to examine the proposed influence of customer cooperation capability and corporate image on financial performance of Indonesian pharmaceutical firms with mediating role of customer loyalty. Thus, the proposed research framework is presented Figure 1.
METHODOLOGY
The research design serves as a road map to the entire project as it provides guide on how the research questions will be answered (Saunders, Lewis, & Thornhill, 2007). It does provide comprehensive steps to be followed in the research as it sheds light on hypotheses formulation, population of the study, unit of analysis, data collection procedure and data analysis strategy. This study was used descriptive survey design. In doing so, hypotheses shall be formulated while survey shall be used in determining the interrelationships and distribution among the constructs of this study. The population of this study is therefore all the customers and managers of pharmaceutical firms in Indonesia. However, for effectiveness and time frame of this study, a representative sample was chosen for the study. The sample of individual customers that were chosen forms the unit of analysis of this study. In collecting the data of this study, questionnaire were designed and be distributed to the respondents. The data was analysed by using PLS software.

Analysis and Discussion
The data have been analysed through both descriptive statistical tools and Structural Equation Modeling (SEM) technique. SEM regarded as second generation multivariate analysis technique which made an avenue for the researchers to carry out path-analytic modeling with the latent constructs (Hair et al., 2017). Moreover, researchers enjoy more flexibility in SEM while interaction between theory and observed data (Chin, Gopal, & Salisbury, 1997).

Measurement Model Assessment
The assessment of measurement or outer model has been conducted at the first stage of PLS-SEM analysis approach. The relationship between observable variables (items / indicators / manifests) and underlying unobserved construct is identified by the assessment of outer or measurement model. Therefore, suitable items have been used for the operationalization of the construct as suggested by Churchill Jr (1979). The measurement model of the present study has been developed through reflective indicators because the indicators of the respective constructs that are used in this study resemble to the reflective nature with the constructs (i.e., items are caused by the construct). In addition, in measurement model analysis, the loadings for each item have been calculated to define the constructs theoretically. Moreover, the measurement model examined that the items (survey instrument) used for measuring the construct is reliable. In addition, the validity of the model of the study is examined to measure the soundness of the items. The results of measurement model are given in Table 1 and Table 2.
Structural Model
PLS-SEM path modelling technique has been used to analyse the structural model or inner model of this study. Structural model examines the relationship among the constructs developed in accordance of the hypotheses of the study. In addition, theoretical and logical reasons were followed while relationship among constructs has been hypothesized. Thus, the results of PLS-SEM structural model of this study examined the predictive power of the model and the relationship among the constructs (Hair et al., 2014).
Table 3 demonstrated the results of structure model assessment for direct relationship. Findings indicated that Customer Cooperation Capability (CCC) significantly influence to customer loyalty. The \( \beta \) value 0.345 directed that it has positive relationship with customer loyalty. The \( t \)-value 6.023 is greater than the standard value that illustrates \( H_1 \) is supported by statistical data. Corporate image also significantly affect customer loyalty. \( H_2 \) also accepted and supported by analysis because \( t \)-value is 11.379 is higher than to cut-off point and it indicated that \( H_2 \) accepted at 1% level of significance. This study also found that significant association of customer loyalty with financial performance pharmaceutical firms.

The mediating effect is the indirect effect (via mediating variable) on the variance of dependent variable in relation to the direct effect of independent variable on the variance of dependent variable. Statistical analysis shows that customer loyalty significantly mediate the relationship between of customer cooperation capability with financial performance of firms. Moreover, customer loyalty also mediates the relationship of corporate image with financial performance of pharmaceutical firms in Indonesia.

**CONCLUSION**

This study intended to explore the effect of customer cooperation capability and corporate image on financial performance of pharmaceutical firm in Indonesia with
mediating role of customer loyalty. To investigate the proposed relationship between variables, cross-sectional method used to collect the data from respondents. PLS software used to analyse the collected data. This study found that cooperation capability and corporate image have significant relationship with customer loyalty and customer loyalty significantly influence financial performance of the firms. Results also indicated that customer loyalty significantly mediate the relationship of customer cooperation capability and corporate image with financial performance of pharmaceutical firms in Indonesia. Results indicated that customer cooperation capability and corporate image are very important for customer loyalty and customer loyalty ultimately boost the financial performance of firms. Findings of this study could be helpful for the policy marker of SMEs regarding customer cooperation capability and corporate image. Findings of this study could be helpful to make the policies regarding the financial performance of firms.

REFERENCES


