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Analyzing the Effect of Prior Experience and Social Differentiation on Customer Loyalty at PT. Pegadaian Tebing Tinggi, Indonesia

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Abstract: This study analyzes the effect of prior experience and social differentiation on customer loyalty at PT. Pegadaian branch of Tebing Tinggi City. This research is quantitative descriptive. The population of this research are customers at PT. Pegadaian branch of Tebing Tinggi totaling about 1000 people. The research sample amounted to 100 people with the sampling technique using incidental sampling. The number of samples was determined using the Slovin formula. The type of data used is primary data. Methods of data collection using a questionnaire. Data were analyzed using multiple linear regression analysis method. The results of the analysis show that prior experience and social differentiation partially or simultaneously have a significant effect on customer loyalty. In conclusion, this study indicated that prior experience has a significant effect on customer loyalty. The social differentiation has a significant effect on customer loyalty and prior experience and social differentiation simultaneously have a significant effect on customer loyalty at PT. Pegadaian branch of Tebing Tinggi City, Indonesia.

Keywords: prior experience; social differentiation; customer loyalty.

1. Introduction

In the current era of globalization, competition between business services in Indonesia is getting tighter, both between state-owned services companies (BUMN), both private and private trade-in services, which are now increasingly mushrooming in the community by taking advantage of the opportunities that exist today. To win the competition or just survive in today's competition, the company must have a strong vision and mission to achieve company goals as effectively and efficiently as possible. In general, companies have the same goal, namely to obtain the maximum profit and be able to maintain the life and performance of the company. Therefore, companies are required to utilize existing resources effectively and efficiently for the achievement of these goals. In this case, the leaders concerned must establish policies that are in line with the achievement of company goals by utilizing good resources in marketing production resources, finance, and human resources. In this case, the human resource factor is

very vital in the company because every human being has different characteristics, behaviors, thoughts and desires. Therefore, professional management is needed in managing it so that every related party has the same thoughts in terms of achieving company goals.

In general, people use trade-in services as a solution for getting capital that is easy and fast. The need for capital is also increasing. PT. Pegadaian (Persero) as a non-bank financial institution engaged in state-owned trade-in is an alternative that can be used by the public. Gold investment is one type of investment that is in great demand by the public. Many bank and non-bank financial institutions offer services to invest in precious metals, including PT. Pegadaian (Persero). One of the products owned by PT. Pegadaian (Persero) is a precious metal investment. This product can be a solution for people to invest with a process that is quite easy and fast. This precious metal investment is one of the mainstay products owned by PT. Pegadaian (Persero) in addition to other products, such as Fast Secured Credit (KCA) and Fiduciary Installment Credit (KREASI). Although this investment product is a product that does not last too long when compared to other products and services at PT. Pegadaian (Persero), but this product is one of the products that many people choose as an alternative to their investment at this time.

The determination of the purchase price of precious metals at trade-in shops is not the same. PT. Pegadaian (Persero) sets a higher price for customers who use purchases with a longer installment period. This happens because, the longer the selected period, the greater the total price that must be paid by the customer. The fast and easy process for purchasing precious metals on credit at trade-in shops is not matched by customer knowledge about how to calculate gold purchases in installments. Nowadays, customer loyalty is a strongly held commitment to repurchase or subscribe to certain products or services in the future despite the influence of the situation and marketing efforts that have the potential to cause a shift in customer behavior. Consumer loyalty can be seen from the behavior of repurchasing to a service provider, having a positive attitude towards the company, and considering only using the company if the need for the service arises again. When someone becomes a loyal customer, then he will show buying behavior which is defined as a purchase. Loyal customers have a commitment to defend the company or products produced by the company from negative things, even loyal customers will recommend products that can satisfy their needs to others even though the customer has not made a purchase at the company.

Several factors that influence customer loyalty are prior experience and social differentiation. Experience is often the result of direct observation and or participation in activities, whether they are reality, wishful thinking, or virtual. Prior experience refers to the real customer or customer experience of the brand, product or service offered by the company to increase sales. where prior experience is the previous experience of customer loyalty in choosing a trade-in shop. Experience can be said as something that has been experienced (lived, felt, borne). Experience is a process of learning and increasing the potential for behavior from both formal and non-formal education, experience can also be interpreted as a process that leads a person to a higher pattern of behavior. Social differentiation is the horizontal differentiation of community members, meaning that this distinction still has the same degree or level. For example, community distinctions based on differences in race, ethnicity, ethnicity, religion, occupation, and gender are not higher or lower than one another. That is, the differentiation can show the diversity of a nation.

2. Literature Review

2.1. Prior Experience

Experience is an event that is personally experienced in response to some stimulus (such as when given a marketing effort before and after a purchase). The importance of customer experience to improve business performance means that retailers must understand how to ensure a good online customer experience optimally, so as to increase customer satisfaction (Rose et al., 2012). According to Lamb et al., (2011) prior experience occurs when consumers have had previous experience with goods or services and the level of involvement usually decreases. Prior experience can be measured using indicators (Lamb et al., 2011) as follows:

- Product usage is a search for information about something that wants to be used. For example, he will try one product before he tries another product to know about the product.
- Performance consumption is an activity that uses a product to either increase or decrease the use of the product.
- The state of the mood is the satisfaction or expression of the consumer's heart after using the product he uses.
- Consumption experience is knowledge about a product that has been used.

2.2. Social Differentiation

Differentiation or social grouping in the sense of social differentiation does not contain differences in stages but differences from one another. (Ritzer, 2004) state that, social differentiation arises because of the division of labor, differences in religion, race, (grouping of individuals on the basis of cultural similarities, such as language, customs, history, attitudes, region), or gender differences. In society, there are often judgments that view these differences with a

vertical dimension. The horizontal grouping of people creates feelings of in-group and out-group on the basis of profession, occupation, ethnicity, race, religion and so on. Setiadi, (2011) explain that social differentiation is understood as differentiating/separating people into groups or groups horizontally (not in stages). Social differentiation arises as a result of the division of labor (as in the structure of modern society), differences in gender, ethnicity (grouping of individuals on the basis of cultural similarities (such as language, customs, history, attitudes, regions, etc.), religion, race (grouping of individuals on the basis of physiological characteristics), professions and so on are not hierarchical but are parallel and horizontal. Differentiation is the process of adding a set of valuable differences to differentiate the company's offering from those of competitors (Kotler, 2012). Aspects that can be differentiated within a company include the products it produces, additional services or services, personnel, distribution channels and company image. The indicators that show the capability of the differentiation group are:

- Differentiation group knowledge of the product shows how deep this differentiation group knows product specifications that are informed to other consumers.
- Differentiation group activity shows how often this differentiation group provides information to consumers about the product so that consumers feel interested in the product in question.
- The attraction of differentiation groups, this attraction leads to the performance (appearance) of the differentiation group, for example the attractiveness of his speech, the attractiveness of his neatness, and so on.
- Experience from differentiation group, the experience of the differentiated group in consuming or using the product is informed to consumers.

2.3. Customer Loyalty

According to Tjiptono & Chandra, (2019), loyalty is re-purchase behavior solely regarding the purchase of the same particular brand repeatedly (could be because it is the only available brand, the cheapest brand and so on). Meanwhile, according to Kotler, (2012), loyalty is a deeply held commitment to repurchase or subscribe to a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause consumers to switch to another product. Some aspects of loyalty according to Kartika et al., (2019) are:

- Attitude is something complex, which is defined as evaluative statements, whether favorable or not, or judgments about objects, people or events.
- Subjective norms are the result of visitors' beliefs which are influenced by other people's opinions about whether or not visitors need to carry out their behavior with the visitor's motivation to comply with these social expectations.
- Past behavior is the experience that visitors have in getting products (goods or services). These past experiences are about the results visitors have had in obtaining previous products and have a direct influence on future interests and behavior.

According to Sangadji (2013), measuring loyalty requires several attributes, namely (i) say positive things about the company to others, (ii) recommend the company to others asking for advice, (iii) considering that the company is the first choice when purchasing services and (iv) o more business or purchases with the company in the coming years.

3. Materials and Methods

This research is quantitative descriptive. The research was conducted on customers at PT. Pegadaian branch of Tebing Tinggi totaling about 1000 people. From the total population, if the calculation is carried out using the Slovin formula at an alpha level of 10 percent, the total sample size is 100 people. The sampling technique used incidental sampling. The type of data used in this study is primary data. Research data collection was carried out using a questionnaire. Measurement of respondents' answers to the questionnaire using a Likert scale. Researchers have distributed online questionnaires to 100 selected respondents. However, the questionnaire that returned with complete data for the measurement of all variables was only 67 questionnaires. The variables tested in this study include customer loyalty as the dependent variable, as well as prior experience and social differentiation as independent variables. Methods of data analysis using multiple linear regression analysis method.

4. Results and Discussion
4.1. Research Instrument Test

The research instrument test consisted of validity and reliability test. To test the validity with 30 respondents, df = 67-2 = 65, and = 5%, the r table value is 0.2404. If r stat > r table or – r stat < - r table then the statement is declared valid.

Table 1. Result of the Validity Testing

Variable(s)	Item(s)	r-stat	r-table	Decision
Customer loyalty (Y)	1	0.879	0.240	Valid
	2	0.897	0.240	Valid
	3	0.899	0.240	Valid
	4	0.871	0.240	Valid
Prior Experience (X1)	1	0.875	0.240	Valid
	2	0.843	0.240	Valid
	3	0.800	0.240	Valid
	4	0.700	0.240	Valid
Social Differentiation (X2)	1	0.846	0.240	Valid
	2	0.918	0.240	Valid
	3	0.875	0.240	Valid
	4	0.922	0.240	Valid

Table 1 shows that all of the item points for the variable customer loyalty, prior experience and social differentiation have an r-stat value that is greater than the r-table value. Therefore, it can be concluded that all statements of each variable are valid. Reliability is an index that shows the extent to which a measuring instrument can be trusted or reliable. According to Sugiyono (2013), a factor is declared reliable if the Cronbach Alpha is greater than 0.60.

Table 2. Result of Reliability Testing

Variable(s)	Cronbach Alpha	Decision
Customer Loyalty	0.837	Reliable
Prior Experience	0.812	Reliable
Social Differentiation	0.838	Reliable

Table 2 displays the result of reliability test using Cronbach Alpha, all research variables are reliable because Cronbach Alpha is greater than 0.60. Therefore, it can be concluded that this research instrument has met the reliability test (reliable and can be used as a measuring instrument).

4.2. Classic Assumption Test

Classical assumption test in this study consisted of normality test, multicollinearity test, and heteroscedasticity test. Normality test using Kolmogorov-Smirnov Test. The data is declared normally distributed if the Asymp. Sig. (2-tailed) > 0.05.

Table 3. Results of Data Normality Testing (One-Sample Kolmogorov-Smirnov)

			Unstandardized Residual
N			100
Normal Parameters[a,,b]	Mean		0.000
	Std. Deviation		1.495
Most Extreme Differences	Absolute		0.084
	Positive		0.084
	Negative		-0.043
Kolmogorov-Smirnov Z			0.684
Asymp. Sig. (2-tailed)			0.738
Monte Carlo Sig. (2-tailed)	Sig.		0.657[c]
	99% Confidence Interval	Lower Bound	0.507
		Upper Bound	0.806

Table 3 shows that the significance value of Asymp. Sig. (2-tailed) of 0.738. Asymp. Sig. (2-tailed) value is greater than 0.05. This shows that the data used in the study has a normal distribution.

Table 4. Result of Multicollinearity Testing

Variable	VIF	Description
Prior Experience	1.832	There is no multicollinearity
Social differentiation	1.832	There is no multicollinearity

The multicollinearity problem can be identified by looking at the value of the Variance Inflation Factor (VIF). The VIF value must be less than 10 so that the research model is free from multicollinearity problems. The results of the multicollinearity test which are summarized in Table 4 show that the VIF value of all independent variables is less than 10. Thus, it can be concluded that the research model is free from multicollinearity problems.

Table 5. Heteroscedasticity Test Results

Variable	Sig.	Description
Prior Experience	0.658	There is no heteroscedasticity
Social differentiation	0.396	There is no heteroscedasticity

Table 5 describes the heteroscedasticity testing in this study used the Glejser test. The research model can be declared free from heteroscedasticity problems if the significance probability value of all independent variables is greater than 0.05. Based on the results of the Glejser test which are summarized in Table 5, it is known that the significance probability value of all independent variables is above 0.05. Thus, it can be concluded that the research model is free from heteroscedasticity problems.

4.3. Hypothesis Testing

The coefficient of determination test can show the magnitude of the variation in the dependent variable which is explained by the dependent variable. The value of the coefficient of determination in this study is shown by Adjusted R square (R^2). If the value of Adjusted R square is getting closer to 1, then the variation of the dependent variable explained by the independent variable is getting bigger.

Table 6. Result of the Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.844a	0.712	0.703	1.51834

a. Predictors: (Constant), Prior experience, Social differentiation
Dependent Variable: Customer loyalty

Table 6 shows the adjusted R square value of 0.703 or 70.3%. This shows that Prior experience and social differentiation variables can explain customer loyalty by 29.7%, the remaining 67.8% is explained by other variables outside the research model. The F test basically shows whether all the independent variables included in the research model have a joint effect on the dependent variable.

Table 7. Result of ANOVA testing

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	364.099	2	182.049	78.968	.000a
Residual	147.543	64	2.305		
Total	511.642	66			

a. Predictors: (Constant), Prior experience, Social differentiation

b. Dependent Variable: Customer loyalty

Table 7 show a significance probability value of F-stat is 0.000. The probability value is smaller than the alpha value of 0.05. Thus, it can be concluded that prior experience and social differentiation simultaneously have a significant effect on customer loyalty. The t-test aims to partially test the effect of the independent variable on the dependent variable.

Table 8. Results of Hypothesis Testing

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.986	1.23		0.801	0.426
Prior Experience	0.475	0.097	0.446	4.906	0.000
Social differentiation	0.471	0.09	0.476	5.243	0.000

a. Dependent Variable: Customer Loyalty

Table 8 shows the regression coefficient of the prior experience variable of 0.475. The regression coefficient is positive which indicates a positive relationship between prior experience and customer loyalty. The value of the significance probability of the prior experience variable is 0.000. The significance probability value is less than 0.05. Thus it can be concluded that prior experience has a positive and significant effect on customer loyalty. That is, if the customer's prior experience has increased, then customer loyalty will also increase. The results of this study are in line with the research results of Sandy & Pangestuti (2017), Wardani & Gustia (2017), and Sukirno et al. (2022). The social differentiation variable has a regression coefficient of 0.471 and a significance probability value of 0.000. The positive regression coefficient indicates a positive relationship between social differentiation and customer loyalty. Meanwhile, the significance probability value of the social differentiation variable is smaller than 0.05. Thus, it can be concluded that social differentiation has a positive and significant effect on customer loyalty. This means that customers with high social differentiation have a high level of loyalty as well. The results of this study are in line with the results of research by Mariyana & Karneli (2017), Firdaus & Octavia (2018), Fitri (2020), Muntaha & Sutrisna (2018) and Novianty et al., (2021).

5. Conclusions

The purpose of this study was to analyze the effect of prior experience and social differentiation on customer loyalty at PT. Pegadaian branch of Tebing Tinggi City. On the basis of results of the analysis that has been done, this study concludes that prior experience has a significant effect on customer loyalty. The social differentiation has a significant effect on customer loyalty and prior experience and social differentiation simultaneously have a significant effect on customer loyalty at PT. Pegadaian branch of Tebing Tinggi City, Indonesia.

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