

THE EFFECT OF SALESPERSON ETHICAL BEHAVIOR ON SATISFACTION, TRUST AND CUSTOMER LOYALTY

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Abstract. The number of industrial equipment brands on the market has resulted in customers needing the role of sales force to get clear product information and good after-sales service. Sales who can behave ethically will be more trusted and can establish long-term relationships with customers. This study aims to explain the relationship between salesperson ethical behavior towards satisfaction and trust and its effect on customer loyalty levels at PT Kawan Lama Sejahtera at Bali. The population in this study were PT Kawan Lama Sejahtera customers who had made transactions at least 2 times within a period of 1 year. The size of the sampling was determined based on the non probability sampling method, namely purposive sampling with a total sample of 100 respondents. Questionnaire data that are collected from respondents, are analyzed by Structural Equation Modeling (SEM) with AMOS programs. The results of this study indicate that salesperson ethical behavior has a positive and significant effect on customer satisfaction and trust which are a dimension of the quality of the relationship. Customer satisfaction and trust also have a positive and significant influence on customer loyalty. The relationship between salesperson ethical behavior and customer trust is mediated by customer satisfaction, where the effect is significant. The managerial implications of the results of this study can be a consideration in the process of strategic policy making at PT Kawan Lama Sejahtera improve company's performance in the future. Salesperson need to behave ethically in marketing their products in order to increase customer's satisfaction and trust, and also establish long-term relationships with customers.

Keyword: indonesia, salesperson ethical behavior, satisfaction, trust, customer loyalty

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1. INTRODUCTION

The salesperson is the spearhead of the company in marketing its products and interacting with customers both through face-to-face meetings and through telephone, social media and email. The existence of a commission system will encourage salesperson to work harder in marketing products and increasing sales volumes, which in turn can improve company performance. However, this can encourage salesperson to behave unethically to achieve sales targets and get short-term profits. The drive to reach the sales target can cause salesperson to lose focus on what the customer really needs (Strout, 2002). According to Kurland (1991), the commission system creates a conflict of interest for salesperson so they tend to sacrifice the interests of the customer to get commissions, achieve good performance, and bring profits to the company.

Research conducted by Madhani (2014) shows that customer's experience after

interacting with salesperson who behave ethically, can affect customer purchasing decisions. Unethical behavior of the salesperson can cause problems such as reduced customer satisfaction and trust. The results of research conducted by Hansen and Riggle (2009) state that the salesperson who behave ethically, have a strong influence in building long-term relationships with customers.

Many industrial equipment is needed for construction projects, company operations, as well as educational tools in schools and universities. Many brands of industrial equipment on the market with features, functions, and prices that are not much different have provided difficulties for customers to be able to choose the best product. Customers rely on salesperson to provide accurate information (Chen and Mau, 2009; Roman and Ruiz, 2005). Erroneous information from salesperson can disappoint the customer and reduce his trust, which can result in lower interest in

repurchasing. This research will focus on the influence of salesperson ethical behavior on customer satisfaction, trust, and loyalty at PT Kawan Lama Sejahtera, which is one of the industrial equipment retail companies.

Research Literature and Hypothesis

Development

Salesperson ethical behavior

Salesperson ethical behavior indicates that the salesperson delivers a valid and accurate message in communication with the customer, only sells goods or services that can provide benefits to the customer, promises only to something that can be delivered, and can maintain the confidentiality of customer private data (Jalali *et al.*, 2016; Madhani, 2014). Salesperson ethical behavior will increase if the salesperson can behave based on a standard set of generally accepted norms in society, such as respecting customers (Cadogan and Lee, 2009; Bendixen and Abratt, 2007).

Hurst (2008) argues that excessive marketing efforts towards customers need to be avoided because the customer's good intentions need to be treated as limited resources. Ethical salesperson need to behave honestly by conveying information according to the facts (Roman, 2007). Customers rely on the integrity of salesperson in getting advice on product recommendations in the future. The salesperson must protect the confidentiality and security of the customer's personal data (Roman, 2007; Bendixen and Abratt, 2007). Respect for customers can improve the perception of salesperson ethical behavior (Bendixen and Abratt, 2007; Hurst, 2008).

Ethical behavior and a trustworthy attitude from the salesperson will have a positive effect on generating customer satisfaction and trust (Hansen and Riggle, 2009; Ou *et al.*, 2015; Roman and Ruiz, 2005; Hazrati *et al.*, 2012). According to Lin and Wu (2012), salesperson ethical behaviour will reduce transaction costs so that it has a positive effect on customer satisfaction. salesperson behavior that provides product information accurately will give satisfaction to customers (Pezhman *et al.*, 2013). The salesperson who behave ethically by giving a

positive response to complaints or customer needs will make customers feel more satisfied (Kotler and Keller, 2012). Hoyer *et al.* (2013) showed a positive salesperson behavior and a quick response in responding to customer complaints in after-sales service will reduce customer dissatisfaction and keep customers loyal and repeat purchases at the company.

According to Demirgunes (2015), salesperson ethical behavior has a positive influence on customer trust, both on company and sales staff. Trust in the salesperson is positively influenced by salesperson ethical behavior, which is honest, fair, sincere, and consistent (Roman and Ruiz, 2005). Salesperson ethical behaviour, that is honest and responsible will have a positive effect on customer trust (Chen and Mau, 2009).

Madhani (2014) argues that salesperson ethical behavior, which is being honest, applying sales techniques with low pressure (low pressure selling technique), and a fair and responsible attitude will positively influence and increase customer trust. Pezhman *et al.* (2013) show salesperson ethical behaviour can increase customer satisfaction and trust. When the salesperson is perceived as behaving well and honestly by the customer, it will increase customer trust (Alrubaiee, 2012).

H1: Salesperson ethical behavior has a positive and significant effect on customer satisfaction.

H2: Salesperson ethical behavior has a positive and significant effect on customer trust.

Customer satisfaction and trust

According to Sangadji and Sopiah (2013), satisfaction or dissatisfaction is a feeling of pleasure or disappointment experienced by individuals that comes from a comparison between perceptions or impressions of actual product performance with expected product performance. Hoyer *et al.* (2013) stated satisfaction as a feeling that arises when a customer makes a positive evaluation or feels happy with his decision.

Kotler and Keller (2012) argue that satisfaction is the extent to which product performance is actually perceived against

customer expectations. When product performance is below customer's expectations, the customer will feel disappointed. Conversely, when product performance matches or even exceeds customer's expectations, the customer will feel higher level of satisfaction. Customer expectations or expectations are formed from past purchasing experience, suggestions from friends or family, and product information and offers from the salesperson.

Trust in salesperson can be defined as customer trust in integrity and reliability from the salesperson so that customers are willing to establish long-term relationships with salesperson (Madhani, 2014). Hazrati *et al.* (2012) argue that trust in salesperson is the belief felt by the customer that the salesperson is able to provide long-term relationships that benefit the customer. Customers who believe in salesperson ethical behavior will benefit from reducing costs related to information seeking, negotiation and supervision (Jalali *et al.*, 2016). Customers have limited knowledge of the products offered so customers rely on the information provided by the salesperson.

Trust is one of the consequences of satisfaction, or in other words satisfaction has a positive effect on trust (Hess and Story, 2005). Salesperson's performance in the past that can satisfy customers consistently will have a positive effect on customer trust (Madhani, 2014; Chen and Mau, 2009). Customer trust represents satisfaction with the quality and reliability of the product or service offered. When customers feel satisfied, it will have a positive effect and increase customer trust (Pezhman *et al.*, 2013; Ou *et al.*, 2015).

H3: Customer satisfaction has a positive and significant effect on customer trust.

Customer loyalty

Based on previous research by Kim and Yoon (2004), customer loyalty is defined as the willingness of customers to maintain relationships with certain companies or services or products. Barnett and McIlroy (2000) argue that customer loyalty can be explained as a commitment of customers to transact with certain companies, buy products and services, and recommend it to others. In other studies, customer loyalty is defined as a commitment to

buy back or subscribe to desired products consistently in the future (Jamal and Anastasiadou, 2009; Ou *et al.*, 2015). Loyal customers can be less sensitive to prices and reduce the risk of switching to other products due to promotional activities from competitors (Stank *et al.*, 2003).

Kotler and Keller (2012) argue that customer satisfaction at a higher level will lead and have a positive effect on the level of greater customer loyalty. Very satisfied customers are customers who get more than needed or in other words the company's performance exceeds customer expectations. Highly satisfied customers will be more willing to establish long-term relationship commitments and spread good experiences to others (word of mouth). Satisfied customers are the basis for loyalty, where satisfaction will encourage customers to make repeated purchases (Sangadji and Sopiah, 2013).

According to Lin and Wu (2012), customers who are fully satisfied will positively influence and increase customer loyalty and be resistant to persuasion or influence from other parties. Customers who are fully satisfied will be more loyal than customers whose only needs are met. Consuegra (2007) states that customers who are satisfied and accept prices offered by airlines will have a positive effect on customer loyalty in the airline industry. Research by Jalali *et al.* (2016) revealed that customers who have high satisfaction with service from salesperson will also have a high level of loyalty.

Trust is an important element for building customer loyalty and strong retention or in other words trust has a positive influence on loyalty (Guenzi and Georges, 2010; 2010; Ou *et al.*, 2015). According to Chen and Mau (2009), trust is the foundation of long-term relationships and is the main determinant of relationship commitment and has a positive effect on building customer loyalty.

Customers who believe in salesperson ethical behavior will have a positive influence in shaping commitment or loyalty (Jalali *et al.*, 2016). Customers with high levels of satisfaction and trust will be more committed and loyal to the brand or company and will make repeated purchases (Kotler and Keller, 2012). Trust in salesperson can cause customers to feel

confident when making purchasing decisions and have a positive effect on increasing their loyalty (Gao *et al.*, 2005).

H4: Customer satisfaction has a positive and significant effect on customer loyalty.

H5: Customer trust has a positive and significant effect on customer loyalty.

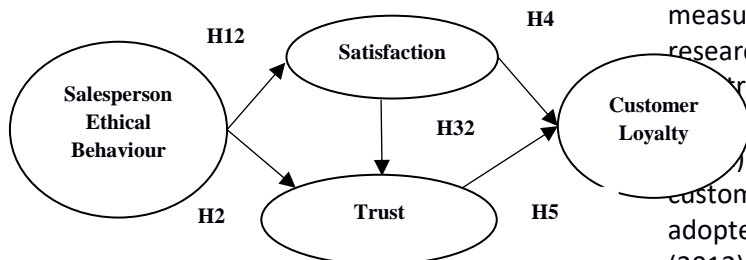


Figure 1. Research Model

Source : Pezhman *et al.*, 2013

2. RESEARCH METHODOLOGY

This study was designed to explain the influence of salesperson ethical behavior on satisfaction, trust, and customer loyalty. The survey was conducted on PT Kawan Lama Sejahtera customers in Bali regarding their experiences after interacting and transacting with the salesperson. Potential respondents were approached to be asked for their willingness to fill out the research questionnaire. Respondents were given information that this study was conducted by Udayana University students, where the answers to the questionnaires are only used for research purposes and will be guaranteed confidentiality. The sample of respondents as many as 100 people was taken using the non probability sampling method, namely purposive sampling. The sample of respondents that have been collected has characteristics that are 72 percent male, 69 percent are in the age group of 29 to 39

years, 71 percent have an undergraduate education, and 58 percent have employment as private employees.

The statement on the questionnaire was designed to measure the construct based on the research literature. The construct of salesperson ethical behavior is measured by 9 indicators adopted from the research conducted by Ou *et al.* (2015). The construct of satisfaction is measured by 4 indicators adopted from the research conducted by Ou *et al.* (2015). The constructs of trust are measured by 4 indicators adopted from research conducted by Alrubaiee (2012) and Ou *et al.* (2015). The construct of customer loyalty is measured by 3 indicators adopted from research conducted by Alrubaiee (2012) and Ou *et al.* (2015). The scale on the questionnaire is based on a 5-point Likert scale with a score of 1 to 5, where the score is 1 for the Strongly Disagree (STS) answer, score 2 for the Disagree (TS) answer, score 3 for the answer Neutral (N), score 4 for Agree (S) answer, and score 5 for Strongly Agree (SS) answers.

This study was analyzed using the Structural Equation Modeling (SEM) method aided by the AMOS program. SEM method is used to analyze the influence of exogenous and endogenous constructs simultaneously (Sugiyono, 2015). Testing assumptions in SEM analysis using normality and multicollinearity tests. The test results of these assumptions indicate that the construct has normal distribution and does not have multicollinearity.

3. RESEARCH RESULTS AND DISCUSSION

Testing validity and construct reliability indicates satisfactory results. The results of the study in Table 1 show the value of loading factors and AVE greater than 0.5 which indicate convergent validity, while the value of square root AVE is greater than the value of the correlation coefficient of each construct that shows discriminant validity (Hair *et al.*, 2010). Composite Reliability (CR) values which is greater than 0.7 also show good construct reliability.

Table 1. Loading Factor from each construct

Construct (CR ; AVE)	Indicator	Loading Factor
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	The salesperson respecting the customer's rights (X ₁)	0,698
	The salesperson offering products according to customer's needs (X ₂)	0,695
	The salesperson are not forcing customer to buy products (X ₃)	0,704
	The salesperson behaviour give a feeling of security to the customer when transacting (X ₄)	0,691
Salesperson Ethical Behaviour (X) (0,91 ; 0,53)	The salesperson can maintain the security of customer's personal data (X ₅)	0,700
	The salesperson can maintain the confidentiality of customer's personal data (X ₆)	0,660
	The salesperson give product information honestly (X ₇)	0,818
	The salesperson give product information in accordance with reality (X ₈)	0,764
	The salesperson give information on product advantages and disadvantages (X ₉)	0,805
Satisfaction (Y ₁) (0,90 ; 0,68)	The salesperson provide good service (Y ₁₁)	0,847
	The salesperson provide satisfying service (Y ₁₂)	0,818
	The salesperson behaviour have meet customer's expectations (Y ₁₃)	0,844
	The salesperson offering products with good quality (Y ₁₄)	0,794
	The salesperson can be trusted (Y ₂₁)	0,743
Trust (Y ₂) (0,84 ; 0,57)	The salesperson give accurate product information (Y ₂₂)	0,738
	The salesperson give reliable service (Y ₂₃)	0,734
	The salesperson ensure customer get benefits from the products that offered to them (Y ₂₄)	0,794
Customer Loyalty (Y ₃) (0,89 ; 0,73)	The customer are willing to establish long-term relationships with PT Lama Sejahtera (Y ₃₁)	0,841
	PT Lama Sejahtera will be the customer's first choice (Y ₃₂)	0,836
	The customer are willing to give recommendations to others (Y ₃₃)	0,889

Source : Data processed, 2018

Goodness of fit in the structural model was evaluated using a combination of absolute fit index (chi-square (χ^2), CMIN / df, RMSEA and SRMR) and incremental fit index (CFI and TLI). The results of the study in Table 1 show the chi-square statistical index (χ^2), CMIN / df, RMSEA, SRMR, CFI, and TLI have met the cut-off value criteria (Hair *et al.*, 2010). The results of this study indicate that the SEM model can be used to explain the relationship between exogenous and endogenous constructs according to the basis of the theory that has been built.

Effect of salesperson ethical behavior on customer satisfaction

Based on the results of testing the hypothesis in Table 2, it was found that the salesperson ethical behavior (X) had a positive and significant influence on customer satisfaction (Y₁). This means that the better ethical behavior of the salesperson, the higher the level of customer satisfaction.

The results of this study support the previous research conducted by Pezhman *et al.* (2013), Ou *et al.* (2015), Jalali *et al.* (2016), and Tolba *et al.* (2015) that salesperson who behave ethically have positive influence on customer satisfaction. Salesperson's service with ethical behavior will have a positive effect on increasing customer satisfaction. Kotler and Keller (2012) reveal the behavior of salesperson who listen to and provide responses or solutions to customer's needs will be able to increase customer satisfaction and trust.

Effect of salesperson ethical behavior on customer trust

Based on the results of testing the hypothesis in Table 2, it was found that the salesperson ethical behavior (X) had a positive and significant influence on customer trust (Y₂). This means that the better ethical behavior of the salesperson will increase customer confidence in the salesperson.

The results of this study support the previous research conducted by Pezhman *et al.* (2013), Ou *et al.* (2015) and Alrubaiee (2012) that ethical behavior of salesperson has a positive influence on customer trust. The salesperson need to behave ethically to build customer expectations that are in accordance with the reality. One of them, by providing information about the advantages and disadvantages of the product and how to use them correctly. Customers will feel satisfied if the products and services offered by the salesperson can meet or even exceed their expectations. Unethical behavior, such as lying to customers, will only disappoint the customer and have an impact on the reputation of the salesperson and company.

Effect of satisfaction on customer trust

Based on the results of testing the hypothesis in Table 2, it is found that customer satisfaction (Y1) has a significant positive effect on customer trust (Y2). This means that the more satisfied the customer, the level of customer trust is also increasing.

The results of this study support the previous research conducted by Ou *et al.* (2015) and Pezhman *et al.* (2013) that higher level of customer satisfaction have positive influence on customer trust. Satisfaction and trust are one determinant of the quality of relationships (Vieira *et al.*, 2008; Farooqi, 2014). Kotler and Keller (2012) reveal that customers with higher levels of satisfaction will be more trusting to the brand or company so it is not easy to switch to competitors.

Effect of customer satisfaction on customer loyalty

Based on the results of testing the hypothesis in Table 2, it is found that customer satisfaction (Y1) has a significant positive effect on customer loyalty (Y3). This means that along with the increasing satisfaction experienced by customers, the level of customer loyalty is also increasing.

The results of this study support the previous research conducted by Pezhman *et al.* (2013), Ou *et al.* (2015) and Lin and Wu (2012) that customer satisfaction has a positive influence on customer loyalty. Customer loyalty is influenced by the level of customer satisfaction. Customers will feel more loyal when the salesperson's service and the performance of the product's received exceed their expectations (Hawkins and Mothersbaugh, 2010). Customer with higher level of satisfaction will reduce the presence of regret after purchase (reduce post purchase dissonance) so that it will increase customer loyalty and make customers more willing to give a commitment to establish long-term relationships. Kotler and Keller (2012) revealed that customers with higher level of satisfaction will have high emotional ties and loyalty with brands or company so that customer are more willing to provide recommendations to others and have resistance toward marketing efforts from competitors.

Table 2. The Result of Hypotesis Test

Path	Hypotesis	Coef.	P-value	Result
Salesperson Ethical Behaviour → Satisfaction	H1 (+)	0,707	***	Accepted
Salesperson Ethical Behaviour → Trust	H2 (+)	0,351	***	Accepted
Satisfaction → Trust	H3 (+)	0,663	***	Accepted
Satisfaction → Customer Loyalty	H4 (+)	0,494	***	Accepted
Trust → Customer Loyalty	H5 (+)	0,561	***	Accepted

Note: *** significant at $p < 0,001$

Source: Data processed, 2018

Effect of customer trust on customer loyalty

Based on the results of testing the hypothesis in Table 2, it was found that customer trust (Y2) had a significant positive effect on customer loyalty (Y3). This means that the greater the level of customer trust, the higher the level of customer loyalty.

The results of this study support the previous research conducted by Pezhman *et al.* (2013), Ou *et al.* (2015), and Alrubaiee (2012) that customer trust has a positive influence on customer loyalty. Customers who have a higher level of trust will be more loyal and willing to establish long-term relationships (Hawkins and Mothersbaugh, 2010). Distrust or regret that arises after purchase (post purchase dissonance) can be reduced by providing information on product warranty and how to use the product correctly, providing alternatives to exchange old products with new ones at special prices, as well as by offering product's demonstration so customers can feel and experience using the product.

Research limitations

This study has several limitations, which are only aimed at customers in one company, namely PT Kawan Lama Sejahtera in the Bali region and using non probability sampling method, namely purposive sampling, so that the results of the study are less widely generalized. Future research should be able to involve a larger sample of respondents and using the probability sampling method to obtain better research results.

4. CONCLUSIONS AND SUGGESTIONS

The first conclusions from this study that the ethical behavior of salesperson has a positive and significant influence on customer satisfaction. This means that the more ethical behavior of salesperson toward their customers are tends to be followed by the higher level of customer's satisfaction of PT Kawan Lama Sejahtera in Bali.

The second conclusion that the ethical behavior of salesperson has a positive and significant influence on customer trust. This means that the more ethical behavior of

salesperson towards their customers are tends to be followed by the higher level of customer's trust of PT Kawan Lama Sejahtera in Bali.

Third conclusion that customer satisfaction has a positive and significant influence on customer trust. This means that the greater satisfaction level obtained by customers of PT Kawan Lama Sejahtera in Bali, the level of trust will also increase.

The fourth conclusion that customer satisfaction has a positive and significant influence on customer loyalty. This means that the higher the level of customer satisfaction are tends to be followed by the higher level of customer's loyalty to PT Kawan Lama Sejahtera in Bali.

The fifth conclusion that customer trust has a positive and significant influence on customer loyalty. This means that the higher the level of customer trust are tends to be followed by the higher level of customer's loyalty to PT Kawan Lama Sejahtera in Bali.

Some suggestions from the author that the management of PT Kawan Lama Sejahtera needs to provide guidance or training for salespeople, especially new employees, to be able to behave ethically and establish long-term relationships with customers. The concept of I AM ELITE (Innovative, Accountable, Mastery, Excellence, Leadership, Integrity, Teamwork, and Enthusiasm) needs to be accompanied by theoretical and practical training in product knowledge in order to provide product and service information to customer correctly. The salesperson need to be trained to build customer expectations according to the reality of product's quality and salesperson's capability to deliver the product in timely manner. The management of PT Kawan Lama Sejahtera also needs to clearly communicate the responsibilities, limits of authority, and sales strategies to salespeople in order to provide better service to customers, especially in terms of price negotiations and the accuracy of the delivery and installation of customer property..

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