

# **Analysis of Loyalty Level of Farmers to Core Companies in Partnership Chicken Broiler PT. Multi Sarana Pakanindo in Brebes Regency**

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## **ABSTRACT**

This study aims to determine the implementation of the ongoing partnership at PT Multi Sarana Pakanindo in Brebes district, to determine the effect of product quality variables, service quality, company image, farmer satisfaction and to determine the effect of farmer satisfaction on farmer loyalty. This research uses descriptive analytic method. This research was conducted by distributing questionnaires with a total of 26 respondents. This data collection technique is through a questionnaire that has been tested for validity and reliability. Analysis of the data used in this study is the method of Structural Equation Model (SEM) with an alternative method of Partial Least Square (PLS). The results show that (1) the partnership pattern at PT Multi Sarana Pakanindo is a business strategy carried out by two or more parties within a certain period of time to gain mutual benefits with the principle of mutual benefit and mutual strengthening by taking into account moral responsibility and business ethics. (2) Product and service quality has a positive effect on farmer satisfaction (3) Company image has a positive effect on farmer satisfaction (4) Farmer satisfaction has a positive effect on loyalty.

**Keywords:** Loyalty; Partnership; Consumer Satisfaction; Partial Least Square (PLS); Structural Equation Model (SEM)

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## **1. Introduction**

Broiler or broiler farming businesses in Indonesia usually use two methods, namely independent broiler farming and partnership patterns. The independent method is a farm that is run independently and is not tied to any company, whether it is the purchase or sale of livestock production facilities. Partnership is a business strategy carried out by two or more parties within a certain period of time to obtain mutual benefits with the principle of mutual benefit and mutual strengthening by taking into account moral responsibility and business ethics. This pattern of cooperation is stipulated in the Minister of Agriculture No. 13 of 2017 concerning husbandry business partnerships. Many livestock companies that act as the core party of this partnership pattern are vying to get farmers or breeders who are willing to be invited to work together, because

if the breeder already wants to be part of the partner of the core company, the breeder will immediately become a customer. or regular customers of the core company within a period of time that has been determined by both parties.

Loyalty can be influenced by many factors, one of which is satisfaction. This is evidenced in research according to Rachmawati (2010) that the relationship between customer satisfaction and customer loyalty is that customer loyalty is an endogenous variable caused by a combination of satisfaction so that customer loyalty is a function of satisfaction. The relationship between satisfaction and customer loyalty is positive, so high satisfaction will increase customer loyalty.

Many previous studies discussed that satisfaction is influenced by several variables, including product quality, service quality and company image. This study suggests the same results as Maria's (2013) research which suggests that the higher the product quality, the higher the customer satisfaction, as well as the quality of service. Meanwhile, according to Cristobal et al. (2007) measure the phenomenon of satisfaction formed from service quality. The most important element in customer satisfaction is the quality of service. In services, the demand for quality is absolute. This proves that service quality has a positive effect on satisfaction. While research conducted by Mutmainnah (2017) that image has a positive and significant effect on consumer satisfaction. The results of this study prove that consumers who already have a positive image of a company will be more likely to choose the company as the first choice and will recommend it to others.

Based on the background and previous research, this study tries to analyze the effect of product quality, service quality, company image and satisfaction on farmer loyalty at PT Multi Sarana Pakanindo.

### *1.1 Formulation of the Problem*

Farmers in choosing core companies as their business partners are currently quite selective, they do not want to cooperate with companies that have livestock production facilities (saprotrak) in the form of DOC (day old chick) medicines and animal feed whose quality is considered not good and provides benefits. which is minimal for farmers and even suffer losses. There are several breeders who mutually change the company's core partners in order to get maximum profit, this is a gap for breeder companies to compete to get breeders who are willing to cooperate.

The loyalty of breeders to the core company is influenced by good products, good service, conformity with breeders' expectations, therefore research is needed to find out what kind of partnership implementation is being run by PT. Multi Sarana Pakanindo Brebes district in the eyes of farmers. The research questions include:

- Is the product quality of PT. Does Multi Sarana Feedindo affect farmer satisfaction?
- Is the service quality of PT. Does Multi Sarana Feedindo affect farmer satisfaction?
- Is the company image of PT. Does Multi Sarana Feedindo affect farmer satisfaction?
- Does farmer satisfaction affect loyalty?

### *1.2 Research Purposes*

The purpose of this research is to describe the implementation of the partnership that is being run by PT. Multi Sarana Pakanindo Brebes branch, analyzed the effect of product quality, service quality, and company image on farmer satisfaction, and analyzed the effect of farmer satisfaction on farmer loyalty.

### *1.3 Benefits of Research*

This research is expected to be useful for the core management of PT. Multi Sarana Pakanindo in making decisions to perfect the implementation to perfect the implementation of the ongoing partnership

### *1.4 The Scope of Research*

So that the discussion in this study can be directed, the researcher limits this research as follows:

- Research Variables and Sub Variables  
This study uses four independent variables (X), namely: Quality Products ( $X_1$ ), Services ( $X_2$ ), Corporate Image ( $X_3$ ) and the dependent variable (Y) is the satisfaction Breeders (Y) and the intervening variables that Loyalty (Z).
- Object of research  
This research was conducted on farmers of PT Multi Sarana Pakanindo in Brebes Regency.

## **2. Literature Review**

Partnership is a business strategy carried out by two or more parties within a certain period of time to achieve mutual benefits with the principle of mutual benefit and mutual benefit between the partnering parties. The partnership pattern in the livestock sector is one way of cooperation between small farmers (plasma) with private companies and the government as the core (Hafsah, 2000). Partnership cooperation basically provides benefits to both parties between nucleus and farmers, because for the company they will get customers or regular customers to market their products in the form of livestock production facilities, namely seeds, medicines and animal feed, while the advantage for farmers is to get a price guarantee that is not guaranteed. affected by fluctuations or ups and downs of chicken prices in the market when harvesting later.

One of the factors that determine the level of success of a company is the company's ability to provide quality service to customers to achieve satisfaction. Service quality is centered on efforts to meet needs and wants and the accuracy of delivery to balance customer expectations. Quality starts from customer needs and thinks on customer perception. This means that a good quality is not based on the company's point of view or perception but based on the customer's point of view or perception. Good or bad service quality is the responsibility of all parts of the company's organization (Rusdarti, 2004). The quality of service for livestock core companies can be assessed on the ability of Field Extension Officers (PPL), or *Technical Service* (TS) in providing guidance to farmers in the management of livestock maintenance, each company has its own criteria for PPL or TS qualifications, they are the ones who are directly related with farmers, who communicate directly, and solve problems faced by farmers and as consultants on decisions that farmers want to make.

The level of customer satisfaction or customer dissatisfaction can be seen from subsequent customer behavior. If the customer who consumes the product is satisfied, then he will show the behavior to repurchase the same product, and tend to give references to the product to others. And if the customer is not satisfied, then the customer will take action not to return to the manufacturer, or make a complaint to the company. With the creation of optimal customer satisfaction, it will encourage the creation of loyalty in the minds of satisfied customers (Rachmawati, 2014).

### 2.1 Hypothesis Development

In connection with the topic carried out by the author in this study, it is necessary to support from previous studies that discuss similar research. Research conducted by Sepoetri (2016) on Factors Affecting Loyalty of Farmer Breeders in the Broiler/Broiler Rayon Livestock Business Partnership in Yogyakarta, the method of analyzing the effect of farmer satisfaction on loyalty uses an alternative method of *Structural Equation Modeling* (SEM), namely the *Partial Least Square* method. (PLS). The results showed that there was a positive influence between service quality, expectations, company image on farmer satisfaction, and farmer satisfaction on loyalty.

H<sub>1</sub> : product quality has a positive effect on farmer satisfaction

H<sub>2</sub> : Service quality has a positive effect on farmer satisfaction

H<sub>3</sub>: Company image has a positive effect on farmer satisfaction

H<sub>4</sub>: Satisfaction has a positive effect on farmer loyalty

## 3. Research Methodology

The basic method used in this research is the analytical description method. Aims to obtain an objective explanation of the factors that affect the satisfaction of broiler farmers to their loyalty in running a partnership with PT. Multi Sarana Feedindo. A research technique used in this study is a survey, by collecting data where the researcher or data collector ask questions orally and in writing with the help of a questionnaire (Sanusi, 2011). Location determination was done purposively (intentionally), which is deliberately based certain considerations that PT. Multi Sarana Pakanindo is a company that offers partnerships. PT. Multi Sarana Pakanindo also has a wide area coverage for the farmer breeder population. This research was conducted for one month in August 2021 in the districts of Brebes and East Cirebon which includes the coverage area of the Brebes Branch according to PT. Multi Sarana Feedindo. The respondents of this study were 26 farmers who were taken by census or all of the population was sampled. The method of analyzing the effect of farmer satisfaction on loyalty uses an alternative method of *Structural Equation Modeling* (SEM), namely the *Partial Least Square* (PLS) method . This analysis will begin with testing the research instrument (test validity and reliability). Then it will be continued with testing using PLS which will be testing the measurement model ( *outer model* ) and testing the structural model ( *inner model* ), and continued with hypothesis testing using the *bootstrapping* method.

## 4. Results

### 4.1 Variable Description

The description of the variables used in this study was conducted to find out the description of respondents' opinions about the research variables. In the variable description used index

calculation. The results of the calculation of the index value for all variables used in this study are the scoring technique carried out in this study is a minimum of 1 and a maximum of 5. The resulting index number will go from 10 to 100 with a range of 90, without the number 0. Using the 5-box criteria, then a range of 90 divided by three will produce a range of 30 which will be used as the basis for interpreting the index value, which in this example is as follows following :

- 0% – 19.99% = Strongly disagree
- 20% – 39.99% = Disagree
- 40% – 59.99% = Enough
- 60% – 79.99% = Agree
- 80% – 100% = Strongly agree

#### 4.2 Research Instrument Test

The questionnaire given was designed using research instruments, it is said to be valid because it has a *loading factor* value greater than 0.70 and an AVE is more than 0.5. Means that the question items measure the same aspect (valid). Instrument reliability is also said to be high because it has a value of more than 0.60. Thus, all measurement variables can be trusted or relied on in this study and can be continued in further research.

#### 4.3 Evaluation of the Measurement Model (Outer Model)

The measurement model is used to determine the value of the validity and reliability of the model that connects indicators with latent variables, where in research the relationship between indicators and latent variables is reflective so that to assess validity will use *convergent validity* and *discriminant validity* . As for the indicator blocks, *composite reliability* and *Croanbach alpha* are used.

##### 4.3.1 Convergent Validity

*Convergent Validity* aims to validate whether all the items that are indicators of a construction have a significant relationship with the construction. *Convergent Validity* of the measurement model with value indicator reflection based on the correlation between item scores and variable scores calculated by PLS. *Convergent Validity* can be evaluated by looking at the *loading factor*. The PLS-SEM model meets *Convergent Validity* and can be said to be valid if the *outer loading* value  $> 0.7$  and the AVE value  $> 0.5$  (Jogiyanti, 2009). The following is the result of the correlation between the indicator and its construct showing the value of *outer loading*  $> 0.7$  and  $< 0.7$ . In addition, the *Convergent Validity* test is seen from the AVE value . The variables in this study already had an AVE value  $> 0.5$ .

##### 4.3.2 Discriminant validity

*Discriminant validity* aims to see whether a group of items included in a construct can be clearly distinguished from other constructs. This can be seen from the *cross loading* value, namely the correlation value of an item or indicator to its construct. When the *cross loading* value of an indicator or item is greater than its construct compared to other constructs, it can be said that the indicator or item has correctly compiled the *first order* of a construct.

### 4.3.3 Composite Reliability

*Composite reliability* serves to measure the level of reliability of a questionnaire that measures a construct. The construct reliability test was measured by two criteria, namely *composite reliability* and *cronbach alpha* from the indicator block that measured the construct. The construct is said to be reliable if the *composite reliability* and *Croanbach alpha values* are above 0.7.

### 4.4 Inner Model Evaluation

The evaluation of the inner model aims to analyze the relationship between constructs. Inner model evaluation or structural model testing describes the relationship between latent variables or hypotheses in a research model. Testing of the structural model is carried out with the R-square value which is the goodness-fit test of the model. The evaluation produces good results if the coefficient of the relationship between the variables is statistically significant, namely the t-statistic is more than the t-table. The relationship between latent variables can also be known through the Q-Square value. According to (Hair et al, 2011) the Q-Square value has the same meaning as the termination coefficient (R-Square) in regression analysis, where the higher the R-Square, the model can be said to be more fit with the value of the Q-Square can be calculated. with the following calculations:

$$\begin{aligned}
 Q^2 &= 1 - (1 - R_1^2) (1 - R_2^2) \dots (1 - R_p^2) && (1) \\
 Q^2 &= 1 - (1 - 0.878) \times (1 - 0.816) \\
 &= 1 - (0.122 \times 0.184) \\
 &= 1 - 0.22 \\
 &= 0.97
 \end{aligned}$$

The results of the *Q-Square* calculation of 0.97 means that the magnitude of the diversity of the research data can be explained by the structural model developed in this study of 97%. based on the results, the structural model in this study already has a good *goodness of model* . Furthermore, in the inner model by looking at the path diagram that shows how much influence the independent variable has on the dependent variable.

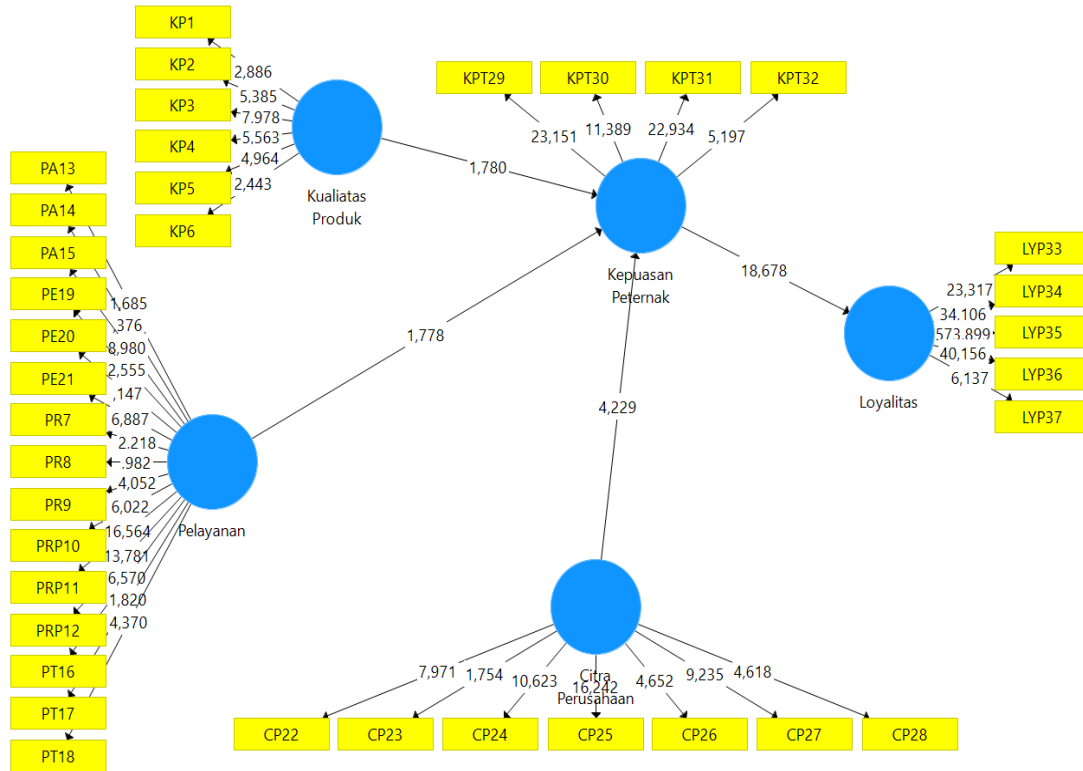


Figure 1. Construction of the PLS Modeling Path Diagram (Path Diagram)

#### 4.5 Hypothesis test

After the data meets the measurement requirements, then the *bootstrapping* method is carried out. *Bootstrapping* method is a procedure to see the value of the path coefficient or the magnitude of the relationship between latent variables. This hypothesis test is done by analyzing the p-value. If the t-statistic is greater than the t-table and the p-value is smaller than 0.01, 0.05 and 0.10, then the hypothesis is accepted. Meanwhile, if the t-statistic is smaller than the t-table and the p-value is greater than 0.01, 0.05 and 0.10 then the hypothesis is rejected.

Table 1. Results of *Bootstrapping-Path Coefficients*

Variabel	Original Sampel	T-Statistik	P-Values	Keterangan
Kualitas Produk -> Kepuasan Peternak	0,252	1,78	0,087*	Signifikan
Pelayanan -> Kepuasan Peternak	0,352	1,778	0,087*	Signifikan
Citra Perusahaan -> Kepuasan Peternak	0,479	4,229	0,000*	Signifikan
Kepuasan Peternak -> Loyalitas	0,903	18,678	0,000*	Signifikan

Source: Primary Data Analysis, 2021.

Note: \*p < 0.10; \*\*p < 0.05; \*\*\*p < 0.01.

Based on table 1, it can be seen the results of the influence between variables. In the results of this study, the four variables produced significant values, namely the influence of product quality, the effect of service quality, the influence of corporate image and the influence of livestock satisfaction on loyalty very well.

**H1: product quality has a positive effect on farmer satisfaction**

Based on Table 1, it is known that the parameter estimation value is 0.252 which indicates that the direction of the influence of product quality on farmer satisfaction is positive. The t-statistic value is 1.78 and the p-value is 0.087. This value indicates that the p-value is significant at a significance level of 1%, 5% or 10%, because the p-value is smaller than alpha. Thus, hypothesis 1 proposed in the study is accepted. In this provided by the core company. The results of this study support the results of Wijaya's partnership system, farmers are also required to accept products in the form of livestock production facilities research (2012) which suggests that the higher the quality of the products and services provided, the higher the satisfaction felt by customers.

**H2: Service quality has a positive effect on farmer satisfaction**

Based on Table 1, the estimated parameter value is 0.352, which indicates that the direction of the influence of service quality on farmer satisfaction is positive. The t-statistic value is 1.778 and the p-value is 0.087. This value indicates that the p-value is significant at the 1% significance level, because the p-value is smaller than 0.01 alpha. Thus hypothesis 2 proposed in the study is accepted. Breeders will be satisfied if the core company has good service quality. The forms of services provided by PT Multi Sarana Pakanindo include technical and non-technical assistance with monitoring of cultivation by the Technical Service and veterinarians on a regular basis. PT Multi Sarana Pakanindo handles the problems that farmers complain about with a direct approach, both internally and in the field. PT Multi Sarana Pakanindo also provides business fund relief assistance with loan funds. The profit sharing system and the payment system for the results to farmers are carried out on a contract basis. To maintain the safety and trust of farmers.

**H3: Company image has a positive effect on farmer satisfaction**

Based on Table 1, it is known that the estimated parameter value is 0.479, which indicates that the direction of the influence of company image on farmer satisfaction is positive. The t-statistic value is 4.229 and the p-value is 0.000. This value indicates that the p-value is significant, at a significance level of 5%, because the p-value is greater than alpha 0.10. Thus, hypothesis 3 proposed in the study is accepted. The company must always maintain a good image in running the partnership. Breeders will be interested in joining and cooperating with the company if the company is considered to have a good image in the public. The effort made by PT Multi Sarana Pakanindo in building a good impression on farmers is to maintain the farmer's profits are always in good condition. In addition, support or support from the company to farmers is also always given in realizing a healthy business. The results of this study support the results of research by Stephen (2007), Khan (2012), and Giovanis (2014) which give the result that there is a positive influence between image and customer satisfaction.

**H4: Satisfaction has a positive effect on farmer loyalty**

Based on Table 1, it is known that the estimated parameter value is 0.903, which indicates that the direction of the influence of farmer satisfaction on loyalty is positive. The t-statistic value is 18.678 and the p-value is 0.000. This value indicates that the p-value is significant at a significance level



of 1% or with a conformity level of 99%, because the p-value is greater than 0.01 alpha. Thus, hypothesis 4 proposed in the study is accepted. Farmers PT Multi Sarana Pakanindo have a high level of satisfaction with the services provided by the company. The high level of farmer satisfaction affects the desire of farmers to survive and continue the partnership with PT Multi Sarana Pakanindo. Because farmers do not yet have high loyalty, it will not be easy for other companies to attract farmers PT Multi Sarana Pakanindo to switch to other partnerships. With the loyalty of farmers, the company will benefit, namely more partner members and can control the quality of the company through complaints from farmers during the partnership. The results of this study support the results of research by Rachmawati (2010) which shows a positive relationship between satisfaction and loyalty.

## 5. Discussion

Based on the limitations that exist in this study, future studies can expand the model applied in this study to predict the intention and use of information systems. This can be done by adding variables that can affect the acceptance and use of information systems, seen from the calculation of the *R-Square value* where there are still potential variables outside the model that affect the acceptance and use of information systems. Finally, increase the value of the quality of products and services of PT Multi Sarana Pakanindo for cooperative partnerships so that the level of satisfaction of farmers will be higher and they will be able to be more loyal in joining PT Multi Sarana Pakanindo.

## 6. Conclusion

Product quality has a positive effect on farmer satisfaction. This means that the increasing quality of PT Multi Sarana Pakanindo's products has an effect on the satisfaction of farmers. Service quality has a positive effect on farmer satisfaction. The better the quality of service provided by PT Multi Sarana Pakanindo will increase the satisfaction of farmers in partnering. Company image has a positive effect on farmer satisfaction. This means that the better the image of the core company, the higher the level of satisfaction of farmers in partnering. Farmer satisfaction has a positive effect on farmer loyalty. This means that the higher the level of satisfaction of farmers will increase the loyalty of farmers.

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