THE ROLE OF CUSTOMER SATISFACTION AND PRICE FAIRNESS IN MEDIATING THE INFLUENCE OF SERVICE QUALITY ON WORD OF MOUTH

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ABSTRACT: This study has a purpose to explain the role of customer satisfaction and price fairness in mediating the influence of service quality on word of mouth. There were 112 respondents as the sample in this study. The sampling method used was the purposive sampling method. This research used the Partial Least Square (PLS) analysis technique. The results of this study revealed that service quality, price fairness and customer satisfaction have a significant and positive influence on word of mouth. Service quality and price fairness have a significant and positive influence on customer satisfaction. Service quality has a significant and positive influence on price fairness. Customer satisfaction and price fairness are able to partially mediate the influence of service quality on word of mouth. The implication of this research is that to improve the word of mouth behavior of PT.TIKI customers, it is necessary to evaluate and improve their service quality, customer satisfaction and price fairness.

Keywords: Word of mouth, service quality, customer satisfaction, and price fairness

I. INTRODUCTION

The need for freight services is one of the needs that supports the activities of the global community. To be able to compete, service quality is a very important factor. Service quality has been shown to be able to influence the disposition of consumer behavior in various service industries and has a direct and positive influence on word of mouth (Chang et al. 2012). The greater the service quality provided by firms and the better the image of the company, the more likely customers will recommend the firms through their word of mouth (Mohtasham et al., 2017).

Service quality plays an important role in price setting and has a positive influence on price fairness (Jin et al., 2015). Evaluation of service quality significantly affects consumers' perceptions of price fairness (Jin et al., 2015). With a fair price, there is a greater possibility to increase the satisfaction of customers and develop customer loyalty (Malik et al., 2012).

Customer satisfaction refers to the positive or negative feelings or attitude of a customer after they consume a product or receive a service (Shao-Chang 2013). Several researchers have found strong empirical evidence which proved that satisfaction has a positive influence on positive word of mouth (Woratschek, 2016). Satisfaction is also correlated with loyalty and word of mouth (Shao-Chang 2013). Ferguson et al. (2013) stated that word of mouth communication is more influential than communication through other promotional methods because consumers are less skeptical towards word of mouth and consumers rely more on information received through word of mouth.

Based on the pre-survey results on several users of PT.TIKI's goods delivery service, it was found that service quality, customer satisfaction, and fairness of price are closely related to word of mouth activities performed by customers. Therefore, this study was conducted to examine the influence of service quality on the word of mouth of PT.TIKI's customer with customer satisfaction and price fairness as the mediator.

II. LITERATURE REVIEW

Service Quality

Service quality can be described as the comprehensive assessment regarding the performance level of a service (Mohtasham et al., 2017). The service quality (SERVQUAL) model consists of five main dimensions that can be used to measure service quality (Shao-Chang, 2013), including assurance, empathy, responsiveness, reliability and tangibles. There are many researchers who use these five dimensions as indicators (Puspa, 2014 and Putra, 2015).
Service quality is emphasized to influence the dispositions of consumer behavior, therefore service quality has a direct and positive influence on word of mouth behavioral intentions (Chang et al. 2012). This statement is also supported by Rambe et al. (2017) and Kwun et al. (2013) who stated that service quality has a positive and significant influence on word of mouth. Various studies have revealed that there is a relationship between service quality and satisfaction (Cronin et al., 2000; Lee et al., 2000; Saravanan and Rao, 2007). Researchers hypothesized that highly-valued service quality is correlated with high customer satisfaction (Mohtasham et al., 2017). This statement is supported by Kwun et al. (2013) and Rambe et al. (2017) who also stated that service quality has a positive and significant influence on customer satisfaction. Based on the discussed reviews, the hypotheses in this study are as follows:

H1: Service quality has a positive and significant influence on word of mouth

H2: Service quality has a positive and significant influence on customer satisfaction

III. CUSTOMER SATISFACTION

Customer satisfaction refers to the good or bad feeling felt by or attitude of customers after they consume a product or receive a service (Mohtasham et al., 2017). Customer satisfaction can be measured with several measurement indicators (Rambe et al., 2017), including expectation, performance, and comparison. When there is an increase in customer satisfaction, the tendency for a positive word of mouth behavior will also increase (Babin et al., 2005). Similarly, Casalo et al. (2008) and Saraswulandari and Santika (2013) also found that consumer satisfaction has an influence on word of mouth behaviors. Based on this discussion, the third hypothesis in this study is as follows:

H3: Customer satisfaction has a positive and significant influence on word of mouth

Price Fairness

Price is the amount of money charged for a product or service (Kotler and Armstrong, 2012: 52). Lien et al. (2015) stated that price is the amount of money that consumers must pay to obtain a product or service. According to Lien et al. (2015), the indicators of price fairness are inexpensive, reasonable, affordable and appropriate. Empirical evidence in tourism literatures showed that the evaluation of service quality significantly influences consumers' perceptions regarding price fairness (Go and Govers, 2000 and Oh, 2003). Consumers evaluate the quality of service delivered to them, and consumers are willing to pay a premium price for the services they consider efficient and effective (Yang and Peterson, 2004). If the price of a service is in line with their quality, customers will feel satisfied (Malik et al. 2012). Wijaya (2016) stated that price has a positive and significant influence on word of mouth. The findings by Consuegra et al. (2007) stated that perceived fairness of price is positively related with customer loyalty. Based on the discussed reviews, the hypotheses in this study are as follows:

H4: Service quality has a positive and significant influence on price fairness

H5: Price fairness has a positive and significant influence on customer satisfaction

H6: Price fairness has a positive and significant influence on word of mouth

IV. WORD OF MOUTH (WOM)

According to Dong and Liu (2012), WOM is a two-way communication between customers who have a strong non-commercial relationship with a product or service. According to Babin et al. (2005), there are several aspects that can be used as the indicators of WOM, namely discussing, recommending and encouraging others to use the product/ service. Customers who are satisfied with quality tend to share positive WOM with others.

The research conducted by Puspasari (2014) showed that product quality influence word of mouth through customer satisfaction. Rusadi and Sujito's research (2012) found that product quality has a positive influence on customer satisfaction and customer satisfaction has a positive influence on word of mouth. The price fairness is an assessment of whether the price is reasonable, acceptable, or justifiable based on the consumers’ evaluations (Xia et al. 2004). According to Bolton and Alba (2006), price increases are considered reasonable when it is due to the increase in cost. According to Monroe and Xia (2005), a price increase is considered more reasonable when the increase is due to a motive that does not take advantage of customers or situations. Based on the discussed reviews, the following hypotheses are formulated:

H7: Customer satisfaction positively and significantly mediate the influence of service quality on word of mouth

H8: Price fairness positively and significantly mediate the influence of service quality on word of mouth

Based on the literature review and research hypotheses, this study examines the influence of service quality on customers’ word of mouth with customer satisfaction and price fairness as the mediators. The conceptual framework of this research is displayed as follows.
V. RESEARCH METHODOLOGY

This research is categorized as an associative quantitative research. The population in this study are all the customers of PT. TIKI who live in Denpasar City with a total sample of 112 people who were selected using the purposive sampling method. The data were collected through questionnaire. The analysis technique used is the structural equation modeling (SEM) with the partial least square (PLS) as the analysis tool.

The service quality construct in this study adapted and modified the indicators used in the research conducted by Puspa (2014) and Putra (2015), while for customer satisfaction the indicators are based on the research by Rambe et al. (2017), the indicators of price fairness are based on the research conducted by Consuegra et al. (2007), and the indicators of word of mouth are based on the research conducted by Babin et al. (2005).

VI. RESULTS AND DISCUSSION

Description of Respondents

There were 112 respondents in which 48 are male and 64 are female. Based on the respondents’ age, most were at an age of 27-31 years old, with a total of 39 people. Based on their occupation, most of the respondents work as private employees, with a total of 53 people.

Evaluation of the Measurement Model or Outer Model

In evaluating the outer model, three criteria are used, namely, convergent validity, discriminant validity and composite reliability. All indicators in this study have fulfill the convergent validity requirement because they have a loading factor value greater than 0.70 and a p-value less than 0.05. The cross loading value of each latent variable is greater than the other latent variables, therefore the discriminant validity requirement is fulfilled. The composite reliability value and the Cronbach’s Alpha value for all the constructs are greater than 0.70, which means that the research model has good reliability.

Evaluation of the Structural Model or the Inner Model

The inner model or structural model test is conducted to determine the relationship between constructs, the significance value and the R-square of the research model. The results of the inner model test can be seen in Figure 2.
The structural model is evaluated using the R-square of the dependent construct, the t-test, and the significance value of the structural path coefficients.

### Table 1. R Square

<table>
<thead>
<tr>
<th>Construct</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>0.716</td>
</tr>
<tr>
<td>Price Fairness</td>
<td>0.330</td>
</tr>
<tr>
<td>Word of Mouth</td>
<td>0.731</td>
</tr>
</tbody>
</table>

Source: Computed data, 2020

In Table 1, it can be seen that the R-square value of the WOM variable is 0.731. This means that 73.1% of the variability of the WOM construct is explained by customer satisfaction, price fairness, and service quality, while the remaining 26.9% is explained by other variables not included in the model.

### VII. HYPOTHESIS TEST RESULTS

The hypotheses are examined based on their t-statistics or p-value, and the Alpha in this study is 0.05.

### Table 2. Direct Influence, Indirect Influence, Total Influence, and the Calculation of the VAF

| Variable | Coefficient | T-Statistics (|O/STDEV|) | P Values |
|----------|-------------|----------------|----------|
| Direct Influence | | | |
| Satisfaction → WOM | 0.291 | 2.780 | 0.006 |
| Price Fairness → Satisfaction | 0.492 | 6.420 | 0.000 |
| Price Fairness → WOM | 0.385 | 3.646 | 0.000 |
| Serv. Quality → Satisfaction | 0.462 | 5.096 | 0.000 |
| Serv. Quality → Price Fairness | 0.575 | 9.201 | 0.000 |
| Serv. Quality → WOM | 0.283 | 3.019 | 0.003 |
| Indirect Influence | | | |
| Serv. Quality → Price Fairness → Satisfaction | 0.283 | 5.254 | 0.000 |
| Price Fairness → Satisfaction → WOM | 0.143 | 2.760 | 0.006 |
| Serv. Quality → Price Fairness → Satisfaction → WOM | 0.082 | 2.611 | 0.009 |
| Serv. Quality → Satisfaction → Word of Mouth | 0.134 | 2.263 | 0.024 |
| Serv. Quality → Price Fairness → Word of Mouth | 0.221 | 3.606 | 0.000 |
| Serv. Quality → WOM | 0.438 | 6.489 | 0.000 |
| Total Influence | | | |
| Satisfaction → Word of Mouth | 0.291 | 2.780 | 0.006 |
| Price Fairness → Satisfaction | 0.492 | 6.420 | 0.000 |
| Price Fairness → WOM | 0.528 | 5.756 | 0.000 |
| Serv. Quality → Satisfaction | 0.744 | 12.145 | 0.000 |
| Serv. Quality → Price Fairness | 0.575 | 9.201 | 0.000 |
| Serv. Quality → WOM | 0.721 | 11.828 | 0.000 |

VAF of Customer Satisfaction → Indirect Influence / Total Influence (0.134/0.721) = 0.186
VAF of Price Fairness → Indirect Influence / Total Influence (0.221/0.721) = 0.306

Source: Computed data, 2020

Service quality has a positive and significant influence on word of mouth

The influence of service quality on word of mouth has a correlation coefficient of 0.283 and a p-value of 0.003, which is lower than 0.05. Hence, H1 is accepted. This means that service quality has a positive and significant influence on word of mouth. The result is consistent with the research conducted by Chaniotakis and Lymeropoulos (2009), Kwan et al. (2013) and Rambe et al. (2017) which stated that service quality has a positive and significant influence on word of mouth. The higher the quality of service, the better the positive word of mouth from customers.

Service quality has a positive and significant influence on customer satisfaction
The influence of service quality on customer satisfaction has a correlation coefficient of 0.462 and a p-value of 0.000, which is lower than 0.05. Hence, H2 in this study is accepted. This means that service quality has a positive and significant influence on customer satisfaction. This result is consistent with the research conducted by Mohtasham et al. (2017), Lee et al. (2000), Kwun et al. (2013), Rambe et al. (2017) and Saravanan and Rao (2007) which stated that there is a relationship between service quality and satisfaction. The better the quality of the service received, the greater the satisfaction of customers.

Customer satisfaction has a positive and significant influence on word of mouth

The influence of customer satisfaction on word of mouth has a correlation coefficient of 0.291 and a p-value of 0.006, which is lower than 0.05. Hence, H3 in this study is accepted. This shows that customer satisfaction has a positive and significant influence on word of mouth. This result is confirmed by Popp and Woratschek (2016), Babin et al. (2005), Saraswulandari and Santika (2013) and Casalo et al. (2008) who found that customer satisfaction positively and significantly influences WOM behavior. The more satisfied customers are with the service, the more positive their word of mouth behavior will be.

Service quality has a positive and significant influence on price fairness

The influence of service quality on price fairness has a correlation coefficient of 0.575 and a p-value of 0.000, which is lower than 0.05. Thus, H4 in this study is accepted. This indicates that service quality has a significant and positive influence on price fairness. This result is confirmed by Torres (2014), Zaibaf et al. (2013) and Yang and Peterson (2004) who found that service quality has a significant and positive influence on price fairness. The greater the quality of the services provided, the more customers feel that the prices are reasonable.

Price fairness has a positive and significant influence on customer satisfaction

The influence of price fairness on customer satisfaction has a correlation coefficient of 0.492 and a p-value of 0.000, which is lower than 0.05. Thus, H5 is accepted. This means that price fairness has a significant and positive influence on customer satisfaction. This result is consistent with research conducted by Malik et al. (2012) and Wirtz and Kimes (2007) which revealed that price fairness has a significant and positive influence on customer satisfaction. The more customers perceive that the price is reasonable, the greater their satisfaction will be.

Price fairness has a positive and significant influence on word of mouth

The influence of price fairness on word of mouth has a correlation coefficient value of 0.385 and a p-value of 0.000, which is lower than 0.05. Thus, H6 in this study is accepted. This means that price fairness has a positive and significant influence on word of mouth. This result is confirmed by Wijaya (2016), Consuegra et al. (2007) and Bei and Chiao (2001) who found that price fairness has a significant influence on customer loyalty. If consumers perceive that the prices are reasonable, their word of mouth will be more positive.

The role of customer satisfaction in mediating the influence of service quality on word of mouth

Based on the data, the VAF value is 0.186. Hence, customer satisfaction is a partial mediator in the relationship between service quality and word of mouth. This means that with a higher level of service quality, the word of mouth behavior will be more positive through customer satisfaction. This result is consistent with the research conducted by Puspasari (2014), Rusadi and Sujito (2012) and Paswan and Ganesha (2009).

The role of price fairness in mediating the influence of service quality on word of mouth

Based on the data, the VAF value is 0.306. Hence, price fairness is able to partially mediate the relationship between service quality and word of mouth. This means that with a greater quality of service provided to customers, their word of mouth behavior will be more positive through the perceived price fairness. This result is confirmed by Bolton and Alba (2006) who revealed that price increases are considered more reasonable when it is due to the increase in the cost to improve quality, which in turn affects consumers’ word of mouth.

VIII. CONCLUSION

The results of this study revealed that service quality, price fairness and customer satisfaction have a significant and positive influence on word of mouth. Service quality and price fairness have a significant and positive influence on customer satisfaction. Service quality has a significant and positive influence on price fairness. Customer satisfaction and price fairness are able to partially mediate the relationship between service quality and word of mouth. The implication of this research is that to improve PT.TIKI customers’ word of mouth behavior, it is necessary to pay attention to the factors related to service quality, customer satisfaction and price fairness. The indicator of price fairness which has the highest value is the price set by PT. TIKI. If
PT.TIKI is able to provide discounts, it will increase customers’ positive word of mouth, which will allow PT.TIKI to maintain and increase the number of their customers. The limitation of this research is that the research scope is limited to Denpasar City and the respondents who are customers of PT.TIKI services, therefore the results cannot be used for generalization purpose. This research was only conducted over a short period of time, while the changes in the environment can be dynamic. Future studies may conduct this research in different areas, over a different or extended period of time, or with different populations and samples.

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