

## IMPACT OF CUSTOMER SATISFACTION TOWARDS WORD OF MOUTH IN COMMERCIAL BANK

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### ABSTRACT

This research is designed to analyze the effect of several factors, such as relationship marketing, service quality, customer satisfaction and word of mouth in the surrounding of customer in bank industry. Survey and explanatory methods are used in the research by applying purposive proportional sampling technique. The technique of data analysis is descriptive, confirmatory factor and structural technique data analysis using Structural equation model (SEM). The result of validity and reliability test on all items proves that all of those item are valid and reliable. Overall goodness of fit shows that the model used in this research meets the requirement to be a good model. The result of the hypothesis testing on confirmatory factors shows that the estimated factor dimension has significant contribution on latent variables among which are relationship marketing, service quality, customer satisfaction and word of mouth. The result of structural model hypothesis testing are as follows : 1) it has been proved that relationship marketing and service quality have effect on customer satisfaction. 2) it has been proved that relationship marketing and service quality have effect on word of mouth. 3) it has been proved that customer satisfaction have effect on word of mouth. 4) it has been proved that relationship marketing and service quality have effect on word of mouth through customer satisfaction.

**Keywords:** relationship marketing, service quality, customer satisfaction and word of mouth.

### 1. INTRODUCTION

Consumer knowledge about various brands or products more due to the communication formed among consumers themselves. Communication that is easily accepted and understood is communication done through oral or direct talk, which in marketing terms is called Word of mouth. As Sutisna (2002: 184) views, information obtained from word of mouth communication can reduce information retrieval, because wom is the cheapest and simplest advertisement with the information conveyor in Wom acting as a promotional agent for a company that does not paid . In the current era of digitalization, where the competition is getting tighter and harder, buyers getting smarter in giving demands on the company, making the business must be smart in anticipating the

competition. Businesses including the banking, must be able to innovate in creating good advertising or promotion to attract potential customers. The Increasing of varied advertising today makes many potential customers feel quite bored, so customers will start looking for something definite and quality amongst so many different information.

Almost the same as other business companies, the banking sector also rely heavily on word of mouth communication in attracting new customers. Today, the banking sector is facing a very tough competition. This is because the number of banks is increasing from year to year. The growth of the number of banks is not only dominated by national banks, but also foreign banks. Although the intense competition is very strict, there is a shift from product and sales philosophy to marketing philosophy to provides a better opportunity for the company to outperform its competitors. The basis of a well-understood marketing orientation is that strong connection with the customer and relationship marketing concepts are crucial to being mastered by sellers. Reliable quality of service is also become the basis of customer satisfaction in the banking sector that will generate positive word of mouth.

## **2. LITERATURE REVIEW**

### **2.1. Word of Mouth**

Lovelock et al. (2005: 23) stated that Wom is a delivery model of messages about companies and products coming from the outside of the companies or organizations that can not be controlled by marketers. Wom is a recommendation from consumers who are viewed in general are more trusted than the promotional activities undertaken by the company. The presence of Wom greatly affects consumers to use or not to use services offered by the company. Wom can not be contrived or created, because Wom done by the consumer voluntarily or without getting rewarded. According to Buttle (1998, 243) Wom can be characterized by valence, focus, timing, solicitation and intervention. Each character can be explained as follows: a) Valence, Based on marketing perspective, Wom can be positive or negative. Wom positively occurs when the consumer experience informs the good and the desired and spoken support of the company is met, and conversely for negative Wom means the disgruntled customer will a product or service provide negative information from a product that has been tried by the consumers concerned. b)Focus, Wom's function to turn prospects into customers, attract customers to the loyalty stage, make the diffusion of innovation better. Customers who are loyal to a product will always do three things that will re-purchase on a product that is considered qualified, pay more for the good product and give recomendations. c) Timing, Wom can operate as an important pre-purchasing source of information, known as Wom input or information obtained before a potential customer decides to purchase a product. For Wom spoken after purchase or after the experience of consuming a product and feeling satisfied, referred to as Wom's output. d) Solicitation, Not all Wom communications come from customers. Indeed, Wom can be delivered with or without request; it may be

sought or may not be searched. However, when Information is sought by a potential customer, it is important to hear feedback from the opinion or influence of others. e) Intervention, WOM can occur spontaneously, so companies need to be pro-active to intervene in managing WOM's activities in an effort to stimulate and manage WOM operations at the individual or organizational level. Individual companies actively provide WOM by using role models or endorsements for potential customers who will follow.

## 2.2. Customer satisfaction

Ziethaml and Bitner (2008: 110), stated that customer satisfaction is a customer evaluation of the product or service is in accordance with the needs and expectations. Customer satisfaction is a reaction that arises from the pleasure or disappointment of customers over products and services in meeting consumer needs, by comparing the perceived performance of the product received and the expected. Nguyen and Le Blanc (1998: 54) suggests indicators of customer satisfaction, namely: a) Desire for repurchase, It is the interest of the customer to re-choose the use of goods or services, the intensity or frequency of presence of a product either goods or services. b) The small desire to complaint, The third party's response involves seeking legal redress; complain through the mass media or directly go to the legal institution and so forth. c) Proud to use, It is a feeling that customers feel after using or consuming products or services from a brand or company.

## 2.3. Relationship marketing

Relationship marketing is a long-term relationship that companies build to attract, retain and improve customer attachment to the company (Berry, 1983: 25). In other words, it appears that relational marketing is an implementation of the customer orientation philosophy that allows the company to retain customers through loyalty and commitment obtained from customers. The dimensions contained in relationship marketing in commercial banks according to (Moothy et al., 2014) are as follows: a) emotional society, is the dependence between the two parties is strong enough so that the relationship both can last long. b) Commitment, is a relationship between two parties who maintain each other's trust with each other. c) Trust, is a cooperative relationship between the two parties between customers and bank companies that trusted each other. d) handling complaints, It is a strategy that companies use to solve and learn from service failures in order to reestablish trust in the customers perspective. e) Communication is the relationship of contact between human beings both individuals and groups in daily life.

## 2.4. Service Quality

Zeithaml and Berry (1995: 50), stated that service quality is a perception of the result of a comparison between what consumers should consider from service and consumer perceptions about the performance offered by service providers.

Service quality in retail banks (Karatepe, et al., 2005), consists of 4 dimensions: a) Service environment Is a corporate environment that provides services to customers. b) Reliability Is the reliability of the company when compared with other companies which become the competitors. c) Interaction quality, Is a process of interaction between customers with the company. Good interaction quality between the company and the customer will be able to create a good relationship between both parties. d) Empathy is Not only treatment of the company by listening every complaint submitted by the customer, but also an effort in creating a harmonious relationship with the customer

### 3. RESEARCH CONCEPTUAL MODEL AND HYPOTESIS

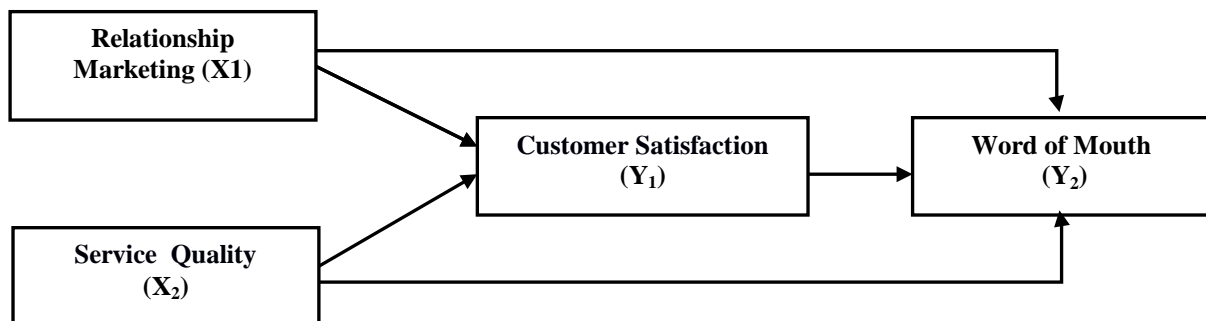


Figure 1. Research conceptual model

Research hypotheses

H<sub>1</sub> : Relationship marketing and service quality influence customer satisfaction

H<sub>2</sub> : Relationship marketing and service quality influence word of mouth

H<sub>3</sub> : Customer satisfaction influence word of mouth

H<sub>4</sub> : Relationship marketing and service quality influence word of mouth through customer satisfaction

### 4. METHODOLOGY

This research is quantitative research with research type is explanatory research and survey approach become the way to get the data. This research includes causality research with survey research method, which uses the instrument compiled in the questionnaire as a data collection tool. Time of the eresearch is a cross sectional study that collects data at a certain time range.

#### 4.1 Population and sample research

The population of this research is the customer in credit sector in PT Bank Rakyat Indonesia Tulungagung numbering 25,145 people. The sample of this research is commercial lending customer of SME sector in BRI Tulungagung

Branch with total debtor 1,176 person with sample allocation 170 person. The sampling technique in this research is purposive sampling.

## 4.2. Data collection technique

Data collection was obtained by distributing questionnaires to customers of retail commercial lending sector at Bank BRI Tulungagung. Respondents are given the freedom to provide answers or responses according to the perceptions experienced based on experience when developing services.

## 5. RESULT AND DISCUSSION

### 5.1 Validity and Reliability Test

The result of testing instrument of 170 respondents showed all statement items from four variables studied are relationship marketing, service quality, customer satisfaction and word of mouth declared valid, evidenced by correlation coefficient value of each item statement bigger than  $r$ -table 0,151. In addition, all variables showed a good level of reliability, as evidenced by the value of coefficient cronbach's alpha greater than 0.6 indicates that the question can be said reliable.

### 5.2 Hypothesis Test Results

This research will test the hypothesis by using SEM model and suitability model (Model Fit) to know the causality relationship between research variables. Hypothesis test results relationship between variables indicated by the value of regression weight in the CR column (Critical Ratio) is identical with the value of  $t$ -count compared with the critical value (identical with the  $t$ -table value); the critical value for the significant level of 0.05 is 1.976 (on  $t$ -table). If  $CR >$  critical value, then hypothesis will be accepted whereas if  $CR$  value is critical, hypothesis is rejected

**Table I**  
**The relation of quality to research variable**

Variabel			Standardized Regression Weight		Prob.
Eksogen	Mediasi	Endogen	Direct	Critical Ratio	
Relationship Marketing		Word of Mouth	0,280	2,944	0,003*
Relationship Marketing	Customer Satisfaction		0,460	4,536	0,000*
Service		Word of	0,260	3,034	0,002*

Quality		Mouth			
Service Quality	Customer Satisfaction		0,300	3,176	0,001*
	Customer Satisfaction	Word of Mouth	0,330	3,548	0,000*

Information \* = Signifikan

- H<sub>1</sub> : Relationship marketing and service quality influence customer satisfaction, The resulting probability value is 0.000 and 0.001 smaller than 0.05 it can be concluded that the first hypothesis is tested
- H<sub>2</sub> : Relationship marketing and service quality influence word of mouth, The resulting probability value is 0.003 and 0.002 smaller than 0.05 it can be concluded that the second hypothesis is tested
- H<sub>3</sub> : Customer satisfaction influence word of mouth, The resulting probability value is 0.000 smaller than 0.05 it can be concluded that the third hypothesis is tested
- H<sub>4</sub> : Relationship marketing and service quality influence word of mouth through customer satisfaction, The resulting probability value is 0.000 smaller than 0.05 then it can be concluded that the fourth hypothesis is tested

## 6. CONCLUSION AND RECOMMENDATIONS

### 6.1. Conclusion

Relationship marketing and service quality proved to affect customer satisfaction of loan customers, it mean that customers feel satisfied when the bank officers are able to maintain customer confidence and able to be empathy with the customers while doing service.

Relationship marketing and service quality proved to influence the word of mouth of loan customers, meaning that customers will give a recommendation or positive word of mouth when bank officers are able to maintain trust about customer personal information. With the ability of bank officers to maintain the trust of customers, the customer will invite their friends or business partner to use the same loan facility in the same bank with the customer voluntarily. word of mouth is also formed from the quality of services which provided by the bank to the customers such as formed from the way bankers to give empathy to the customers.

Customer satisfaction is proven to affect the word of mouth of loan customers, meaning that when customers are satisfied with the services of a bank, the customer will give positive word of mouth to others. In addition, customer satisfaction loans proved mediate relationship marketing and service quality to the behavior of word of mouth customers. This means that the ability of relationship marketing in the form of ability to maintain customer confidence and service quality in the form of bank officers can be empathy on customers will be

able to create word of mouth from customers through the satisfaction felt by the customer.

## 6.2. Recommendations

Banking management should conduct periodic education for account officers to improve knowledge and insight on the importance of relational marketing and quality service delivery to customers, thereby creating a continuous relationship and closeness with customers.

For other prospective researchers who further suggested to use variables that exist in this research on the type of business manufacturing, industry, retail sales. Beside that for the other researchers which interested in bank sector can use different variables such as personal selling on bank officers, It is also suggested for other researchers using variable sales increase or customer loyalty influenced by word of mouth that emerged from customer satisfaction. In this study did not examine the impact of Wom in increasing sales or expanding the market, so it is advisable for other researchers to examine about the influence of Wom to increase sales and also expansion of new markets for the company.

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