



The Effect of Product, Service, and Customer Satisfaction on Word-of-Mouth Behavior

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ABSTRACT

Objective – Banks are financial intermediaries which are vital to support the economy of a country. Banks can be interpreted as the financial institutions whose activities are collecting funds from the community, distributing the funds back to the community, and providing other banking services. The development and improvement of service quality from the banks should be the center of public attention. This is because of the tight competition in terms of quality of the services, products, and marketing strategies undertaken by the banks. In an environment of tight competition, the top priorities of service companies such as banks are customer satisfaction and excellent service quality in order to improve customer loyalty and word-of-mouth behavior. This research aims to study, analyze, and explore the effect of product, service, and customer satisfaction on word-of-mouth (WOM) behavior at PT Bank Jakarta.

Methodology/Technique –The models used in this research is a descriptive and associative model using SPSS 19. This study uses a simple random sampling technique with a total sample of 80 people. The research instrument used as a measuring tool in this study is a questionnaire consisting of 40 statements.

Findings & Novelty – The result of this research show that product (X1), service (X2), and customer satisfaction (X3) simultaneously affect word-of-mouth behavior (Y). The results conclude that PT Bank Windu Kentjana International Tbk Jakarta should improve the quality of its products and services delivered to its customers and prospective customers in order to build their loyalty and improve their word-of-mouth.

Type of Paper: Empirical.

Keywords: Product; Service; Customer Satisfaction; Word of Mouth Behavior.

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JEL Classification: M30, M31, M39.

1. Introduction

Every company expects to have maximum sales from its products, including banks which keep attracting potential customers by giving rewards. It seems that giving rewards to attract customers in Indonesia has become a trend among almost all banks. Giving reward provides a high level of purchasing response to increase the number of customers (Glynn, 1999).

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However, conducting customer acquisition through reward programs may result in a fragile customer base because customers are generally switchers who look for low prices and instant benefits. Hence, it takes extra effort to retain those customers. In a competitive environment, banks need to work hard to obtain potential new customers and retain their existing customers. The success of a business is determined by the company's ability to provide quality services. The quality of service is reflected from customer satisfaction to re-use that service. Customer satisfaction in using the services or products can be used as input for the management to improve the quality of the services provided. Therefore, employees should always monitor customer satisfaction to improve customer loyalty.

In providing financial services, banks must meet the five criteria of service quality, namely, reliability, responsiveness, confidence, empathy, and tangibility. Reliability can be seen from the speed in processing and delivery service. Responsiveness can be seen from the bank's response to customer complaints. Confidence can be seen from employees' understanding of their work, while empathy can be seen from the extent to which a bank pays attention to the interests of customers. Tangibility can be seen from the facilities that can be enjoyed directly by customers.

One of the ways to create quality services is to differentiate by consistently delivering higher quality service than that provided by competitors. Banks also need to listen to their customers and interact with them to get valuable feedback. A loyal customer is a useful promotional tool in terms of word-of-mouth promotion. A loyal customer will encourage other customers to purchase the services of that company. The more the customer is served, the higher the revenue or profit gained. As an institution engaging in the financial service sector, Bank Windu Kentjana International, Tbk. is committed to serving its customers, both in terms of fundraising and fund distribution, as well as serving various banking services to primarily support the small and medium business sector. In conducting its business activities, Bank Windu Kentjana International, Tbk. always upholds prudential banking principles and strives to implement good corporate governance.

Every bank has the same goal, that is, to acquire as many customers as possible. The products offered by the banks are almost the same or even similar. The customers in Indonesia have various banking options to select. Hence, competition among banks in Indonesia is tight. Every customer wants their needs and expectations to be noticed and understood. Banks need to be close to the customers and understand the needs of their customers so they will feel appreciated and cared for. Thus, the banks will have a special place in the minds of their customers. This is, indeed, linear with customer satisfaction. Customer satisfaction is an essential and decisive element in growing a company. Based on the background outlined above, the research problems are formulated as follows:

1. Does product (X1) affect word-of-mouth behavior (Y) of PT. Bank Windu Kentjana International, Tbk, Pesanggrahan branch, Jakarta?
2. Does service (X2) affect word-of-mouth behavior (Y) of PT. Bank Windu Kentjana International, Tbk, Pesanggrahan branch, Jakarta?
3. Does customer satisfaction (X3) affect word-of-mouth behavior (Y) of PT. Bank Windu Kentjana International, Tbk, Pesanggrahan branch, Jakarta?
4. Do product (X1), service (X2), and customer satisfaction (X3) simultaneously affect word-of-mouth behavior (Y) of PT. Bank Windu Kentjana International, Tbk, Pesanggrahan branch, Jakarta?

The rest of this study is structured as follows; section 2 presents the literature review, section 3 describes the methodology, section 4 presents the empirical results, section 5 is a discussion, and the final section concludes the study.

2. Literature Review

According to Kotler and Keller (2009), mutualization is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and service to create exchanges that satisfy individual and organizational goals. Armstrong and Kotler (2012) define the product as everything that can be offered to the market to meet the needs or desires of consumers. Meanwhile, according to Stanton (in Buchori, 2005), a product is a set of tangible and intangible attributes including color, price, packaging, factory prestige, retailer prestige, and retailer service that may be accepted by the buyers as something that can satisfy their desires. Wykof (in Tjiptono, 2000) states that service is the expected excellence and control over the level of excellence to meet customer desires. Creating customer satisfaction depends to a large extent on ensuring that a firm maintains high service quality standards (Wirtz, 2002; Agyapong, 2011).

Satisfaction is a concept that is much broader than just the assessment of service quality. It is also influenced by other factors. The indicators of satisfaction are the perception of service quality, product quality, and personal factors (Zeithaml & Bitner, 2000). Product quality and price can boost customer value, ultimately creating customer satisfaction (Razak, Nirwanto, & Triatmanto, 2016). Customer satisfaction is the result of a customer's perception of the value received in a transaction or a relationship where value equals to the perceived service quality relative to price and customer acquisition costs (Jahanshahi et. al., 2011).

Word-of-mouth behavior is the conversation of people about a product or service of a company or organization (Sernovitz, 2006). The indicators of word-of-mouth behavior are talkers and topics. Ying and Chung (2007) state that the behavior and purchase interest in a product are affected by a level of debate between the positive and negative word-of-mouth (WOM) information. Putri and Suhariadi (2013) found that there is a relationship between customer satisfaction and word of mouth. The higher the customer satisfaction is, the higher the word-of-mouth behavior level becomes (Brown, 2005).

3. Research Model

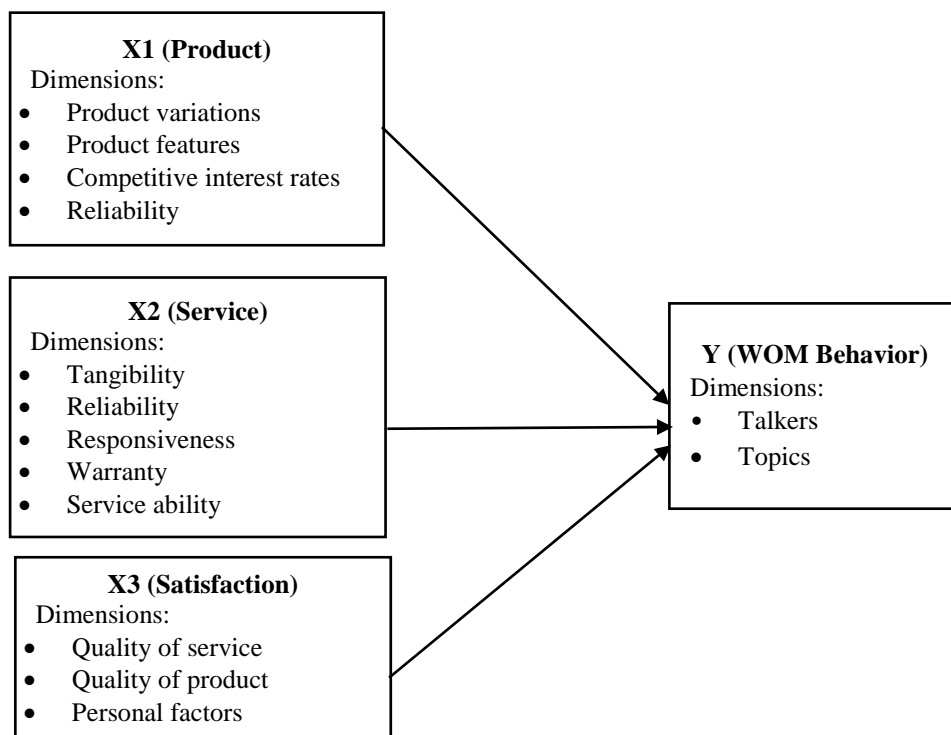


Figure 1. Research Model: Source: Kotler and Keller (2012)

Based on the literature review and formulation of the research problems, the hypotheses of this research are as follows:

- H1: Product affects word-of-mouth (WOM) behavior at PT Bank Windu Kentjana International, Tbk., Pesanggrahan branch, Jakarta.
- H2: Service affects word-of-mouth (WOM) behavior at PT Bank Windu Kentjana International, Tbk., Pesanggrahan branch, Jakarta.
- H3: Customer satisfaction affects word-of-mouth (WOM) behavior at PT Bank Windu Kentjana International, Tbk., Pesanggrahan branch, Jakarta.
- H4: Product, service, and customer satisfaction simultaneously affect word-of-mouth (WOM) behavior at PT Bank Windu Kentjana International, Tbk., Pesanggrahan branch, Jakarta.

4. Research Methodology

The type of this research is associative research which aims to determine the influence of independent variables, namely, product (X1), service (X2), and customer satisfaction (X3), on the dependent variable, namely, word-of-mouth behavior (Y). This study used primary data obtained through questionnaires. By using the Slovin formula, we obtained 85 customers as the research sample from a population of 550 customers. The questionnaire has 10 questions for each variable (40 questions in total), given directly to 85 customers of PT Bank Windu Kentjana International, Tbk., Pesanggrahan branch, Jakarta. The research was tested using a multiple linear regression method through several stages, namely validity, reliability, autocorrelation, multicollinearity, heteroscedasticity, and multiple regression tests.

5. Results

5.1 Validity, Reliability, and Normality Test

Based on the test result, it is concluded that all indicators of each variable have r statistics greater than the r table of 0.374. This means that all of the indicators are valid. The results of the reliability test are shown below:

Table 1. Reliability Test

Variable	Cronbach's Alpha	Result
Product	0.836	> 0,374
Service	0.916	>0,374
Customer Satisfaction	0.848	>0.374
WOM Behavior	0.898	>0.374

It can be concluded that all of the statements of each variable are reliable.

Table 2. Normality Test

Variable	Kolmogorov-smirnov	Result
Product	0.200	>0,05
Service	0.055	>0,05
Customer Satisfaction	0.065	>0,05
WOM Behavior	0.106	>0,05

The normality test results with Kolmogorov-Smirnov as shown in Table 2 show the sig. value of each variable, which is higher than 0.05. Thus, it can be said that the four variables in this study have a normal distribution.

5.2 Classical Assumption Test

The result of the autocorrelation test can be seen in Table 3 as follows:

Table 3. Autocorrelation test

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.802a	.643	.629	3.29275	1.967

a. Predictors: (Constant), Product, Service, Customer satisfaction

b. Dependent Variable: WOM

Based on Table 3, it is known that the value of Durbin-Watson coefficient is 1.967 while the value of dU is 1.721. Hence, d is larger than dU or $1.967 > 1.721$. Thus, it can be concluded that in the regression of product (X1), service (X2), and customer satisfaction (X3) on WOM behavior (Y), there is no positive autocorrelation.

The results of the multicollinearity test can be seen in Table 4 below:

Table 4. Multicollinearity Test

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.243	3.029		0.08	0.936		
Product	0.558	0.104	0.489	5.351	0	0.529	1.891
Service	0.229	0.08	0.245	2.852	0.006	0.596	1.678
Satisfaction	0.211	0.103	0.188	2.038	0.045	0.52	1.923

Dependent Variable: WOM

Table 4 shows that VIF of X1 is 1.891, VIF of X2 is 1.678, and VIF of X3 is 1.923, which are all smaller than 10. Thus, it can be concluded that in the regression of product (X1), service (X2) and customer satisfaction (X3) on WOM Behavior (Y), there is no multicollinearity problems among the independent variables.

The result of the Heteroscedasticity test can be seen in Table 5 below:

Table 5. Heteroscedasticity Test

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.243	3.029		0.08	0.936
Product	0.558	0.104	0.489	5.351	0
Service	0.229	0.08	0.245	2.852	0.006

Satisfaction	0.211	0.103	0.188	2.038	0.045
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Dependent Variable: WOM

From Table 5, it can be seen that the values of the t-statistics are 5.351, 2.852, and 2.038, while the value of the t-table is 1.989. Because the value of the t-statistics of each variable is higher than the t-table, H_0 is rejected. Thus, it can be concluded that there is no heteroscedasticity in the regression model.

The results of the multiple regression test can be seen in Table 6 below:

Table 6. Anova Test

	Sum of Squares	df.	Mean Square	F	Sig.
Regression	1579.027	3	526.342	48.546	.000b
Residual	878.22	81	10.842		
Total	2457.247	84			

a. Dependent Variable: WOM

b. Predictors: (Constant), product, service, customer satisfaction

From Table 6, it can be seen that product (X1), service (X2), and customer satisfaction (X3) simultaneously affect WOM Behavior (Y), proven by the significance of 0.000 at α of 5%. In addition, it can also be seen that the F statistics ($48.546 < F$ table (2.717)), meaning that all independent variables (X1, X2, X3) have a significant effect on the dependent variable (Y).

Table 7. Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.802a	0.643	0.629	3.29275	0.643	48.546	3	81	0

Predictors: (Constant), product, service, customer satisfaction

From the above Model Summary Table, we can see that R square is 0.643. The R square represents the contribution of the independent variables (X1, X2, and X3) on the dependent variable (Y). It can be concluded that product (X1), service (X2), and customer satisfaction (X3) affect WOM behavior (Y) by 0.643 or 64.3%. While the rest of the WOM, i.e. $(1-0.643) = 0.357$ or 35.7%, is influenced by other variables.

The relationship of product, service, and satisfaction with WOM behavior can be seen in the value of the beta or standardized coefficient, as shown in Table 8 below.

Table 8. Relationships of the Variables

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.243	3.029		0.08	0.936
Customer satisfaction	0.211	0.103	0.188	2.038	0.045
Product	0.558	0.104	0.489	5.351	0
Service	0.229	0.08	0.245	2.852	0.006

Dependent Variable: WOM

Table 8 shows the simple linear regression equation of product (X1), service (X2), and customer satisfaction (X3) on WOM (Y) behavior with the following equation:

$$Y = 0.243 + 0.211X_1 + 0.558X_2 + 0.229X_3$$

If the product variable increases by 0.558, the WOM behavior will increase by 0.558.

If the service variable increases by 0.229, the WOM behavior will increase by 0.229.

If customer satisfaction variable increases by 0.211, the WOM behavior will increase by 0.211

If $t\text{-statistics} > t\text{-table}$, then H_0 is rejected. Based on the results of the linear regression calculation, it is found that the $t\text{-statistics}$ for the product variable is 5.351, which is larger than the $t\text{-table}$ of 1.989. Thus, H_0 is rejected, which means that there is a partial and significant effect of product on WOM behavior.

Based on the results of the linear regression calculation, it is also found that the $t\text{-statistics}$ for the service variable is 2.852, which is larger than the $t\text{-table}$ of 1.989. Thus, H_0 is rejected, which means that there is a partial and significant effect of service on WOM behavior.

Further, the $t\text{-statistics}$ for the customer satisfaction variable is 2.038, which is larger than the $t\text{-table}$ of 1.989. Thus, H_0 is rejected, which means that there is a partial and significant effect of customer satisfaction on WOM behavior.

If $F\text{-statistics} > F\text{-table}$, then H_0 is rejected. Based on the results of the multiple linear regression calculation, it is found that the value of the $F\text{-statistics}$ is 48.546, larger than the $F\text{-table}$ of 2.717. Thus, H_0 is rejected. This means there is a significant and simultaneous effect of the product (X1), service (X2), and customer satisfaction (X3) on WOM behavior (Y).

6. Discussion

The findings of this research show that product (X1) has a significant effect on word of mouth behavior (Y) of customers at Bank Windu. This means that the products offered by Bank Windu already meet the expectations of its customers. Therefore, Bank Windu should maintain and improve the quality of its products. The research findings also show that service (X2) has a positive and significant effect on word-of-mouth behavior (Y) of customers at Bank Windu. This means that the excellent services offered by Bank Windu officers make customers happy, and the customers' expectations are being met. Thus, Bank Windu should continuously improve its service quality delivered to its customers.

In addition, satisfaction (X3) also has a positive and significant effect on word-of-mouth behavior (Y) of customers at Bank Windu. This demonstrates that the products and services delivered by Bank Windu already meet the expectations of its customers, leading to customer satisfaction. Therefore, Bank Windu should continue to deliver the products and services that fulfill the needs of its customers.

Finally, the finding of this research also shows that product (X1), service (X2) and satisfaction (X3) have a positive, significant, and simultaneous effect on word-of-mouth behavior (Y) of customers at Bank Windu. This evidence is reinforced by the condition at Bank Windu whereby most of its customers obtain references or recommendations from other customers who have already acquired the services of Bank Windu. Bank Windu always maintains the trust of its customers by providing service guarantee and accuracy in every transaction. Bank Windu always provides a quick response to any complaint from its customers. In addition, its customers can quickly contact the Bank at any time.

7. Conclusion

Product (X1), service (X2), and customer satisfaction (X3) all partially and simultaneously affect word-of-mouth behavior (Y). PT Bank Windu Kentjana International, Tbk. should improve the quality of its products and services delivered to its customers and prospective customers, so they become loyal and improve their word-of-mouth behavior. Further, PT Bank Windu Kentjana International, Tbk. should continually improve its products to enhance customer trust and customer satisfaction. The services such as secure transactions, quick responses when handling customer complaints, and professionalism in serving customers should be

improved to maintain customer satisfaction. The company can provide training to its officers to improve their ability in serving and handling customers.

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