

The Role of Customer Satisfaction in Mediating The Effect of Service Quality and Price Perception on Word of Mouth

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Abstrak

This study aims to analyze the Role of Customer Satisfaction in mediating the influence of Service Quality and Price Perception on *Word of Mouth* in *Central Travels* Jakarta. This study used primary data by distributing questionnaires as many as 100 respondents. The data were analyzed using *Structural Equation Modeling* analysis using AMOS version 22 program. Based on the results of the study, it shows that the variables of Service Quality and Price Perception not only directly affect *Word of Mouth*, but Service Quality and Price Perception also affect indirectly.

Keywords: Service Quality, Price Perception, Customer Satisfaction and Word of Mouth (WOM).

INTRODUCTION

With the existence of travel agents can help meet what consumers want and need. As many as 71% of service users get information about travel agents from the recommendations of relatives and relatives, and also as many as 66% of travel agent users assess that price is not something that is very important in choosing a travel agent (Marketing Research Indonesia, 2015).

The development of the travel agency business or Travel agent, resulting in competition among service companies that offer travel packages to be able to attract consumers to want to use the services of their company. One of the companies engaged in the Travel Agent business in Indonesia is Central Travels. Central Travels serves various tour packages, excursions, cooperation starts, and so on. The development of the world of tourism in the community environment both general, schools, universities, and agencies makes the need for travel, work visits in certain circles, Central Travels travel agency will facilitate tourist visits. Like other travel agency service providers, this company provides and serves tourist trips both from within and from abroad.

Customer satisfaction, service quality, price perception and *word of mouth* (WOM) are issues that affect companies, whether large or small, global or local companies. Here Central Travels always strives to implement marketing strategies that aim to increase satisfaction to its customers and it is hoped that later, they will buy back or recommend to other parties in this case is positive word of mouth. According to Central Travels, this communication is a persuasive force, especially in the dissemination of information about new products. As consumers become increasingly skeptical of the company's advertising, WOM is widely recognized as a major influence on consumer

How to cite: Hidayatun Ni'mah, Elwisam, Kumba Digdowiseiso (2024) The Role of Customer Satisfaction in Mediating The Effect of Service Quality and Price Perception on Word of Mouth, (5) 1. Doi:

E-ISSN: [2721-5202](https://doi.org/10.24127/jsss.v5i1.12345)

Published by: CV. Syntax Corporation Indonesia

purchasing decisions, especially in the context of services. Previous research Lovelock and Wirtz (2011) stated that customer satisfaction and service quality will spread positive WOM.

Consumer perception of service and price is defined as something special, by understanding the expectations and desires of consumers from a service or service, it will get an added value for the company.

The decision-making process by customers not only ends with the occurrence of purchase transactions, but is also followed by the stage of post-purchase behavior (especially in broad decision making). In this stage the customer perceives a certain level of satisfaction or dissatisfaction that will affect subsequent behavior. If the consumer is satisfied, he will present a great opportunity to make a repeat purchase or buy another product at the same company in the future. Chodhury (2014) explores the relationship between service quality and WOM linking the two constructions at their dimensional level. The results of this study provide strong support for the predictive power of perceived service quality in WOM communication. The study explains 60 percent of the variance in consumer WOM, that some regression models are statistically significant and that the independent variable has a systematic relationship with the dependent variable.

Basically, service quality, price and WOM are a form of customer assessment of expected service known as customer satisfaction measurement. For companies, the key to customer satisfaction is the level of feeling a person feels as a result of a comparison between reality and the expectations received from a product or service. Customer satisfaction will be fulfilled if the process of delivering goods or services from the service provider to the customer is in accordance with what the customer prepared.

RESEARCH METHOD

Object of Research

The object of research to be researched by the author is *Word of Mouth* which is influenced by Service Quality and Price Perception through customer satisfaction as an Intervening Variable in Central *travels* Jakarta customers.

Research Data

This research is descriptive by using a data collection method in the form of questionnaires distributed to customers who come to Central Travels Jakarta. The purpose of descriptive survey methods is to carefully measure certain phenomena. This study consists of four variables, namely service quality, price perception, WOM and consumer satisfaction.

Operational Definition

Service Quality Variable (X1)

Indicators :include:

Tangible

Central Travels' *ability* to demonstrate its existence to customers.

Reliability

Central Travels' *ability* to provide services as promised accurately and reliably.

Responsiveness,

a Central *Travels* policy to assist and provide fast (responsive) and appropriate service to customers, with clear delivery of information.

Assurance

knowledge, courtesy, and ability of Central Travels employees to foster customers' trust in the company.

Empathy

Central Travels provides genuine and individual or personal attention given to customers by striving to understand what customers want.

Price Perception (X2)

Indicators include:

Affordability,

The prices offered by Central Travels are affordable for customers.

Price Competitiveness,

Prices offered by Central Travels are competitive.

Price Compliance with Quality,

The price offered by Central Travels is in accordance with the quality that will be obtained.

Price Compatibility with Benefits,

Customers get benefits in accordance with the price that has been spent.

Customer Satisfaction (Y1)

Indicators include:

Feeling of satisfaction,

satisfied with the services and products of Central Travels

Fulfillment of expectations after purchase,

The services provided by Central Travels are in accordance with customer expectations.

Always buy,

Customers will continue to use Central Travels services.

Word of mouth (Y2)

Indicators include

Positive story,

Customers will share positive things about the products and services provided by Central Travels

Recommendations

Customers will provide recommendations to others who need information related to quality Travel Services.

Invitation

The willingness of Central Travels customers to invite others to use the services of Central Travels that they have used

RESULTS AND DISCUSSION

Table 1. Validity and Reliability

Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
KP1	<---	Quality of Service	0.763
KP2	<---	Quality of Service	0.759
KP3	<---	Quality of Service	0.855
KP4	<---	Quality of Service	0.86
KP5	<---	Quality of Service	0.814
KP6	<---	Quality of Service	0.805

KP7	<---	Quality of Service	0.748
KP8	<---	Quality of Service	0.783
KP9	<---	Quality of Service	0.733
KP10	<---	Quality of Service	0.816
PH1	<---	Quiet Price	0.885
PH2	<---	Quiet Price	0.868
PH3	<---	Quiet Price	0.859
PH4	<---	Quiet Price	0.730
KPG1	<---	Customer Satisfaction	0.887
KPG2	<---	Customer Satisfaction	0.930
KPG3	<---	Customer Satisfaction	0.812
Wom1	<---	WOM	0.827
Wom2	<---	WOM	0.716
Wom3	<---	WOM	0.777

Table 2. Exogenous and Endogenous Validity Test

Dimensio n	Variable	Construct Reliability						Variance Extracted		
		Standar d Loading	Erro r	Σ STd. Loadin g	(Σ STd. Loading) ²	Σ Erro r	CR valu e	Standar d Loading ²	Σ (Std. Loading) ²	VE valu e
KP1	Quality of Service	0.763	0.582	7.936	62.980	6.314	0.909	6.315	0.500	
KP2		0.759	0.577							
KP3		0.855	0.730							
KP4		0.860	0.740							
KP5		0.814	0.663							
KP6		0.805	0.648							
KP7		0.748	0.560							
KP8		0.783	0.613							
KP9		0.733	0.537							
KP10		0.816	0.666							
PH1	Price Perception	0.885	0.783	3.342	11.169	2.805	0.799	2.807	0.500	
PH2		0.868	0.753							
PH3		0.859	0.738							
PH4		0.730	0.533							
KPG1	Customer Satisfaction	0.887	0.787	2.629	6.912	2.311	0.749	2.311	0.500	
KPG2		0.930	0.865							

KPG3	0.812	0.659	0.659
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The output results of the standardized loading estimate contained in the table of loading values of all indicators have met the requirements, namely >0.5 so that it can be concluded that the indicators forming exogenous constructs used are valid.

Table 3. Endogenous Validity Test

Dimension	Variable	Standard Loading	Error	Construct Reliability			Variance Extracted			
				Σ Std. Loading	(Σ Std. Loading) ²	Σ Error	CR value	Standard Loading ²	Σ (Std. Loading) ²	VE value
WOM 1	Word of	0.875	0.685					0.766		
WOM 2	mout	0.903	0.513	2.320	5.3824	1.801	0.749	0.815	2.236	0.554
WOM 3	(WOM)	0.809	0.603					0.654		

The output results of the standardized loading estimate contained in the table, the loading value of the entire indicator has met the requirements, namely >0.5 so that it can be concluded that the endogenous construct forming indicator used is valid.

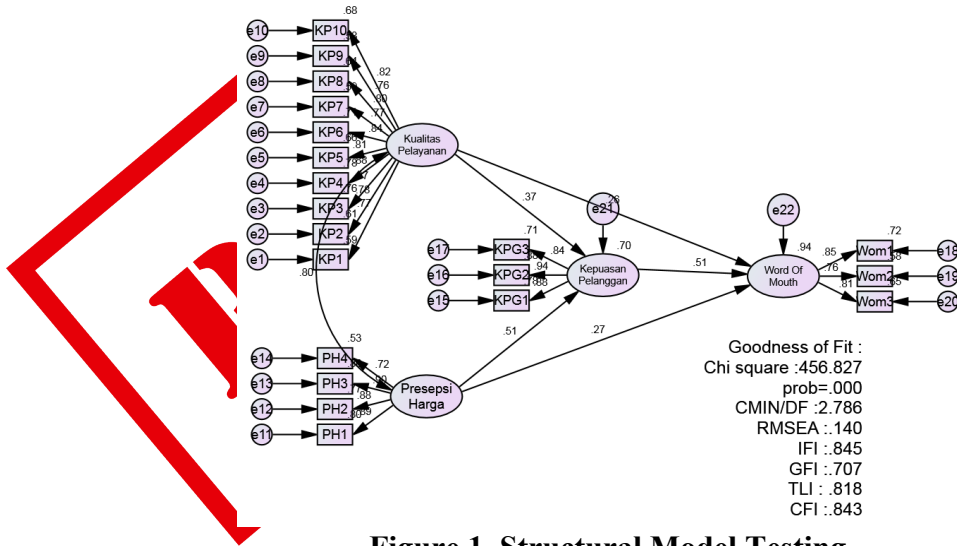


Figure 1. Structural Model Testing

Table 4. Goodness of fit measurement model results

Index	Cut off Value	Result	Model evaluation
Chi – Square	As small as possible	456.827	Marginal
Probability	≥ 0.05	0.000	Poor fit
CMIN/ DF	≤ 2.00	2.286	Poor fit

RMSEA	≤ 0.08	0.140	Poor fit
GFI	Close to 1	0.845	Bad fit
AGFI	Close to 1	0.707	Bad fit
TLI	Close to 1	0.818	Poor fit
CFI	Close to 1	0.843	Poor fit

The table above shows that the planned model is not marginally fit, because after being tested for compatibility the CMIN/ DF, GFI, AGFI, RMSEA, TLI and CFI values are quite good. Therefore, the model can be continued at the stage of hypothesis testing.

Hypothesis Testing

**Table 5. Structural Equation Test Results
(Regression Weight)**

			Estimate	S.E.	C.R.	P	Label
Customer Satisfaction	<---	Quality of Service	.524	.184	2.855	.004	par_17
Customer Satisfaction	<---	Price Perception	.589	.151	3.898		par_18
Word of mouth (WOM)	<---	Quality of Service	.299	.126	2.373	.018	par_19
Word of mouth (WOM)	<---	Price Perception	.248	.113	2.199	.028	par_20
Word of mouth (WOM)	<---	Customer Satisfaction	.413	.097	4.264		par_21

Table 6. Hypothesis Testing Results

	Influence		t count	Sig	Conclusion
Quality of Service	→	Customer Satisfaction	2.855	0.004	Significant
Price Perception	→	Customer Satisfaction	3.898	0.000	Significant
Quality of Service	→	Word of mouth (WOM)	2.373	0.018	Significant
Price Perception	→	Word of mouth (WOM)	2.199	0.028	Significant
Customer Satisfaction	→	Word of mouth (WOM)	4.264	0.000	Significant

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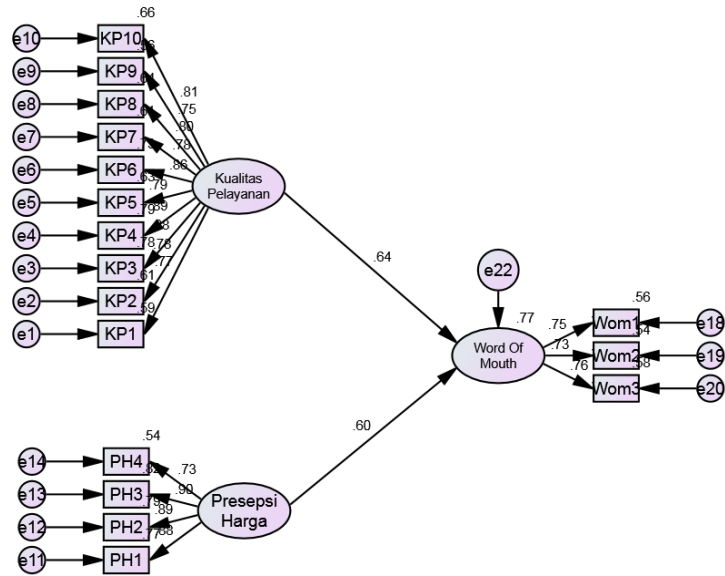


Figure 2. Mediation or Intervening Testing

		Estimate	S.E.	C.R.	P
Word of mouth (WOM)	<--- Quality of Service	0.568	0.098	5.779	
Word of mouth (WOM)	<--- Price Perception	0.444	0.074	5.998	

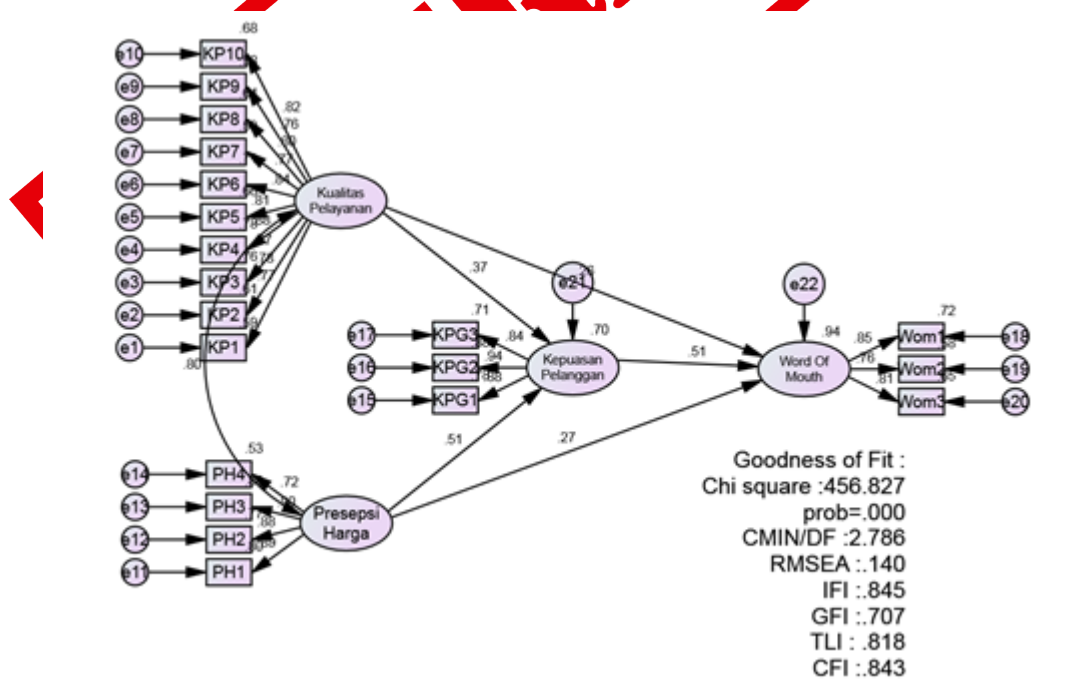


Figure 3. Perform a full model estimation Table 7.

			Estimate	S.E.	C.R.	P	Label
Customer Satisfaction	<---	Quality of Service	.524	.184	2.855	.004	par_17
Customer Satisfaction	<---	Price Perception	.589	.151	3.898		par_18
Word of mouth (WOM)	<---	Quality of Service	.299	.126	2.373	.018	par_19
Word of mouth (WOM)	<---	Price Perception	.248	.113	2.199	.028	par_20
Word of mouth (WOM)	<---	Customer Satisfaction	.413	.097	4.264		par_21

Table 8. Direct Model and Full Model Test Results:

Testing	Relationship	Path Coefficient	P
Direct Model	X1 - Y2 (b1)	0.568	Significant
Full Model	X1 - Y2 (b1')	0.229	Significant
Direct Model	X2 - Y2 (b2)	0.444	Significant
Full Model	X2 - Y2 (b2')	0.248	Insignificant

Direct and Indirect Influences

Table 9. Direct and Indirect Influences

Influence		Path coefficient	Direct influence	Indirect influence	Total
Quality of Service	→ Customer Satisfaction	0.370	0.524	-	0.524
Price Perception	→ Customer Satisfaction	0.510	0.589	-	0.589
Quality of Service	→ Word of mouth (WOM)	0.260	0.299	0.217	0.516
Price Perception	→ Word of mouth (WOM)	0.270	0.248	0.514	0.762
Customer Satisfaction	→ Word of mouth (WOM)	0.510	0.413	-	0.413

Based on the table above can be concluded as follows:

1. The total effect of service quality on customer satisfaction is 0.524, meaning that service quality directly affects customer satisfaction.
2. The total effect of Price Perception on Customer Satisfaction of 0.589 means that Price Perception directly affects Customer Satisfaction.
3. The total effect of service quality on Word of mouth (WOM) is 0.299, meaning that service quality directly affects Word of mouth (WOM).
4. The total effect of Price Perception on Word of mouth (WOM) of 0.248 means that Price Perception does not directly affect Word of mouth (WOM).
5. The total effect of Customer Satisfaction on Word of mouth (WOM) of 0.413 means that Customer Satisfaction directly affects Word of mouth (WOM).
6. The total effect of service quality on Word of mouth (WOM) through customer satisfaction is 0.516, meaning that service quality has a partial effect on Word of mouth (WOM) through customer satisfaction.

The total effect of price perception on Word of mouth (WOM) through customer satisfaction is 0.762, meaning that price perception has a partial effect on Word of mouth (WOM) through customer satisfaction.

CONCLUSION

1. Service Quality affects Word of mouth (WOM), which means that the better the Quality of Service provided, it can increase the Word of mouth (WOM) owned by customers at Central Travels Jakarta.
2. Price Perception affects Word of mouth (WOM) significantly, which means that the better the Price Perception given, it can significantly increase the Word of mouth (WOM) owned by customers at Central Travels Jakarta.
3. Service Quality affects Customer Satisfaction, which means the better the Quality of Service provided, it can increase Customer Satisfaction owned by customers at Central Travels Jakarta.
4. Price Perception affects Customer Satisfaction, which means that the better the Price Perception given, it can increase Customer Satisfaction owned by customers at Central Travels Jakarta.
5. Customer Satisfaction mediates the influence between Service Quality and Price Perception on Word of mouth (WOM). That means if customer satisfaction increases, it will increase the influence between Service Quality and Price Perception on Word of mouth (WOM).

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Hidayatun Ni'mah, Elwisam, Kumba Digdowniseiso (2024)

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Journal of Social Science

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