

CHAPTER II

THEORITICAL BACKGROUND

2.1 Service Quality (SERVQUAL)

Service Quality has similarly been defined as the difference between what customer expects and the service which company derives (Parasuraman *et al.*, 1985). Service Quality as the delivery of excellent or superior service relative to customers' expectation (Valarie A. Zeithaml; Mary Jo Bitner, Service Marketing, 1996). Service Quality is defined by the degree of unsuitable/ discrepancy between customers' desired (rather than predicted) expectations and their perceptions of service performance in the same disconfirmation-type framework (Parasuraman *et al.*, 1985). Service Quality is a scale developed to measure service quality by computing the differences between customers' desired expectations and their perception of a service firm's performance across five service dimensions, tangibles, reliability, responsiveness, assurance, empathy (Parasuraman *et al.*, 1988). According to Parasuraman *et al.* (1988), service quality can be measured by dimensions of:

1. *Tangible*, or physical aspect (for example: tools, facilities, personnel)
2. *Reliability*, ability to have dependable performance (as promised to customers)

3. *Responsiveness*, readiness to respond customer's needs and wants for help, also quick and accurate services
4. *Assurance*, personnel ability to achieve safe and comfort thoughts in customers, service contract, and also guarantee of the promised services (e.g.: warranty, also good after-sale service)
5. *Empathy*, personnel willingness to concern and care to every customers individually.

2.2 Customer Satisfaction

Satisfaction is emotional or cognitive response on one focus (expectations, products, experiences in consuming) in certain time (after use, after choose, accumulated experience). Satisfaction is a post-purchase phenomenon. Satisfaction only measured when it is evaluated (Giese and Cote, 2000).

Westbrook and Reilly (1983) in Giese and Cote (2002) explain satisfaction is emotional respond toward experience in using products (or services) bought or even behavior pattern like shopping and purchasing behavior. This emotional respond starts with cognitive evaluation process which perception (or believe) on an object, action, or condition compares to individual value (needs and wants).

Customer satisfaction is viewed as an objective outcome of the magnitude and direction of the difference existing between expectations and the

perceived level of performance experienced. Alternative conceptualizations of this comparison process or the confirmation / disconfirmation model exist. (Churchill and Sprent, 1982; LaTour and Peat, 1979).

2.3 Word of Mouth Communication

Word of Mouth is personal communication about product between targeted customer and their neighbors, friends, relatives, and colleagues (Kotler and Armstrong, 2008). According to Mowen and Minor (2002) word of mouth communication refers to exchange comments, thoughts, or ideas between two customers or more, where none of them are official marketer from the company.

Because the information of word-of-mouth communication come directly from a person who describe personally his own experience, this make more understandable to customers compares to the information sent in an advertisement. The result is the information of word-of-mouth communication is accessible and has bigger influence to the customer.

Recently, based on a survey, more than 90 percent of consumer trust recommendation from people who already use the product, meanwhile consumer only believe in advertisement for 40 percent at most (Bloom, Jonah, 2006). From the definition above, can be concluded word of mouth is important for a company.

2.4 Purchasing Value

Purchasing Value can be defined as the price at which something is actually purchased or the price that a customer pays for a product (or service). This price is important as it is the main component in calculating the returns achieved by the customer (Investopedia.com, 2009)

2.5 Furniture

Furniture is the mass noun for the movable objects which may support the human body (seating furniture and beds), provide storage, or hold objects on horizontal surfaces above the ground. Storage furniture (which often makes use of doors, drawers, and shelves) is used to hold or contain smaller objects such as clothes, tools, books, and household goods (Wikipedia, 2008).

Furniture can be a product of design and is considered a form of decorative art. In addition to furniture's functional role, it can serve a symbolic or religious purpose. Domestic furniture works to create, in conjunction with furnishings such as clocks and lighting, comfortable and convenient interior spaces. Furniture can be made from many materials, including metal, plastic, and wood. Furniture can be made using a variety of woodworking joints which often reflect the local culture (Wikipedia, 2008).

2.6 Hypotheses

The research has found empirical proven for the relationship of customers' perception of Service Quality with business performance. Service Quality is important to marketing of a business because the effect of the company's service to the customers (Gounaris, 2005 in Molinari *et al.*, 1985). Customer Satisfaction is specific-transaction evaluation (Boulding *et al.*, 1983; Spreng *et al.*, 1996; Cronin and Taylor, 1992, 1994 in Molinari *et al.*, 2008) from an expected buying (Zeithaml, 1988 in Molinari *et al.*, 2008). Heskett *et al.* (1990) in Molinari *et al.* (2008) defined Customer Satisfaction as first-time transaction. When something happens for the first time and customer feel satisfied, they will start to share the experience to others (positive word of mouth).

A satisfied customer's affect toward a service provider could motivate the customer to patronize the provider again and recommend the provider to other customers (Lam *et al.*, 2004 in Molinari *et al.*, 2008).

H1a: Service Quality has positive influence in the causal relationship with Word of Mouth.

H1b: Service Quality has positive influence in the causal relationship with Customer Satisfaction.

H1c: Service Quality and Customer Satisfaction has positive influence with Word of Mouth

Lots of research found that positive disconfirmation correlate positively to customers (Oliver and Swan, 1989; Gotlieb *et al.*, 1994; Spreng *et al.*, 1996; Droge *et al.*, 1997; Patterson *et al.*, 1997 in Molinari *et al.*, 2008). Thus, if the service provider has better performance than expectation, customer will satisfy. Researcher found the customer tends to preserve the same company if they feel continuously satisfied (Woodside *et al.*, 1992 in Molinari *et al.*, 2008).

Word-of-mouth research has concentrated on customer complaint behavior and dissatisfaction. Word-of-mouth intentions refer to the customer's belief that that he or she will discuss an incident with another person not directly related to the service encounter (Swanson and Davis, 2003 in Molinari *et al.*, 2008). Positive word-of-mouth is a behavioral intention much like repurchase, but deals with intention to recommend (Fornell and Wernerfelt, 1987, 1988; Berry *et al.*, 1994; Dawkins and Reichheld, 1990 in Molinari *et al.*, 2008). Word-of-mouth communications are recognized as a very common and important form of communication for service marketers, as well as the benefits of maintaining a base of long-term customers (Swanson and Davis, 2003 in Molinari *et al.*, 2008).

Purchasing Value has moderating the relationship between Service Quality and Word of Mouth, Service Quality and Customer Satisfaction, also Customer Satisfaction and Word of Mouth.

H2a: Purchasing Value support causal relationship between Service Quality and Word of Mouth.

H2b: Purchasing Value support causal relationship between Service Quality and Customer Satisfaction.

H2c: Purchasing Value support causal relationship between Customer Satisfaction and Word of Mouth.

Firm profitability results from positive word of mouth because people talk about their good experiences with products and services to family, friends, co-workers, and others, influencing other possible customers to purchase in the company (Reichheld and Sasser, 1990, Fornell and Wernerfelt, 1987, 1988; Fornell, 1992; Berry et al., 1994; Dawkins and Reichheld, 1990; Zeithaml, 2000; Zeithaml et al., 1996; Greising, 1994; Rust et al., 1995; Anderson et al., 1994 in Molinari *et al.*, 2008). Satisfaction has been found to be positively correlated to positive word-of-mouth behavior (Gotlieb et al., 1994; Woodside et al., 1989; Frenzen and Nakamoto, 1993; Nyer, 1997 in Molinari *et al.*, 2008).

The customers in Margo Murah Baru are different from demographic view, purchasing purposes, and purchasing value. From the difference, the customers' perception about Service Quality, Customer Satisfaction, and Word Of Mouth variable is possibly different.

H3: There are degrees of differentiation between Service Quality, Customer Satisfaction and Word of Mouth analyzed from personal characteristic in sex, purchasing purposes, purchasing value, distance from home to the store and other furniture store visited.