

Effects of Reputations and Satisfactions on Positive Word of Mouth Intentions and Switching Behaviors

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ABSTRACT

The increasing numbers of new Higher Education Institutions (HEIs) require HEIs to establish their positive reputation and customer satisfaction to both attract and retain students. This study aims to examine the effects of reputation and satisfaction on word of mouth (WOM) and switching behavior of students at the private University Jakarta. By employing structural equation modeling (SEM), we prove that satisfaction has a high direct and significant influence on Word of Mouth (WOM) and switching behavior (.79 and .93). While reputation has a low direct effect on WOM and switching behavior (.16 and .00). The role of satisfaction as a mediating variable increases the indirect effect of reputation on WOM and switching behavior of .67 and .79. Further managerial implications are discussed.

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INTRODUCTION

Reputation has become substantial in today's business competition, where leaders and managers of organizations manage to build a unique identity that distinguishes organizations to others in the highly competitive global market (Hemsley-Brown et al., 2016). Higher Education Institutions (HEIs) are one of the organizations that experience with high competitions. The increasing number of universities, both private universities and state universities in Indonesia requires universities to build, communicate and strengthen their reputation (Hemsley Brown & Goonawardana, 2007). From the supply side, the number of HEIs in

Indonesia is approximately 3813 institutions, where the number of private universities is ten times more than the number of state universities (World Bank, 2014). On the demand side, the number of students of state and private universities in Indonesia amounts to 5,616,670 students with the number of state university students amounts to 1,816,391 students and the number of private university students amounts to 3,800,279 students so that the average number of state university students is 18,346 students and 1,218 students for private university students. Those facts reveal that private universities should be able to

accommodate more values than other states and private universities in order to compete in the highly competitive education market (Indonesian Education Database, 2013).

High-quality education is one of the university selection criteria by consumers. However, the high quality is difficult to evaluate before being experienced (Suomi et al., 2014). Therefore, reputation took a role as a substitute for critical quality for university selection and evaluation by prospective students (Hemsley - Brown, 2012). In contrast to the reputation which is used as input for pre-purchase consumer products and education services, the satisfaction is a post-purchase behavior (Swan & Bowers, 1993).

Prior studies have analyzed reputation and satisfactions in firms and organizations, but the studies on reputation and satisfactions in HEIs are limited (Watkins & Gonzenbach, 2013). Some of the studies analyze the effects of different resource combinations on HEIs reputation and satisfactions solely (Plewa et al., 2016; Sajtos, Kreis, & Brodie, 2015; Eurico et al., 2014; Nguyen et al., 2016). In this study, we investigate the role of reputation and satisfaction on word of mouth and switching behavior of graduate students. The decision of the university students to continue their education at the same university and to share their positive impressions about the prospective students are the result of a process of thorough evaluation of the products and services provided during the learning process in the university.

In this study, we fill the gaps in the literature as well as contribute to the body of existing knowledge by adding a new perspective on word of mouth (WOM) and switching behavior models of university students and contributing conceptually on the relationship between reputation, satisfaction, WOM, and switching behavior. Our study focuses on the graduate students of the London School of Public Relations, Jakarta. This study employs Structural Equation Modelling (SEM) to examine the direct and indirect effects of individual independent variables on outcome variables. The rest of this paper is structured as follows. A review of the literature on reputation, satisfaction, WOM, and switching behavior. After that will be

discussed methods and discussions of the results and managerial implications as well as an outline for future research.

BACKGROUNDS AND HYPOTHESES

Customer Satisfaction, WOM, and Switching Behavior

Customer satisfaction towards goods and services is a feeling as the result of comparing pre-purchase expectations with post-purchase realities (Kotler and Keller, 2009). WOM is one of the positive behavioral intentions that happens when consumers are satisfied with products or services, and then share the experience positively about the companies to others, give advice on using similar products or services, encourage others to do business with the companies, place the companies' product or services in the first priority, and build a long-term business relationship with the companies. While switching behavior is a behavior where consumers reduce interaction with the firms in the long term and switch to competitors that offer better prices (Zeithaml et al., 1996).

There are three indicators to measure customer satisfaction, namely expectation, emotion, and involvement (Vinagre and Neves, 2008). Prior studies have analyzed the relationship between customer satisfactions with favorable behavioral intentions, such as positive WOM and lower switching behavior in higher educational institutions (HEIs) (Butt and urRehman, 2010; Temizer & Turkylmaz, 2012; Leonnard et al., 2014; Eurico et al., 2014; Giner and Rillo, 2015). Most of the studies prove that satisfaction affects positive behavioral intentions of the students to continue their education at the same institution as well as provide recommendations to prospective students.

H1a: There is a positive relationship between student satisfaction and WOM.

H1b: There is a positive relationship between student satisfaction and switching behavior.

University Reputation, WOM, and Switching Behavior

Organizational reputation is the result of how companies satisfy what was promised consumers or the result of the firm's interaction with its environment. The interaction process will

a set of information that formed the basis for other consumers to make purchasing decisions (Doney & Cannon, 1997; Yoon, Guffey, Kijewski, 1993). Previous studies state that reputation is a practical form of an image. But in facts, reputation are different from the image. The image is an internal perception that companies want to be visible to consumers. Due to an internal perception, the image is driven by internal firms or organizations (Brown et al., 2006; Walker, 2010). However, reputation is the real perception of consumers and those are the results of interactions over time (Gray & Balmer, 1998). Reputation is an external perception which is driven by consumers and stakeholders (Varadarajan et al., 2006; Walker, 2010). Reputation is an indicator used by consumers to make purchasing decisions, especially for consumers who purchase for the first time (Yoon, Guffey, & Kijewski, 1993; Helm et al., 2009).

Previous empirical studies have analyzed the determinants of reputation in HEIs (Plewa et al., 2016; Hemsley - Brown et al., 2016; Bouchet et al., 2016). Specifically, the effect of reputation on WOM intentions proven by Fombrun and Van Riel (2003) and Hong and Yang (2009) in which reputation has a positive effect on WOM while the effect of reputation on switching behavior proven by Clemes et al. (2007), Jayawickramarathna (2014), Lu and Wang (2016). There is a gap in the link of reputation on positive behavioral intentions in HEIs. Most of the link is analyzed in the firm and retail levels (Foroudi et al., 2016; Caruana & Ewing, 2010; Casalo et al., 2008). Therefore, we address this gap by the following hypotheses:

H2a: There is a positive relationship between university reputation and WOM.

H2b: There is a negative relationship between university reputation and switching behavior

University Reputation and Customer Satisfaction

Prior empirical evidence has proven that reputation has positive effects on satisfactions (Carmeli & Tishler, 2005; Walsh et al., 2006; Chang, 2013; Su et al., 2016). A high positive consumer expectation towards goods and services tend to improve the level of customer

satisfaction (Chang, 2013). Based on the above arguments, we build the hypothesis:

H3: There is a positive relationship between university reputation and student satisfaction

Based on hypotheses above, we build the conceptual framework of this study, as can be seen in Figure 1 below.



Figure 1. Conceptual framework

METHODOLOGY

Measurement Development

In this study, a five-point Likert scale is used to measure the construct where 1 = strongly disagree and 5 = strongly agree. The university reputation is assessed by using three dimensions developed by Gray & Balmer (1998), namely visual appearances (X1), verbal dimensions (X2), and behaviors (X3). Visual appearances are related to organizational aspects that can be directly seen by consumers. Verbal dimensions are related to the matters which can be determined by customers or stakeholders verbally while behaviors are associated with the managements and outputs of organizations. The measurement of satisfactions relies on the dimensions adapted from Vinagre and Neves (2008), which consist of expectations (Y1), emotions (Y2), and involvements (Y3). Expectations are consumer perceptions of universities before taking the services offered. Emotions are responses while consuming universities' services. The responses can be either negative emotions and positive emotions. Involvements occur when consumers receive services according to their characteristics and needs (Zaichkowsky, 1985).

Finally, WOM and switching behavior are built on the model of behavioral intentions by Zeithaml et al., (1996). WOM occurs when a customer tells positive experiences on university services to others (Z1.1), recommend the university to prospective students and public (Z2.2), place the university as a first choice and choose to continue

at the same university for higher education (Z3.3). While the concern of switching behavior is the switching behavior that occurs when a customer chooses to be loyal for current programs (Z2.1), to improve the lack of universities (Z2.2), and to continue to the same universities for higher programs (Z2.3) and higher programs (Zeithaml et al., 1996).

Sample and Data Collection

Data were collected from graduate students of the private University at Jakarta. A total 300 samples were collected using stratified random sampling method. The overall sample consists of undergraduate and graduate students from various specialized programs. Data analysis was carried out by using Structural Equation Modelling (SEM) and software LISREL 9.30.

RESULTS

Overall Model Fit

The data provide a chi-squared value of 171.54 which is statistically significant at p-value = 0.000. To further assess model fit it is necessary to look beyond the chi-squared value and consider a number of additional indices. A Root Mean Square Error of Approximation (RMSEA) of .088, Comparative Fit Index (CFI) of .954, Incremental Fit

Index (IFI) .954, GFI= .921, RFI = .915, PNFI = .696, and PGFI=.578.

Dimensionality, Reliability, and Convergent Validity Test

A descriptive analysis was carried out to validate scales (Table 1). This analysis covers mean and standard deviation of the items and latent variables which are used in the model. The results indicate that the average values assigned to reputation and satisfaction are high and similar (3.613 and 3.595).

The standardized loadings for all proposed relationships ranged from .550 until .880, which are above the acceptable level .50 and significant (p < .001). All C.R. values are greater than the acceptable level .70 and AVE are above the critical level of .50, with p < .001. These results indicate that the entire unit of questions of the observed variables is

More over, the main indicator of satisfaction is expectations (.630). Furthermore, the main indicators of switching behavior and WOM are consumer loyalty to the current program and consumer recommendation to the prospective students and to the public (.700 and .880).

Table 1. Results of Dimensionality, Reliability, and Convergent Validity Test

Constructs	Indicators	Mean	Std. Dev.	Convergent Validity		Measurement Error	Reliability
				Standardized Loading	A.V.E.		C.R.
Reputation	X1	3.376	.843	.550 (n.a.)	.586	.410	.809
	X2	3.653	.690	.580 (12.20)		.140	
	X3	3.810	.692	.580 (12.16)		.140	
Satisfaction		3.613	.741		.617		.828
	Y1	3.910	.781	.630 (n.a.)		.220	
	Y2	3.579	.664	.520 (15.55)		.170	
	Y3	3.297	.765	.590 (15.06)		.240	
WOM		3.595	.736		.781		.914
	Z1.1	3.581	.988	.880 (n.a.)		.210	
	Z1.2	3.659	.959	.870 (23.39)		.170	
Switching behavior	Z1.3	3.753	.912	.780 (20.97)		.220	.790
		3.664	.953		.559		
	Z2.1	3.818	.833	.700 (n.a.)		.200	
	Z2.2	3.443	.797	.570 (13.89)		.310	
	Z2.3	3.262	.819	.550 (12.84)		.370	
	3.841	.816					

n.a.: Not applicable. Fixed element to the identification of the model of the corresponding level; t-value in parenthesis; A.V.E.: Average Variance Extracted; C.R.: Composite Reliability.

Structural Model Fitting Indices and Hypotheses Testing

The proposed structural model is validated following recommendations of Gray & Balmer (1998), Vinagre and Neves (2008), and Zeithaml et al., (1996).

Based on the interpretation of the model, it is indicated that the reputation has a positive and significant direct effect on the satisfaction of university students (.86). The satisfaction has a direct positive and significant effect on the WOM (.93) and on the switching behavior (.79). The reputation has an indirect effect on the WOM (.79) and switching behavior (.67) through the mediating role of satisfaction. Therefore, all of the hypothesis is accepted by t-value ≥ 1.96 and a P value $< .01$ (Table 2).

From all construct variables, satisfaction has a higher direct effect on switching behavior and WOM (Table 2). While reputation has a lower direct and indirect impact. However, the effect of satisfaction as a mediating variable increases the effect of reputation on WOM and switching behavior with

the value of .67 and .79. The results of this test indicate that the university reputation will increase the positive WOM and switch behavior through student satisfaction when consuming goods and services provided by the university.

Table 3. The Interpretation of Research Model

Hypothesis	Path	Standardized loading	t-value	Coeff
H1.a	Satisfaction→WOM	.93	7.47***	.93
H1.b	Satisfaction→Switching behavior	.79	6.65***	.79
H2.a	Reputation→WOM	.00	-.28	-.03
H2.b	Reputation→Switching behavior	.16	1.39	.16
H3	areputation→Satisfaction	.86	10.73***	.86

***: Significant at 1 percent with t-table (to.05 = 2.326)

DISCUSSIONS

The empirical evidence from our study indicates that it is very crucial for HEIs to build strategies to create a good reputation of their institutions. As has been stated by Doney & Cannon (1997), Yoon, Guffey, & Kijewski (1993), and Helm et al. (2009), good and qualified reputations of private universities will determine the decisions of

Figure 2. Research output Diagram

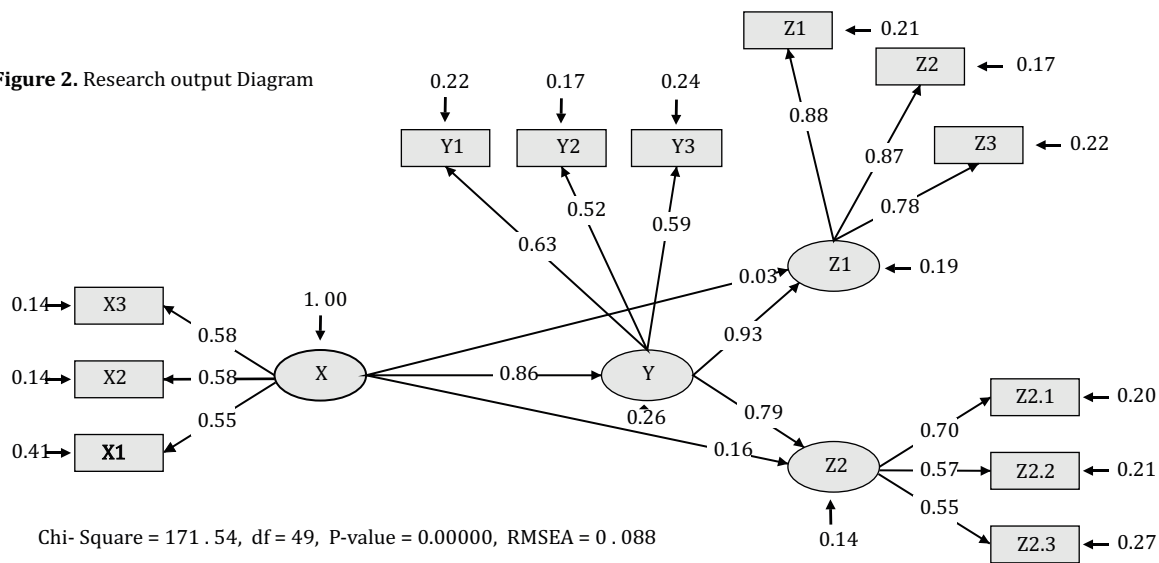


Table 2. Direct, Indirect, and Total Effects

	Reputation			Satisfaction			Switching behavior			WOM		
	Direct effects	Indirect effects	Total effects	Direct effects	Indirect effects	Total effects	Direct effects	Indirect effects	Total effects	Direct effects	Indirect effects	Total effects
Reputation	-	-	-	.86***	-	.86	.16	.67	.83	.00	.79	.79
Satisfaction	-	-	-	-	-	-	.79***	-	.79	.93***	-	.93
Switching behavior	-	-	-	-	-	-	-	-	-	-	-	-
WOM	-	-	-	-	-	-	-	-	-	-	-	-

***p<.01

students to register for the universities or to continue to higher courses at the same university. A high reputation will lead to a high student satisfaction. This indicates students' expectations before deciding to purchase in line with actual goods and services offered by private universities after purchasing activities. These evidences support Kotler and Keller (2009), Carmeli & Tishler (2005), Walsh et al. (2006), Chang (2013) and Su et al. (2016). These findings also recommend managers or university leaders to build universities' reputations, especially private universities by providing high quality and high service to their students. The effect of this satisfaction will directly lead to the university's high reputation.

A high satisfaction will lead to a high switching behavior and positive WOM. Thus, the current study provides additional support to the prior studies (Butt and ur Rehman, 2010; Temizer & Turkylmaz, 2012; Leonnard et al., 2014; Eurico et al., 2014; Giner and Rillo, 2015). Students who are satisfied with the goods and services provided by the university will lead to positive opinions and disseminate them to prospective students. In

addition, student satisfaction causes the desire to continue to the higher program at the same university. Finally, associated with switching behavior and WOM, non-significant effects of reputation are found on both variables (t-value <1.96). The explanation is shown in the previous table (table 3) in which the direct effects of reputation on WOM and switching behavior are very small. Higher effects appear when there is mediating variable of satisfaction.

CONCLUSION, LIMITATION, AND FUTURE RESEARCH

Based on the data analysis, we can conclude that satisfactions have significant positive effects on switching behavior and WOM of HEIs. In addition, reputations affect negative switching behaviors and WOMs indirectly through satisfactions. Some other variables that influence the switching behavior and WOM may be considered for future research. In addition, the analysis of WOM and switching behavior in each undergraduate and postgraduate strata and differences based on the faculty and study program can be used as suggestions for further research.

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