THE EFFECT OF INTRINSIC QUALITY ATTRIBUTES AND EXTRINSIC QUALITY ATTRIBUTES TO CUSTOMER SATISFACTION AND WORD-OF-MOUTH (WOM) TOWARDS BANYUATIS COFFEE

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Abstract

This study intended to analyze the effect of intrinsic and extrinsic quality attributes on customer satisfaction and WOM on Banyuatis Coffee (Bali Original Coffee). The study utilized 100 residents who live in Denpasar, Bali who have been consuming Banyuatis Coffee in the last previous month. Data was collected using questionnaire and distributed in Denpasar areas (North, West, East and South) proportionally, then analyzed by using Structural Equation Modeling (SEM) with AMOS. The result indicated that (1) the intrinsic quality attributes has positive and significant effect on customer satisfaction, (2) the extrinsic quality attributes has positive and significant effect on customer satisfaction, also (3) customer satisfaction has positive and significant effect on WOM. The implications of this study are (1) to become a consideration to management to keep the quality of the product attribute as a whole in order to maintain customer satisfaction, (2) management can take evaluative and corrective action to attribute quality which is less satisfactory, and (3) customer satisfaction needs to be a focus for management to encourage positive WOM communication.

Keywords: Quality, Intrinsic Attributes, Extrinsic Attributes, Customer Satisfaction, Word-of-Mouth

INTRODUCTION

WOM is one of marketing activity that can increase the popularity of a brand because WOM makes an information to spread quickly (Jalilvand et al., 2017). Jalilvand and Samiei (2012) found that about 15 percent of daily conversations are related to some perceived product or service content. In addition, 76 percent of buying decisions are affected by WOM, and it is estimated that 3.4 billion conversations about WOM occur daily and 2.3 billion of those are about brands (Balter, 2008:93).A positive WOM occurs when customers recommend to others about a service or product. As in the case with the Turkish health industry, patients who are satisfied with the quality of care at hospitals will be willing to recommend the hospital to family, relatives and friends (Kitapci et al., 2014). In the case of the tourism industry, Wanget al. (2017) also found that tourists' satisfaction have a significant influence to WOM.

Satisfaction is the formulation of the difference between expectations with perceived quality (Shi et al., 2016). If the customer receives a service that exceeds expectations, they will be satisfied and willing to disseminate the positive WOM of the service provider to others. Satisfaction or discontent can be felt by customers when they assess the quality of service (Wang et al., 2017). In service industries such as hospitals, the quality of perceived good service will be able to satisfy the patients (Kitapci et al, 2014). Similarly, Espejel et al. (2007) revealed that quality of food products, that is perceived by the intrinsic quality attributes (attributes related to the product's physical composition and product consistency, such as the taste and composition of the product) and extrinsic quality attributes (attributes related to the product but are not actually the physical part, such as attributes on packaging and brands) have a significant direct effect on customer satisfaction.

This research was conducted on Banyuatis Original Coffee Powder, hereinafter called Banyuatis Coffee, which is focusing to increase its popularity and market share in Denpasar area through WOM activities. Therefore, the purpose of this study was to identify the correlation of intrinsic quality attribute with customer satisfaction, extrinsic quality attribute with customer satisfaction, and customer satisfaction relationship with WOM.

LITERATURE REVIEW

WOM Communication

According to Dong and Liu (2012), WOM is a two-way verbal communication between customers with strong non-commercial relationships to products or services. WOM can be an effective means of disseminating an opinion because within WOM, there is face-to-face interaction or conversation between people who know each other. Word-of-mouth can occur in two forms, the positive WOM and the negative WOM. A positive WOM occurs when customers

recommend to others about a service or product they consume. Conversely, if customers complain to others about the service or product then what happens is a negative WOM. Positive WOM has been recognized as a valuable tool in promoting the products and services of a company and it is much more effective than conventional marketing because customers tend to make more purchases on the recommendation of trusted friends, colleagues or advisors than commercial communications such as advertising (Silverman 2001:58).

Customer Satisfaction

Satisfaction is a feeling of pleasure or dismay someone earned from comparing performance or perceived results of a product or service with the expectations (Kotler and Keller, 2016:153). When customers are in the process of using a product, they will assess and evaluate the performance of the product based on their expectations (Assael, 2004:45). Customer satisfaction is also a perception of one type of experience, where they tend to use their expectations as a standard or a reference to evaluating. It is important for companies to pay attention on customer satisfaction because of the technology in the form of internet make customers can easily disseminate good and bad WOM to many people (Kotler and Keller, 2016:155).

Perceived Product Quality

Perceived quality is a collection of categories within brands and other intangible factors that affect customer perceptions of quality (Suprapti, 2010:87). Perceptions about quality are depending on various factors, such as when consumers make purchases or consume products, and where to buy or enjoy. Olson and Jacoby (1972) found that when customers evaluate a product, the concept of perceived quality can be classified into two attribute cues: intrinsic attributes and extrinsic attributes. This is in line with previous studies such as Steenkamp (1986), Espejel, et al. (2009), and Mendez, et al. (2011) which revealed that when consumers form an assessment of their quality perceptions, it is important to divide the concept of perceived quality into two main factors, intrinsic attributes and extrinsic attributes.
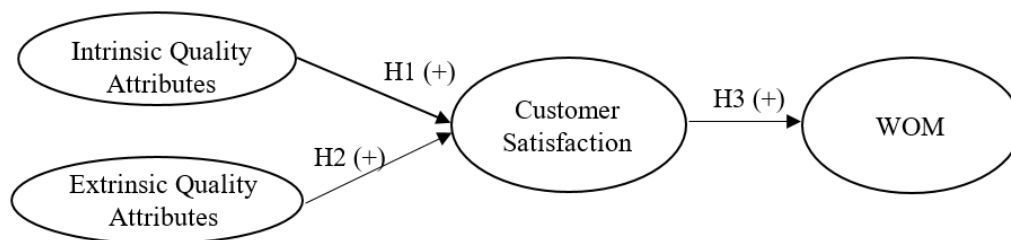
Intrinsic Quality Attributes

According to Olson and Jacoby (1972), intrinsic attributes are very specific to each product, can be lost when consumed, and can not be changed without changing the nature of the product itself. In some cases, customers tend to judge product quality based on intrinsic attributes because they may assume that the decision (positive or negative) will be more "rational" or "objective" (Schiffman and Kanuk, 2007:163).Intrinsic attributes are related to physical

characteristics of the product itself, such as size, color, taste, aroma, texture, nutritional content, etc (Fandos and Flavian, 2006).

Extrinsic Quality Attributes

When customers have difficulty in assessing the quality of intrinsic attributes, they will rely on extrinsic characters. The extrinsic attribute is still an attribute associated with the product, but is not actually part of the physical product itself. Extrinsic attributes can be measured by brand name, packaging, product information label, retail store image, and even imagery from the region or country of origin (Bernues, et al., 2003; Espejel, et al., 2009; Mendez, et al., 2011).Furthermore, Veale and Quester (2009) and Acebron and Dopico (2000) mention that aside from the influence of the origin, price also becomes an indicator to assess the extrinsic quality attributes. Nevertheless, some studies have found that prices are irrelevant to be into research (Espejel, et al., 2009; Wang and Yu, 2016) because price is perceived as one of the indicators in assessing perceived usefulness or utility.

Figure 1. Conceptual Framework

HYPOTHESIS

Intrinsic Quality Attributes to Customer Satisfaction

Espejel et al. (2007) found that in the case of traditional food products, the intrinsic quality attributes has significant positive effect on customer satisfaction. Similar result was also found in Hossainet al. (2015), stating that in evaluating tourist destinations, the quality of intrinsic attributes including facilities, attractions, and handicraft products, has a significant and positive impact tourists satisfaction. Tsiotsou (2005) also found that the quality of shoes, measured by the durability and strength, significantly has a positive relationship to the customer satisfaction. This indicates that when the quality of the intrinsic attributes are better, they will increase customer satisfaction (Espejel, et al., 2009).

H1: Intrinsic quality attributes has positive and significant effect on customer satisfaction.

Extrinsic Quality Attributes to Customer Satisfaction

Espejel et al. (2009) said that perceived quality of a product is not only influenced by the quality of intrinsic attributes, but also the extrinsic quality attributes. These findings are similar to those found by Hossain et al. (2015) in the case of a tourist destination that perceived quality, both in the terms of intrinsic and extrinsic quality attribute, have a significant effect on customer satisfaction. Espejel et al. (2007) in their study of well-known traditional food products, also stated that the extrinsic quality attributes has a significant and positive effect on customer satisfaction. Similarly, Tsiotsou (2005) also found that the quality of shoes, measured by design, color, and fashionable function has a direct significant effect on customer satisfaction.

H2: Extrinsic quality attributes has positive and significant effect on customer satisfaction.

Customer Satisfaction to WOM

Kitapci et al. (2014) and Chaniotakis (2009) found that WOM in the case of the healthcare industry is one of the sub-dimensions of customer loyalty that is affected by customer satisfaction. In tourism industry, Wang et al. (2017) found a similar thing, that tourists who feel satisfied with the quality of destinations have a positive and significant impact on WOM, and so that they will be willing to recommend the destinations to the people around them. Similarly, when customers are satisfied with the quality of food in a restaurant, they are likely to spread positive WOM (Jalilvand, et al., 2017).These results were also supported by Ryu and Han (2010) that customers who feel satisfied with the quality of restaurants in western part of United States has a significant influence on WOM made by.

H3: Customer satisfaction has positive and significant effect on WOM.

RESEARCH METHOD

Research Instrument

In this research, data was collected through a questionnaire consisting of 17 statements reflecting four variables as shown in Table 1. All items in the questionnaire were measured using a Likert scale of 1 to 5 scale.

Table 1. Variable Measurement

Variable	Indicator	References
Intrinsic quality attribute (X_1)	Coffee taste ($X_{1.1}$)	Wang dan Yu, 2016; Grunert, dkk., 2015; Espejel dkk., 2009.
	Characteristic aroma ($X_{1.2}$)	
	Density of coffee grounds ($X_{1.3}$)	
	The coffee is safe to drink ($X_{1.4}$)	

Extrinsic quality attribute (X_2)	Packaging design ($X_{2.1}$)	Wang dan Yu, 2016; Grunert, dkk., 2015; Mendez, dkk., 2011; Espejel dkk., 2009.
	The vary of gramation ($X_{2.2}$)	
	Ease of purchase ($X_{2.3}$)	
	Easy to recognize the brand ($X_{2.4}$)	
	Offers an information related to product, ie. how to make the coffee, nutritional information ($X_{2.5}$)	
Customer Satisfaction (Y_1)	Banyuatis Coffee satisfies my needs ($Y_{1.1}$)	Wang, dkk., 2017; Shi, dkk., 2016; Kassim dan Abdullah, 2010; Espejel, dkk., 2009.
	Feel happy with Banyuatis Coffee ($Y_{1.2}$)	
	The quality as expected ($Y_{1.3}$)	
	In general terms, feel satisfied with Banyuatis Coffee ($Y_{1.4}$)	
WOM (Y_2)	Telling positive things to others ($Y_{2.1}$)	Walker, 2001; Jalilvand dan Samiei, 2012; Wang, dkk., 2017.
	Willing to recommend to others ($Y_{2.2}$)	
	Persuading others to consume the same product ($Y_{2.3}$)	
	Mention the product brand (Banyuatis Coffee) when asked for suggestions of Balinese coffee products ($Y_{2.4}$)	

Data Collection and Analysis

Data were collected throughout Denpasar City, Bali. The sample used in this study amounted to 100 people were selected through cluster sampling method because the object of data source is very broad, such as residents in a province or district (Sugiyono, 2017:83). Since Denpasar has four regions (North, South, West, East), the questionnaires were distributed proportionally to each region, as many as 25 questionnaires per region. Questionnaires were only distributed to respondents who have ever consumed Banyuatis in the previous month. Therefore, the respondents will go through the filter question, whether they have consumed Banyuatis Coffee in the previous month or never. Several questionnaires were distributed in agencies and offices which have used to consume Banyuatis Coffee daily. Data analysis using SEM (Structural Equation Modeling) with AMOS software application. SEM can identify the dimensions of a construct and at the same time can also measure the influence or degree of relationship between factors that have been identified.

ANALYSIS AND RESULT

Respondent Profile

The majority of respondents are aged 20-30 years as many as 34 people (34%), followed by aged between 30-40 years as many as 29 people (29%), respondents with age category more than 50 years as many as 23 people 23%), and the lowest was respondents with age category 41-50 years, that is 14 people (14%).Based ongender characteristics, most of the respondents

were male as many as 80 people (80%), while the remaining 20 people (20%) were female. In terms of educational background, more than 70 people have bachelor degree and most of them work as private and civil employee as many as 59 people. In terms of frequency in consuming Banyuatis Coffee, most respondents are as many as 82 people have consumed Banyuatis coffee more than 4 times in a month, and even 25 of them have more than 12 times consuming Banyuatis coffee in the last previous month.

Construct Validity and Reliability

Table 2. Measurement Model Validity and Reliability

| Variable	Indicator	Estimate	S.E.	Critical ratio[**]	AVE	Construct reliability
Intrinsic quality attribute (X_1)	$X_{1.1}$	1,000	0,121	8,28	0,66	0,88
	$X_{1.2}$	1,082	0,119	9,104		
	$X_{1.3}$	0,971	0,124	7,801		
	$X_{1.4}$	1				
Extrinsic quality attribute (X_2)	$X_{2.1}$	1,046	0,13	8,074	0,62	0,89
	$X_{2.2}$	0,762	0,109	7,012		
	$X_{2.3}$	0,97	0,108	8,971		
	$X_{2.4}$	1,103	0,113	9,755		
	$X_{2.5}$	1				
Customer Satisfaction (Y_1)	$Y_{1.1}$	0,955	0,051	18,692	0,85	0,96
	$Y_{1.2}$	1,0000	0,06	16,695		
	$Y_{1.3}$	0,938	0,061	15,461		
	$Y_{1.4}$	1				
WOM (Y_2)	$Y_{2.1}$	1,058	0,092	11,547	0,78	0,93
	$Y_{2.2}$	1,094	0,093	11,728		
	$Y_{2.3}$	0,983	0,09	10,898		
	$Y_{2.4}$	1				

Note: $p < 0,05$

An indicator shows significant validity if the critical ratio (cr) coefficient of each indicator is greater than twice the standard error (se) it has (Ferdinand, 2002). Table 2 shows that all indicators have a critical ratio value greater than twice the standard error (cr> 2se) so it can be stated that all the indicators used to measure constructs in this study are valid, so that all indicators are appropriate in measuring research variables.

In general, the reliability test can be measured by referring to the acceptance limit of the construct reliability value of each construct, which is greater than 0.70 (Hair, et al., 1998). In addition, the reliability of a construct can also be seen from the average variance extract value, which indicates the number of variance of the construct developed, should be above 0.50 (Hair et al., 1998).Based on Table 2, it can be seen that the construct reliability has met the required limit, which has a value greater than 0.70. It means that the indicators used in this study are reliable or consistent in explaining each construct well. The average variance extract (AVE) results in Table 2 also support the reliability of each construct because it is greater than 0.50.

Full SEM Analysis

Figure 2. SEM Analysis Result
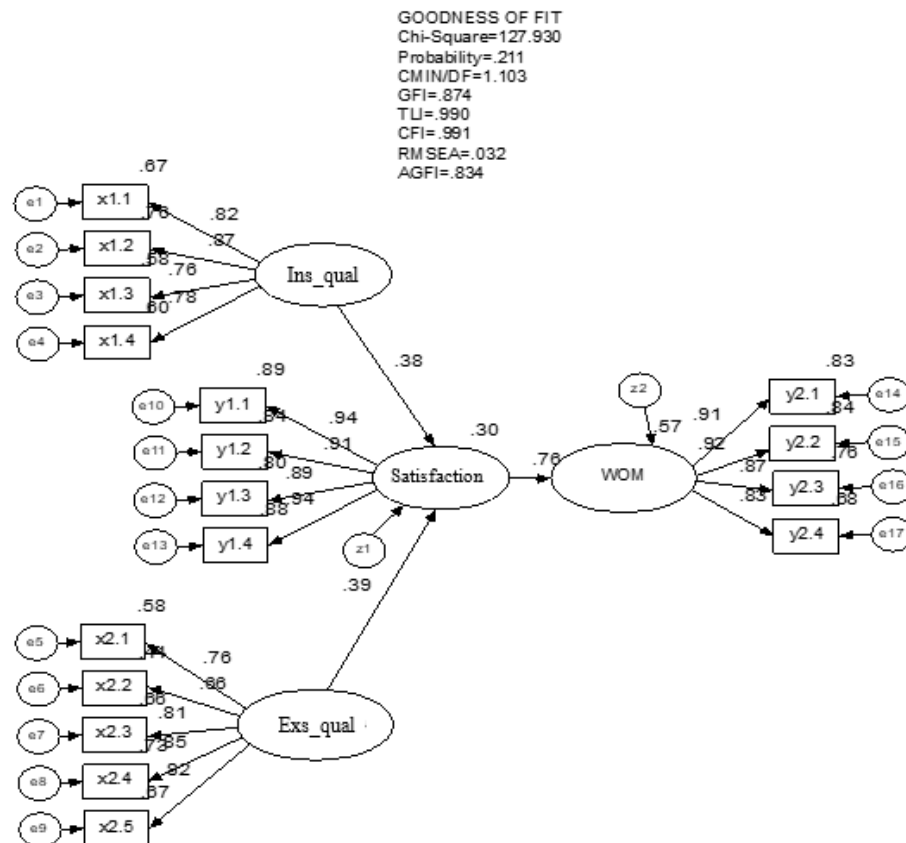
The test of measurement model used Maximum Likelihood estimation method, where each indicator that defines the construct has fulfilled SEM modeling requirement so that the estimation of structural equation with full model analysis technique can be continued. This estimate aims to see the suitability of the model and the causal relationship between constructs developed. The SEM results show that the goodness-of-fit structural model generally indicates a

good fit as it is close to the cut of value of each index. This is reflected in the value of X^2-Chi-Square = 127.93 (df = 2, p = 0.05), CMIN/DF = 1,103 (≤ 2.00), GFI = 0.874 (≥ 0.90), TLI = 0.990 (≥ 0.95), CFI = 0.991 (≥ 0.95), RMSEA = 0.032 (≤0.08), and AGFI = 0.834 (≥ 0.90).

Table 3. Hypothesis Testing Result

Causal Relationship			Standardized Estimate	Standard Error	CR	p-value	Hypothesis Result
Intrinsic_qual	→	Satisfaction	0,383	0,119	3,847	***	Accepted
Extrinsic_qual	→	Satisfaction	0,394	0,104	4,003	***	Accepted
Satisfaction	→	WOM	0,756	0,084	8,222	***	Accepted

Based on Table 3, H1 which states that the intrinsic quality attributes have positive and significant effect to customer satisfaction is accepted with positive coefficient value of 0.383 and p-value 0,000 (<0,05). Then, H2 which states that extrinsic quality attributes have a positive and significant impact to customer satisfaction is also accepted with positive coefficient of 0.394 and probability 0.000 (<0.05).H3 which states that customer satisfaction has positive and significant effect on WOM is also accepted with a positive coefficient of 0.756 and probability 0.000 (<0.05). Thus, the whole hypothesis in this study have significant and positive relationship.

DISCUSSION AND CONCLUSION

Based on the hypothesis testing H1, it can be stated that intrinsic quality attributes has positive and significant effect on customer satisfaction. The result indicates that the better the intrinsic quality attributes of Banyuatis Coffee (taste, aroma, concentration, and content), the higher the customer satisfaction. This is in line with the previous studies conducted by Espejel, et al. (2007; 2009) on packaged meat products that the intrinsic quality attributes of a product has significant and positive effect to customer satisfaction.

H2 statistical test results in this study is in line and also support the previous studies by Espejel, et al. (2007; 2009) that the extrinsic quality attributes has positive and significant impact on customer satisfaction. This reflects that the better quality of extrinsic attributes of Banyuatis Coffee (attractive packaging, gramation, brand name, and ease of purchase) will increase customer satisfaction.

H3 statistical test results show that customer satisfaction has positive and significant effect to WOM. This means that customers who are satisfied with the quality of Banyuatis Coffee will be willing to spread positive WOM, such as by recommending or telling positive things about Banyuatis coffee to others. The result of this study is in line with the previous study

by Wang et al. (2017) on tourist destination in Danang Vietnam that satisfaction of tourists have positive and significant influence on WOM. In addition, the study conducted by Ryu and Han (2010) at a restaurant in the central western of United States and Jalilvand et al. (2017) at Iran also found that customer satisfaction over the quality of food has significant impact on WOM.

LIMITATIONS AND FUTURE RESEARCH

Generally, this study has two limitations. First, about the scope of the study. This study is only conducted in Denpasar and on one type of coffee brand powder in Bali, Banyuatis Coffee, so that the results of this study can not be generalized to the other region and other coffee brands because of the different characteristics of customers for each region, as well as customer perceptions will vary for each brand or product. The second, this research is only done in a certain point of time (cross-sectional), while the environmental and economic conditions tend to be dynamic change every time. Therefore, this study is important to be conducted again in another country with other variable outside the model.

IMPLICATIONS

The implications of this research are (1) to enrich the literature about the application of consumer behavior theory, particularly regarding to the effect of product quality measured by its intrinsic and extrinsic attributes to satisfaction and positive WOM, (2) to be a matter of consideration for management to always pay attention towards intrinsic and extrinsic quality in order to maintain and improve customer satisfaction, (3) to be considered by management whether they need to do evaluation and corrective action to attribute which still less fulfill the customer satisfaction or not, and (4) customer satisfaction must become a focus for management so that positive WOM communication can occur spontaneously.

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