

The Impact of Perceived Quality and Corporate Reputation towards Positive Words of Mouth: Trust as Moderating Variable

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THE IMPACT OF PERCEIVED QUALITY AND CORPORATE REPUTATION TOWARDS POSITIVE WORD-OF-MOUTH: TRUST AS MODERATING VARIABLE

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ABSTRACT: The purpose of this research is to discover the influence of perceived quality and corporate reputation towards positive word-of-mouth with trust as a moderating variable between corporate reputation and positive word-of-mouth. The result is found that perceived quality significantly affect corporate reputation and corporate reputation also significantly influence PWOM. Meanwhile, perceived quality does not impact PWOM significantly and trust also does not have a role as a moderating variable, since it does not impact the relationship between corporate reputation and PWOM.

Keywords: Perceived word-of-mouth, perceived quality, corporate reputation, trust

1. INTRODUCTION

Along with the development of technology, everyone can easily access an information through many kinds of medias. It can be the information about the inclining or declining of a business, which will impact word-of-mouth or the spread of information from a customer to another customer from their testimony about the company. It is common for a customer to complain through word-of-mouth when they are not satisfied with a good and they will spread the negative testimony [18]. On the other hand, if the customer feels happy about the brand and experience satisfaction from their purchase, then they will do the good thing like positive word-of-mouth. They talk positively about a company [8].

Many companies concerns about the importance of corporate reputation in terms of its role as a valuable asset. A well-managed reputation will have resulted in positive cash flow and profitability [5]. The growth and popularity of a company are strongly influenced by product quality offered by the company. Consumers view a product as a whole based on brand value [10]. As the consequence, product quality influences corporate reputation, which can create positive or negative result to the way customer talk about the brand. In addition, trust is an important thing to influence customer behavior towards a brand [4], because the feelings of trust help the trusting party to accept a position based on the expectation from another party. Furthermore, they believe that trust is the main idea of reputation which can be strengthened through advertising, owing to the way trust impacts both WOM and corporate reputation.

This study will compare which one is the most significant influence positive word-of-mouth among perceived quality, corporate reputation, and trust. The trust will be set as a moderating variable between corporate reputation and PWOM. This research is beneficial to a literature and practice. The results of this research are expected to enrich the knowledge useful for students in learning about the role of perceived quality and corporate reputation on forming customer behavior, positive word-of-mouth. This study can be used to guide practitioners to learn deeper about factors that influence PWOM when they want to make a managerial decision in the retail industry relate to understanding the consumer. Also, it is expected to broaden the knowledge and used as a reference for the next researcher who wants to continue conducting a research on a similar topic. It is also hoped this study can provide information about conditions at the same picture obtained by researchers so as to support further research.

2. LITERATURE REVIEW

Conventional definition of word-of-mouth (WOM) refers to a process of sharing opinions and information about specific product among customers [2]. Additionally, [3] stated, customer satisfaction with better service commonly known indeed possible to lead various outcomes, including satisfaction, loyalty, and positive word-of-mouth. Word-of-mouth Positive is the behavior of customer satisfaction, a process of sharing information among customers [2]. A positive attitude will result in PWOM [8] and vice versa [18].

In most industries, perceived brand quality is one of the most important components that affect consumer preference [10]. [1] stated that product quality and services are greatly important. Consequently, many businesses defined perceived service quality as a way to identify and satisfy customer needs and wants. In service context, brand quality takes an important role influencing brand preference, which indicates that it directly influences respondents' brand preference levels [10].

Perceived quality affects corporate reputation [5] and brand image [10], which acts as signal reputation. Perceived Quality is a value that influences customer perception towards a brand [10]. Perceived quality influence corporate reputation [5] and the high-quality product will have a better reputation. Besides that, brand quality related to brand preference [2]. Strategic service quality also influences the communication of word-of-mouth [1].

From the explanation above, the hypothesis of this research as follows,

H1: Perceived quality has a positive impact on corporate reputation

H2: Perceived quality has a direct impact on PWOM

Corporate reputation has a role as valued outcomes to a representative group of stakeholders [18]. In this term, reputation can be deemed as the perception of all relevant stakeholders involved who experience the services and interact with the corporate activities. Moreover, corporate image could be beneficial for organizations in a number of ways [11]. Also, companies are more concerned about the impact of interactive communication on their reputations. It proves that stakeholders view indeed affecting corporate reputation. It is suggested that companies should pay attention to the new forms of communication regarding to its affection on reputation. Corporate reputation is a result of stakeholders' appreciation [18]. Reputation can be seen as a perception of all related parties involved in the corporate activity. Corporate reputation has a strong role to lead the consumer to become the real customers, positive reputation creates an intellectual relationship with the customer for sustainable profit [19]. In terms of e-WOM, purchase intention can be improved by corporate reputation [2]. The third hypothesis of this research is as follows,

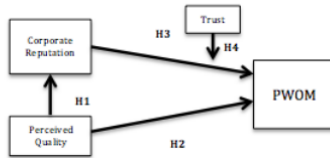
H3: Corporate reputation significantly influences PWOM

The idea is customer trust works as a principal component of sustainable long-term relationships between customers and service firms. They also provide a conceptual framework for corporate ethics and trust in intra-corporate relationships [3]. Trust is a standard ethic that helps the company to build its reputation [3]. Moreover, the expert believes that trust is the core function to create reputation which can be strengthened through advertising, based on how trust affect both corporate reputation and WOM. Furthermore, they believe that trust is the main idea of reputation which can be strengthened through advertising, owing to the way trust impacts both WOM and corporate reputation. When trust has been built, it will increase certainty and motivate customer to endorse the activities of the organization through PWOM. When trust exists in the mind of consumers, it will motivate customers to support company activities through PWOM. The fourth hypothesis of this research is as follow,

H4: Trust moderates the relationship between corporate reputation and PWOM

The brand condition from customer point of view comes from perceived quality, which obviously influences the corporate reputation that leads to the action of word of mouth. Indeed, trust has a big role in terms of promoting a brand or corporate to others through positive word of mouth.

Figure (1) Theoretical Framework



RESULT AND DISCUSSION

This research uses quantitative method, non-experimental, and correlation study to analyze the relationship between perceived quality and corporate reputation on PWOM where trust is expected has a role as a moderating variable between corporate reputation and PWOM. There are 225 sample respondents who have experienced purchasing goods in Indomaret and Alfamart and the technique used is stratified random sampling based on university degree level. Literature studies of this research are from electronic and printed media, including journals, books, and similar research. The data collection method is used questionnaire with Likert Scale, point 1 to 5 for very disagree to very agree.

All items in this research are adopted from [7] and [16] for perceived quality, [17] for corporate reputation, [14] for trust, and [12] for PWOM.

and quality affects brand preference [10]. The indicator of perceived quality in this research are:

- 1). Customer feels the good quality offered by company
 - 2). Customer feels the company take care of them
 - 3). Customer satisfies with the products and services
- Corporate reputation is an appreciation from stakeholder [18]. The indicator of corporate reputation in this research are:
- 1). Customer views company positively
 - 2). Customer believes that the corporate is well managed
 - 3). Customer realizes the competitive advantage of the company

The concepts of trust in the service industry are integrity, honesty, secret, and high standard ethic. The indicator of trust in this research are:

- 1). How big customer trust towards brand promises
- 2). Customers are loyal and consistent to purchase and use the product

Customers share positive and negative information about product and service based prior purchasing. The indicators of positive word-of-mouth in this research are:

- 1). Customers share the information about products and services positively
- 2). Customers recommend others to use the company goods
- 3). Customers glad to talk about the brand

Inferential Statistical Analysis focuses on the analysis and interpretation to get the conclusion. This analysis is used to examine the research hypothesis by using sample collected. The method for this analysis is Structural Equation Modeling (SEM), because there is complicated causal relationship among variables, which also have multiple roles. Literature study is needed to develop and explore the theoretical model in order to justify the model. SEM is used to confirm the model through empirical data. Path diagram will be used to describe the relationship among variables. Then goodness of fit testing will be used to examine the model suitability. Finally, outlier data should be checked before researchers prove the hypothesis testing.

This purpose of the research is to discover the role of perceived quality and corporate reputation in influencing PWOM. The relation between reputation and PWOM, in this case is moderated by trust. The data used for this research is primary data from respondents' answer through questionnaire.

Table 1 Result of Validity & Reliability Test

Variable	Indicator	(λ)	(e)	t-value	Construct Reliability	Note
Perceived Quality	PQ 1	.649	.454	7.289	0.69475	Reliable
	PQ 2	.792	.363	7.780		Valid
	PQ 3	.698	.442	7.621		Valid
	PQ 4	.526	.760			Valid
Corporate Reputation	CR 1	.573	.461	8.647	0.67	Reliable
	CR 2	.614	.395	9.120		Valid
	CR 3	.826	.339	9.734		Valid
	CR 4	.744	.379			Valid
PWOM	PWOM 1	.706	.319		0.5905	Reliable
	PWOM 2	.927	.285	10.523		Valid
	PWOM 3	.482	.592	6.691		Valid
	PWOM 4	.251	1.077	3.661		Valid

The validity test with CFA test or Construct validity test is used to measure the indicator that is able or not able to reflect the latent variable. The result should fulfill Criteria Ratio (CR) > 1.96 with probability (P) < 0.05. This test uses AMOS. Then the measurements of this research are valid. It means that all measurements used in the instrument which are related to perceived quality, corporate reputation, PWOM, and trust from Indomart and Alfamart customers are valid and can be used for this research.

Based on criteria of validity convergent, if t-value > 1.96, then the indicator will be significant at the level $\alpha = 0.05$ [13]. It is explained that reliability index is reliable when the value > 0.5. The table below shows the score of construct reliability is more than 0.6, it means that all items used in this research are reliable; it is proved by the consistency and stability all construct indicator.

Hypothesis Testing

Hypothesis variable statistic of exogenous towards endogen is described below,

Table 2 Index Model Inner

Exogenous Function	Direct Effect			
	Corporate Reputation (Y1)		PWOM (Y2)	
	Coef.	p-value	Coef.	p-value
Perceived Quality X1	.858	.000	-.6132	.685
Corporate Reputation Y1	-	-	1.075	.002

Source: Primer Data, 2016

Perceived quality significantly affects corporate reputation, it can be seen that p-value < α , which α equal to 0.858 and p-value is 0.000. It shows that the first hypothesis is accepted.

Perceived quality does not significantly affect PWOM, it can be seen from p-value > α , which α equal to -0.6132 and p-value are 0.685. It shows that the second hypothesis is rejected.

Corporate reputation has significant impact on PWOM, because p-value < α , which α equal to 1.075 and p-value is 0.002. It shows that the third hypothesis is accepted.

The criterion of hypothesis testing above is explained below:

H0: Trust does not moderate the relationship between corporate reputation and PWOM

H4: Trust moderates the relationship between corporate reputation and PWOM

A test was using regression analysis has been done using SPSS version 17, as showed in table 3.

Based on the table below, the result of p-value is 0.080, because p-value more than the significant $\alpha = 5\%$ or (0.080 > 0.05), then H4 is rejected; it means that trust does not moderate the relationship between corporate reputation and PWOM when the significance level is 5%.

Table 3 Hypothesis Testing for Trust

Model	Coefficients		Beta	T	Sig.
	Unstandardized Coefficients	Standardized Coefficients			
1 (Constant)	.609	.184		3.309	.001
RP	.401	.087	.402	4.626	.000
T	.265	.075	.302	3.546	.000
RP*T	-.175	.099	-.127	-1.757	.080

Dependent Variable: WOMP
Source: Primary Data, 2016

Path Analysis

The impact of perceived quality towards corporate reputation is 0.858, which means perceived quality has a direct effect on corporate reputation. The impact of perceived quality towards PWOM is -0.6132, which means there is no direct effect of perceived quality to PWOM. Corporate reputation has a significant direct effect towards PWOM is 1.075. Perceived quality affects PWOM through corporate reputation is $0.858 \times 1.075 = 0.92235$, which means corporate reputation has a role as intervening variable.

DISCUSSION

The researcher concludes that perceived quality positively influence corporate reputation. It is in line with a research that has been done [1], stated that the role of perceived value and corporate reputation towards customer satisfaction.

The previous study related to consumer behavior and perceived value that had been done [11], find that there is a positive causal effect between customers perceived quality with consumer behavior, including WOM. However, this study found that perceived quality does not influence the customer to do positive word-of-mouth.

Corporate reputation has an important role as intervening variable, affects the relationship between eWOM and purchase intention [2]. The result of this study is similar to the previous study, which proves the significant impact of corporate reputation towards PWOM.

Another study explained that corporate image help company to build trust internally [6]. However, this research finds that trust does not have a role as the moderating variable between corporate reputation and PWOM.

Based on the explanation above, all variables used in this research are connected to each other; even some relationships are positive and some others negative. The most important thing is corporate reputation holds the biggest role affecting customer attitude to spread the news about a company through word-of-mouth. It can be said that if practitioners want to use their customer as their promoter, they need to improve their corporate reputation. This research may help the practitioner to analyze and decide the best plan and decision to boost customer behavior. Moreover, this research can be used as a reference.

4. CONCLUSION

The conclusions of this research are perceived quality significantly influence corporate reputation. It means that the better perceived quality, the better its reputation. However, perceived quality does not significantly affect positive word-of-mouth. It means that perceived quality does not have a direct impact on PWOM. In contrast, PWOM is significantly influenced by corporate reputation. It means that corporate reputation has a role in influencing the customer to do PWOM. Meanwhile, trust does not affect the relationship between corporate reputation and PWOM when the level of significant is 5%. All in all, corporate reputation holds the biggest role affecting customer attitude to spread the news about a company through word-of-mouth. It can be said that if practitioners want to use their customer as their promoter, they need to improve their corporate reputation.

The results of this research are useful for practitioners due to the information provided about how significant perceived quality, and customer reputation affect PWOM based on customers' perspective. The data from this research helps practitioners to analyze and decide the best term they should emphasize on to encourage customer behavior. The validity

and reliability result of this research make this research fully trusted. Therefore, all results in this research could be used as a reference for future researcher or everyone who wants to conduct some other researches in similar topic.

This research is limited only conducted in Yogyakarta and respondent those are university students. Based on research limitation, the research should be conducted in some other parts of Indonesia in order to get a general view of Indonesian as a whole. Besides that, next research may choose other industries to be analyzed.

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