The relationships of Reputation, Advertisement Attractiveness, Community Effect with Customer Value and Positive Words of Mouth of Bear Brand Milk Consumers in Malang

by Anung Prasetyo Nugroho

The relationships of Reputation, Advertisement Attractiveness, Community Effect with Customer Value and Positive Words of Mouth of Bear Brand Milk Consumers in Malang

Anung Prasetyo Nugroho [1]
Management Study Programme, Tribhuwana Tunggadewi University, Jalan Telaga Warna, Tlogomas, Malang 65144, Indonesia

Karunia Setyowati Suroto
Animal Husbandy Study Programme, Tribhuwana Tunggadewi University, Jalan Telaga Warna, Tlogomas, Malang 65144, Indonesia

Abstract

One of the marketing activities undertaken by PT Nestle Indonesia to communicate Bear Brand milk in the market is by Words of Mouth marketing. However, Bear Brand Milk is only superior in several regions in Indonesia. The purpose of this study were to analyze the influence of reputation, influence of advertisement attractiveness, and community effect to customer value of Bear Brand Milk in Malang, and to analyze the influence of customer value of positive words of mouth on consumers of Bear Brand Milk in City Malang. The primary data were obtained from questionairs spread to Bear Brand Milk consumers in Malang. The sampling technique used was accidental sampling. The analysis technique used in this study was Structural Equation Model which was operated by AMOS program 16. The variables measured were reputation, advertisement attractiveness, community effect, customer value, and word-of-mouth. Results of the study showed that reputation is an important first element in implementing customer value. The reputation effect of positive words of mouth begins with how reputation can give dominant strategic effects on increasing customer value. The advertisement attractiveness was the second variable affecting the realization of positive words of mouth. Community effect is the third important element in implementing positive words of mouth. In order to create positive words of mouth, improvement of customer value can be realized through reputation, advertisement attractiveness, and community effects.

Keywords: marketing, structural equation model, word of mouth

Introduction

---

[1] Corresponding author's email: anungjk@yahoo.co.id

The business development increasing rapidly nowadays forces companies to face stiff competitions, no exception for the competition in liquid food products, especially ready-to-drink milk in cans. Facts show that the sales of ready-to-drink milk in cansare increasingquickly. This condition boosts manufacturers to improve its innovation by launching new products to enhance customer value as well in its market domination. This is in accordance with the basic principles proposed by Woodruff (1997) that, in principle, the purpose of a company is to maintain and develop thegood enough understanding and knowledge of the customers. In other words the company's success is measured from the ability of the company to meet the customer needs and expectations. Customer valueis a manifestation of all efforts of the company aimed to meet the expectations and needs of customers, as well as to be reflected in the goods and services offered to customers (Huber et al., 2001).

Referring to the findings of Woodruff (1997); Budiman (2003); and Smith and Colgate (2007), although the customer value has been implemented by many companies for more than 2 (two) decades ago, but in fact according to them many companies still have not been able to realize the customer value in their overall marketing activities.

The reference interest study was born from the criticism of DeCarlo et al. (2007) in the preceding study, which had lack of special attention from some researchers, especially the antecedent measurement of product reference interest whichwas still very limited. The study conducted by Mangold et al. (1999) shows that the understanding of the importance ofproduct reference interest is still very limited in the review of the study. One of the marketing activities undertaken by PT Nestle Indonesia to communicate Bear Brand milk in the market is by Words of Mouth (WOM) marketing. Words of Mouth marketing deserves to be taken, but because the cost is relatively inexpensive as well as based on the study of Herr et al. (1991), it is found that WOM has a greater impact than written information. Furthermore, the information on WOM is believed can attract attention to the information, detain people for not turning away, and increase accessibility in order to enhance customer value (Herr et al., 1991).

It is presumed that customer value to Bear Brand Milk arises because of the aggressiveness of PT Nestle Indonesia in advertising.The aggressiveness is not only recognized by Bear Brand Milk advertisement which is so intense showing on electronic media and printed media, but also by the successful slogan as the whole milk giving health. In addition, Bear Brand Milk is known by the world community because of the image embedded in society that Bear Brand Milk is a whole milk drink product bringing health. This makes consumers confident with Bear Brand Milk. The existence of a community in a societyis very beneficial for a company. Community effect or often called with Bandwagon effect (herd instinct) is people often follow the crowd without examining the benefit of a particular case. Community can be used as a tool for networking and retaining customers. The barrier for a company to promote its community is to build new value continuously. Thus community will increasingly feel the benefits of the product and then spread the positive effects of products to others (Smith and Colgate, 2007). The objectives of this study were to analyze the effect of reputation, advertising attractiveness, and community effects on customer value of Bear Brand Milk in Malang, and to analyze the effect of customer value on positive words of mouth on Bear Brand Milk consumers in Malang

Research Method

The study had been conducted in five districts of Malang, namely Klojen, Sukun, Blimbing, Lowokwaru, and Kedungkandang, from February 2014 to December 2014.

Types and Sources of Data

The type of data used in this study wassubject data (self-report data) i.e. in the form of attitudes, opinions, experiences, or characteristic of a person or group of persons who became subjects of the study or respondents (Indriantoro and Supomo, 1999). The data used in this study were primary and secondary data sources. For this study, the primary data were obtained from questionairesspreaded to the respondentsi.e. theconsumers of Bear Brand Milk in Malang.

Population and Sample

The population used in this study was the consumers of Bear Brand milk in Malang. The sample in this study was the consumers of Bear Brand milk in Malang. In accordance with the analytical toolused i.e. Structural Equation Model (SEM), the determination of the minimum number of representative samples according to Hair et al (1998) depends on the number of indicators multiplied by 5 to 10. The minimum number of samples for this study = number of indicator x 5. The number of indicator was 18 (Table 1), so that the minimum sample size was 90, while the maximum sample size was 18 x 10 = 180. Although there is no correct sample size, the appropriate sample size is between 100-200 samples (Hair et al., 1998). Thus, in accordance with the requirements of SEM as determined, the minimum number of respondents for this study sample was 90 respondents and maximum sample was 180 respondents.

Sampling Technique and Data Collection

The sampling techniqueused was *Accidental sampling i.e.* sampling technique by coincidence, it means that anyone who by chance encountered by researchers could be used as a sample, if it is deemed that the person found was suitable as a data source. The data collection in this study was conducted by interview by askingpersonal questions using questionnaires *(Personality Quesitionnaires)*. The data were collected using closed questionnaire *i.e.* a questionnaire used to obtain data on market orientation, innovation, entrepreneurial orientation, competitive advantage in its efforts to improve marketing performance.The questions in the list of questions were prepared by using 1 to 10 scale to obtain the data and given scores for the category of questions with answer of strongly disagree or strongly agree with √ mark in the selected boxes, as exemplified as follows:

1 ←——————————————→ 10
Strongly disagree   Strongly agree

Data Analysis

The data analysis used in this study was *Structural Equation* Model (SEM) operated by AMOS program 16. The reason for the use of SEM was bacause SEM is a set of statistical techniques allowingan affirmation of a series of relationshipwhich is relatively "complex" simultaneously. According to Ferdinand (2006), study modeling through SEM allows a researcher to be able to answer research questions which are regressive and dimensional (i.e. measuring what the dimensions of a concept). SEM can also identify the dimensions of a concept or construction and at the same time SEM can also measure the degree of influence or relationship factors which the dimensions will be identified.

Flowchart of Conversion into Equation

In the next step, the theoretical model built in the first step was illustrated in *path diagram* which could facilitate the researchers to recognize the causality relationship tested. The path diagram developed in this study is presented in Figure 1 with indicators presented in Table 1.
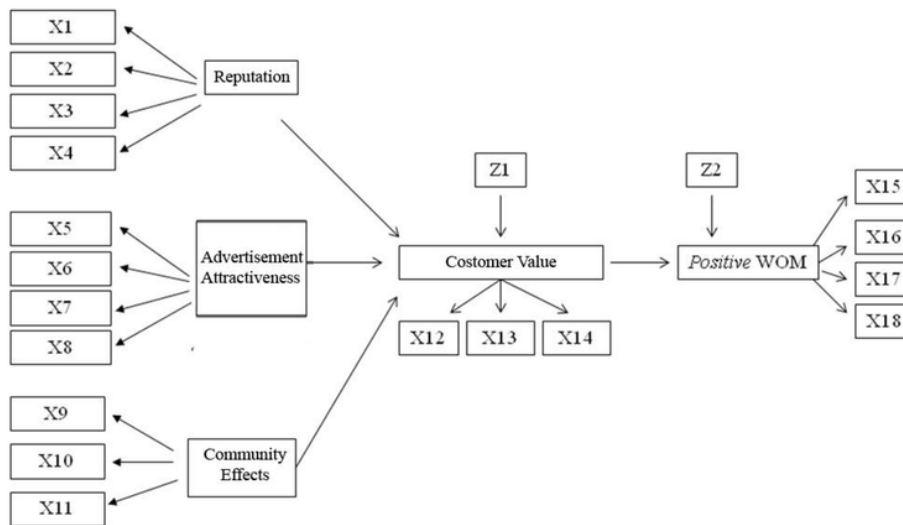
Notes:

X = variable indicator
Z1 = error tems on the variable of customer value
Z2 = error tems in the variable of *Positive WOM*

Figure 1. The path diagram developed in this study

4

Table 1. Variable Indicators

No.	Variables	Indicators	
1	Reputation	X1	Famous
		X2	Credibility
		X3	Reputation
		X4	Characteristics
2	Advertisement attractiveness	X5	Easy-to-understand material content in the advertisement
		X6	Use of artist as commercials of interest
		X7	Easy-to-remember Jargon
		X8	Attractive advertising style
3	Community Effects	X9	Relation
		X10	Style
		X11	Appreciation
4	Customer Value	X12	performance Value
		X13	price Value
		X14	Social value
5	Word-of-Mouth	X15	Happy in sharing experiences
		X16	Happy in recommendingthe product to others to consume
		X17	*WOM* communication intensity
		X18	Convincing others to buy Bear Brand milk

In the next step, after the theoretical model was described in the flowchart, the researchers converted the specification model into a series of equations. The equations consisted of:

a. *Structural equation,* this equation was formulated to express causality among various constructions, in which the equation was:

Endogenous variables = Exogenous variables + endogenous variable + error (z)

In this study the conversion of structural equation models to form the following:

Customer Value = β_1Reputation + β_2 Advertising attractions + β_3 Community Effects + z_1

Positive Words of Mouth = β_4 Customer Value + z_2

b. The equation specification of measurement model *(measurement model)* in the specification it was determined which variable measure what variable, and determine a series of matrices showing correlations among variables hypothesized.

Results and Discussion

Structural Equation Model

Based on Figure 2, it could be seen that reputation affected customer value of 0.4, advertising attraction affected customer value of 0.23 and community effect affected customer value of 0.4. Based on the results of observations on the image on the fullmodel analysis graph it could be shown that the model met the criteria of fit, it was characterized by the value of the calculation result meeting the criteria of feasibleof full model.

Furthermore the model met the criteria of fit; it was characterized by the value of the calculationresults meeting the criteria of feasible of full model. The test results of the full model were summarized in Table 2. The calculation results of *chi-square* test on the full model obtained *chi-square* value of 154.579 which was still below the *chi-square* table for 128 degrees of freedom on5%level of significant as much as 155.405. The probability value was 0.055 in which these was still above the value of 0.05 as well as other criteria mostly having met the value well. These results showed that the overall models meet the criteria of fit model. Besides the above criteria, the observed indicator of reputation, advertisementattractiveness, community effect, customer value and *positive words of mouth* were valid because they had values above 0.5 so that no one *observed* indicators which was dropped (discarded).
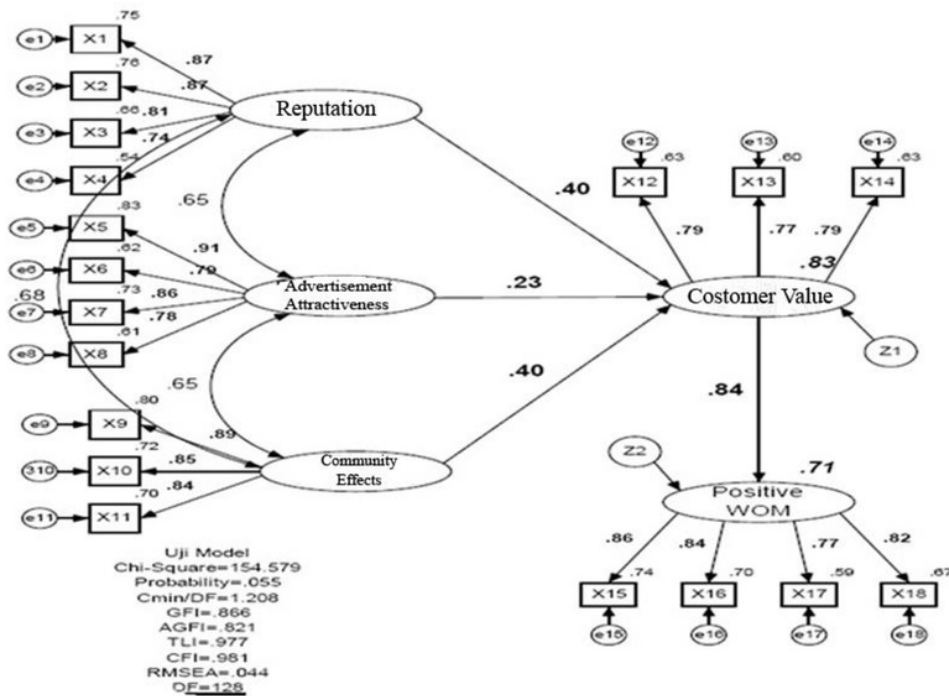
Figure 2. The Results of Testing Structural Equation Models

Table 2. The Full Model TestResults

Criteria	Cut of Value	Result	Evaluation
Chi-Square	155.405	154.579	Good
Probability	> 0.05	0.055	Good
GFI	0,90≤GFI≤1	0.866	Marginal
AGFI	0,90≤AGFI≤1	0.821	Marginal
TLI	0,95≤TLI≤1	0.977	Good
CFI	0,95≤CFI≤1	0,981	Good
CMIN / DF	<2.00	1,208	Good
RMSEA	<0.08	0,044	Good

Notes: $\div^2$ with df: 128; p: 5% = 155.405

Based on Figure 2 and Table 2 it was showed that each latent variable former indicator showed results meeting the criteria i.e. CR value was above 1.96 with P which was less than 0.05 and lambda value or loading factor was greater than 0.5. These results could be said that the latent variable formerindicators significantly were the indicator of latent factors formed. Thus, the model used in this study may be accepted. The results of weights regression of structural equation modeling analysis is presented in Table 3.

Table 2. Weights Regression of Structural Equation ModelingAnalysis

	Estimate	SE	CR	P	Lable
Customer value<--- Reputation	.370	.098	3767	***	par_11
Customer value <--- advertisementattractiveness	.236	.097	2422	.015	par_12
Customer value <--- community effect	.378	.099	3,803	***	par_13
PositiveWOM <--- Customer value	.822	.103	7995	***	par_14
X1 <--- Reputation	1,000				
X2 <--- Reputation	1,028	.092	11 222	***	par_1
X3 <--- Reputation	1,029	.098	10 548	***	par_2
X4 <--- Reputation	.800	.091	8746	***	par_3
X5 <--- advertisement attractiveness	1,000				
X6 <--- advertisement attractiveness	.879	.085	10 327	***	par_4
X7 <--- advertisement attractiveness	.985	.080	12 299	***	par_5
X8 <--- advertisement attractiveness	.833	.078	10 647	***	par_6
X9 <--- community effect	1,000				
X10 <--- community effect	1,065	.093	11 425	***	par_7
X11 <--- community effect	1,057	.093	11 342	***	par_8
X12 <--- Customer value	1,000				
X13 <--- Customer value	.906	.105	8616	***	par_9
X14 <--- Customer value	.967	.108	8953	***	par_10
X15 <--- Positive _WOM	1,000				
X16 <--- Positive_WOM	1,052	.096	10 970	***	par_16
X17 <--- Positive_WOM	.922	.101	9092	***	par_17
X18 <--- Positive_WOM	.933	.093	10 081	***	par_18

Reputation Effects on Customer Value

From the study done it can be concluded that the first hypothesis stated "Reputation affected positively on customer value" is acceptable. It can be concluded that the hypothesis composed in this study has the same justification and strengthens the previous study, such as the study done by Kaffashpor and Kashani (2006). The indicators of reputation werefamous;credibility; reputation; and characteristics. While customer value was formed from indicators: performance value (Bear Brand Milk had a good quality); price value (the value was obtained from the expense costs); social value (there was more appreciation when consuming Bear Brand Milk). The indicators obtained based on the review of literatures and then they were developed and adapted to the circumstances existing to Bear Brand Milk. From the test results through SEM analysis tools and *loading factor* value obtained, it could be seen that the indicator famous and credibility were the most dominant indicators of reputation. These meant that the fame and reliability of Bear Brand Milk were the keys in determining the high reputation value of Bear Brand Milk. In this study of Bear Brand Milk it was showed that the more famous and not easily broken Bear Brand Milk, the better reputation of the company. Or it could be said that if Bear Brand Milk was famousby its high quality and not easily damaged, customers would consider that Bear Brand Milk had a good reputation.

Effects of Advertsement Attractiveness on Customer Value

From the study done it can be concluded that the second hypothesis stated that "Advertisement attractiveness positively affected on customer value" is acceptable. The hypothesis formulated in this study showed relatively similar results and in line with what had been formulated by the previous studies such as: Sirgy and Johar (1992). The indicators of advertisement attractiveness wereeasy-to-understand advertisement material content, use of celebrities as interesting commercials, easy-to-remember jargon of Bear Brand Milk, attractive advertisementstyle. While customer value was formed from the indicators: performance value (Bear Brand Milk had a good quality); price value (the value was obtained from the expense costs); and social value (there was more appreciation when consuming Bear Brand Milk). The indicators obtained based on the review of literatures and then they were developed and adapted to the circumstances existing to Bear Brand Milk. From the test results through SEM analysis tools and*loading factor* value obtained, it could be seen that easy-to-understand advertisement material content indicator was the most dominant indicator of advertisement attractiveness. It meant that easy-to-understand advertisement material content indicator was the key value in determining the advertisement attractiveness of Bear Brand Milk ad. In this study of Bear Brand Milk it was showed that the better advertisement material content value of Bear Brand Milk, the easier in creating advertisement attractiveness. This gave understanding that the reliability of the employees of PT Nestle Indonesia in providing product information through advertisement was easily understood by customers. By providing clear information through advertisement and without mistake, customers would judge that Bear Brand Milk had a high advertisement attractiveness.

Effects of Community Effect on Customer Value

From the study done it can be concluded that the third hypothesis stated "Community effectpositively affected on customer value" is acceptable. It shows that the hypotheses developed in this study is fully consistent and in accordance with what had been outlined by the previous researchers as Joo (2007). The indicators of community effects consist of relation (indicating relationships with other people), style (the fundamental and distinct expression appearing in human life) and appreciation. While customer value was formed from the indicators: performance value (Bear Brand Milk had a good quality); price value (the value was obtained from the expense costs); and social value (there was more appreciation when consuming Bear Brand Milk). The indicators obtained based on the review of literatures and then they were developed and adapted to the circumstances existing to Bear Brand Milk. From the test results through SEM analysis tools and *loading factor* values obtained it could be seen that the relation indicator is the most dominant indicator of the community effect. It meant that relationshipwas the key in determining the high effect on the community effect of Bear Brand Milk. The better relationship value of Bear Brand Milk, the better community created. Or it could be said that customers (Bear Brand Milk consumers) would acquire a broad relationship when consuming Bear Brand Milk.

Effect of Customer Value on Positive WOM

From the study done it can be concluded that the fourth hypothesis stated "customer value positively affected on *Positive WOM"* is acceptable. It can be concluded that the hypothesis composed in this study has the same justification and strengthensthe previous studies such as studies carried out by Budiman (2003); Olaru *et al*. (2008) and Kaffashpor and Kashani (2006). The indicators of *Positive WOM* consisted of: Happy in sharing experiences; Happy recommendingproducts to others; *WOM* communication intensity and Convincing other people to buy. While customer value was formed from the indicators: performance value (Bear Brand Milk had a good quality); price value (the value was obtained from the expense costs); and social value (there was more appreciation when consuming Bear Brand Milk). The indicators obtained based on the review of literatures and then they were developed and adapted to the circumstances existing to Bear Brand Milk. From the test results through SEM analysis tools and *loading factor* value obtained, it could be seen that indicators of performance value and social value werethe dominant indicator of customer value. It implied thatperformance value and social value were important and as the key values in determining the high customer value of Bear Brand Milk. This gave understanding that performance value and social value were needed by customers (Bear Brand Milkconsumer) and by the existence of performance values and social value obtained when consuming Bear Brand Milk, it could improve customer value on Bear Brand Milk. From *positive WOM* variable from the test results through SEM analysis tools and *loading factor* values obtained it could be seen that indicator of happy in sharing experiences was the most dominant indicator of *Positive WOM*. This gave understanding that customers were more happy sharing experiences with others when consumingBear Brand Milk so that they could listen to pleasant experiences directly from other customers thus indirectly this had created *Positive WOM*.

Conclusions

Reputation was the first important element in implementing customer value. Influence the reputation on the positive words of mouth started with how the reputation gave the dominant strategic impact on increasing customer value. The advertisement attractiveness was the second variable affecting the realization of positive words of mouth through gradual, directed, and continuous process and strategy mechanism. The process of community effect provided the most dominant strategic impact on the achievement of positive words of mouth. In order to create positive words of mouth, improving customer value can be realized through reputation, advertisement attractiveness and community effect.

Acknowledgements

Reference

Budiman, A.S. 2003. The interest of referencing in the process of consumer adoption at post marketing education period of GPRS IM3 Smart features in Surabaya. *Indonesian Journal of Marketing Science* 2 (1): 1-18. (*in Indonesian*)

DeCarlo, T.E., Laczniak, R.N., Montley, C.M., & Maraaswami, S. 2007. Influence of Image and Familiarity on Consumer Response to Negative Word of Mouth Communication about Retail Entities. *Journal of Marketing Theory and Practice* 15 (1): 41-51.

Hair, J.F., Anderson, R.E., Thatam, R.L., & Black, W.C. 1998. *Multivariate Data Analysis*. Englewood Cliffs, NJ: Prentice Hall.

Herr, P.M., Kardes, F.R., & Kim, J. 1991. Effects of Word-of-Mouth and Product Attribute Information on Persuasion: An Accessibility-diagnosticity Perspective. *Journal of Consumer Research* 17 (4): 454-462.

Huber, F., Hermann, A., & Morgan, R.E. 2001. Gaining Competitive Advantage Through Customer Value Oriented Management. *Journal of Consumer Marketing* 18 (1):41-53.

Indriantoro and Supomo, B. 1999. *Business Research Methodology for Accounting and Management*. First Edition. BPFE. Yogyakarta (*in Indonesian*)

Joo, J. 2007. An Empirical Study on the Relationship between Customer Value and Repurchase Intention in Korean Internet Shopping Malls. *The Journal Computer Information Systems* 48 (1): 53-62.

Kaffashpor, A., & Kashani, B.H. 2006. Factors Affecting Customer Perceived Value of B-t-B Insurance Services and its Outcomes. Retrieved from http://farsi.ses.ac.ir/files/office/user_folders/ ses_104.pdf.

Mangold, W.G, Miller, F., & Brockway, G.R. 1999. Word of Mouth Communication in the Service Market Place. *The Journal of Service Marketing* 13 (1): 73-89.

Olaru, D., Purchase, S., & Peterson, N. 2008. Customer Value in Research Organisations. *Journal of Business and Industrial Marketing* 23(7/8): 554-565.

Sirgy, M. J., & Johar, J.S. 1992, Value Expressive Versus Utilitarian Appeals: A Reply to Shavitt, Journal *of Advertising* 21 (2):53-54

Smith, J. B., & Colgate, M. 2007. Customer Value Creation: A Practical Framework. *Journal of Marketing Theory and Practice* 15 (1): 7-23.

Woodruff, R.B. 997. Customer Value: The Next Source for Competitive Advantage. *Journal Academy of Marketing Science* 25 (2): 139-153.

The relationships of Reputation, Advertisement Attractiveness, Community Effect with Customer Value and Positive Words of Mouth of Bear Brand Milk Consumers in Malang

Internet Source

<1 %

8 www.emeraldinsight.com
Internet Source

<1 %

Exclude quotes	Off	Exclude matches	< 3 words
Exclude bibliography	On		

The relationships of Reputation, Advertisement Attractiveness, Community Effect with Customer Value and Positive Words of Mouth of Bear Brand Milk Consumers in Malang