

Loyalty Program and Word of Mouth in Educational Context: A Test of Moderation

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Abstract

The main purpose of this research is to examine the role of loyalty program in moderating the effect of satisfaction on the positive word of mouth. However, in this context, it needs to be proved in advance how the service quality and tuition fee affect the satisfaction and word of mouth. The study was conducted on a number of 120 students in the capital city of Indonesia-Jakarta, by using convenience sampling technique and processed based on hierarchical regression analysis method.

The results showed that service quality has positive effects on satisfaction and word of mouth, as well as the tuition fees, has positive effects on satisfaction and word of mouth. While the effect of satisfaction in shaping positive attitudes towards word of mouth was still not consistent. The phenomenon of such relationship is likely to happen due to the satisfaction can change instantly if there is a change to the situation. In other words, in this context, the role of the loyalty program is considered as a moderating variable that could undermine the formation process of positive word of mouth recommendation.

Keywords: service quality, tuition fee, satisfaction, loyalty program and word of mouth

1. Introduction

In facing a stiff competition among some private higher education institutions in Indonesia, it is possible to emerge a phenomenon that implement policies to provide incentives as a loyalty program in attempting to obtain the number of new students to sustain the viability of the institution. This phenomenon is relatively interesting to be studied, as an investigative case on how the perceived satisfaction interact with loyalty program in shaping attitudes to recommend positive word of mouth. But because no one has found the model that capable of addressing such an issues, this study tried to design a conceptual framework that relies on five observed variables: (1) service quality; (2) tuition fee; (3) satisfaction, (4) word of mouth, and (5) loyalty program. These variables were adopted from several previous studies (Teo&Soutar, 2012; Koniet *al.*, 2013; Li, Shao-Chang 2013)^[1], and its concept is expected to have similarities between theory and empirical facts on the ground.

Service quality is the first variable that became the focus of these studies. The concept was adopted from the study of Koniet *al.*, 2013 and Shao-Chang Li, (2013) which indicates that the service quality is a variable that is effective in shaping student satisfaction, which in turn can bring an affective attitude to make a recommendation or dissemination of information by word of mouth that is positive. But in the context of its application, this concept still shows inconsistency in understanding whether viewed from the perspective of conceptual (Zeithaml, *et al.* 1996; Camarero, 2007) or dimensions (Parasuraman, *et al.*, 2005). This is because

Zeithamlet *al.* (1996) stated that the service quality can be done through traditional approaches. Unlike Camarero (2007), a greater emphasis on communication aspect in meeting customer needs. While in terms of dimensions, Zeithamlet *al.* (1996) just do it based on the approach of tangibility, responsiveness, assurance, empathy and reliability. It is different with Parasuraman *et al.*, (2005), which is focusing more broadly into seven dimensions on the scale of ES-QUAL and E-RECs-QUAL. Therefore, in order to provide clarity to the service quality of education, it is necessary the effectiveness of these variables to be reexamined.

In this study, service quality is defined as consumers' perception on the comparison between the results of evaluation of the expected quality with performance perceived by the consumer. While its dimensions consist of; (1) tangibility, (2) responsiveness, (3) assurance, (4) empathy, and (5) reliability. This concept refers to a study of Parasuraman *et al.*, (2005), which the concepts and dimensions considered relevant to phenomenon observed.

The next variable that has important role in this study is the tuition fee. In this context, previous studies pointed out that this variable has a positive and significant effect on the word of mouth (see Riswono, 2010). But in the context of its application, even though its indicators and dimensions have the same point of view, seems to Chapleo Chris, (2013) just view it from the aspect of "the same price and reasonable", whereas Putri, (2013) tended to select it as the tuition fee that covers the costs of construction and other additional costs such as laboratory and others. Therefore, due to the lack of consistency in terms of its understandings on tuition fee, this study was interested to use the concept of Putri (2013), which states that tuition fee is cash donation related to the costs of building construction, educational cost, and other additional costs, such as laboratory fees and others. This is due to the concepts used seemed relevant to the observed phenomena, so the results are expected to provide commonality of view.

Furthermore, satisfaction is the next variable of the research. This variable is conceptualized as a mediating variable between the cognitive-affective-conative relationship structures whereas the definition refers to the concept of Parasuraman, *et al* (2005), which expressed satisfaction is an evaluation of a comparison between what was expected with what is perceived. The justification of this adoption is based on the consideration that previous studies indicate satisfaction as an affective variable that can affect the positive word of mouth (see Wirtz & Chew, 2002; Teo & Soutar, 2012; Taghizadeh *et al.* 2013).

The latter variable is word of mouth. This variable is the purpose variable which in this study conceptualized as the perception of college students to re-recommend the experience to others, so that through the medium of communication by word of mouth can attract other consumers to be a student at the college concerned (see: Buttle, 1998; Gremler, *et al.* 2001; Liao, *et al.* 2012). Of course, in this context raises the question: "why it is important to be observed as a purpose variable?". Because according to Rosen (2000), there are three reasons that make the word of mouth is so important. The first is due to the noise factor of information which makes the prospective consumers tend to prefer listening to what was said by a people or groups that become references such as friends or family. Second, consumers are generally more skeptical or doubt the information from people who have never consumed products/services required, rather than information conveyed by the people who have experienced it. Third, the connectivity factor that consumers always interact and communicate between one another, which makes them commented to each other about products / services required. But the phenomenon of the formation process of a positive attitude toward the word of mouth cannot be released from the influence of external aspects, which can act as a moderating variable as described below.

As a moderating variable, loyalty program is regarded as a strategy undertaken by marketers in an effort to create loyalty through the provision of programs with prizes (Gomez *et al.*, 2006). While its dimensions resting on the affective or a strong emotional bond, for example, among students with his almamater which in turn can cause them to feel loyal and hard to move to another institution of higher education (see Palmer *et al.*,

2000). Therefore, based on the concept of model mentioned earlier, this study aimed to investigate effect of service quality and tuition fee on satisfaction and word of mouth, as well as testing the moderating effects of loyalty programs in shaping the effect of satisfaction on positive attitude to do word of mouth, so the results are expected to benefit both from the aspect of theoretical and practical, as well as further studies. To that end, as a supporting framework against this background, the following discussion will put forward some literature as the theoretical review for the development of concept hypothesized.

2. Theoretical Background and Hypothesis

The theoretical approach of this research is focused on causal relationships contained in the formation process of satisfaction and positive word of mouth. In this context, the process of forming the satisfaction is made up of the relationship between service quality and satisfaction as well as tuition fee on satisfaction, while in the process of positive word of mouth is based on the relationship between satisfactions on the words of mouth, which was moderated by the loyalty program. Therefore, as an initial explanation it need to be clarified the basic concepts that have the potential to form a positive attitude towards the satisfaction on the cognitive-affective structure, and subsequently terminated by the explanations relating to the formation process of positive word of mouth on the structure of affective-conative. Here is the explanation that each come with a concept hypothesized.

2.1. *The relationship between service quality and satisfaction*

Service quality is considered important as a cue in shaping positive attitudes towards satisfaction. Because if consumers were satisfied, they would be interested to recommend positive word of mouth. Otherwise, the consumers would stop their consumption or switch to the other product or service. In this context, previous studies indicate that the higher the service quality in the field of higher education the higher the level of satisfaction felt by students (Ou, Wei-Ming, *et al* 2011; Teo&Soutar 2012; Li, Shao-Chang. 2013). Therefore, based on this concept the notion of service quality can be operationalized as consumers' perception of the difference between the evaluations of the perceived service quality with what was expected.

But in its application the concept is still debatable. Zeithaml, *et al* (1996) have traditionally stated that the service quality is an overall judgment of the attitude towards the service, and generally accepted as an antecedent of customer satisfaction which consists of five dimensions. *First*, the reliability to deliver a reliably service. *Second*, responsiveness in the sense of the ability to assist customers in providing services quickly and accurately. *Third*, assurance which is manifested in the form of the ability to provide trust and confidence to consumers. *Fourth*, empathy in the service and attention to customer needs, and the *fifth* is tangible in the sense of the ability to provide equipment, communication media, physical appearance and personnel are attractive. However this concept seems to be limited only to the consumers' judgments relating to antecedents factors and its consequences, so it would be emerging the debate in searching the most appropriate way to assess the service quality in the context of problem, object and its different setting (Parasuraman, *et al*. 2005). Regardless of the differences in terms of understanding the concept and dimension of service quality, the study noticed that the concept of Parasuraman, *et al.*, (2005) seems more relevant for adoption. Despite the dimensions used having seven dimension, that is the dimension related to service quality (ServQual) and recovery of service quality (RECs-QUAL), but the notion put forward tend to be more comprehensive in describing service quality as a complex thing with regard to comparison among the expected quality as what is felt. Moreover, this variable is generally also regarded as one of those important variables that could potentially lead to a positive effect on satisfaction. In other words, the higher the quality of service, the higher the satisfaction. Therefore, consistent with the regularity of this phenomenon (see Ou, Wei-Ming, *et al* 2011), the first hypothesis can be put forward is;

H1: The higher the service quality provided in education, the higher the satisfaction perceived by student.

2.2. The relationship between tuition fee and satisfaction

In addition to the service quality, tuition fee can also form a positive attitude towards satisfaction. In this case that meant the tuition fee was the amount of money that must be spent by consumers to obtain a product/service (Schiffman & Kanuk, 1997), whereas Smith & Park (1992), its indicator can be measured by the level of fairness, equal price and make sense. While Putri (2013), who conducted a study on education, seeing it as students' perceptions on tuition fees to be paid related to the imposition of building fees, tuition fees and other additional costs such as the costs of laboratory and others. But in this study, the concept that is used tends to refer to the understanding as stated by Putri (2013).

Furthermore, in scrutinizing the relationship between tuition fee, satisfaction and word of mouth, Ramos & Franco (2005) and Jin & Kato (2006) pointed to the fact which can be used as the basic premise that the variable of costs affects the image positively. While Aydin & Ozer (2005) sees the role of variable of image in the relationship between the cost and loyalty to function as a mediating variable, where in this context the loyalty can be interpreted as word of mouth. Therefore if the variable of satisfaction is synthesized as image in mediating the effect of the tuition fee on word of mouth (Riswono, 2010), it can be proposed the hypothesis that;

H2: The higher the affordability of tuition fee, the higher the satisfaction perceived by student.

2.3. The relationship between service quality and word of mouth

In a competitive market conditions, the relationship between service quality and word of mouth become one of the important observations in consumer behavioral studies. This is due to the better of service quality provided will shape the behavior of consumers to create word of mouth that can benefit the company. But otherwise, if it does not meet the expectations then certainly word of mouth will not be done, or the consumer will perform negative word of mouth.

Related to the importance of service quality in creating the dissemination of information by word of mouth, previous studies showed that service quality has a positive effect on the valence of word of mouth (see Matos & Rossi, 2008; Haryono *et al.*, 2015). While Li, Shao-Chang (2013) proved that service quality had a positive effect on the performance of word of mouth and Goodman (2009) also claim that if the service quality is maintained, then this will potentially increase the positive recommendations for candidates of the other consumers by 25 to 35 percent. Thus based on this indication of all, it can be argued the next hypothesis, namely;

H3: The higher the service quality provided in education, the higher the positive word of mouth recommended by student.

2.4. The relationship between tuition fee and word of mouth

Furthermore, in exploring the relationship between tuition fee and positive word of mouth, Jin & Kato (2006) who conducted a research on online trading e-bay, found that the amount incurred in consumer's cost will have a positive influence on the image or reputation of the seller. While Aydin and Ozer (2005) observed that the role of image variable in the relationship between the cost and loyalty is to function as a mediating variable, where in this context the loyalty can be interpreted as word of mouth. Thus, if all of these theoretical approaches was associated with the study of Lacey and Morgan (2009) which indicates that B2B loyalty

program can moderate the influence of commitment on word of mouth referrals, then it can be hypothesized that;

H4: The higher the affordability of tuition fee, the higher the positive word of mouth recommended by student.

2.5. The relationship between satisfaction and positive word of mouth

Satisfaction is an important thing for the service providers, including the institution engaged in education. This is because the students could disseminate satisfaction to future students, so that this condition will be able to enhance the reputation of the institution where he studied. In other words, this means that if consumers are satisfied then they will be able to create an atmosphere of dissemination of information through word of mouth positive.

As the empirical facts that show such conditions, previous studies indicate that if a marketer is able to offer a level of maximum satisfaction, then the consumer will have a tendency to deliver positive word of mouth (see: Brown *et al* 2005; Chaniotakis & Lymperopoulos, 2008). Similar conditions also supported by study of Swan & Oliver, (1989) and Babin *et al.* (2005), that stated if the consumers are satisfied, they will create positive word of mouth in recommending the purchase to others. However, if consumers are not satisfied, they will prevent the other people from making purchases. Therefore, consistent with this phenomenon, the next proposed hypothesis can be stated as follow;

H5: The higher the perceived satisfaction, the higher the positive word of mouth recommended by student.

2.6. The relationship between loyalty program, satisfaction and positive word of mouth

In an effort to observe the formation process of positive word of mouth, it is known that the benefits of loyalty program, in addition to increase knowledge of consumer buying behavior, also in-tended to be able to better understanding positive attitude in building a relationship of mutual trust (Ayala & Neslin, 2004). While Gomez *et al.* (2006) looked at the objective is not solely focused on improving the emotional ties, but also in order to create satisfaction and the relationship of loyalty between consumers and retailers, in which the positive word of mouth becomes one of the objectives to be achieved. In other words, the main purpose of loyalty program is more emphasized on efforts to achieve a greater income through "cross selling" and the "recruitment of new customers" with virtually no advertising costs to be paid more expensive (Benavent *et al.*, 2000).

Furthermore, he also explained that the success of loyalty programs rely heavily on five types of value for customers, namely; (1) how big the rewards that can be felt by consumers if it is compared to the money spent to get it, (2) how many awards is offered, (3) how big the customer wants to get the award, (4) how easily the award is reachable, and (5) how much the facilities provided to collect credit and exchange them for prizes. Thus, if all of this theoretical approach is associated with the study of Lacey and Morgan (2009), which indicates that B2B loyalty program moderating the effect of commitment on word of mouth, it can presumably be developed next proposition that states;

H6: The higher the loyalty program has a stronger satisfaction effect in shaping the positive word of mouth.

Finally, from a number of hypotheses that explained above, it can be designed a model to describe the relationship between the variables of the study. The model is shown in Figure 1, which the explanation can be described in the following discussion.

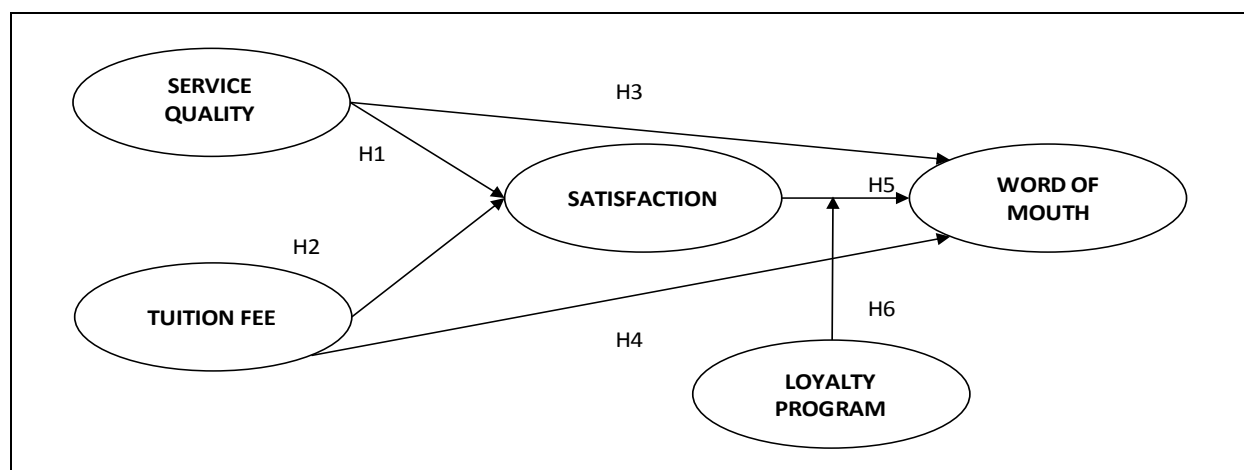


Figure 1. Conceptual Model

Based on Figure 1 shows three hierarchical analysis of causal relationships. The first is the direct relationship or main effect between two variables as shown by a hypothesis of H1 and H2. These patterns essentially illustrate the relationship of cognitive-conative structure in the formation of service quality and tuition fee on positive word of mouth. Second, the causal relationship among the variables of cognitive-affective-conative, as shown by hypothesis H3, H4, and H5. The third is interaction effect of the variables of satisfaction, loyalty program and word of mouth, as indicated by hypothesis H-6. Furthermore, in order to obtain the result which can be justified scientifically, then the test requires a valid and reliable research method. Below is the explanation that intended to support the achievement of expected results.

3. Research Method

3.1. Research Design

Several previous studies that investigated the relationship between service quality, tuition fee and word of mouth, tend to choose a survey as the type of research (see: Cronin & Taylor, 1992; Bettencourt 1997; Gronholdt *et al*, 2000) similarly to this study, the approach was performed by the same type. Meanwhile, to test the validity, a questionnaire was de-signed by using Likert of 7 scales. Because this measurement is considered quite accommodating in expressing the preference of respondents toward each item that questioned. In addition, the scale used also could make it easier for respondents to provide the data as expected (Matell & Jacoby, 1972; Lissitz & Green, 1975; Jenkins & Tabor, 1977).

Furthermore, this study took a sample of 120 university students in the capital city of Indonesia - Jakarta, by using convenience sampling technique. This amount was considered sufficiently representative, because other than it was done through probability sampling that provides an opportunity for every member of the population to be selected as a sample, its adequacy figure that is required also have met the minimum requirements (see Hair *et al*, 2006;. Gujarati & Porter, 2009).

3.2. Statistical Analysis

In the context of statistical analysis, the collected data were further tested for validity and reliability. It was necessary to ensure confidence in the correctness of the data, so it can be continued on the next test with the statistical tool which is selected. Hierarchical multiple regression analysis is statistical tool that is chosen to elaborate the relationship among of variables which are hypothesized. Step-1 is shown by model 1, while step-2 is shown by model 2, and step-3 is shown by model 3. The following is statistical model that is formulated in step-1; $KEP = \alpha + \beta_1 KL + \beta_2 BP + e$ (3.2.1).

The equation 3.2.1 is designed to analyze the hypothesis (H1) and hypothesis (H2), which is associated with the effect of service quality and tuition fee on satisfaction. Thus, the obtained results can provide the clarity about the main effect of service quality and tuition fee on satisfaction. Furthermore, in order to solve the issues of the third and fourth, the formula used in step-2 is modeled as follows:

$$WOM = \alpha + \beta_1 KL + \beta_2 BP + e \quad (3.2.2)$$

The equation 3.2.2 is further formulated to analyze the hypothesis (H3) and hypothesis (H4), which is related to the effects of service quality and tuition fee on the word of mouth. In addition, the formula used in this second model can also be applied to solve the fifth issues, which related to the relationship between satisfaction and the word of mouth. Thus the results can be used to explain the interaction effects of loyalty program on satisfaction in forming the positive word of mouth (Hypothesis H6), through the model formula that can be described in step 3; $WOM = \alpha + \beta_1 Kep + \beta_2 PL + \beta_3 Kep * PL + e$

Finally, as an attempt to identify the presence or absence of the moderating effect in the model, then the approach undertaken is through statistical analysis by calculating the value of significance of F-stat on the value of R^2 , or by assessing the significance of the interaction coefficients that obtained (Hartman & Moers, 2003). It can be seen if the F-test that obtained is greater than the F-table, then this condition implies that the loyalty program acts as a moderating variable. But conversely, if the value of F-test is smaller than F-table, the loyalty program does not act as a moderating variable.

4. Results and Discussion

4.1. Characteristic of Respondents

Based on Table 1 presents the profile of respondents that describing the demographic characteristics of research object. It can be explained here that the age of respondents varied between 18 to 22 years. The majority is dominated by the age group of 19 years old (67 percent). While the gender is largely made up of men (62 percent), and the rest followed by women (38 percent).

Table 1. Characteristic of Respondents

| Variable | Frequency | Percentage | Note |
|----------------------------|-----------|------------|---------------|
| Age | | | |
| 18 | 24 | 20% | Years |
| 19 | 81 | 67% | |
| 20 | 13 | 11% | |
| 21 | 2 | 2% | |
| Gender | | | |
| Male | 46 | 38% | Gender |
| Female | 74 | 62% | |
| The Length of Study | | | |
| Semester 2 | 118 | 98% | Semester |
| Semester 4 | 2 | 2% | |
| Family Background | | | |
| Pocket Money: | | | |
| ≤ 0.3 million | 35 | 29% | IDR per month |
| 0.3 - 0.5 million | 22 | 18% | |
| 0.5 - 0.75 million | 44 | 37% | |
| ≥ 0.75 million | 19 | 16% | |
| Parent Earnings: | | | |
| ≤ 6 million | 17 | 14% | IDR per month |
| 6 million | 73 | 61% | |
| ≥ 6 million | 30 | 25% | |
| Domicile: | | | |
| Living with parent | 95 | 79% | Domicile |
| Dormitory apartment | 22 | 18% | |
| Others | 3 | 3% | |

Source: Primary Data processed, 2016

Furthermore, the educational background of respondents was in the second semester (98 percent) and fourth semester (2 percent). In addition, the highest portion of respondent's pocket money reaches 0.75 million IDR per-month (16 percent), and the lowest was 0.3 million IDR per-month (29 percent). While based on the analysis of their parents' income, it is obtained the clarity that the majority of respondents came from families who earn around 6 million IDR per-months (61 percent), and mostly recorded live with parents (79 percent).

4.2. Validity and Reliability Tests

The analysis of validity and reliability begins by testing the model goodness of fit. The result showed that the Kaiser Meyer Olkin of Sampling Adequacy reached 0.888, and it was greater than the required by cut-off value (0.50). While the results of Bartlett test for sphericity: 10014.516 with degrees of freedom: 1035 and significant at the 0.000 indicate that the factor analysis having the goodness of fit that meets the eligibility criteria (see Table 2).

Table 2. Goodness of fit Model

| | |
|--|--------------------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | : 0.888 |
| Bartlett's Test of Sphericity or Approx. Chi-Square | : 10014.516 |
| df | : 1035 |
| Sig | : .000 |

Source: Primary Data processed, 2016

Table 3. Validity and Reliability

| Item | Loading | Alpha |
|-------|---------|-------|
| T-1 | 0.911 | 0.991 |
| T-2 | 0.914 | |
| T-3 | 0.940 | |
| T-4 | 0.939 | |
| T-5 | 0.936 | |
| T-6 | 0.880 | |
| T-7 | 0.906 | |
| KE-1 | 0.879 | 0.986 |
| KE-2 | 0.866 | |
| KE-3 | 0.897 | |
| KE-4 | 0.896 | |
| KE-5 | 0.897 | |
| RS-1 | 0.946 | 0.992 |
| RS-2 | 0.945 | |
| RS-3 | 0.946 | |
| RS-4 | 0.945 | |
| RS-5 | 0.946 | |
| EM-1 | 0.918 | 0.958 |
| EM-2 | 0.898 | |
| EM-3 | 0.888 | |
| EM-4 | 0.888 | |
| EM-5 | 0.912 | |
| JKL-1 | 0.893 | 0.95 |
| JKL-2 | 0.868 | |
| JKL-3 | 0.897 | |
| JKL-4 | 0.871 | |
| BP-1 | 0.906 | 0.953 |
| BP-2 | 0.891 | |
| BP-3 | 0.885 | |
| BP-4 | 0.912 | |
| BP-5 | 0.595 | |
| PL-1 | 0.927 | 0.984 |
| PL-2 | 0.921 | |
| PL-3 | 0.935 | |
| PL-4 | 0.921 | |
| PL-5 | 0.925 | |
| KEP-1 | 0.863 | 0.978 |
| KEP-2 | 0.823 | |
| KEP-3 | 0.886 | |
| KEP-4 | 0.909 | |
| KEP-5 | 0.888 | |
| WOM-1 | 0.914 | 0.989 |
| WOM-2 | 0.895 | |
| WOM-3 | 0.899 | |
| WOM-4 | 0.886 | |
| WOM-5 | 0.916 | |

Note:
Extraction Method: Principal Component Analysis
Factor Rotation Method Varimax with Kaiser Normalization

Source: Primary Data processed, 2016

Based on Table 3, present the result of validity and reliability that exceeds the required cut-off value (loading value > 0.50 , and $\alpha > 0.70$). This indicates that all items are conceptualized able to measure each construct to be measured. Thus, *Reliability* of service quality were measured with T items of T-1, T-2, T-3, T-4, T-5, T-6, T-7; *Responsiveness* of service quality were measured with RS items of RS-1, RS-2, RS-3, RS-4, RS-5; *Assurance* of service quality were measured with KE items of KE-1, KE-2, KE-3, KE-4, KE-5; *Empathy* of service quality were measured with EM items of EM-1, EM-2, EM-3, EM-4, EM-5, and *Tangible* of service quality were measured with JKL items of JKL-1, JKL-2, JKL-3, JKL-4. While BP-1, BP-2, BP-3, BP-4, BP-5 are items that capable of measuring the construct of tuition fee, as well as PL-1, PL-2, PL-3, PL-4, PL-5 are items that capable of measuring the construct of loyalty program and KEP-1, KEP-2, KEP-3, KEP-4, KEP-5, are items that capable of measuring the construct of satisfaction. Eventually, WOM-1, WOM-2, WOM-3, WOM-4, WOM-5 are the items that capable of measuring the construct of word of mouth which should be measured. Thus, it can be concluded here that the data meets the requirements, for testing with statistical tools chosen.

4.3. Test Results of Classical Assumption

Based on the classical assumption test that associated with multicollinearity, the results indicated that there was no problem of perfect multicollinearity (tolerance value > 0.10 , and variance inflation factor < 10). Similarly the same thing happened on the test of autocorrelation. The results pointed out that there was no autocorrelation problem as indicated by the DW-test for the first regression model = 1,459; with the cut-off value = $1.74 < d < 2.26$, and the second is D-W = 1.633; cut-off value = $1.59 < d < 1.76$, while the third D-W = 1,659, with a cut-off value of $1.59 < d < 1.76$).

In line with this, the result of Heteroscedasticity test also indicated there was no Heteroscedasticity problem. This is because according to Glejser Heteroscedasticity method, the value of t-test and its probability is significant ($p > 0.05$). Therefore, it can be concluded that the constructed model can be used to compile a number of hypothesis testing on the formation process of positive word of mouth.

4.4. The Result of Hypothesis Testing

Based on Table 4 shows the result of regression analysis that indicated there was no problem of multicollinearity, autocorrelation and Heteroscedasticity. All of this examination was performed prior to hypothesis testing carried out, with the aim to gain confidence that the model is BLUE (The Best Linear Unbiased Estimate). Furthermore, in an effort to identify the goodness of fit, then conducted simultaneous testing as described below.

The results of testing a goodness of fit model on step-1 proved to be quite good (F-test = 23.966, $p = 0.00 < 0.0$). While the model of step-2 is also relatively good, although there appeared to be a decrease (F-test = 18.661, $p = 0.00 < 0.01$). Thus this condition implies that the constructed models can be used to elaborate the process of establishing a positive attitude towards satisfaction and word of mouth.

Furthermore, on the basis of test results of two-ways interaction effect, it was obtained the clarity about the decline in value of goodness of fit that happening. This is because the regression model in step-2 is significantly different compared with the step-1 (F-stat of step-1 = 23.966; $p < 0.01$; F-stat of step-2 = 18.661; $p < 0.01$). Thus, this condition indicated that the role of loyalty programs was not considered important by the students in terms of strengthening the desire to recommend positive word of mouth.

Table 4. Hierarchical Multiple Linier Regression Analysis

| Independent Variables | Dependent Variables | | |
|---|---------------------|----------------------|----------------------|
| | Satisfaction Step 1 | Word of Mouth Step 2 | Word of Mouth Step 3 |
| Constant | 2,080 (3,667)*** | -0,221 (-0,301) | 2,170 (0, 694) |
| Maint Effect: | | | |
| Service Quality | 0,501 (4,117)*** | 0,554 (3,474)*** | 0, 556 (3,375)*** |
| Tition Fee | 0,205 (2,694)*** | 0,175 (1, 822) | 0,170 (1, 755) |
| Satisfaction | - | 0,249 (2, 201)* | -0,186 (-0, 340) |
| Loyalty Program | - | - | -0,422 (0, 745) |
| Two-ways Intercation Effect: | | | |
| Satisfaction * Loyalty Program | - | - | 0, 077 (0, 800) |
| F-Test: | | | |
| R ² | 0,539 | 0,571 | 0,574 |
| Adjusted R ² | 0,291 | 0,326 | 0,330 |
| F-Test: | 23,966*** | 18,661*** | 11,218 |
| Note N = 120, * = p < 0.10, ** p < 0.05, *** p < 0.01 | | | |

Source: Primary Data processed, 2016

The next is a description about test result on the hypotheses that related to the process of forming positive attitude towards satisfaction and willingness to recommend the positive word of mouth.

Based on Table 4 and Table 5, shows the test results of step-1 that proves the hypothesis: the higher the quality of the services provided in education, the higher the satisfaction perceived by student (H1) can be accepted. This is shown by a pattern of positive relationship and significant ($\beta = 0,501$; $z = 4.117$; $p = 0.000 < 0.05$).

In line with this, the hypothesis testing that stated the higher the afford-ability of tuition fee, the higher the satisfaction perceived by student (H2), the results of the analysis in step-1 also proved that this hypothesis was accepted positively and significantly ($\beta = 0,205$; $z = 2,694$; $p = 0.008 < 0.05$). Thus, this phenomenon supports the findings of Ramos and Franco (2005) and Jin & Kato (2006), which suggest that the variable of tuition fee has a positive effect on satisfaction. This may occur, due to the level of reasonableness and its affordability is considered capable of making the students to continue study and recommending positive word of mouth.

Furthermore, the findings also indi-cate that the relationship between service quality and word of mouth has a positive and significant effect. This is shown by the results of subsequent hypothesis test in step-2 ($\beta = 0,554$; $z = 3,474$; $p = 0.001 < 0.05$), and for step-3 ($\beta = 0,556$; $z = 3,375$; $p = 0.001 < 0.05$). Thus the hypothesis that stated: the higher the quality of the services provided in education, the higher the positive word of mouth recommended by student (H-3) can be accepted. On the other hand, the results of testing the hypothesis H4 shows that the relationship between the tuition fee and word of mouth had no significant effect. This is proven through the examination in step-2 ($\beta = 0,175$; $z = 1,822$; $p = 0.071 > 0.05$) and step-3 ($\beta = 0,170$; $z = 1,755$; $p = 0.082 > 0.05$). Therefore it can be presumably interpreted that with the higher the affordability of tuition fee, not necessarily always poten-tially increasing the positive word of mouth that recommended by the students.

Finally, as a further interpretation of Table 4, it is obtained interesting information that occurs in the formation process of word of mouth. This is caused when the hypothesis (H5) is being tested in step-2, the results showed a positive and significant effect ($\beta = 0249$; $z = 2,201$; $p = 0.03 < .05$) However, its condition then changed to be inconsistent in step-3 ($\beta = 0.186$; $z = - 0.340$ $p=0.458 > 0.05$). Similarly, when integrated

simultaneously with the effect of the loyalty program, the results showed a negative and not significant. Therefore the hypothesis (H6) that stated the higher the loyalty program, further strengthening the effect of satisfaction on the word of mouth becomes unsupported ($B = 0.077$; $z = -0.800$; $p = 0.426 > 0.05$).

Table 5. Remarks Hypothesis Research

| | Hypothesis | Regression | Coefficients | Remarks |
|----|--|------------|--------------------------|----------|
| H1 | The higher the service quality provided in education, the higher the satisfaction felt by the student. | Step 1 | Positive and significant | Accepted |
| H2 | The more affordable the tuition fee provided in education, the higher the satisfaction felt by the student. | Step 2 | Positive and significant | Accepted |
| H3 | The higher the service quality provided in education, the higher positive word of mouth recommended by the student. | Step 3 | Positive and significant | Accepted |
| H4 | The more affordable the tuition fee provided in education, the higher positive word of mouth recommended by the student. | Step 4 | Positive and significant | Rejected |
| H5 | The higher the perceived satisfaction, the higher the positive word of mouth recommended by the student. | Step 5 | Positive and significant | Accepted |
| H6 | The higher of loyalty program has stronger influence on satisfaction in forming the higher word of mouth. | Step 6 | Negative and significant | Rejected |

Source: Primary Data processed, 2016

Related to the inconsistent findings, this study suggests the need for caution to interpret the results obtained. This is due to the phenomenon that is described can potentially refract the meaning of universal theory. Even so, because of the method used in this studies have been through a testing procedure that is rigid, and then the truth of the results obtained can be justified scientifically.

5. Conclusion and Recommendations

It can be concluded here that consumer satisfaction in educational context is partially influenced by the service quality as well as tuition fee. However, in the formation process of positive word of mouth, tuition fee does not have a significant effect. Meanwhile, the effect of the service quality on the word of mouth showed positive and significant results. Similarly, the effect of satisfaction on word of mouth before being moderated by the loyalty program also showed positive and significant. But when this relationship was treated simultaneously by the interaction of loyalty program, the results showed a negative and no significant effect. Consequently, the hypothesis that states the higher the loyalty program, further strengthening the effect of satisfaction on positive word of mouth is not supported.

The findings that need to be observed from this research is the loyalty programs do not have a positive and significant role in moderating the relationship between satisfaction and word of mouth. This phenomenon can occur possibly due to the incentives granted could potentially reduce the perception of the quality of education. Thus, how big the extent of loyalty programs is, it does not moderate the relationship between satisfaction and positive word of mouth.

Theoretically, this research provides an understanding of consumer behavior, particularly in the context of individual response to the promotional strategy which uses the theme of loyalty programs. It is due according to a marketing philosophy that is generally accepted, the consumer satisfaction contribute significantly to affect individuals in recommending positive word of mouth. However in this case, the condition is not always such an occurrences. This is because in certain contexts, there is still a relationship that is not consistent against regularity as shown in previous studies. Therefore this phenomenon is expected to be used as a reference in the field of practical marketing, especially for the topics related to the use of loyalty program.

In practice, these findings provide insight to marketers on how to implement the strategic loyalty program. One of them is through individual marketing strategy, by providing promotional gifts in the form of "scholarships to students who excel", as a manifestation of an efforts to maintain good long-term relationship. In addition, the superiority of service quality can also be integrated as a stimulus in an effort to motivate consumers to increasingly intent on doing positive recommendation.

Obviously there are still some other aspects to be observed in accordance with the growing phenomenon in the field. However, the implementation of this program needs to be considered carefully and professionally in order to increase consumer satisfaction and positive word of mouth, so that marketers can avoid mistakes in formulating appropriate policy objectives.

In addition, this research still needs further study. This is because the result still showed inconsistent effect on the relation-ship between satisfaction and word of mouth. Therefore, it is advisable for future research in educational context to develop a basic concept of loyalty programs that can be used in the formation of positive word of mouth through the study of the experimental design.

Although this study has limitation, particularly related to its limited applicability, but because of the procedure and testing has been done rigidly, then the model can be accounted for righteousness scientifically. So the results can be used as a reference in decision making in the field of marketing. In addition, further research can also avail the benefits of this study as a reference that can be developed in different contexts.

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