VIRAL MARKETING, E-WOM AND CUSTOMER LOYALITY

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VIRAL MARKETING, E-WOM AND CUSTOMER LOYALITY

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ABSTRACT

This study discusses consumer loyalty in the tourism business. The data were collected using questionnaires distributed to 200 consumers and analyzed using the Lisrel SEM program. The results indicate that companies that refer to all communication information related to the usage or specific product characteristics for consumers and using the internet and the shorter distance between information sources and recipients than marketers induced by communication to satisfy consumers so that consumers will decide to re-purchase products or services that will benefit the company.

Key words: Viral marketing, e-wom and consumer loyalty

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1. INTRODUCTION

The development of technology in the current digital era influences people's lives in the information sector, especially the internet. The internet makes people easier to find information. Likewise in business, especially the tourism business, the marketing process through the internet is very promising. In tourism, the use of the internet as a marketing medium can be through social media, such as Instagram, Twitter, and Facebook or with media platforms such as Traveloka, PegiPegi, or Tiket.com. With social media or media platforms, consumers can easily see whether the tourism services are recommended or not. Usually, by using the media platform, consumers who have used these services will rate on the platform. This means that the higher the rating, the higher the consumer loyalty will be. Customer loyalty is the biggest contributor to earning benefits. Customer loyalty is the ability of

customers to show attitudes that can lead to decisions to re-purchase company products or the ability to show positive behavior towards products and make the right decisions when they need the products and services (Dubey & Srivastava, 2016). According to Setiawan and Sayuti (2017), customer loyalty is part of a customer way of thinking that can be used to provide benefits to the company and recommend it to other colleagues. Loyalty is a further attitude of customer satisfaction because satisfied customers will again use certain products or services. According to Hu & Huang (2011), customer loyalty is formed by increased customer satisfaction.

The community who can use the right marketing techniques will have consumer loyalty. One of the common marketing techniques is viral marketing. Viral marketing is a marketing technique using electronic media or the internet as a channel to inform a product or service to consumers widely. Viral marketing is a way of promoting products for people who are interested in using online social networks and relationships (Al Suwaidan & Ykhlef, 2016). Meanwhile, according to Aghdaie (2012), Viral marketing refers to all communication information related to the use or specifications of certain products and services or sellers, aimed at consumers through internet-based technology. Viral marketing includes positive or negative evaluations of brands or services that will be transmitted by the internet to many people or organizations by current or former potential customers (Kalpaklioglu & Toros, 2011). Others argue that Viral Marketing (VM) is a marketing strategy utilizing network effects to drive customers to promote the exchange of information products among their social networks (Gonçalves et al., 2018).

Bataineh (2015) defines E-WOM communication can occur in various settings. Customers can give opinions, comments, and discussions on products and services in various channels such as discussion rooms, weblogs, website reviews, and social media networking sites. Meanwhile, another opinion says that the Word of Mouth is a straightforward way and is communication information in society, which can influence consumer behavior in a short or long period (Yuan, 2015). E-WOM can be negative or positive product content coming from existing customers, prospective customers, or those who were customers. Online communication can quickly spread more than other marketing communications (Hsu & Ngamnate, 2018).

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Customer loyalty is the encouragement or customers' desire to buy products or services of the company again. According to Halim et al. (2014), loyalty is about customers who like a certain branded product so that they are motivated to use it continuously, where there are specifications for buying other products, recommending other products, and rejecting products offered by competitors. Customer loyalty will occur when the customer is satisfied and has bought the company's product. Meanwhile, according to Osman & Sentosa (2013), loyalty is a commitment value measured by marketers, brands, and services received by customers, when there are other alternatives that are possible to be chosen by the customers. This positive attitude can form behavior to always purchase the product. Customer loyalty means customers buy products or services regularly. Suharto & Ardhiansyah (2019) explain that customer loyalty can be described as a form of a good relationship between customers and producers or organizations related to their needs so that customers make repeat transactions. Customer loyalty is a repeated customer purchasing behavior and the customer recommends it to other parties. Geffen (2002) explains that customer loyalty is a customer's intention to do more business with a vendor and recommend that vendor to other customers.

Viral marketing can promote the marketing messages exponentially to niche segments on a much larger scale than traditional marketing, even promotions that cost millions of dollars

(Rollins et al., 2014). Viral marketing can be defined as a tactic to create a process in which interested people can market each other (Miller & Lammas, 2010). Viral marketing can also be described as a marketing technique using an email message with a strong advertising message and promotional offers designed specifically for the recipient to forward to their family, friends, or other people on their email contact list (Abedniya & Mahmouei 2010).

E-WOM is communication between customers about goods or services directly without commercial intervention (Alghizzawi 2019). E-WOM is an informal means of communication directed at consumers using internet technology for product and service specifications (Prayogo & Kusumawardhani 2017). E-WOM communication means a shorter distance between information sources and recipients than the communication-induced market (Perera et al., 2019).

2.1. Viral Marketing on Consumer Loyalty

The viral marketing phenomenon is a condition in which consumers can share and exchange market segmentations initiated with an intended delivery by the market to change consumer behavior (Lekhanya 2014).

According to Upamannyu et al., (2015) customer loyalty is a change in attitude that has a tendency to prefer one brand to another. This condition is caused by the scale of satisfaction, transaction convenience, performance, and familiarity.

H1: viral marketing has a direct positive effect on consumer loyalty

2.2. E-WOM on Costumer Loyalty

E-WOM is one of the results of customer ratings made of all business activities that form the value of a company (Rastini & Nurcaya 2019). According to Madjid (2015), consumer loyalty is a positive influence on the continuation of a relationship or the desire to keep in the relationship and sometimes defined as the equivalent of relationship commitment.

H_2: E-WOM has a direct positive effect on consumer loyalty

2.3. Viral Marketing on E-WOM

Viral marketing is something created by companies to promote their products in the hope that those who see the promotions will be impressed and are willing to send them to colleagues and family (Wardhana & Pradana 2016: 26).

e-WOM refers to user-generated content, which can effectively compensate consumers for perceived risk, asymmetric information, and lack of trust and more consumers will seek the details before purchasing (Yan et al 2019: 6046).

H_3: Viral marketing has a direct positive effect on e-Wom.

3. RESEARCH METHOD

In this study, we used a survey method. Three tourist attractions in Lampung province were chosen as research location using accidental sampling. The data collected from 200 respondents were analyzed descriptively and quantitatively. The response rate is carried out using a closed design and instrument sent by email. This design is expected to increase the rate of return of the instrument. In addition, we did several steps: preparation, arrangement, finalization, and calculation whether the respondents were interested in being involved in the research and could answer the questionnaires that were sent.

4. RESULTS

4.1. Tests of Requirements Analysis

4.1.1. Normality Test

Table 1. Normality Test Results

Latent Variable	α	Sig. value	Normality
ξ_1	0,05	0,091	Normal
η_1	0,05	0,052	Normal
η_2	0,05	0,074	Normal

4.1.2. Homogeinity Test

The homogeinity test is used to determine the value of population data variance.

Table 2. Results of Homogeinity Test

Path. Variable	A value	Sig. value	Homogeinity
η_1 on ξ_1	0,05	0,055	Homogeneous
η_2 on ξ_1	0,05	0,101	Homogeneous
η_2 on η_1	0,05	0,479	Homogeneous

4.1.3. Linearity and Regression Tests

The regression linearity test aims to determine the relationship of each variable to meet the linear requirements and to determine the significance of regression.

Table 3. Results of Linearity and Regression Tests

Path. Variabel	Sig. Regression		Significance	Lin. Regression		Linearity
	f_{value}	f_{table}		t_{value}	t_{table}	
η_1 on ξ_1	1,03	3,04	Significant	8,13	1,65	Linear
η_2 on ξ_1	1,15	3,04	Significant	2,14	1,65	Linear
η_2 on η_1	1,22	3,04	Significant	2,32	1,65	Linear

4.1.4. Tests of Construct Reliability and Variance Extracted (ξ_1)

The manifest variable test is used to determine the construct ability to measure exogenous latent variables (ξ_1).

Table 4. Tests of Contruct Reliability and Variance Extracted (ξ_1)

Indicator	Std. loading	Std. loading^2	Error	CR	VE
X_1	0,59	0,35	0,65	0,49	0,82
X_2	0,63	0,40	0,60		
X_3	0,75	0,56	0,43		
X_4	0,74	0,55	0,46		
X_5	0,76	0,58	0,42		
Total	3,47	2,43	2,56		

The calculation of *CR* and *VE* shows that the value of viral marketing construct is 0.49 or lower than 0.70 (CR < 0.70) and the average variance extracted value is 0,82 or higher than

0,50 (VE > 0,50). It means that the five manifest variables are consistent in measuring the variable ξ_1.

4.1.5. Tests of Construct Reliability and Variance Extracted (η_1)

The manifest variable test is used to determine the construct's ability to measure endogenous latent variables (η_1).

Table 5. Tests of Contruct Reliability and Variance Extracted (η_1)

Indicator	Std. loading	Std. loading²	Error	CR	VE
Y_1	0,54	0,29	0,71	0,56	0,86
Y_2	0,62	0,38	0,62		
Y_3	0,60	0,36	0,64		
Y_4	0,91	0,83	0,18		
Y_5	0,96	0,92	0,05		
Total	3,63	2,79	2,20		

Table 5 shows that the value of the E-Wom construct is 0.56 or lower than 0.70 (CR <0.70) and the average value extracted of the variance is 0.86 or higher than 0.50 (VE> 0.50). this means that the five manifest variables have consistency in measuring the variables η_1.

4.1.6. Tests of Construct Reliability and Variance Extracted (η_2)

The manifest variable test is used to determine the construct's ability to measure endogenous latent variables (η_2).

Table 6. Tests of Contruct Reliability and Variance Extracted (η_2)

Indicator	Std. loading	std loading²	Error	CR	VE
Y_6	0,72	0,52	0,48	0,66	0,89
Y_7	0,93	0,86	0,14		
Y_8	0,78	0,61	0,39		
Y_9	0,81	0,66	0,34		
Total	3,24	2,65	1,35		

Table 6 shows that the value of the Customer Loyalty construct is 0.66 or lower than 0.70 (CR <0.70) and the average value extracted of the variance is 0.89 or higher than 0.50 (VE> 0.50). This means that the four manifest variables have consistency in measuring the variables η_2.

4.1.7. Results of Coefficient T-value

Having the tests on requirements analysis, then we calculated and tested each path coefficient as presented in the following table:

Table 7. Results of Path Coefficients

No.	Variable	Path coefficient (ξ and η)		Results	Conclusion
		SLF*	t_{value}		
1.	η_1 on ξ_1	0,20	2,40	H_0 rejected	Significant
2.	η_2 on ξ_1	0,23	2,82	H_0 rejected	Significant
3.	η_2 on η_1	0,23	2,85	H_0 rejected	Significant

Path Coefficient of Substructure 1

Path Coefficient of Substructure 1 is described in equation $\eta_1 = \gamma_{11}\xi_1 + \zeta_1$. This test results in the decision on the test of the first hypothesis.

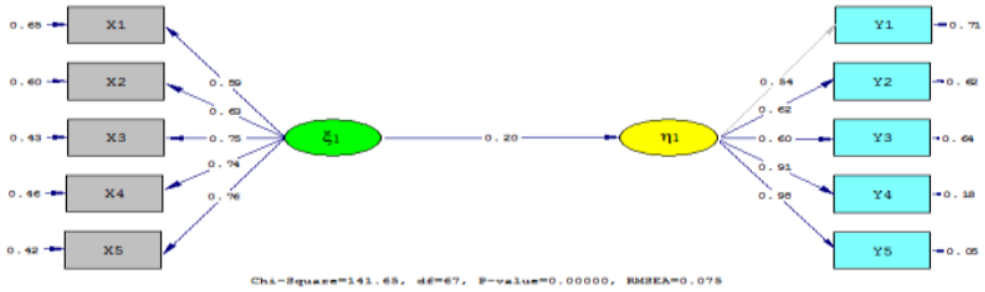

Figure 1. Path Coefficient of Substructure 1

Based on the test of substructure 1, the path coefficient ($\gamma\eta_1\xi_1$) obtained is 0.20 and t_{value} = 2.40 > t_{table} (0.05: 200) = 1.65. Thus, Ho is rejected and the path coefficient $\gamma\eta_1\xi_1$ is significant.

Path Coefficient of Substructure 2

Path Coefficient of Substructure 1 is described in equation $\eta_2 = \gamma_{21}\xi_1 + \beta_{21}\eta_1 + \zeta_2$. This test results in the decision on the tests of the second and third hypotheses.

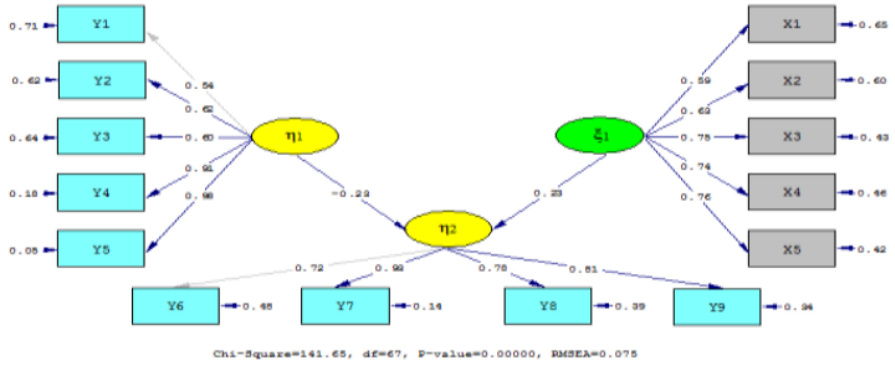

Figure 2. Path Coefficient of Substructure 2

Based on the test of substructure 1, the path coefficient ($\gamma\eta_2\xi_1$) obtained is 0.23 and t_{value} = 2.82 > t_{table} (0.05: 200) = 1.65. Thus, Ho is rejected and the path coefficient $\gamma\eta_2\xi_1$ is significant.

Based on the results of the path coefficient and t_{value} to answer hypothesis testing, the standardized loading factor value of all path coefficients is higher than 0.05 and t_{value} is higher

than 1.65. Thus, Ho is rejected and the three paths are significant. The standardized solution diagram for each variable through a linear structural relationship is described as follows:

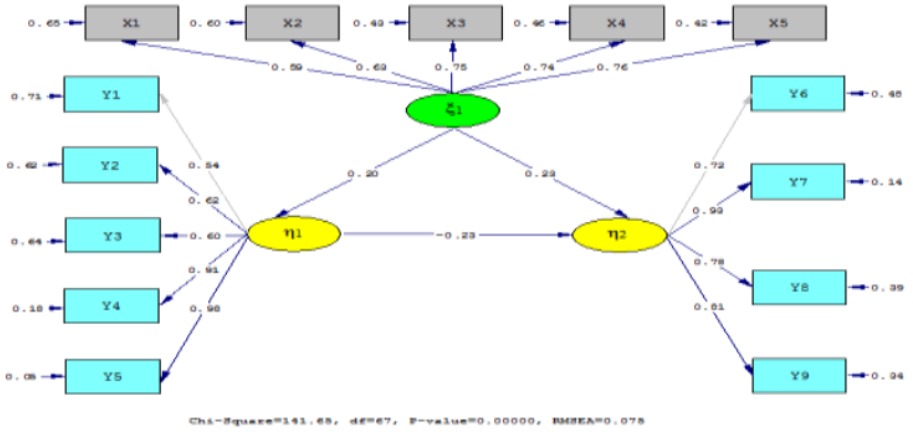

Figure 3. Path diagram of the Standardized Solution

Based on figure 3, path diagram of the *standardized solution*, besides the direct effect, there is a total and indirect effect (indirect effect) between exogenous variable (ξ_1) and endogenous variables (η). Based on the output of the linear structural relationship, the total standardized effect shows that: (1) the effect of ξ_1 on η_1, and η_1 on η_2 are equivalent with the indirect effect of each variable because there is no mediation, (2) the indirect effect of ξ_1 on η_2 through η_1 is 0.20 x -0.23 = -0.046 because the other variable η_1 = 0.23, and the total effect is -0.046 + 0.23 = 0.184.

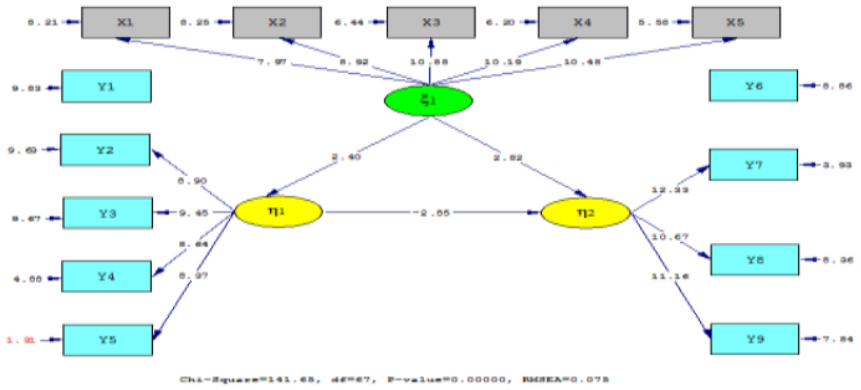

Figure 4. Path Diagram of T-value

4.1.8. Goodness of fit test

Based on the results of the SEM test with LISREL, the results of the goodness of fit test can be seen in the following table:

Based on the results of the Lisrel output, the overall fit test of the model uses $\chi 2$ (chi-square) test obtained from the Weighted Least Squares chi-square value of 141.65 with a p-value of 0.0000 <0.05 indicates that the results of $\chi 2$ are overally poor fit. In addition, the ratio value of $\chi 2$ with the degree of freedom ($\chi 2$ / df) is 141.65/67 = 2.11> 0.05. Therefore, it can be concluded that by controlling for the complexity of the model (which is proxied by the amount of freedom pressure), the model has a poor fit.

Table 8. Sumary of Goodness of Fit Test Results

No.	Index		Result	Recommended value	Conclusion
1	*Probability X^2*		0,0000	<0,05	*Marginal Fit*
2	*X^2/df*		2,11	<5	*Good fit*
3	*RMSEA*		0,075	<0,08	*Good fit*
4	*AGFI*		0,86	<0,90	*Marginal fit*
5	*GFI*		0,91	>0,90	*Good fit*
6	*CFI*		0,96	>0,90	*Good fit*
7	*NFI*		0,93	>0,90	*Good fit*
8	*NNFI*		0,95	>0,90	*Good fit*
9	*IFI*		0,96	>0,90	*Good fit*
10	*RFI*		0,91	≥0,90	*Good fit*
11	*ECVI*		1,09	<5	*Good fit*

The next test is that the RMSEA which shows a smaller value than 0.08. So, it can be concluded that the model is good fit. Furthermore, AGFI shows the test result that is less than 0.90. Thus, it can be concluded that the model is poor fit. On the other hand, GFI, CFI, NFI, NNFI, IFI, RFI and ECVI show the test result that is more than 0.90. Therefore, it can be concluded that the model is good fit.

Direct and Positive Effect of Variable ξ_1 on Variable η_1

Hypothesis 1 states that there is a positive direct effect of ξ_1 on η_1. The results of this study indicate that there is a positive direct effect of variable ξ_1 on variable η_1 with $t_{value} > t_{table}$, that is 2.40> 1.65. Thus, it can be concluded that hypothesis 1 is accepted.

Direct and Positive Effect of Variable ξ_1 on Variable η_2

Hypothesis 2 states that there is a positive direct effect of ξ_1 of η_2. The results of this study indicate that there is a positive direct effect of variable ξ_1 on variable η_2 with $t_{value} > t_{table}$, that is 2.82 > 1.65, Thus, it can be concluded that hypothesis 2 is accepted.

Direct and Positive Effect of Variable η_1 on Variable η_2

Hypothesis 3 states that there is a positive direct effect of η_1 on η_2. The results of this study indicate that there is a positive direct effect of variable η_1 on variable η_2 with $t_{value} > t_{table}$, that is 2.85 > 1.65, Thus, it can be concluded that hypothesis 3 is accepted.

5. CONCLUSION

The research results indicate that viral marketing has a positive direct effect on consumer loyalty. This shows that marketing techniques that use email with strong advertising messages and promotional offers are specifically designed for recipients to forward to their family, friends, or others on their email contact list, and can satisfy consumers so that they will re-purchase the product and recommend it to others.

E-Wom has a positive direct effect on consumer loyalty which means that the results of customer rating on the company made of all business activities that create value in a company can satisfy consumers. Viral marketing has a positive direct effect on e-Wom. This means that marketing techniques that use email messages that contain messages of product advantage affect the recipients and it is possible for them to forward it to colleagues, or other people on

their email contact list. Viral marketing can have a great effect on customer ratings of companies that carry out business activities in creating company value.

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