# The Impact of Customer Satisfaction on Word of Mouth Marketing (Case Study: Bamilo Online Store)

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## Abstract

In highly competitive markets corporate executives are looking for new ways to make people aware of their products and improve their brand. To achieve this goal, they use various marketing methods to attract more customers. One of the most effective of these methods, based on communication between people, is word of mouth (WOM) marketing. A total of 270 questionnaires were distributed electronically among the Bamilo[1] online store customers. In this questionnaire, the effects of customer satisfaction (Ease of checking out, Responsiveness of customer service, Design, Speed) effect on WOM[2] advertisements were examined. Data were analyzed by using LISREL software. Results showed that check-out the Bamilo online store, responsiveness of customer service, design and speed of the Bamilo online store have not any effect on the customer satisfaction and the customer satisfaction has positive effect on WOM.

**Keywords:** Word of Mouth Advertisements, Customer Satisfaction, Responsiveness of Customer Service, **online** store.

# Introduction

Internet and cyberspace created a great revolution in retailing (Pham & Ahmmad, 2017) and has become a very important tool in the conduct of international business in the 21st century (Ahmadinejad & Najafi Asli 2017). There is a lot of potential for using the Internet to buy goods and services (Lee & Turban, 2001). Given the growth of sales in the online retail industry, customer satisfaction is one of the most popular topics in marketing, including its positive effects on customers' repurchase and WOM behaviors (Yoon, 2010). Online information from social networking sites captures the online experience about products and services for customers, and it plays a role as a motivational factor initiating the interaction between customers and firms (Tran,2018). The result of the customer's satisfaction will be the company's advice to others and WOM marketing (Anderson,1998) but with the development of electronic technology, traditional WOM advertising has replaced with virtual WOM advertising (Litvin etal,2008). WOM advertising can be positive or negative. Positive WOM includes good recommendations that people give to others about products, services, or brands, but negative WOM advertisements are considered as one of the forms of consumer complaints, including negative recommendations and it's a disadvantage to people sharing products and services and brand names (Datta,2005). The important thing is that the benefits of WOM communication can help the company's growth and development to be positive

and in other words, people can share their experiences and positive opinions (Walker,1995). OM advertising has several features such as first, "volume and accessibility" of WOM advertising is unprecedented (Dellarocas, 2003), second the result of WOM advertising is affected by the "dispersion" of the platform, third the WOM advertising is "lasting" and ultimately, its anonymity (Cheung,2012).

Regarding the importance of WOM advertisements, Silverman believes that it is a very powerful way to create and stop businesses (Silverman, 2011). This study examines the effect of satisfaction of Bamilo online store costumers on WOM advertisements. In fact, we want to measure whether customer satisfaction has an effect on WOM advertising?

**Importance of customer satisfaction on WOM advertising:**

Marketing is a process in which the company creates value for the customer and establishes a solid relationship with the customer in order to obtain value for the customer (Kotler, 2007). The need for marketing businesses to identify their products and services to customers and persuade them to invest in these products (Fairbank, 2008). In the information age where people face a huge amount of information and advertising and do not have enough time to examine all of them, they prefer to get their information in a sieve and a summary of their friends and relatives (Silverman, 2001).

WOM marketing is a communication about goods and services between people who appear not to be affiliated with a company that produces goods or services. These communications may involve face-to-face conversations, either via telephone, email, cell phone, or other communication channels (Silverman, 2001). People in their purchase decision have more confidence in WOM communication rather than radio, television, and publications (Cakim, 2010). People like to talk about their possibilities and experiences (Kelly, 2007). One of the factors that gives WOM marketing power is its independence from the company. Another factor that seems more important from the first factor is that oral marketing provides people with experience and provides indirect experiences about the product or service to individuals (Silverman, 2001). WOM communication may be positive (praise for brand name and product) or negatively (neglect of brand name and product). Both types of communication are released at a fast pace and play a major role in the customer's attitude to a new product or risky products. With the advent of e-marketing, marketers have found that WOM marketing can also be done via the Internet. In this way, WOM marketing was created (Eaton, 2006).

WOM marketing to e-mail is done in a variety of ways, including Buzz Marketing (using news and entertainment), Viral Marketing (especially via email), Community Marketing (community-based creation and support such as forums, fan clubs and user groups), Influencer Marketing (placing the product appropriate for the influential people at the right time), Brand Blogging (through valuable information) (Qvist, 2009). One of the most important benefits of WOM marketing is the high speed of message transmission, its cost-effectiveness and the ability to quickly change its content. The biggest disadvantage is the tendency of more customers to share their dissatisfaction with others, and therefore WOM communication may have a more rapid pace than positive communication (Eaton, 2006).

Previous empirical research suggests that WOM communication is the basis of customer retention and loyal customers tend to have a positive WOM relationship and act as an advertiser for the company (Payne,1994). Customers who have no shopping experience or does not have any information about product and service features, they required information by WOM advertising (Chang, 2010). Katz et al found that WOM communication was seven times more effective than advertising in the newspaper and magazine four times more than personal sales and twice more effective than radio advertisements to have an impact on changing brand names (Katz, 2017).

**Theoretical framework and conceptual model of research**

The model used in this research is a compilation of the model that has been implemented by Tran et al (2018), Pham & Ahammad (2017) and Cheolho Yoon (2010). Pham & Ahammad (2017) in their research examined the "Antecedents and consequences of online customer satisfaction: A holistic process perspective" and their results showed that security assurance, customisation, ease of use, product information and ease of checkout (**H1: ease of checkout the Bamilo online store has a positive impact on customer satisfaction**), all have a significant impact but at much lower levels. The effect of website appearance on customer satisfaction is not significant. Their findings show that online customer satisfaction leads to repurchase intention, and a likelihood of making positive recommendations (**H5: Customer Satisfaction from Bamilo online store has a positive impact on WOM**) to others, but not willingness to pay more. They also found the effects of product information, customisation, order fulfillment and responsiveness of customer service (**H2: responsiveness of customer service at Bamilo online store has a positive impact on customer satisfaction**) on customer satisfaction are stronger for experience products than search products, while there is no significant difference in the effects of other determinants for search products and experience products.

another study by Yoon (2010) examined the "Antecedents of customer satisfaction with online banking in China: The effects of experience" and their results showed that design(**H3: design of Bamilo online store has a positive impact on customer satisfaction**), speed(**H4: speed of Bamilo online store has a positive impact on customer satisfaction**), security, information, content, and customer support service have a significant influence on customer satisfaction with the high-experience group or the low-experience group, but ease of use does not have a significant influence on customer satisfaction in either of the groups.

# Methodology

This research is a descriptive research that describes the characteristics of the sample and generalizes it to the statistical community. Also, based on the purpose, it is an applied research, and since it deals with the effect of WOM advertising on the behavior of the Bamilo customers in a multivariate model, it is a correlation type based on the method. An online questionnaire was used to collect data. In order to analyze the data and test the hypotheses, structural equation modeling was used. In general, the sample size for determining the structural equations can be determined from 5 to 15 observations per measure variable ($5q \leq N \leq 15q$). Since the questionnaire has 17 items (except demographic questions), so we need 119 samples with 7 views per item. 270 questionnaires were distributed randomly among cyberspace users and analyzed. The questionnaire used in this study was a standard questionnaire provided by Yoon, C. (2010) and Pham (2017). The first section included demographic information that included two questions about gender and the number of purchases. In the second part of the questionnaire, 17 special questions were used to measure the variables of the research.

## Normality test of data distribution

Before using the structural equation modeling, two basic assumptions should be considered:
1 - Sample size sufficient. 2- Distribution of data is normal. Due to the large size of the sample, the first condition is observed. Then, the normal distribution of data must be ensured. Non-parametric Kolmogorov-Smirnov test was used to test the normal distribution of data in this study. The results are shown in the table (2). According to the table (2), the data for all the variables in the research, have a normal distribution.

## Data analysis

The results of the descriptive statistics presented in the below table (1) show that 54.1% (146 men) were male respondents and 45.9% (124 women) were female respondents The number of purchases from the Bamilo online store is unknown to most respondents (47.4%).

**Table1. Demographic characteristics of respondents**

|  | Factor | Frequency | Percent |
|---|---|---|---|
| Gender | Men | 146 | 54.1 |
|  | Women | 124 | 45.9 |

| variable | Question | | | |
|---|---|---|---|---|

| The number of purchases | Three times or less per month | 39 | 14.4 |
|---|---|---|---|
| | Three times or less per year | 36 | 13.3 |
| | More than 3 times a month | 34 | 12.6 |
| | More than 3 times a year | 33 | 12.2 |
| | Unknown | 128 | 47.4 |

**Table2. Descriptive statistics, factor load and Cronbach's alpha coefficients**

| variable | Question | Mean | Standard deviation | factor load | Cronbach's alpha |
|---|---|---|---|---|---|
| Ease of checking out | Order placement procedure on the Bamilo online store is straight forward. | 6.44 | 2.783 | 0.94 | 0.88 |
| | The Bamilo online store provides order confirmation straight away. | | | 0.83 | |
| | Payment procedure on the Bamilo online store is straight forward. | | | 0.87 | |
| Responsiveness of customer service | The Bamilo online store was responsive to my query. | 6.433 | 2.705 | 0.79 | 0.869 |
| | The Bamilo online store was responsive to my complaint. | | | 0.96 | |
| | The Bamilo online store quickly dealt with my request. | | | 0.77 | |
| Customer satisfaction | I am satisfied with the services provided by **Bamilo online stores**. | 6.411 | 2.793 | 1.09 | 0.88 |
| | I am satisfied with the services provided by Bamilo online store. | | | 0.82 | |
| | On the whole I am satisfied with **the Bamilo online store**. | | | 0.93 | |
| Design | The Bamilo online store has a neat and tidy web design. | 6.337 | 2.675 | 0.91 | 0.866 |
| | The Bamilo online store has a web design which is ease to use | | | 0.76 | |

| | | | | 0.87 | |
|---|---|---|---|---|---|
| Speed | The connection speed of the Bamilo online store is fast. | 4.351 | 1.84 | 0.89 | 0.817 |
| | The transaction processing speed Bamilo online store is fast | | | 0.69 | |
| Word of mouth (WOM) | I will recommend the Bamilo online store to my friends or relatives. | 6.337 | 2.752 | 0.84 | 0.883 |
| | I will recommend the Bamilo online store to anyone who seeks my advice. | | | 1.07 | |
| | I will write a positive review about **the Bamilo online store** on social forum **on** other websites. | | | 0.9 | |

The mean, standard deviation, factor load and Cronbach's alpha coefficient of the variables of the research are shown in the above table (2). It is noted that the Cronbach's alpha coefficient for all variables in the research is higher than 0.70 and considering that the minimum required reliability coefficient for research questionnaires is 0.70, it can be claimed that the validity of the research questionnaire is desirable and is reliable. It is also observed that all factor loads are above the acceptable level of 0.5, which indicates the suitability of the convergent validity of the measurement tool.

## Result

The first step in the research model test is to estimate the fit or fit of the model. Therefore, in the present research, the research model was first tested using fitness indicators, the results of which are presented in the table (3).
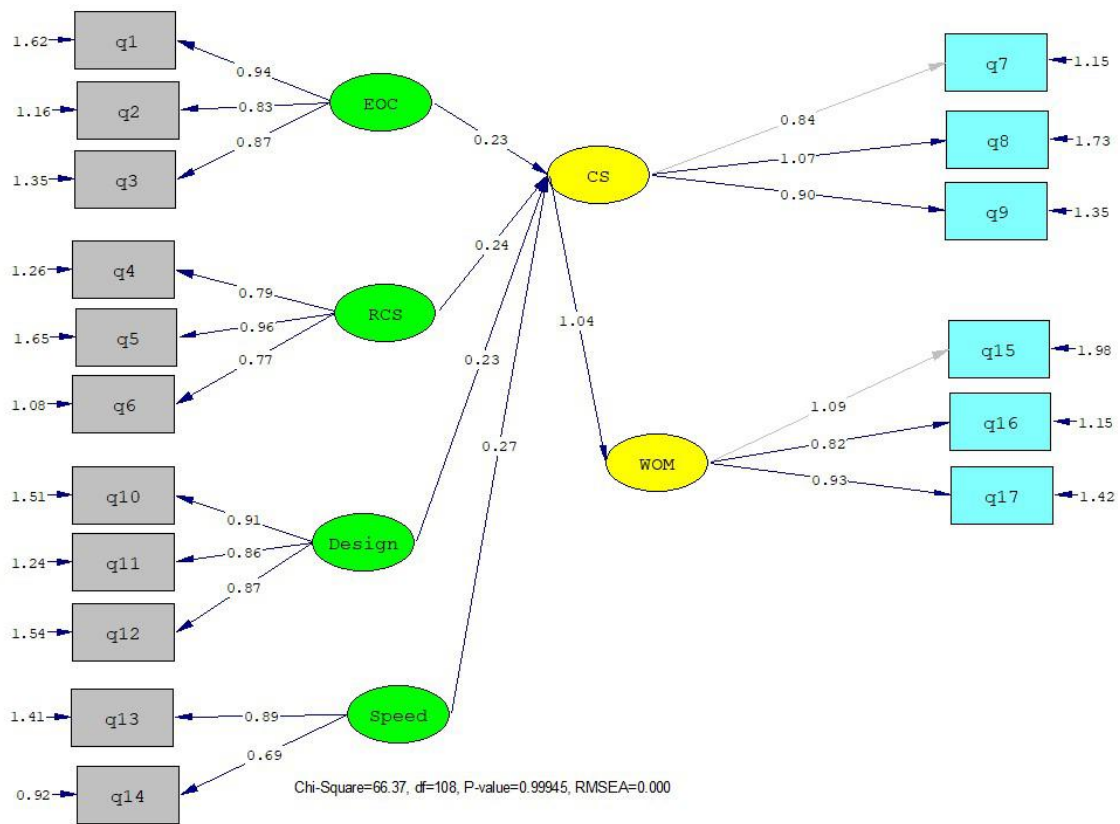
**Fig1. Structural Equation Model**

**Table3. Model fit indices**

| Fit indices | value |
| --- | --- |
| Chi-Square | 66.37 |
| df | 108 |
| RMSEA | 0 |
| RMR | 0.054 |
| GFI | 0.971 |
| NFI | 0.962 |
| NNFI | 1.032 |
| CFI | 1 |

The Liserl software provides various indicators for fitting the model, one of the most important of which is presented in the table (3). With the help of these indicators, it is possible to decide on the acceptability or non-existence of the whole model. The value of χ2 should be greater than 0.05. With a large sample, the best indicator of model suitability is the RMSEA index and this is much more accurate than other indicators and the value of this index should be less than 0.08 in order to evaluate the appropriate mediation. The values of GFI, NFI, NNFI and CFI should be equal to or greater than 0.9 to be considered. Considering the values of the calculated indices, the research model can be evaluated appropriately. The research model is suitable for data proportional.

The t-test statistic t-value is used to examine the significance of the relationship between the variables. Because the significance is checked at the error level of 0.05, so if the observed factor load is calculated with a T-value of less than 1.96, then the relationship is not significant and is shown in red in the following figure (fig2).
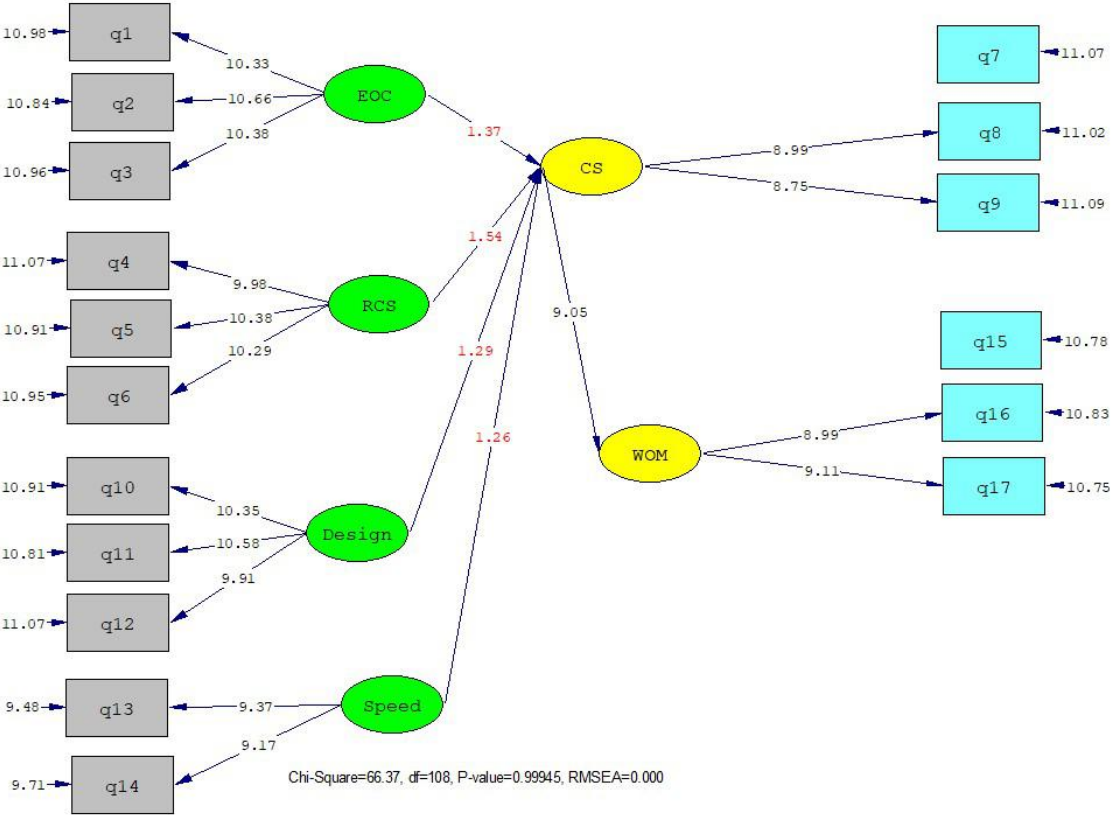


**Fig2. T-Value Structural**

Given that the T-value is smaller than 1.96, it can be concluded that the research hypotheses (H1, H2, H3, H4) are rejected and H5 is accepted. Therefore, it can be concluded that the ease of checkout the Bamilo online store, responsiveness of customer service in Bamilo

online store, the design of the Bamilo online store, the speed of the Bamilo online store has no effect on the on customer satisfaction but results showed that customer satisfaction has a positive effect on WOM.


## Conclusion

Customer satisfaction, the feeling of customers using a product or service that have positive effects on customers'repurchase and WOM behaviors (Yoon, 2010). In this study examined the impact of customer satisfaction on WOM marketing. The result showed that ease of checkout, responsiveness of customer service, speed and design of the Bamilo online store have not any significant effect on customer satisfaction. Pham et al (2017) also showed that ease of checkout has significant impact on customer satisfaction but at much lower levels and found customer service responsiveness on customer satisfaction is stronger for experience product. Saad Andaleeb (2006) determined that the "responsiveness" dimension of service quality was most important to customers. Agnihotri etal (2016) in their study about social media and B2B sales concludes that had a positive relationship between responsiveness and customer satisfaction. Yoon (2010) concluded that ease of use does not have a significant influence on customer satisfaction. The results of Chang (2009) study indicated that e-service quality has an influence on customer satisfaction. Yoon (2010) found that design and speed have a significant influence on customer satisfaction, Casaló et al (2008) also showed that website usability has a positive effect on customer satisfaction. Cyr (2008) also concluded that the design has a significant influence on customer satisfaction. Law (2008) showed that travel website quality factors were positively correlated to customer satisfaction. Casaló et al (2008) also found website usability was found to have a positive effect on customer satisfaction and, as expected, loyalty was also significantly related to positive WOM. In this study result showed that customer satisfaction has a positive effect on WOM and Pham (2017), Tsao (2012), Kim (2009), Casaló et al (2008) also found that satisfied consumers would return to purchase and spread positive WOM and customers will start WOM marketing and will be invited others when they are satisfied.

## Limitations and future research

The major limitation is that the questionnaire was distributed in cyberspace, it was found that only people that have been evaluated were familiar with cyberspace and the applications used that many people were refusing to fill it and if this questionnaire was distributed to traditional manually, this limitation be wiped out. Another size is the sample size. If the sample size was larger, more accurate results were obtained. Finally, this study is limited to Iran and it can be considered in other countries on online shopping websites and analyze other factors.

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