THE ROLE OF LOYALTY AND SATISFACTION IN FORMING WORD-OF-MOUTH INFLUENCE IN A B2B ENVIRONMENT: EVIDENCE FROM THE KNITTING INDUSTRY OF INDONESIA

Romat Saragih
Telkom University, Bandung, Indonesia

Ran Liu
Central Connecticut State University, USA

Clarissa Aulia Putri
Telkom University, Bandung, Indonesia

Mahendra Fakhri
Telkom University, Bandung, Indonesia

Mahir Pradana
Telkom University, Bandung, Indonesia

ABSTRACT
This research aims to find how effective word of mouth in a B2B environment is based on loyalty and customer satisfaction. Word of mouth (WOM) influence among the knitting industry is very important, since it provides sustainability for the business itself. Using PLS (Partial Least Square) modeling, this study provides additional evidence indicating customer satisfaction has both direct and indirect effects on B2B partners’ positive WOM activities. The B2B samples were collected from knitting industries in Indonesia. The research finding indicates that a high level of customer satisfaction directly increases positive WOM activities; the mediation effect of customer loyalty between customer satisfaction and WOM activities also has a significant effect.

Keywords: word-of-mouth (WOM), social media, satisfaction, loyalty, knitting industry

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INTRODUCTION
The city of flowers is another name for Bandung, Indonesia. Bandung is famous for its fashion city with various models. One of them is a creative knitting company located in the city and is named Binong Jati Knitting Industry Center, which has engaged in the fashion sector in Bandung for the last five decades. The Binong Jati Knitting Industry has existed since the early 1970s, and later evolved into The Binong Jati
Knitting Center in 2004, inaugurated as a Creative Tourism Village by the Bandung City Government. The Binong Jati Knitting Center can produce approximately 100 knitted garments per day, sold in various areas, including Bandung, Jakarta, Solo, Surabaya, and Makassar. The knitting industry is facing its challenges. As the textile industry modernizes, the knitting industry, which is primarily comprised of small and medium-sized enterprises (SMEs), is confronted with its own issues, including decreased demand for the product due to a price war between affordable imports and, more recently, the need to survive in an uncertain situation due to the Covid-19 pandemic.

The industry has begun to regain its confidence, however, due to the growth of e-commerce. Increased demand from e-commerce platforms is keeping it afloat during the industrial downturn. The growth of social media is assisting SMEs in growing exponentially (Ahmad et al., 2021). A sufficient marketing process begins by disseminating activity, expanding knowledge, and influencing the products produced in order for them to be accepted by potential consumers (Tjiptono, 2011).

The internet connects communication between sellers and buyers (Coviello et al., 2001). Social media has succeeded in revolutionizing how internet users communicate and interact with one another in a brief period. Users have adopted many such social media websites to take advantage of free services. Social media on the internet allows users to work together, interact and communicate with other users virtually. In social media, there are three phases of usability: social recognition, communication, and cooperation (Nasrullah, 2015). Social media creates an online community that desires to communicate with each other. Social media that is currently trending such as TikTok, Instagram, Twitter, and Facebook, dominates aspects of industry and business. The content created will involve sharing information in a virtual sphere, such as customers, online communities, and social networks, and information will be shared by customers (Romero & Ruiz-Equihua, 2020). Because B2B involves a business process in selling products or services to other companies, and because most industrial customers are distributors, their purchases can be frequent and regular (Miletsky, 2009). B2B customers are one of the company's critical assets that need to be considered because it is the customer who will provide benefits for the company by spending their money to buy the products we sell. However, in a B2B context, the customer in question is the distributor who will resell it to the customer. The knitting industry has a fairly broad target market because both women and men can wear its products. Other than that, the knitting industry also has resellers in several areas that facilitate the distribution of knitwear throughout Indonesia, and all groups can reach the price of its products. The knitting industry positions itself as a producer of knitwear that provides good quality at affordable prices so that when sold to distributors and distributors, they still get a profit. In addition, the knitting industry also positions itself as a convect whose production work can be completed on time according to customer requests and micro industrial convection with macro industrial quality.

In maintaining loyalty and spreading stories of satisfaction among the partners, Indonesian industries have benefited from word-of-mouth activities (Silvianita & Tan, 2017). Word-of-mouth (WOM) services are a tool of communication about a product to family, relatives, and close friends (Kotler & Amstrong, 2014). WOM is a marketing activity through person-to-person intermediaries either orally, in writing, or through internet-connected electronic communication tools based on experience with products or services (Kotler & Armstrong, 2014). WOM has a vital and influential role in the survival of a company, and can also be disseminated through social media; the spread of WOM through social media or the internet is straightforward because of efficient access to one application via Instagram, YouTube, and Google. WOM activities are based on satisfied consumers and exceeding expectations; it shows that consumers who have used a product and are satisfied with the product.

The growth of word of mouth contributes significantly to the growing demand in the knitting industry (Rice, 2012), especially as it is based on satisfied customers. As a result, it has become a primary concern of the knitting industry (Vivek et al., 2012). Digital marketing plays a critical role in increasing consumer awareness as a potential market. Social media platforms such as Facebook, Instagram, and Twitter can spread the word about a product or
service among potential consumers. Acknowledging this phenomenon, we focus on developing this topic in a B2B knitting industry in Indonesia with an expectation to contribute to this particular field of study.

LITERATURE REVIEW

Customer satisfaction is an assessment made when a customer purchases or utilizes a product that meets or exceeds their expectations, whereas dissatisfaction happens when the outcomes fall short of expectations (Giao, 2020). Customers’ expectations and discontent occur when the results do or do not satisfy certain expectations (Aminuddin Mohd Don Basari & Farid Shamsudin, 2020). Meanwhile, a good level of customer satisfaction will create excellent consumer loyalty (Widjaja & Nugraha, 2016 and Ibrahim et. al, 2017). Research from Widiaswara & Sutopo (2017) found that the variable customer satisfaction positively affects customer loyalty. Satisfaction affects customer loyalty because if customers are satisfied and expectations are exceeded, they will make repeated purchases. Loyalty is a goal the company wants to achieve as the key to success in business. To have the loyalty of consumers is not something that can be achieved easily, however. To create loyalty, companies must seek customer satisfaction that can be maintained in the long term (Yu & Dean, 2001). Loyalty has been acknowledged as a driving force in a business (Khoa, 2020). Loyalty is an ideal condition that a company expects, as it is a firm commitment from consumers to have a long-term relationship with a company for goods or products. Loyal customers will cause regular purchases. Customer loyalty can be defined as a positive relationship between consumers and manufacturers that lasts for a long time (Khoa, 2020; Pandey et al., 2020; Schirmer et al., 2018). Loyalty also is a valuable communication tool that can promote existing customers’ positive behavior and include more loyal customers in the future (Babu & Sultana, 2017). Customer loyalty is an interest in the business and can determine a customer loyalty (Santouridis & Trivellas, 2010; Van Vuuren et al., 2012). High consumer satisfaction will create loyalty in consumers, and the positive performance of a product will lead to loyalty from customers (Mandagi, 2017). When what consumers expect exceeds expectations, it will lead to positive WOM in the community.

WOM is widely regarded as one of the most influential factors for influencing consumers (Daugherty & Hoffman, 2013). WOM is one of the most influential sources of information for consumer purchases and desired behavior (Jalilvand, 2012), and it can affect the view as a marketing channel that consumers dominate if the sender does not depend on credibility (Brown et al., 2007). There is also a phenomenon focusing on E-WOM (or digital WOM) as a new form of communication, so WOM and eWOM are seen as new opportunities to listen to customer needs and adapt the customer’s way (Yang, 2017).

Research also has shown a positive approach in building a relationship with consumers, WOM communication, and customer loyalty (Ntal et al., 2013). The results of this study show that WOM has a significant influence on loyalty. Relationships with customers that are carried out correctly and adequately will produce positive word-of-mouth relationships and affect loyalty (Yang, 2017). Therefore, loyalty has a significant relationship where the more loyal someone is, the more they will recommend the company or product to others. Based on these descriptions, then, our own hypotheses are proposed below.

H1: Customer satisfaction has a positive effect on B2B selling firms’ loyalty.
H2: Customer satisfaction has positive effect on the B2B selling firms’ word of mouth.
H3: B2B selling firms’ loyalty has a positive effect on the B2B selling firms’ word of mouth.
H4: The B2B selling firms’ loyalty has a positive mediating effect on the relationship between customer satisfaction and word of mouth activities.

METHODOLOGY

A quantitative technique is used in this research. Quantitative research is a form of study that yields results that can be analyzed using statistical methods and is a research approach used to investigate a specific population and evaluate a hypothesis (Sugiyono, 2009; Sujarwenedi, 2014).

This study targets consumers and sellers of knitwear in Indonesia. Since we are focusing on digital word of mouth activities, our data were collected using a questionnaire distributed through various social media platforms,
including Instagram, WhatsApp, and Line. The questionnaire distribution was conducted over one week from October 11, 2021, to October 18, 2021, resulting in 109 respondents on the island of Java. We used Partial Least Squares (PLS), which is one of the SEM (Structural Equation Modeling) statistical approaches for determining whether there is a predictive relationship between constructs by examining whether there is a relationship or influence between them (Abdilah & Hartono, 2015). PLS can be based on versions that test both the measurement and structural measurement models at the same time. SmartPLS or Smart Partial Least Square is statistical software that intends to examine a relationship between variables or fellow variables as well as with indicator variables in SmartPLS 3.0 (Ghozali & Latan, 2015). PLS (Partial Least Square) soft modeling eliminates OLS (Ordinary Least Squares) regression assumptions, such as that the data must be regularly distributed and that there is no multicollinearity between exogenous variables.

RESULTS

The validity test reveals a link between the measurement principle and the validity test. The values of outer loading > 0.7, communality > 0.5 and Average Variance Extracted (AVE) > 0.5 are used to test convergent validity (Chin, 1998). A reliability test was performed in this study to determine the measurement instrument’s internal consistency. The internal consistency of a construct indicator that reveals a common latent construct is measured by reliability (Sarwono, 2015).

The reliability criterion measures the consistency and stability of the outcomes (data) across time (Abdilah & Hartono, 2015). The composite reliability value is used to test a reliability construct in a study. A variable in a study is said to meet the construct reliability if its composite reliability value is greater than 0.7 and its Cronbach Alpha value is greater than 0.7. (Abdilah & Hartono, 2015).

Cronbach's Alpha and Composite Reliability from an indicator block that measures constructs, are two criteria that can be used in the reliability test in PLS (Ghozali & Latan, 2015). Even if a value of 0.6 is acceptable, the rule of thumb alpha value or composite dependability must be more than 0.7 (Abdilah & Hartono, 2015).

Table 1 shows the results of the reliability and validity test.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach's Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty</td>
<td>0.947</td>
<td>0.974</td>
<td>0.949</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.935</td>
<td>0.959</td>
<td>0.886</td>
</tr>
<tr>
<td>word of mouth</td>
<td>0.913</td>
<td>0.933</td>
<td>0.698</td>
</tr>
</tbody>
</table>

Source: SmartPLS data processed 2021

Cronbach's Alpha or Composite Reliability output values must both be more than 0.7 to be considered reliable. The three latent variables (loyalty to the selling firm, satisfaction to the selling firm, and WOM from the selling firm) have CA and CR values greater than 0.7, indicating that the data is reliable and that all variables are dependable. Table 1 further demonstrates that the three variables, namely loyalty to the selling firm, satisfaction with the selling firm, and WOM about the selling firm, all have an AVE value larger than 0.5, indicating that they meet the validity requirements.

If the outer loading indicator is greater than 0.7, convergent validity is considered good (Ghozali & Hengky, 2015). If an outside loading value of 0.5-0.6 is discovered, however, it is regarded as sufficient to meet the convergent validity criterion. Suppose multiple indicators fail to meet the criteria during the validity test, such as having an outer loading value of less than 0.5, which indicates that it is not significant. In that case, these indicators must be deleted.
(Ghozali & Hengky, 2015). An exterior loading test is shown below in Table 2.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Indicator</th>
<th>Questions</th>
<th>Outer Loading</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>SS1</td>
<td>I am very satisfied with my firm’s relationship with the selling firm</td>
<td>0.944</td>
<td>Valid</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>SS2</td>
<td>The selling firm is a good company to do business with All in all</td>
<td>0.931</td>
<td>Valid</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>SS3</td>
<td>The selling firm is very fair with my firm</td>
<td>0.948</td>
<td>Valid</td>
</tr>
<tr>
<td>Loyalty</td>
<td>LS1</td>
<td>My firm is very loyal to the selling firm</td>
<td>0.974</td>
<td>Valid</td>
</tr>
<tr>
<td>Loyalty</td>
<td>LS2</td>
<td>My firm is very committed to the selling firm</td>
<td>0.974</td>
<td>Valid</td>
</tr>
<tr>
<td>Word of Mouth</td>
<td>WM1</td>
<td>I recommended this clothing to family members</td>
<td>0.817</td>
<td>Valid</td>
</tr>
<tr>
<td>Word of Mouth</td>
<td>WM2</td>
<td>I recommended this clothing to close personal friends</td>
<td>0.924</td>
<td>Valid</td>
</tr>
<tr>
<td>Word of Mouth</td>
<td>WM3</td>
<td>I mention to others that I do business with this clothing</td>
<td>0.826</td>
<td>Valid</td>
</tr>
<tr>
<td>Word of Mouth</td>
<td>WM4</td>
<td>I recommend this clothing to acquaintances</td>
<td>0.888</td>
<td>Valid</td>
</tr>
<tr>
<td>Word of Mouth</td>
<td>WM5</td>
<td>I speak positively of this clothing to others</td>
<td>0.818</td>
<td>Valid</td>
</tr>
<tr>
<td>Word of Mouth</td>
<td>WM6</td>
<td>About how often you recommend the selling firm</td>
<td>0.729</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Source: SmartPLS data processed 2021

There is no outside loading indicator with a value of less than 0.5, as shown in the table.
above. As a result, the indicator has been determined to be valid for research purposes and can be utilized for further analysis.

Cross-loading with the construct was used to measure the discriminant validity test. If the value of the cross-loading indicator on the variable is highest when compared to other variables, the indicator is said to have discriminant validity. The following are the findings of using the SmartPLS program to calculate the cross-loading factor:

**Table 3: Cross Loading Test Result**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Satisfaction with the Selling Firm</th>
<th>Loyalty to the Selling Firm</th>
<th>Selling Firm Word of Mouth</th>
</tr>
</thead>
<tbody>
<tr>
<td>SS1</td>
<td>0.944</td>
<td>0.843</td>
<td>0.782</td>
</tr>
<tr>
<td>SS2</td>
<td>0.931</td>
<td>0.746</td>
<td>0.762</td>
</tr>
<tr>
<td>SS3</td>
<td>0.948</td>
<td>0.803</td>
<td>0.779</td>
</tr>
<tr>
<td>LS1</td>
<td>0.83</td>
<td>0.974</td>
<td>0.778</td>
</tr>
<tr>
<td>LS2</td>
<td>0.823</td>
<td>0.974</td>
<td>0.794</td>
</tr>
<tr>
<td>WM1</td>
<td>0.721</td>
<td>0.729</td>
<td>0.817</td>
</tr>
<tr>
<td>WM2</td>
<td>0.783</td>
<td>0.769</td>
<td>0.924</td>
</tr>
<tr>
<td>WM3</td>
<td>0.617</td>
<td>0.709</td>
<td>0.826</td>
</tr>
<tr>
<td>WM4</td>
<td>0.755</td>
<td>0.693</td>
<td>0.888</td>
</tr>
<tr>
<td>WM5</td>
<td>0.624</td>
<td>0.585</td>
<td>0.818</td>
</tr>
<tr>
<td>WM6</td>
<td>0.601</td>
<td>0.524</td>
<td>0.729</td>
</tr>
</tbody>
</table>

Source: SmartPLS data processed 2021

The data in the table above shows that it satisfies the cross-loading requirements, with each variable having the highest cross-loading value on the variable in its form when compared to the cross-loading value on other variables. As a result, it may be argued that the study's indicators have sufficient discriminant validity.

**DISCUSSION**

**Structural Model Evaluation**

The R-value for the dependent construct and the path coefficient value in the structural model are used to evaluate the structural model (Inner Model) measurement in PLS (Ghozali & Hengky, 2015). This test aims to see if the array has a significant effect that can be seen in the t result. Bootstrapping is used to determine the t-value.
The role of loyalty and satisfaction in forming word-of-mouth influence …  Romat Saragih et al.

Evaluation of Structural Measurement (R-Square). The R-Square value is the endogenous construct’s coefficient of determination. The greater the R-Square score, the better the proposed research model’s prediction model (Indrawati, 2017).

Table 4: R-Square

<table>
<thead>
<tr>
<th>Variables</th>
<th>R-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction with the Selling Firm</td>
<td>0.719</td>
</tr>
<tr>
<td>Loyalty to the Selling Firm</td>
<td>0.720</td>
</tr>
<tr>
<td>Word of mouth</td>
<td>0.775</td>
</tr>
</tbody>
</table>

Source: SmartPLS data processed 2021

According to the table above, the R-square value for the Satisfaction with the Selling Firm variable is 0.719, and 0.720 for the Loyalty to the Selling Firm variable. The Loyalty to the Selling Firm variable's R-Squared value has a 0.719 effect on Satisfaction with the Selling Firm, with the remaining 0.281 influenced by other variables outside this study.

As a conclusion, the indicators used in this study can only account for 71.9 percent of the variance as a component of customer satisfaction with the selling firm, while other factors explain the remaining 28.1 percent. The R-Square value for the Loyalty to the Selling Firm variable is 0.720, suggesting that 0.720 is influenced by the Loyalty to the Selling Firm variable, while variables outside the study influence the
remaining 0.28. As a result, the indicators utilized in this study can only explain 72 percent of the variance of Loyalty to the Selling Firm, while other factors explain the remaining 28 percent. For endogenous constructs, R-Square is the coefficient of determination. 0.67 (strong), 0.33 (moderate), and 0.19 (weak) (Chin, 1998).

The t-statistic value between the independent and dependent variables can be used to determine the predictive model's significance in testing the structural model. The t-statistic value between the independent and dependent variables in the path coefficient table in the SmartPLS output can be used to analyze the predictive model's significance in testing the structural model.

### Table 5: Path Coefficient Test Result

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Original Sample</th>
<th>Sample Mean</th>
<th>Standard Deviation (STDEV)</th>
<th>T Statistics (STDEV)</th>
<th>p-values</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Satisfaction -&gt;</td>
<td>0.848</td>
<td>0.845</td>
<td>0.047</td>
<td>17.889</td>
<td>0.000</td>
</tr>
<tr>
<td>H2: Satisfaction -&gt; WOM</td>
<td>0.496</td>
<td>0.497</td>
<td>0.089</td>
<td>5.549</td>
<td>0.000</td>
</tr>
<tr>
<td>H3: Loyalty -&gt; WOM</td>
<td>0.386</td>
<td>0.384</td>
<td>0.091</td>
<td>4.256</td>
<td>0.000</td>
</tr>
<tr>
<td>H4: Satisfaction -&gt; Selling firm WOM mediated by Loyalty</td>
<td>0.327</td>
<td>0.325</td>
<td>0.078</td>
<td>4.174</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: SmartPLS data processed 2021

The test results for each hypothesis are as follows, based on the table above:

The first effect of Loyalty to the Selling Firm on WOM about the Selling Firm. The path coefficient value is 0.386, indicating that there is a positive influence on selling firm word of mouth, according to the route coefficients table. The t-statistic is 4.256, which is more than 1.96, and the p-value is 0.000, which is less than 0.05, indicating that there is a significant effect. This suggests that loyalty positively influences the Selling Firm's WOM variable to the Selling Firm variable, which means the hypothesis about the influence of loyalty to the selling firm on WOM is accepted.

Second Effect of Customer Satisfaction on Customer Loyalty to the Selling Firm. The path coefficient value is 0.848, indicating that there is a positive influence on Loyalty to the Selling Firm, according to the route coefficients table. The t-statistic is 17.889, which is larger than 1.96, and the p-value is 0.000, which is less than 0.05, indicating that there is a significant effect. This suggests that the variable Satisfaction with the Selling Firm influences Loyalty to the Selling Firm in a favorable way. As a result, the hypothesis about the effect of customer satisfaction on loyalty is accepted.

The effect of customer satisfaction on the selling firm's WOM activities is positive and significant ($t = 5.549, p < 0.001$). As a result, the hypothesis about the effect of selling firm satisfaction on selling firm WOM is accepted.

The indirect effect of Customer Satisfaction with the Selling Firm on WOM activities via Loyalty to the Selling Firm turned out to be positive and significant ($t = 4.174, p < 0.001$). Our finding corresponds with previous studies by Willayat et al. (2022) and Zaman et al. (2022), which also acknowledged the mediating effect of loyalty in strengthening the relationship between customer satisfaction and WOM activities. However, our result contradicts the findings by Ahmad et al. (2021).

### CONCLUSION

According to the data analysis findings, customer satisfaction with the B2B selling firm has a positive and significant impact on WOM activities about the selling firm, and the process is mediated by loyalty to the selling firm. In other words, B2B customers who are satisfied with a product or service are more likely to become
loyal. Loyal customers are more likely to rebuy and share their previous experiences about the quality of the services or products they received. The work has added additional evidence to previous literature about the importance of B2B customer satisfaction, which serves as a cause of loyalty and an antecedent to positive WOM activities. Building loyalty usually refers to the result of a long-term effort, while WOM activities could be short-term and impulsive. This work provides novel evidence suggesting that there is a link between those long-term and short-term marketing activities, calling firms to focus more on increasing customer satisfaction. However, we also acknowledge some weaknesses of this research. We only conducted this research in a specific line of business; therefore, the respondents were homogenus. We recommend future research to be undertaken in a different type of business with more various characteristics of respondents so conclusions may vary and enrich the existing study.

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CORRESPONDING AUTHOR
Romat Saragih, email: saragih@telkomuniversity.ac.id

Romat Saragih, Telkom University, Bandung, Indonesia.