Measuring the Influence of Customer Experience on Customer Satisfaction, Loyalty Intention and Word of Mouth Behavior Using Customer Experience Quality (EXQ) Model on Telkom's IndiHome Complaint Handling Process

Brahmandi Andria Sastra[1], **Indrawati**[2]
Magister Management Department, School of Economy of Business
Telkom University
Bandung, Indonesia
bsastra@telkom.co.id[1] indrawati@telkomuniversity.ac.id [2]

Abstract

Marketing practice and research have undergone a series of large-scale transformations over the past 25 years, shifting focus from creating product brands to building customer relationships through service marketing and now to creating compelling customer experiences (Gordon 2006 in Maklan & Klaus 2011). Thompson (2015) said "Customer Experience Is the New Competitive Battlefield", Greater competition and growing consumer power have eroded traditional product and service based differentiation, forcing firms to seek new, more durable forms of competitive advantage.

Customer experience has become one of Telkom's focus, excelling Customer Experience was one of the spirit in achieving the target of Telkom Group 2016: Assuring Disruptive Triple Double Digit Growth and re-emphasized by Telkom CEO in early 2017 in Telkom Group 2017 theme: "Disruptive for Triple Double Digit Growth by 2017 through Customer Experience, Digital Business and Smart Inorganic ". But how is the perceived experience of Telkom's customers? Do they already have an excellent customer experience from Telkom?

This research was conducted to measure customer experience of IndiHome customers in incident and problem management using Customer Experience Quality (EXQ) model from Maklan & Klaus (2013). The results of these measurements are then analyzed to see which variables of IndiHome customer experience have to be improved to achieve excellent customer experience. The survey respondents are IndiHome customers in Jakarta, Bandung and Surabaya who have reported their IndiHome incident by conducting online surveys.

The results showed that customer experience of IndiHome customers in incident and problem management should be improved. The research results also show that customer experience influences important marketing outcomes, customer satisfaction, loyalty intentions and word of mouth Behavior. Consequently, Telkom must immediately prepare appropriate steps to carry out continual improvement in IndiHome's incident and problem management in order to improve Telkom customer experience.

Keywords : Customer Behavior; Customer Experience; Customer Relationship Management, Marketing

Introduction

Thompson (2015) said "Customer Experience Is the New Competitive Battlefield", Greater competition and growing consumer power have eroded traditional product- and service-based differentiation, forcing firms to seek new, more durable forms of competitive advantage.

PT. Telekomunikasi Indonesia, Tbk. (Telkom) as the most dominant telecommunication players in Indonesia, with the company vision: "Be the King of digital in the region", has been committed to providing end-to-end services with a variety of customer-oriented digital experience solutions and customer experience has become one of Telkom's focus in the last 2 years.

In early 2015, Telkom launched IndiHome, a triple play fiber optic fixed broadband service consisting of home phones, high-speed internet and IPTV. Telkom believes that IndiHome's service prospects are excellent. In the future, the need for high quality fixed broadband services will be increasingly needed along with the growth of the middle class in Indonesia.

To ensure IndiHome's customer experience, Telkom conducts Customer Satisfaction and Loyalty Survey (CSLS) every year. Indicators measured are Customer Satisfaction Index (CSI) and Customer Loyalty Index (CLI), but Smith & Wheeler (2002) put customer experience as beyond satisfaction. Even according to Schmitt (2003), customer satisfaction is "the devil in disguise" because it often diverts the management's proper focus to the customer.

Measurement of customer experience using academically proven methods has not been done by Telkom. In addition, the key success parameters of Customer Experience has also not been established and it became one of the main concerns of Telkom CEO in early 2017.

Problem Statement

According Lemke et al. (2006) process of customer's problem solving is one factor that can affect customer experience. Kotler (2016) added that companies that want to form strong relationships with their customers should make it easy for customers to connect with competent company staff and express their needs, perceptions and grievances.

Corporately, Telkom recognizes the importance of customer experience, not only to improve customer satisfaction and maintain loyalty, but also to improve business results in operations and finance. Several strategic initiatives have been taken to provide excellent customer experience. Measuring CSI and CLI, monitoring and evaluating of problem handling achievement, and measuring the performance of IT tools periodically are some strategic steps that undertaken.

Although CSI and CLI of Telkom customers show an increasing, as well as indicators that related to the complaint handling show improvement, but the number of recurring disturbances – gangguan berulang (GAUL) is still above of the company target which can be seen in the following figure.
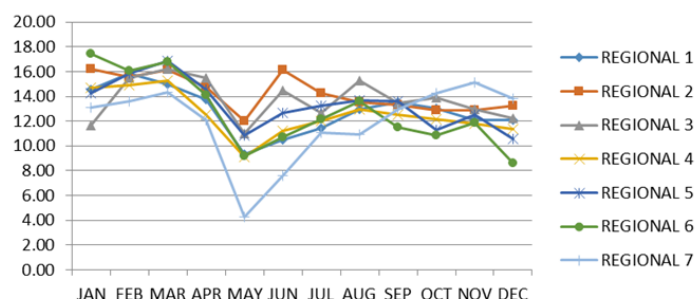

Fig. 1. Number of IndiHome GAUL January – December 2016 (Telkom's internal data)

Customer expression through reader letters, social media, discussion forums on the internet and mailing list also shows there are still feeling bad experience of IndiHome's customer handling. Some of them can be seen in the following figure.

Fig. 2. Customer's expression on several online media

Research Questions and Objectives

In general, this research aims to measure customer experience of IndiHome customers in the city of Jakarta, Bandung and Surabaya against the complaint handling process that reported through all the Telkom's customer channels using Customer Experience Quality (EXQ) model from Klaus & Maklan (2013). In detail, the research was conducted to answer the research questions as follows:

- How the customer experience of IndiHome's complaint handling process?
- How much influence of customer experience on customer satisfaction?
- How much influence of customer experience on customer loyalty?
- How much influence of good customer experience can make customers do positive word-of-mouth?

Bring up the research questions, the objectives of this research are 1) to measure customer experience of IndiHome's complaint handling process using Customer Experience Quality (EXQ) model from Klaus & Maklan (2013); 2) to know the influence of customer experience on customer satisfaction; 3) to know the influence of customer experience on customer loyalty; and 4) to know the influence of good customer experience on customer word-of-mouth behavior.

Literature Review

Customer Experience

Meyer (2007) defines customer experience as the internal and subjective response of customers who make direct or indirect contact with a company. Direct contacts generally occur in the purchase, use, and service process and are usually initiated by the customer. Indirect contacts most often involve unplanned meetings with a representative of a company's product, service or brand and take the form of word-of-mouth or criticism, advertising, news, reviews, and so on.

In their research, Lemke et al. (2006) found 8 factors that affect customer experience, namely 1) Accessibility, consumer convenience in product interaction and access; 2) Competence, competencies owned by the product provider; 3) Customer Recognition, consumer's feeling that his presence is known and recognized by the product provider; 4) Helpfulness, consumer's feelings about his ease of asking for help; 5) Personalization, consumer's feeling that they receive the treatment / facility that makes consumer comfortable as an individual; 6) Problem solving, consumer's feeling that their problem is solved by product provider; 7) Promise fulfillment, fulfillment of promise by the product provider; and 8) Value for Time, consumer's feeling that their time is valued by the product provider.

Customer Experience relation with Customer Satisfaction, Customer Loyalty & Word of Mouth Behavior

Smith & Wheeler (2002) put customer experience as beyond satisfaction. Even according to Schmitt (2003), customer satisfaction is "the devil in disguise" because it often diverts the management's proper focus to the customer. Many studies show that the customer experience has a significant positive effect on customer satisfaction. Mano & Oliver (1997) show that emotional experience in satisfaction has a significant positive effect. Venkat (2007) proves that the customer experience has a significant positive effect on customer satisfaction.

Oliver (1997) found that experience behavior has a significant effect on customer loyalty. Research Biedenbach & Marell (2010) also shows that the customer experience has a positive influence on all dimensions of brand equity, which means that the customer experience is directly proportional to brand loyalty. Kotler (2016) said that satisfied customers will buy back and tell others about their good experience, while disgruntled customers will switch to competitors and will also tell their bad experiences to others.

Customer Experience Quality (EXQ) Model

In their article, Klaus & Maklan (2013) asked whether market researchers are using the right steps to help their

companies improve customer experience as their research background to find new measurement models for customer experience. They further argue that customer experience is conceptually different from the quality of service and therefore requires a more appropriate new measurement model.

Maklan & Klaus (2013) stated that the core of the measure of customer experience is as follows:

- Customer experience is assessed as an overall perception by customers and not as a gap to expectations..
- Customers' assessment is based on overall value in use and not just a summation of performance during individual service episodes..
- The measure of experience has a broader scope than that proposed by SERVQUAL. It includes emotions and peer influences.
- Experience begins before service encounters and continues after the encounters.
- Experience is assessed against service encounters across all channels.
- An ideal measure should link more directly to customer behavior and business performance than do either SERVQUAL or customer satisfaction.

Maklan & Klaus (2013) introduced a new measurement of customer experience that is Customer Experience Quality (EXQ) as shown below.
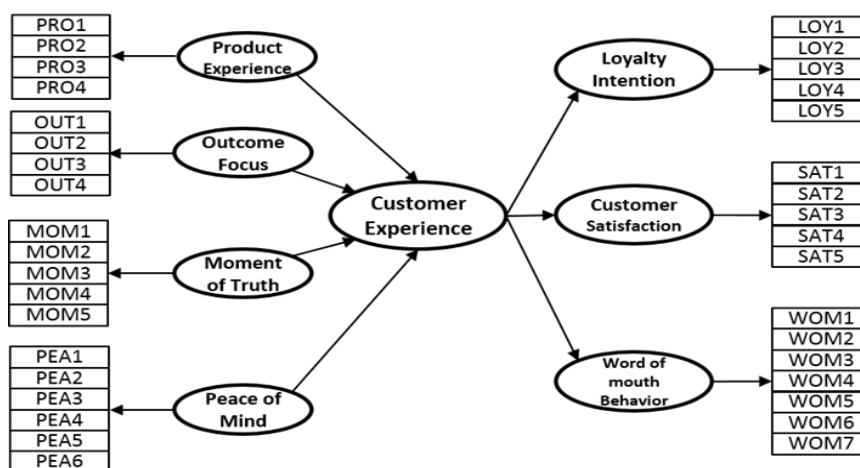

Fig. 3. Conceptual model of Customer Experience Quality (EXQ)

In their research, Maklan & Klaus (2013) measured customer experience with EXQ model using customer from mortgage companies, fuel and service stations, retail banking and luxury goods, that has different condition and situation from telecommunication companies such as Telkom, so it is necessary to test hypothesis before Telkom used EXQ model to measure Telkom's customer experience.

   The hypothesis for measuring customer experience of IndiHome's complaint handling as follows:

H1: Customer Experience has a significant positive impact on Customer Satisfaction.

H2: Customer Experience has a significant positive impact on Loyalty Intensions.

H3: Customer Experience has a significant positive impact on Word of mouth Behavior.

Research Methodology

Data Collection and Processing

Primary data in this research are obtained from survey uses an online questionnaire that was sent through

Google Form of IndiHome customer in Jakarta, Bandung and Surabaya. Other data is collected using several methods, such as literature study and interview.

The literature study was conducted to collect literature references on marketing theory, especially regarding the concept of customer experience. Interviews with experts were conducted to validate the content of the questionnaire which was the result of translating and enriching questionnaires from Maklan & Klaus (2013). Interview conducted with experts of Marketing Management and experts on Customer Relationship.

In this study, researchers used non-probability sampling, namely quota sampling. The population in this study was IndiHome customers who had complaint their IndiHome's disturbance in Jakarta, Bandung and Surabaya with 400 samples.

Questionnaires are arranged based on items related to the variables studied, using the Likert's Summated Rating (LSR) method, by confronting a respondent with a statement and respondents being asked to provide a response, each of which has a weighted value / score.

Validity and Reliability

Validity and reliability tests were conducted prior to the questionnaire distributed to the respondents of the study. Content validity or logical validity was done to measure how far the items used were able to logically measure the research variables according to what should be measured.

Related to the content's validity, content of the questionnaire in this study adopted items that have been there from previous research from Maklan & Klaus (2013) which translated into Indonesian language and then validated by experts of Marketing Management and experts of Customer Relationship.

Validity check of pilot data was conducted by calculating Pearson Product Moment is using IBM SPSS version 22. The instrument is valid if the correlation coefficient ≥ 0.4 (Guilfort 1956 in Indrawati 2015). The result of calculation of validity test of 40 pilot responder on each variable shown that all correlation coefficient ≥ 0.4.

The Reliability Test was done using Alpha Cronbach measurement. Alpha Cronbach's coefficient should be at least 0.70 to indicate that the questionnaire has a pretty good level of reliability (Hair et al, Kaplan & Saccuzzo Nunnally & Bernstein, Pedhazur & Pedhazur, in Indrawati, 2015). The calculation results using IBM SPSS version 22 shows the Alpha Cronbach coefficient of all variables> 0.70.

Research Result & Discussion

Descriptive Result

In analyzing data with descriptive method, data was computed to get the mean value or the score of respondents' that answered each of the variable. The mean value than translated into several qualities, the mean value which had a score ranging from 20% to 36% is considered to be very low, above 36% to 52% considered to be low, above 52% to 68% considered to be medium, above 68% to 84% considered to be high, and above 84% to 100 considered to be very high. The result of scoring showed on Table 1 below.

Table 1. Summary of Descriptive Result

Variable	Total Index	Category
Peace of mind	66%	Medium
Moment of truth	71%	High
Outcome focus	61%	Medium
Product experience	73%	High
Customer satisfaction	59%	Medium
Behavior of Loyalty intention	64%	Medium
Word of mouth behavior	63%	Medium

The statistical results in Table 1 show that the moment of truth and product experience variables are included in the high category, which indicates the respondent gives a good perception on those variables. While other variables included in the medium category that indicates respondent fill that there is nothing special in the peace of mind, outcome focus, customer satisfaction, loyalty intention and word of mouth behavior related to IndiHome complaint handling process.

Measurement Model Assessment

To measure convergent validity can be used loading factor and average variance extracted (AVE). The value of loading factor and AVE should be more than 0.50 (Hair et al 2010 in Indrawati 2015) to show an item in a factor having convergent validity. The loading factor and AVE results of PLS in this study fulfilled the requirements, all variable has loading factor and AVE above 0.50.

Discriminant validity can be calculated based on the cross loading value of the manifest variable against each latent variable. According to Ghozali (2012), an indicator is said to be valid if the indicator of a construct has a correlation value to its construct is greater than the value of correlation with other constructs. PLS calculation results show that the indicator loading factor to latent variable itself has greater value when compared with loading factor to other latent variables, so it can be concluded that the model has good discriminant validity.

The value of Composite Reliability and Cronbach's Alpha is used to assess the reliability of each construct of the study. A construct is said to be reliable if the value of Composite Reliability is> 0.70 and Cronbach's Alpha value> 0.70 (Hair et al, Kaplan & Saccuzzo, Nunnally & Bernstein, Pedhazur & Pedhazur, in Indrawati, 2015). The value of Composite Reliability and Cronbach's Alpha in this study based on SmartPLS calculation results greater than 0.70 so it shows that all construct variable is reliable.

Structural Model Assessment

The structural model represents the relationship between the latent variables used in the study. The structural model in this study involves an exogenous latent variable that is Customer Experience Quality (EXQ) and three endogenous latent variables: Customer Satisfaction (SAT), Loyalty Intentions (LOY), and Word of mouth Behavior (WOM).

In PLS, the accuracy of the proposed model can be measured by using the Path Coefficient (PC) and R-squared (R^2) criterion. The path coefficients should have t-values of at least 1.64 to be considered significant at the 95% confidence level (Chin 2010, Urbach 2010). The t-values are then obtained using re-sampling techniques, such as bootstrapping (Chin 2010, Urbach 2010). The value of the path coefficient and t-statistic of the model as in the following table.

The magnitude of the effect of exogenous latent constructs on endogenous latent constructs is represented by the value of R^2 in each endogenous latent construct. In this research, the value of R^2 obtained from Loyalty Intention (LOY), Customer Satisfaction (SAT) and Word of Mouth Behavior (WOM) construction can be seen in the following table.

Table 2. R^2 value on endogenous latent constructs

Endogenous Latent Constructs	R^2
SAT	0.674
LOY	0.654
WOM	0.612

According to Ghozali (2012), R^2 yield of 0.67 indicates that the model is categorized well. The R2 yield of 0.33 indicates that the model is categorized as moderate. While the R^2 result of 0.19 indicates that the model is categorized as weak. The value of R2 in the table above shows that the model substantially explains the variance in Customer Satisfaction, Loyalty Intention and Word of Mouth Behavior.

Hypothesis Result

Estimated values for path relation in structural model is seen from its significant value. This significance value can be obtained by bootstrapping procedure. Assess the significance of the hypothesis by looking at the value of parameter coefficients and the value of t-statistic significance of the bootstrapping report. Confidential level in this study was 95%, t-statistic should have at least 1.64 to be considered significant. The statistical estimation results are described as follows.

Table 3. Estimation result of Path Coefficient and t-statistic

Path	Path Coefficient	t-Statistic	Conclusion
Customer Experience → Customer Satisfaction	0.82	20.56	Significant
Customer Experience → Behavior of Loyalty Intention	0.81	17.97	Significant
Customer Experience → Word of Mouth Behavior	0.78	18.21	Significant

Conclusion and Implication of Practice

Based on the empirical result, this study concluded that The customer experience on IndiHome's complaint handling process shows that respondents feel that the moment of truth and product experience variable provides a good experience, while for peace of mind, outcome focus variables, respondents feel did not provide good experience. Customer Satisfaction is influenced by 67.4% by Costumer Experience, while Loyalty Intention is influenced by 65.4% by Costumer Experience and Word of Mouth Behavior influenced by 61.2% by Costumer Experience.

Referring to the findings, this study suggests that Telkom can used the Customer Experience Quality (EXQ) model from Maklan & Klaus (2013) to measure Telkom's customer experience and base on that measurement Telkom can establish the key success parameters of Customer Experience.

Limitation of Study

Measurement of customer experience is still for the complaint handling process (assurance process), not to other processes that involve and impact on customers such as customer installation processes for IndiHome subscription (fulfillment process) and billing and payment processes, so it still needed further research in order to know the customer experience fo the whole process for Telkom's customers.

Respondents in this research are still in 3 cities that are Jakarta, Bandung and Surabaya, so still need to do further research for other cities in order to get the picture of the customer experience of Telkom customer as a whole.

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