THE ROLE OF PRICE FAIRNESS IN MEDIATING THE INFLUENCE
OF SERVICE QUALITY ON WORD OF MOUTH

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ABSTRACT
The development of the business very quickly and rapidly provides opportunity or a threat to the businesses to be able to sustain its businesses and in order to win the competition. Companies that want to survive, to win the competition and develop must have a competitive advantage and can provide products or services that are better than their competitors, both in terms of the quality of the product or service and the price provided. The purpose of this study is to explain the role of price fairness mediating the effect of service quality on word of mouth at PT. TIKI. There were 110 respondents as the sample in this study. The sampling method used was the purposive sampling method. This research used the Partial Least Square (PLS) analysis technique. The results of this study revealed that service quality and price fairness have a significant and positive influence on word of mouth. Service quality has a significant and positive influence on price fairness. Price fairness is able to partially mediate the influence of service quality on word of mouth. The implication of this research is that to improve the word of mouth behavior of PT.TIKI customers, it is necessary to evaluate and improve their service quality and price fairness.

KEY WORDS
Business, word of mouth, service quality, price fairness.

The need for freight services is one of the needs that support the activities of the global community. To be able to compete, service quality is a very important factor. Service quality has been shown to be able to influence the disposition of consumer behavior in various service industries and has a direct and positive influence on word of mouth (Chang et al. 2012). The greater the service quality provided by firms and the better the image of the company; the more likely customers will recommend the firms through their word of mouth (Mohtasham et al., 2017). Service quality plays an important role in price setting and has a positive influence on price fairness (Jin et al., 2015). Evaluation of service quality significantly affects consumers' perceptions of price fairness (Jin et al., 2015). With a fair price, there is a greater possibility to increase the satisfaction of customers and develop customer loyalty (Malik et al., 2012). Based on the pre-survey results on several users of PT.TIKI's goods delivery service, it was found that service quality, and fairness of price are closely related to word of mouth activities performed by customers. Therefore, this study was conducted to examine the influence of service quality on the word of mouth of PT.TIKI's customer with price fairness as the mediator.

LITERATURE REVIEW

Service quality can be described as the comprehensive assessment regarding the performance level of a service (Mohtasham et al., 2017). The service quality (SERVQUAL) model consists of five main dimensions that can be used to measure service quality (Shao-Chang, 2013), including assurance, empathy, responsiveness, reliability and tangibles. There are many researchers who use these five dimensions as indicators (Puspa, 2014 and Putra, 2015).

Service quality is emphasized to influence the dispositions of consumer behavior, therefore service quality has a direct and positive influence on word of mouth behavioral

intentions (Chang et al. 2012). This statement is also supported by Rambe et al. (2017) and Kwun et al. (2013) who stated that service quality has a positive and significant influence on word of mouth. Various studies have revealed that there is a relationship between service quality and satisfaction (Cronin et al., 2000; Lee et al., 2000; Saravanan and Rao, 2007). Researchers hypothesized that highly-valued service quality is correlated with high customer satisfaction (Mohtasham et al., 2017). This statement is supported by Kwun et al. (2013) and Rambe et al. (2017) who also stated that service quality has a positive and significant influence on customer satisfaction. Based on the discussed reviews, the hypotheses in this study are as follows:

H1: Service quality has a positive and significant influence on word of mouth.

Price is the amount of money charged for a product or service (Kotler and Armstrong, 2012: 52). Lien et al. (2015) stated that price is the amount of money that consumers must pay to obtain a product or service. According to Lien et al. (2015), the indicators of price fairness are inexpensive, reasonable, affordable and appropriate. Empirical evidence in tourism literatures showed that the evaluation of service quality significantly influences consumers' perceptions regarding price fairness (Go and Govers, 2000 and Oh, 2003). Consumers evaluate the quality of service delivered to them, and consumers are willing to pay a premium price for the services they consider efficient and effective (Yang and Peterson, 2004). If the price of a service is in line with their quality, customers will feel satisfied (Malik et al. 2012). Wijaya (2016) stated that price has a positive and significant influence on word of mouth. The findings by Consuegra et al. (2007) stated that perceived fairness of price is positively related with customer loyalty. Based on the discussed reviews, the hypotheses in this study are as follows:

H2: Service quality has a positive and significant influence on price fairness.
H3: Price fairness has a positive and significant influence on word of mouth.

According to Dong and Liu (2012), WOM is a two-way communication between customers who have a strong non-commercial relationship with a product or service. According to Babin et al. (2005), there are several aspects that can be used as the indicators of WOM, namely discussing, recommending and encouraging others to use the product/ service. Customers who are satisfied with quality tend to share positive WOM with others.

Rusadi and Sujito's research (2012) found that product quality has a positive influence on customer satisfaction and customer satisfaction has a positive influence on word of mouth. The price fairness is an assessment of whether the price is reasonable, acceptable, or justifiable based on the consumers' evaluations (Xia et al. 2004). According to Bolton and Alba (2006), price increases are considered reasonable when it is due to the increase in costs. According to Monroe and Xia (2005), a price increase is considered more reasonable when the increase is due to a motive that does not take advantage of customers or situations. Based on the discussed reviews, the following hypotheses are formulated:

H4: Price fairness positively and significantly mediates the influence of service quality on word of mouth.

Based on the literature review and research hypotheses, this study examines the influence of service quality on customers' word of mouth with price fairness as the mediators.
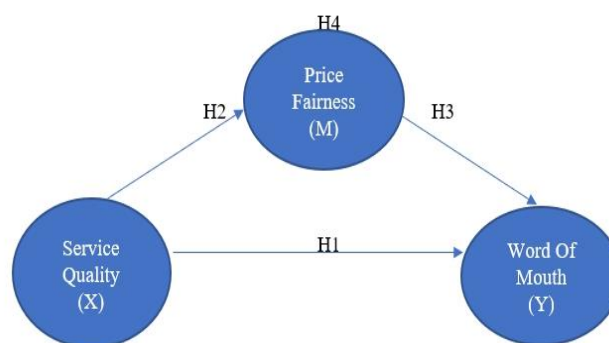

Figure 1 – Conceptual Framework

METHODS OF RESEARCH

This research is categorized as an associative quantitative research. The population in this study are all the customers of PT. TIKI who live in Denpasar City with a total sample of 110 people who were selected using the purposive sampling method. The data were collected through questionnaire. The analysis technique used is the structural equation modeling (SEM) with the partial least square (PLS) as the analysis tool.

The service quality construct in this study adapted and modified the indicators used in the research conducted by Puspa (2014) and Putra (2015), while for customer satisfaction the indicators are based on the research by Rambe et al. (2017), the indicators of price fairness are based on the research conducted by Consuegra et al. (2007), and the indicators of word of mouth are based on the research conducted by Babin et al. (2005).

There were 110 respondents in which 47 are male and 63 are female. Based on the respondents' age, most were at an age of 27-31 years old, with a total of 39 people. Based on their occupation, most of the respondents work as private employees, with a total of 53 people.

RESULTS AND DISCUSSION

In evaluating the outer model, three criteria are used, namely, convergent validity, discriminant validity and composite reliability. All indicators in this study have fulfill the convergent validity requirement because they have a loading factor value greater than 0.70 and a p-value less than 0.05. The cross loading value of each latent variable is greater than the other latent variables, therefore the discriminant validity requirement is fulfilled. The composite reliability value and the Cronbach's Alpha value for all the constructs are greater than 0.70, which means that the research model has good reliability.

The inner model or structural model test is conducted to determine the relationship between constructs, the significance value and the R-square of the research model. The results of the inner model test can be seen in Figure 2.
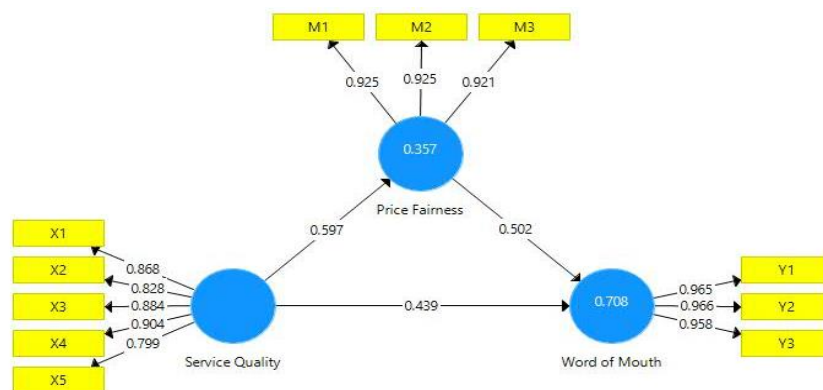

Figure 2 – Structural Model

The structural model is evaluated using the R-square of the dependent construct, the t-test, and the significance value of the structural path coefficients.

Table 1 – R Square

Construct	R Square
Price Fairness	0,357
Word of Mouth	0,708

Source: Computed data, 2022.

In Table 1, it can be seen that the R-square value of the WOM variable is 0.708. This means that 70.8% of the variability of the WOM construct is explained by price fairness, and

service quality, while the remaining 29.2% is explained by other variables not included in the model. The hypotheses are examined based on their t-statistics or p-value, and the Alpha in this study is 0.05.

Table 2 – Direct Influence, Indirect Influence, Total Influence, and the Calculation of the VAF

Variable	Coefficient	T-Statistics (|O/STDEV|)	P Values
Direct Influence			
Price Fairness → WOM	0.502	4.508	0.000
Serv. Quality →Price Fairness	0.597	10.435	0.000
Serv. Quality → WOM	0.439	3.917	0.000
Indirect Influence			
Serv. Quality → Price Fairness → Word of Mouth	0.300	4.500	0.000
Serv. Quality → WOM	0.300	4.500	0.000
Total Influence			
Price Fairness → WOM	0.502	4.508	0.000
Serv. Quality → Price Fairness	0.597	10.435	0.000
Serv. Quality → WOM	0,739	11.878	0.000
VAF of Price Fairness □ Indirect Influence / Total Influence (0.300/0.739) = 0.406.			

Source: Computed data, 2022.

Service quality has a positive and significant influence on word of mouth. The influence of service quality on word of mouth has a correlation coefficient of 0.439 and a p-value of 0.000, which is lower than 0.05. Hence, H1 is accepted. This means that service quality has a positive and significant influence on word of mouth. This result is consistent with the research conducted by Chaniotakis and Lymperopoulos (2009), Kwun et al. (2013) and Rambe et al. (2017) which stated that service quality has a positive and significant influence on word of mouth. The higher the quality of service, the better the positive word of mouth from customers.

Service quality has a positive and significant influence on price fairness. The influence of service quality on price fairness has a correlation coefficient of 0.597 and a p-value of 0.000, which is lower than 0.05. Thus, H2 in this study is accepted. This indicates that service quality has a significant and positive influence on price fairness. This result is conformed by Torres (2014), Zaibaf et al. (2013) and Yang and Peterson (2004) who found that service quality has a significant and positive influence on price fairness. The greater the quality of the services provided, the more customers feel that the prices are reasonable.

Price fairness has a positive and significant influence on word of mouth. The influence of price fairness on word of mouth has a correlation coefficient value of 0.502 and a p-value of 0.000, which is lower than 0.05. Thus, H3 in this study is accepted. This means that price fairness has a positive and significant influence on word of mouth. This result is conformed by Wijaya (2016), Consuegra et al. (2007) and Bei and Chiao (2001) who found that price fairness has a significant influence on customer loyalty. If consumers perceive that the prices are reasonable, their word of mouth will be more positive.

The role of price fairness in mediating the influence of service quality on word of mouth. Based on the data, the VAF value is 0.406. Hence, price fairness is able to partially mediate the relationship between service quality and word of mouth. This means that with a greater quality of service provided to customers, their word of mouth behavior will be more positive through the perceived price fairness. This result is conformed by Bolton and Alba (2006) who revealed that price increases are considered more reasonable when it is due to the increase in the cost to improve quality, which in turn affects consumers' word of mouth.

CONCLUSION

The results of this study revealed that service quality and price fairness have a significant and positive influence on word of mouth. Service quality has a significant and positive influence on price fairness. Price fairness are able to partially mediate the relationship between service quality and word of mouth. The implication of this research is that to improve PT.TIKI customers' word of mouth behavior, it is necessary to pay attention to

the factors related to service quality, and price fairness. The indicator of price fairness which has the highest value is the price set by PT. TIKI. If PT.TIKI is able to provide discounts, it will increase customers' positive word of mouth, which will allow PT. TIKI to maintain and increase the number of their customers. The limitation of this research is that the research scope is limited to Denpasar City and the respondents who are customers of PT.TIKI services, therefore the results cannot be used for generalization purpose. This research was only conducted over a short period of time, while the changes in the environment can be dynamic. Future studies may conduct this research in different areas, over a different or extended period of time, or with different populations and samples.

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