



Role of Utility and Hedonic Motivations on Customer Satisfaction and Loyalty (A Study of Photographic Equipment Rental Customer in Yogyakarta)

¹Dyfan Dwitrisnat

¹Student

¹Magister of Management

¹Universitas Islam Indonesia, Yogyakarta, Indonesia

Abstract: This research is aimed to examine (1) effect of utility and hedonic on customer satisfaction and loyalty, (2) effect of customer satisfaction on customer loyalty, (3) effect of customer loyalty on electronic word of mouth (E-WOM) in the rental of photographic equipment. Research sample are 150 customers of the *Lensa Jogja* and *DIY Kamera iFrame* rental shops. Based on analysis of structural equation modeling, there is positive and significant effect of utility and hedonic motivations on customer satisfaction and loyalty. Customer satisfaction also has positive effect on customer loyalty. Further, loyal customer will do positive recommendation of product by E-WOM.

Index Terms - Utility motivation, hedonic motivation, customer satisfaction, customer loyalty, electronic word of mouth.

I. INTRODUCTION

For Photographic equipment rental business is a competitive business, especially in tourism city like Yogyakarta. It rents various photographic equipment; such as camera, lens, and other additional accessories. Each rental shop has different price and strategy to attract customer. In order to win the competition, the photographic equipment rental shops have to take customer satisfaction on the first position. They have to give specific value and satisfaction to the customer, even though there is such risk like loss of rented equipment. When customer gets value added, they will be a loyal one.

Customer loyalty is one of most important things to win the competition. It defined as degree of customer behavior to buy continuously, positive attitude on service provider, and take service provider as a main priority to fulfill their needs (Gramer and Brown, 2006). Customer loyalty is a valuable asset. When customer become loyal, they will use the goods/services continuously, at the same time, recommend it to other customer. It can give service provider the new customer. Customer satisfaction is the key to make customer be loyal. Satisfaction refers to the service quality. High quality service leads to customer repurchase behavior and (Berman and Evans, 2010). Customer loyalty and satisfaction are affected by customer motivation to use/buy the goods/services. Customer has hedonic and utility motivation. Customer motivation is the main factor for customer to make transaction.

II. LITERATURE REVIEW

2.1 Motivation

Motivation refers to explanation of intensity, direction and determination of individual to achieve certain goal (Robbins and Judge, 2015). It encourages people to do a set of activities to goal achievement (Munandar, 2001). The goal can be related either to hedonic or to utility results. Utilitarian customer behavior has orientation rational and extrinsic motivation (Babin et al., 1994). Hedonic customer behavior has orientation to joy of shopping, spending time to the shops (Japariato, 2010), self-joy which ignore the product usage (Paden and Stell, 2010; Utami, 2010), and life style needs of shopping (Kosyuh et al., 2014).

2.2 Customer Loyalty

Customer loyalty is a result of satisfaction (Jones and Sasser Jr, 1995; Oliver, 1999). Loyalty consists of brand loyalty and store loyalty. Brand loyalty refers to behavior to repurchase and reuse the same brand in any store. Store loyalty refers to behavior to repurchase and reuse any brand in the same store.

2.3 Customer Satisfaction

Customer satisfaction can be occurred after customer compares their buying experience to their expectation. Satisfaction and dissatisfaction are shown up after customer evaluates the product performance (Kotler and Keller, 2012). If product performance is below the expectation then customer will be dissatisfied, oppositely, if product performance is as the expectation then customer will be satisfied. Satisfaction indicators can be seen by repurchase and word of mouth behaviors. Repurchase behavior refers to satisfied customer behavior to buy product continuously. Word of mouth behaviors refers to satisfied customer behavior to share positive service provider image to other customer or potential customer.

2.4 Electronic Word of Mouth (E-WOM)

Word of mouth is a natural conversation to communicate certain information (Sernovitz, 2015). In context of customer behavior, word of mouth is naturally happens when customer talk about specific brand or product to other people (Kotler and Amstrong, 2008). Since technology is developed well, nowadays interactive communication between customers happen in online networking. In that case, there will be electronic word of mouth (e-WOM) as a platform to share any product informal information in internet media (Lamba and Aggarwal, 2014).

2.5 Utility Motivation, Customer Satisfaction, and Customer Loyalty

Utility value is effective when customer focuses on real function of buying product (tangible value). Tangible attribute is a result of customer cognitive stimulation which leads to customer behavior to choose specific product as they need. Perception of utility value is determined by how much customer needs that can encourage them to fulfill the shopping experience (Larasati, 2015). Utility motivation refers to customer evaluation on utility attribute of product (Blythe, 2005). Utility attribute of product leads customer to have strong commitment to repurchase the product in the future. Previous studies (Irani and Hanzaee, 2011; Husna and Lubis, 2019) show that utility motivation has positive effect on customer satisfaction and loyalty.

H1: There is positive and significant effect of utility motivation on customer satisfaction.

H2: There is positive and significant effect of utility motivation on customer loyalty.

2.6 Hedonic Motivation, Customer Satisfaction, and Customer Loyalty

Hedonic shopping is rather based on quality of shopping experience than based on product information (Dawson et al., 1990). Hedonic motivation encourage customer to do shopping as a pleasure without considers the use of product (Utami, 2010). They do shopping because it is make them feel satisfied (Paden and Stell, 2010). It leads customer to be loyal to the product by doing consistent repurchase. Previous studies (Hanzaee and Rezaeyeh, 2013; Husna and Lubis, 2019) find that hedonic motivation increases satisfaction and loyalty.

H3: There is positive and significant effect of hedonic motivation on customer satisfaction.

H4: There is positive and significant effect of hedonic motivation on customer loyalty.

2.7 Satisfaction and Loyalty

Customer satisfaction leads to harmonic relationship between customer and product provider, further, customer will do product repurchase. Loyal customer not only related to satisfaction attribute, but also related to retention and referrals behavior (Sucherly, 2007). Main base of loyalty is satisfaction where service quality is as the core input (Lovelock and Wirtz, 2011). Previous studies (Hallowell, 1996; Bloemer and de Ruyter, 1998; Kandampully and Suhartanto, 2000) find that customer satisfaction improves their loyalty.

H5: There is positive and significant effect of customer satisfaction on customer loyalty.

2.8 Loyalty and E-WOM

Word of mouth is an interpersonal communication between customers about individual experience of product and the shop (Sundaram et al., 1998; Audrain-Pontevia and Kimmel, 2008). Satisfied customer will make a recommendation from “mouth” to “mouth” which gives positive reputation of the store as well as the product. Oppositely, when customer feels dissatisfied, they remain silent and give no reaction. Word of mouth is an effective promotion of product to the potential customer. Word of mouth comes from satisfaction that felt by customer. Satisfaction encourage customer to recommends the product to others. Development of internet technology provides interactive communication between customer trough online media which called Electronic Word of Mouth (E-WOM). Previous study (Hennig-Thurau et al., 2003) finds that loyalty increases E-WOM.

H6: There is positive and significant effect of customer loyalty on E-WOM.

2.9 Research Framework

Relationship between customer motivation, satisfaction, loyalty, and E-WOM can be described in figure 1.

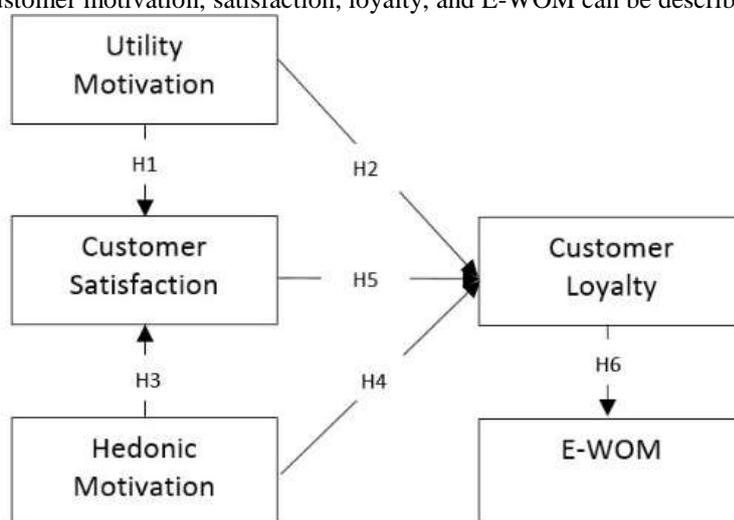


Figure 1. Research Framework

III. METHODS

3.1 Sample

This research is performed in 2 locations of photographic rental shops, which are *Lensa Jogja* and *DIY Kamera iFrame*. Research sample are customer of *Lensa Jogja* and *DIY Kamera iFrame*. Total sample are 150 customers.

3.2 Variables

Loyalty refers to repurchase behavior and recommend product to other customer (Lovelock and Wirtz, 2011). Loyalty is measured by (1) product repurchase, (2) get product recommendation from relatives or friends (3) willing to give good advice. Satisfaction is feel of happy or disappointed after evaluation of product performance (Kotler and Keller, 2012). Satisfaction is measured by (1) product quality and expectation, (2) education information, (3) competitive price. E-WOM is word of mouth communication based on online media (W.Litvin et al., 2008). E-WOM is measured by (1) willingness of giving responses on information in social media, (2) information sharing in social media, (3) story sharing of product complementary or variance. Utility motivation refers to usefulness of product (Babin et al., 1994). Utility motivation is measured by (1) suitability of customer needs, (2) suitability of customer wants, (3) solution provider. Hedonic motivation refers to joyfulness of shopping without considering about product quality (Utami, 2010). Hedonic motivation is measured (1) special experience of shopping, (2) shopping as stress release, (3) shopping for others, (4) shopping for happiness.

3.3 Data Analysis

Data analysis uses structural equation modeling. Hypotheses test is examined by seeing model coefficient with indicator of critical ratio or probability.

IV. RESULTS AND DISCUSSION

4.1 Respondent Characteristics

Table 1. Respondent Characteristics

Characteristics	Category	No. of Respondent	Percentage
Age	16-20 years old	11	7%
	21-25 years old	56	37%
	26-30 years old	64	42%
	31-40 years old	19	12%
	Total	150	100%
Gender	Male	141	94%
	Female	9	6%
	Total	150	100%
Job	Student	15	10%
	Teacher	3	2%
	Government employee	18	12%
	Private employee	71	47%
	Entrepreneurs	37	24%
	Others	6	4%
	Total	150	100%
Income	Below 500,000 IDR	8	5%
	500,000-1,500,000 IDR	12	8%
	1,500,000-2,500,000 IDR	59	39%
	2,500,000-3,500,000 IDR	63	42%
	3,500,000-4,500,000 IDR	8	5%
	Total	150	100%
Number of rent the photographic equipment	1-3 times	27	18%
	4-6 times	48	32%
	7-9 times	57	38%
	10-12 times	18	12%
	Total	150	100%

Table 1 show that mostly respondents are male between 26 -30 years old. They mostly work as private business employee with income range 1,500,000-2,500,000 IDR. Their rental transactions are mostly between 7-9 times.

4.2 Normality Test

Table 2. Normality Test

Variable	Min	max	Skew	c.r.	kurtosis	c.r.
E-WOM4	1	5	-0,513	-2,565	0,942	2,355
E-WOM 3	2	5	-0,508	-2,540	1,024	2,560
E-WOM 2	2	5	-0,467	-2,335	0,453	1,133
E-WOM 1	1	5	-0,482	-2,410	1,010	2,525
Loyalty3	3	5	-0,014	-0,070	-0,962	-2,405
Loyalty 2	2	5	-0,461	-2,305	0,690	1,725
Loyalty 1	3	5	-0,438	-2,190	-0,197	-0,493
Hedonic1	1	5	-0,464	-2,320	0,925	2,313
Hedonic 2	1	5	-0,499	-2,495	0,754	1,885
Hedonic 3	1	5	-0,48	-2,400	-0,537	-1,343
Hedonic 4	1	5	-0,515	-2,575	0,615	1,538
Satisfaction1	3	5	0,037	0,185	-0,631	-1,578
Satisfaction2	2	5	-0,445	-2,225	0,660	1,650
Satisfaction3	3	5	-0,222	-1,110	-1,031	-2,578
Utility1	3	5	0,511	2,555	0,988	2,470
Utility 2	3	5	0,458	2,290	-0,162	-0,405
Utility 3	1	5	-0,508	-2,540	0,989	2,473
Multivariate					10,253	2,470

Structural equation modeling has to fulfill data normality condition first. Normality test is examined both multivariate and univariate. Table 2 shows that value of critical ratio (c.r.) is between -2.58 to 2.58. it indicates that data is distributed normally.

Table 3. Outliers

OBSERVATION NUMBER	MAHALANOBIS D-SQUARED	P1	P2
13	33,389	0,001	0,050
8	33,378	0,001	0,051
12	33,346	0,001	0,051
9	33,305	0,001	0,051
3	33,287	0,002	0,056
24	33,277	0,002	0,056
21	33,289	0,002	0,056
4	35,241	0,006	0,063
18	32,748	0,012	0,063
117	29,208	0,033	0,063

Outlier multivariate test uses mahalanobis distance square. Since chi square in 1% significance is 33.4087, free of outliers condition take a place when value of mahalanobis is above 33.4087. Table 3 shows that there is no outlier data.

4.3 Confirmatory Test

Table 4. Confirmatory Test

Latent Variable	Indicators	Loading Factor	Loading Standard	Measurement error	AVE	CR	Notes
Utility Motivation					0.649	0.847	Reliable
	Utility1	0.779	0.607	0.393			Valid
	Utility2	0.771	0.594	0.406			Valid
	Utility3	0.864	0.746	0.254			Valid
Hedonic Motivation					0.665	0.855	Reliable
	Hedonic1	0.873	0.762	0.238			Valid
	Hedonic2	0.874	0.764	0.236			Valid
	Hedonic4	0.684	0.468	0.532			Valid
	Hedonic3	0.479	0.229	0.771			Invalid
Customer Loyalty					0.636	0.776	Reliable
	Loyalty1	0.271	0.073	0.927			Invalid
	Loyalty2	0.724	0.524	0.476			Valid
	Loyalty3	0.865	0.748	0.252			Valid
E-WOM					0.562	0.789	Reliable
	E-WOM1	0.915	0.837	0.163			Valid
	E-WOM2	0.614	0.377	0.623			Valid
	E-WOM3	0.686	0.471	0.529			Valid
	E-WOM4	0.376	0.141	0.859			Invalid
Customer Satisfaction					0.503	0.748	Reliable
	Satisfaction1	0.715	0.511	0.489			Valid
	Satisfaction2	0.819	0.671	0.329			Valid
	Satisfaction3	0.572	0.327	0.673			Valid

Data is valid when loading factor is above 0.5, while data is reliable when construct reliability is above 0.7. Table 4 shows that all variables are reliable but not all indicators are valid. Hedonic motivation indicator number 3, customer loyalty indicator number 1, and E-WOM indicators number 4 are invalid and have to be taken out from analysis.

4.4 Goodness of Fit Test

Table 5. Preliminary Goodness of Fit Test

Criteria	Result	Critical value	Notes
X ² -Chi-square	265.548	Kecil	Not fit
Probability	0.000	≥ 0.05	Not fit
RMSEA	0.137	≤ 0.08	Not fit
GFI	0.848	≥ 0.90	Not fit
AGFI	0.693	≥ 0.90	Not fit
TLI	0.802	≥ 0.90	Not fit
CFI	0.848	≥ 0.90	Not fit

Table 5 shows that model goodness of fit is not suitable for the criteria. As a solution, model is modified by connecting error co-variances.

Table 6. Final Goodness of Fit Test

CRITERIA	RESULT	CRITICAL VALUE	NOTES
X ² -CHI-SQUARE	92.556	KECIL	FIT
PROBABILITY	0.055	≥ 0.05	FIT
RMSEA	0.080	≤ 0.08	FIT
GFI	0.927	≥ 0.90	FIT
AGFI	0.915	≥ 0.90	FIT
TLI	0.920	≥ 0.90	FIT
CFI	0.944	≥ 0.90	FIT

Table 6 shows that based on goodness of fit criteria, model is fit.

4.5 Hypotheses Test

Table 7. Normality Test

	Estimate	S.E.	C.R.	Prob.
Utility Motivation ← Customer Satisfaction	0.685*	0.063	5.293	0.000
Hedonic Motivation ← Customer Satisfaction	0.277*	0.090	2.685	0.007
Customer Satisfaction ← Customer Loyalty	0.395**	0.200	1.975	0.049
Utility Motivation ← Customer Loyalty	0.815*	0.095	4.199	0.000
Hedonic Motivation ← Customer Loyalty	0.177***	0.085	1.799	0.072
Customer Loyalty ← E-WOM	0.899*	0.336	5.867	0.000
*Significant in 1%				
**Significant in 5%				
***Significant in 10%				

Table 7 shows that coefficient value of utility motivation on customer satisfaction is 0.685 (significant in 1%). It indicates that H1 is accepted. There is positive and significant effect of utility motivation on customer satisfaction. Coefficient value of utility motivation on customer loyalty is 0.815 (significant in 1%). It indicates that H2 is accepted. There is positive and significant effect of utility motivation on customer loyalty. The results are consistent with previous studies (Irani and Hanzaee, 2011; Husna and Lubis, 2019) that find utility motivation has positive effect on customer satisfaction and loyalty.

Coefficient value of hedonic motivation on customer satisfaction is 0.277 (significant in 1%). It indicates that H3 is accepted. There is positive and significant effect of hedonic motivation on customer satisfaction. Coefficient value of hedonic motivation on customer loyalty is 0.177 (significant in 10%). It indicates that H4 is accepted. There is positive and significant effect of utility hedonic motivation on customer loyalty. The results are consistent with previous studies (Hanzaee and Rezaeyeh, 2013; Husna and Lubis, 2019) that find hedonic motivation has positive effect on customer satisfaction and loyalty.

Coefficient value of customer satisfaction on customer loyalty is 0.395 (significant in 5%). It indicates that H5 is accepted. There is positive and significant effect of customer satisfaction on customer loyalty. The result is consistent with previous studies (Hallowell, 1996; Bloemer and de Ruyter, 1998; Kandampully and Suhartanto, 2000) that find customer satisfaction has positive effect on customer loyalty.

Coefficient value of customer loyalty on E-WOM is 0.899 (significant in 1%). It indicates that H6 is accepted. There is positive and significant effect of customer loyalty on E-WOM. The result is consistent with previous study (Hennig-Thurau et al., 2003) that find customer loyalty has positive effect on E-WOM.

V. CONCLUSION

Based on structural equation modeling analysis, both utility and hedonic motivations have significant effect on customer satisfaction and loyalty. Customer satisfaction also can improve customer loyalty. When customers are loyal, they will recommend the product to others with E-WOM.

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