Service Quality: An Antecedent of Customer Loyalty

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ABSTRACT

The study examined the effect of service quality and customer satisfaction on customer loyalty in the automobile sector of Gwalior region. The questionnaires were filled by car service users of various automobile service providers in Gwalior like Prem motors, AS motors, Royal Hyundai, Abhikaran Honda etc. and by applying tests like validity, reliability, factor analysis and regression it has been concluded that service quality plays an eminent role in developing customer loyalty in the automobile sector. Service Quality and Customer satisfaction contribute 87.7% to Customer Loyalty. The model used for regression has good fit as indicated by F-value 354.735 which is significant at 0% level of significance indicating a high predictability of model. The relationship between Service Quality as independent and Customer Loyalty as dependent variable is indicated by standardized coefficient Beta with a value of 0.936. The significance of beta is tested using T-test indicating significant relationship between Customer Loyalty and Service Quality but insignificant in case of Customer Satisfaction. This study reflects the high degree of correlation between service quality as independent variable and customer loyalty as dependent variable.

Keywords----- Service Quality, Customer Satisfaction, Customer Loyalty, Automobile Industry.

I. INTRODUCTION

Present epoch has strained the service providers to reframe their concepts and philosophies. With an incredible increase in the knowledge and awareness of customer, there is a need for service provider to ponder over the policies and strategies adapted for providing services. To bring the fact that after sales service are highly profitable for any Automobile Manufacturing Unit as compared to selling a new one (Little, 2015). But there is continuous decrease in this profit percent too. This verity clear an illusion from the mindset of the service provider that making a customer is easy but retaining is far complex.

As per the report of Capgemini Consulting, India is a leftout country by Western European car manufacturers. However, top three automobile leaders in India holds three fourth of the market share i.e. Maruti Suzuki, Tata Motors and Hyundai. And another amazing facts that aftermarket volume is about 2 billion euros which is quite large as compared to Western European companies. TCS a unit of Tata Motors, one of the leading automobile company of India mentioned that After sales service contributes significantly to the topline and bottom-line of automotive companies. Focus on after sales service and enhanced customer experience helps companies retain customers, who in turn contribute to the profitability. Fazlizadeh (2011) conducted a study in Iran using 302 respondents and confirmed that after sales service quality is positively related to satisfaction and satisfaction is positively related to behavioural intentions. Stan (2015), mentioned that switching cost, Store image and Perceived value is another factor affecting loyalty whereasBloemer and Ruyter (1998) contradicted the same.

II. REVIEW OF LITERATURE

Omar et al.,(2009) in their researched that “Parents’ Perceived Service Quality, Satisfaction and Trust of a Childcare Centre and its Implication on Loyalty” They explored the relationship between satisfaction, trust and loyalty and stated that perceived service quality is positively related to parent satisfaction and trust & in turn satisfaction is the most influential determinant of trust and explains that trust holds a pre--eminent role in the formation of loyalty. They also stated that satisfaction has no direct impact on loyalty. Urban (2003) stated that customer power is growing & explains how a company
should respond to the customers. Today customers will reciprocate with their trust, purchases, and an enduring loyalty. He explains if customers trust the company, they will tell others about the positive partnership. He suggested the customer advocacy in which trust is the base and given importance on customer relationship management.

On the contrary Ouyang (2010) explained that the service quality and the customer satisfaction did not have a direct effect on customer loyalty, they did have an indirect influence on customer loyalty via the trust relations and the customer degree of satisfaction. A Research by Centre for the study of social policy (2007) on Customer Satisfaction enlightened about the importance of customer satisfaction and service quality & research identifies that service quality is so important for customers. Nasoikhiedinnah Che Ha and Nor Haya Hashim (2007) in their research on Malaysian Banks stated that the key to success in services marketing is brand and considered as powerful assets that can lead to customer satisfaction and customer loyalty.

Pirc (2008) in his dissertation on “Determinants, contexts, and measurements of customer loyalty” addresses how determinants differ in their influence on customer loyalty and explains different determinants for loyalty in his dissertation. Kuusk (2007) studied the influence of various factors on customer loyalty and by the help of his survey analyzed four major factors that affect the loyalty that are satisfaction, trustworthiness, image and importance of relationship and their role on loyalty. Bhati (2006) focused on one specific aspect of lending relationship - the relationship between branch manager and loan officer of bank branches in India this framework based on trust. Grewal et al. (2010) found that at the bottom line, service quality and advertising have dual effects on customer satisfaction level and heterogeneity. Consequently, it is important for academics and managers to recognize not only that firm tactics and strategies affect customer judgments, such as satisfaction, but also the heterogeneity in this market place asset. Hekman et al. (2010) also examined the biases which may influence customers satisfaction evaluations and produce discriminatory judgments for minority and female.

Bedi (2010) indicated that service quality is a significant determinant of customer satisfaction and found different dimensions of service quality to be statistically significant. Hernon et al. (1999) in their study on “Service Quality and Customer Satisfaction: An Assessment and Future Directions” showed the importance of analysis of service quality and customer satisfaction and explain the importance of Service quality which is to be understood. They explained the linkage of service quality and customer satisfaction and showed that satisfied and delighted customer fosters customer loyalty supported by Bobalca (2014).

Jinsook Cho and Haiyan Hu (2009) explored that the service quality offered has a significant effect on consumer trust which in turn influences consumer commitment and indicate some generational variability in the relationship between service quality, trust and commitment. Their study established the significant role that service quality plays in forming customer trust. They showed that empathy and reliability exert the most significant influences on trust, followed by assurance, while tangibility had insignificant direct effects on trust. Chiu Liang and Hui Chen (2009) stated that customer loyalty is harder to achieve and explained that higher the service quality and the customers will have greater willingness to maintain, deepen and broaden their relationship. They examine the relationship between quality, customer satisfaction, customer trust and customer relationship length, depth and breadth and explained that quality is the most important factor in enhancing relationship length, and service quality contribute a lot to relationship depth and breadth.

Williams (2007) in his study on “Building Genuine Trust Through Interpersonal Emotion Management: A Threat Regulation Model Of Trust And Collaboration Across Boundaries” has examined that threat regulation as a specific dimension of interpersonal emotion management that fosters trust and effective cooperation and proposed that threat regulation builds and maintains trust not only by influencing emotion, an antecedent to trust, but also by signaling one’s own trustworthiness, demonstrating one’s social competence (e.g. interpersonal understanding), and making a social emotional investment that fosters trustworthy behavior.

Iba et al. (2006) studied antecedents of Customer Loyalty in Residential Energy Markets and explained that service process quality is a ‘satisfying’ or ‘motivating factor’, given its potential to enhance residential customer satisfaction and indicate that significant effects only of service process quality on satisfaction and, indirectly, on customer loyalty. They suggested that to enhance customer satisfaction it is necessary to concentrate on service process quality. They also showed the dependence of the loyalty much on trust and switching costs as on customer satisfaction. They argued that customer satisfaction is necessary, but not sufficient to predict customer loyalty.

Parasuraman et al. (1985) confirmed that there are ten dimensions that consumers use in forming expectations about the perceptions of service, dimensions that transcend different types of services. They also explained the four gaps from service providers’ side that is likely to affect service quality as perceived by consumers. They suggested a service quality model that is helpful in empirical research.

III. OBJECTIVES OF STUDY

- To evaluate and standardize a measure for evaluating service quality, customer satisfaction and customer loyalty.
To evaluate the underlying factors of service quality, customer satisfaction & customer loyalty.
To evaluate relationship between service quality, customer satisfaction & customer loyalty.

IV. RESEARCH METHODOLOGY

The Study: The study was exploratory in nature with survey method used to complete the study. Sampling Design: Population was Automobile users from Gwalior region, Data was collected through personal contacts so frame was the consumers of Automobile services, and Individual respondents were the sampling element. Non Probability sampling technique was used to collect the data and sample size was 100. Self designed questionnaires were used to evaluate their relationship between service quality, customer satisfaction and customer loyalty.

Tools Used For Data Analysis: The measure was standardized through computation of reliability and validity. Factor analysis was applied to identify the underlying factors of factors responsible for service quality, customer satisfaction and customer loyalty. Regression test was applied to find out the relationship between service quality, customer satisfaction and customer loyalty.

V. RESULTS & DISCUSSION

Reliability and Validity Measure
Cronbach’s Alpha method was used on each variable separately to calculate reliability and found as per recommended values. Wherein Alpha for Service Quality was 0.866, for Customer Satisfaction it was 0.693 and for Customer Loyalty it was found to be 0.772. The face validity was also found to be high. Kaiser-Meyer-Olkin Measure of Sampling Adequacy for all three variables was found as per recommended value and Bartlett’s Test was also found to be significant. Face validity was checked and found to be high.

<table>
<thead>
<tr>
<th>Service Quality</th>
<th>Factor No.</th>
<th>Eigen Value</th>
<th>Factor Name</th>
<th>Var. No.</th>
<th>Statements</th>
<th>Variance Noted</th>
<th>Loads</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>42.9</td>
<td>Swiftness</td>
<td>11</td>
<td>All the information is given to us in case of any delays</td>
<td>42.902</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9</td>
<td>Giving users individual attention</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td>Providing service at the promised time</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td>Dependability in handling users service problems</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>The centre uses Modern Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12</td>
<td>Employees are expert and well trained</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
<td>Prompt service to users</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>Providing service as promised</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8</td>
<td>Courteous staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>10.48</td>
<td>Precision</td>
<td>6</td>
<td>Willingness to help users</td>
<td>53.377</td>
<td>0.904</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
<td>Keeps its records accurately</td>
<td></td>
<td>0.426</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>8.299</td>
<td>Responsiven</td>
<td>13</td>
<td>Employees are fair in dealing with the original parts</td>
<td>61.676</td>
<td>0.815</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>ness</td>
<td>7</td>
<td>Readiness to respond to users requests</td>
<td></td>
<td>0.581</td>
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</table>

<table>
<thead>
<tr>
<th>Customer Satisfaction</th>
<th>Factor No.</th>
<th>Eigen Value</th>
<th>Factor Name</th>
<th>Var. No.</th>
<th>Statements</th>
<th>Variance Noted</th>
<th>Loads</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>27.856</td>
<td>Consistent</td>
<td>4</td>
<td>Reliability of service provider</td>
<td>27.856</td>
<td>0.978</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9</td>
<td>The service provider is sound in its technical support</td>
<td></td>
<td>0.978</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>On-time delivery of car after service</td>
<td></td>
<td>0.911</td>
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</tbody>
</table>
VI. DESCRIPTION OF FACTORS

Swiftness is a synonym for quickness may be defined as the quick response which is given by the firm to its customer. It has been emerged as a most important factor in case of service quality. This is studied by Locobucci et al (1995). It is having eigen value 42.902. Precision: Precision refers to the chances of occurring of errors in the service which they are providing or meeting the expectation also studied by Locobucci et al (1995). Its eigen value is 53.377. Responsiveness as mentioned by Jhonston (1995) as a satisfier of service quality. Responsiveness is the quickness to respond to the customer expectancy. Its eigen value is 8.299. Consistent (Parasuraman et al.,1985) has been emerged as a most important factor in case of Customer Satisfaction. Consistency shows that there is no variation in the service provided and having similar results. Its eigen value is 27.856. Fairness as mentioned by Pan et al. (2008) had eigen value of 16.169. Transparency: Transparency refers to the clarity in the policies and rules and regulation of the company towards its customers. Its eigen value is 11.949. Handiness: Handiness means the skill of the employees to handle the situation and customers so well. Its eigen value is 9.447. Trustworthiness studied by Bobalca (2014), has been emerged as a most important factor in case of Customer Loyalty. Trustworthiness is the major factor which emerged for the loyalty. Its eigen value is 48.571. Unceremonious: Unceremonious shows the relationship between the service provider and customer. Its eigen value is 17.234.

VII. REGRESSION ANALYSIS

The regression is calculated by taking the total of service quality, customer satisfaction, and customer loyalty where service quality and customer satisfaction are taken as independent variable and customer loyalty is taken as the dependent variable.
## Results of Multiple Regression

### Multiple regression between service quality, customer satisfaction and Customer loyalty

#### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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<tbody>
<tr>
<td>1</td>
<td>.938a</td>
<td>0.88</td>
<td>0.877</td>
<td>1.70503</td>
</tr>
</tbody>
</table>

  a. Predictors: (Constant), Satisfaction, Quality  
  b. Dependent Variable: Loyalty

#### ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>2</td>
<td>1031.259</td>
<td>354.74</td>
<td>.000a</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>97</td>
<td>2.907</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Total</td>
<td>99</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

  a. Predictors: (Constant), Satisfaction, Quality  
  b. Dependent Variable: Loyalty

#### Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>0.35</td>
<td>1.781</td>
<td>0.19</td>
</tr>
<tr>
<td></td>
<td>Quality</td>
<td>0.48</td>
<td>0.018</td>
<td>0.936</td>
</tr>
<tr>
<td></td>
<td>Satisfaction</td>
<td>0.01</td>
<td>0.037</td>
<td>0.013</td>
</tr>
</tbody>
</table>

  a. Dependent Variable: Loyalty

Y = a +bx +cz+ ε  
Y = -0.346+ 0.476x+ 0.013z+ ε  
Y = Customer Loyalty (dependent variable)  
x= Service Quality (independent variable)  
z= Customer Satisfaction (independent variable)  
ε= error

The value of adjusted R square is 87.7% that indicates independent variables Service Quality and Customer satisfaction explains 87.7% variance in dependent variable Customer Loyalty. In another words Service Quality and Customer satisfaction contributes 87.7% to Customer Loyalty which means other factors also contribute to customer retention and total percentage contributed by all the other factors together is 12.3%.

The model used for regression has good fit as indicated by F-value 354.735 which is significant at 0 % level of significance indicating a high predictability of model.

The relationship between Service Quality and Customer Satisfaction as independent and Customer Loyalty as dependent variable is indicated by standardized coefficient Beta with a value of 0.936 and 0.013 respectively. The significance of beta is tested using T-test indicating significant relationship between Customer Loyalty and Service Quality but insignificant relationship between Customer Loyalty and Customer Satisfaction.

### VIII. CONCLUSION

The study examined the effect of service quality and customer satisfaction on customer loyalty in automobile sector of Gwalior region. The questionnaires were filled by service users of various automobile service providers in Gwalior eg. Prem motors, AS motors, Royal Hyundai, Abhikaran Honda etc. and by applying test like validity, reliability, factor analysis and regression. It has been concluded that service quality play a eminent role in developing customer loyalty in Automobile sector. This study reflects the high degree of correlation between service quality as independent variable and customer loyalty as dependent variable but insignificant relationship between Customer Loyalty and Customer Satisfaction. The Findings of the study is supported by Pan et al. (2008).
REFERENCES


