

ASSESSING THE IMPACT OF SERVICE QUALITY ON CUSTOMER LOYALTY USING MODEL ENHANCED OF KITAPCI

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Abstract

Customer loyalty is increasingly prime factor determining the long-term financial performance in competitive markets and especially when facing a difficult economic situation, such as the global recession has become a major target for companies. The aim of this study is assess the impact of service quality on customer loyalty using model enhanced of Kitapci. This study in terms of purpose is applied and in term of the method is descriptive from type correlational; and in terms of data collection is considered field research. The results of the analysis of data using structural equation modeling indicate that all hypotheses have been confirmed but the impact of reliability on customer satisfaction has been rejected. Based on these findings it can be concluded that with increasing levels of service quality can be increased customer loyalty.

Keywords: Customer Loyalty, Customer Satisfaction, Service Quality

1. Introduction

Increase customer loyalty has strategic importance for companies, because the loyal customers have more profits for company and negative aspects of the company are more tolerant for them (Melnyk, 2014). In today's competitive environment, one of the main goals of service marketers is acquiring, maintaining and improving its market share and customer retention in order to develop a sustainable competitive advantage using its marketing efforts. since customers often are not satisfied from value and quality of the receive services, the cost of attracting a new customer is five times the cost of retaining an existing customer (Gilaninia & et al, 2013a; Gilanini & et al,2014) Thus, in the discussions of marketing management, ensuring customer loyalty and gain the benefits of increased customer life are very important. Especially in the field of services, customer loyalty formally is becoming one of the important factors in business operations (Lin, 2012). In general, customer profitability in competitive markets is more difficult (Kaura, 2013). There is no doubt that the value of continued customer loyalty is the most important thing for each company (Dong & et al, 2014).

Statement of Problem

All customers to companies and agencies are not in a range. Customers with spend more money to buy goods and services, are more consideration for company and a competitive advantage. Several studies have shown that increasing the frequency of customers purchase will be lead to higher profits for the companies (H. Lee, Choi, & Kang, 2009). Consumer behavior is

a psychology process (Gilaninia & et al, 2013b; Ghasemi & Gilaninia, 2015). Roos & Gustafsson (2007) stated that growing competition in the global market and pressure from international economic environment has led that repurchase intention become even the most important organizational goal (Roos & Gustafsson, 2007) and many scientists are looking for predictor variables and effective on repurchase intention of customers and consumers (Spiros Gounaris, 2013). Repurchase intention can be defined as: budget allocated of customers for the repurchase of a product or service that is designed by the company and previously had been bought from the same company (Hellier et al., 2003). Many researchers suggest that repurchase intention is the epitome of customer loyalty. Of course customer loyalty has factors and other components as well but repurchase intention will have the most profit for the company (Zhang et al., 2011). On the other hand popularity of word of mouth advertising is becoming a key factor in business and can create a sense of trust among potential customers (Gauri, Bhatnagar, & Rao, 2008). Word of mouth communication has unprecedented speed of diffusion and high (Cheung & Thadani, 2012). Chevalier & Mayzlin (2006) expressed that existing literature about marketing and economics consider word of mouth advertising or in terms of communication between customers as possible guidance of the consumer in decision-making process. However, some studies of word of mouth advertising have been used as a tool to measure the success of the product (Chevalier & Mayzlin, 2006). Of course, word of mouth advertising can have the negative impact on the companies' sales. It should be stated that in comparison with positive e-WOM, negative e-WOM has very strong impact on the purchase decision making. Chang, Lai, & Hsu (2012) noted that messages related to online complaints, easily and quickly transferred to a high volume of potential consumers (Chang, Lai, & Hsu, 2012) that can led to irreparable damage on reputation of organizations and companies.

In online communication environment, consumers can get information about electronic-word of mouth advertising from different areas such as blogs, search engines, virtual communities, and consumer review systems. Electronic-word of mouth advertising is very important sources that a consumer can receive information about the quality of services or products (Gu, Tang, &Whinston, 2013). Experiences show that consumers tend to accept electronic-word of mouth advertising that is shared by even strangers; in particular, this is more heavily in negative word of mouth advertising. Of course group of consumers have doubt to credibility of the positive and negative electronic word of mouth advertising, because in such communication, listener doesn't have exact information about the hidden motives of stranger writer or speaker (Chatterjee, 2001). Of course loyalty can crystallize as other forms in consumer behavior, for example, the use of other products that are produced by the same brand and or recommend others to buy from the brand. All of them are strong and credible signs for the existence of consumer's loyalty.

According to the subjects stated, it is vital that is detected effective factors on customers' repurchase intention and word of mouth advertising. Customer satisfaction is one of cases led to this happen (Pappas et al., 2014). Today, base is that the issue of customer satisfaction is considered as the goal of company. Customer satisfaction is not an imagination, but is part of the life of companies and such as corporate culture, information technology and strategic planning, is an integral part of company. But today the main focus of modern marketing theory and practice is to provide satisfaction and create value for the customer rather than the customer search for products, because be attracted to the product or service provided. Since the most

important tasks of the business sector within each country is distribution of goods in society, one way of the internal distribution system reform is to create quality products. In order to advance organizational goals the understanding and prediction of customer needs is very important. Therefore, it is important to investigate and identify indicators of customer loyalty that loyalty or lack of loyalty is determining the success or failure of firms (Hamidizadeh & et al, 2009).

In this study, researchers sought to examine the effect of quality dimensions of service, including empathy, reliability, responsiveness, tangibility and assurance, due to components customer satisfaction on customer loyalty (repurchase intention and word of mouth advertising) that each of these dimensions is defined as follows:

Tangibility: the physical facilities and staff appearance.

Reliability: The ability to perform promised service.

Responsiveness: Willingness to help customers and provide speedy service.

Assurance: Knowledge and courtesy of employees and their ability to create a sense of trust and confidence in customers.

Empathy: Care and individual attention of company to their customers.

Conceptual model of this study is shown in figure (1):

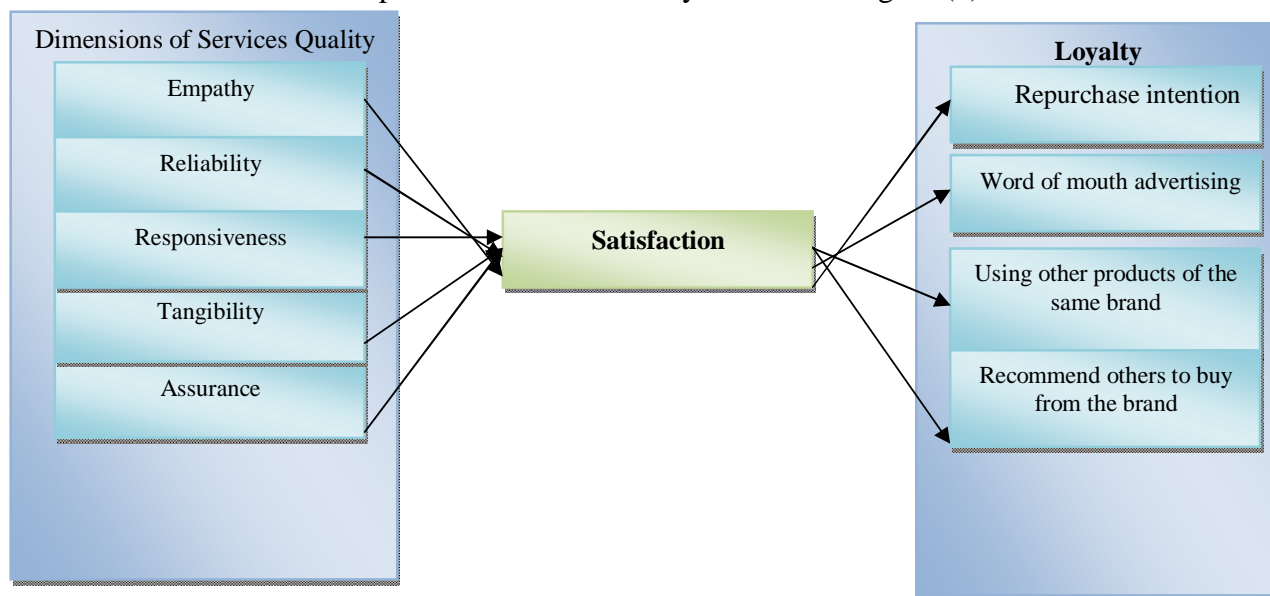


Figure 1: model Enhanced of Kitapci & Gilaninia, 2015

According to the conceptual model, the main objective of this study is to answer this key question that does dimensions of service quality affect customer loyalty by satisfaction?

Overall, surveying in management system of chain stores were found that their fundamental problem is the persistence and survival of store in view of customers and they are looking to solve this problem that how to increase the dimensions of service quality affect customer satisfaction and ultimately their loyalty and by having more customers will have higher profitability.

Research Hypotheses

1. Empathy has an impact on customer satisfaction.
2. Reliability has an impact on customer satisfaction.
3. Responsiveness has an impact on customer satisfaction.
4. Tangibility has an impact on customer satisfaction.
5. Assurance has an impact on customer satisfaction.
6. Customer satisfaction has an impact on customer repurchase intention.
7. Customer satisfaction has an impact on word of mouth advertising.
8. Customer satisfaction has an impact on using other products of the same brand.
9. Customer satisfaction has an impact on Recommend others to buy from the brand.

Research Methodology

This study in terms of purpose is applied and in term of the method is descriptive from type correlational; and in terms of data collection is considered field research. Statistical population in this study is customers of chain stores in Rasht-Iran. Samples of chain stores selected include Refah, Eteka, Najm, Khaneh and Kashaneh in Rasht. It should be noted, sampling method in this study, a non-probability sampling and convenience. Sample size in this study was obtained 401 using the formula. Questionnaire was used to carry out field studies. Cronbach's alpha method is used to test the reliability of the questionnaire. Given that Cronbach's alpha coefficient was obtained more than 70% so questionnaire has been reliable. Research hypotheses were tested using structural equation modeling.

Research Findings

1. The research model in standard mode

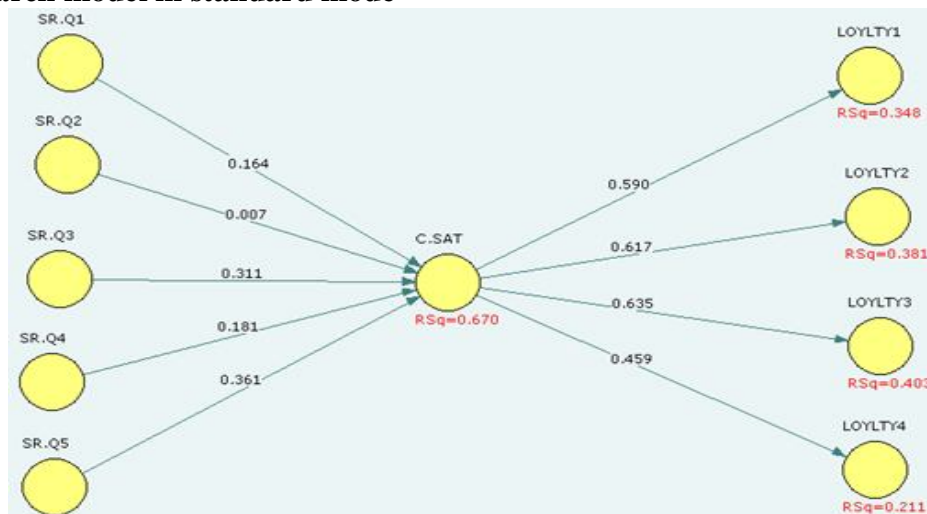


Fig 2: Testing research model (standard mode)

Figure (2) represents the relationship between the variables together.

4.7.2) studying research model in significant numbers

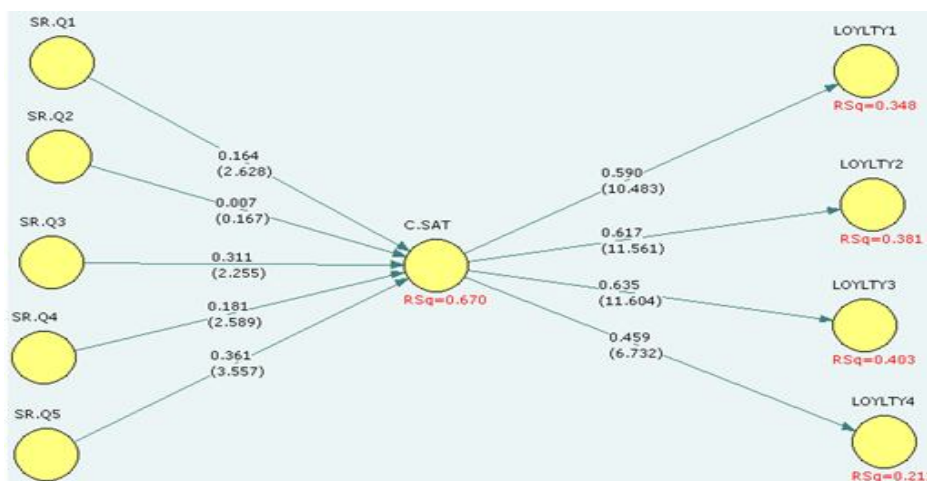


Figure 3: Testing research model (significant mode)

Using this mode can discovered significant relationship between variables. In this mode numbers will be significant that be out of Interval (-1.96 & 1.96). This means that if the t-test number be between 1.96 and -1.96 thus will be meaningless.

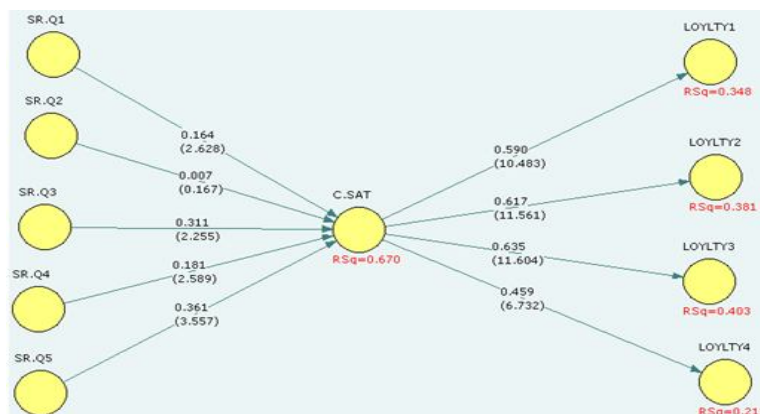
4-8- Analysis of direct and indirect paths obtained from structural model of research

Table of direct and indirect impacts of model variables is shown in below table.

Table 1) results of path analysis in structural model

Path	direct impact	Indirect impact
Empathy → satisfaction → repurchase intention	---	0.09
Empathy → satisfaction → word of mouth advertising	---	0.1
Empathy → satisfaction → using other products of the same brand	---	0.1
Empathy → satisfaction → Recommend others to buy from the brand	---	0.07
Reliability → satisfaction → repurchase intention	---	N.S
Reliability → satisfaction → word of mouth advertising	---	N.S
Reliability → satisfaction → using other products of the same brand	---	N.S
Reliability → satisfaction → Recommend others to buy from the brand	---	N.S
Responsiveness → satisfaction → repurchase intention	---	0.18

Responsiveness → satisfaction	word of mouth advertising	---	0.19
Responsiveness → satisfaction	→ using other products of the same brand	---	0.20
Responsiveness → satisfaction	→ Recommend others to buy from the brand	---	0.14
Tangibility → satisfaction	→ repurchase intention	---	0.10
Tangibility → satisfaction	→ word of mouth advertising	---	0.11
Tangibility → satisfaction	→ using other products of the same brand	---	0.11
Tangibility → satisfaction	→ Recommend others to buy from the brand	---	0.08
Assurance → satisfaction	→ repurchase intention	---	0.16
Assurance → satisfaction	→ word of mouth advertising	---	0.22
Assurance → satisfaction	→ using other products of the same brand	---	0.23
Assurance → satisfaction	→ Recommend others to buy from the brand	---	0.16
satisfaction → repurchase intention		0.59	---
satisfaction → word of mouth advertising		0.61	---
satisfaction → using other products of the same brand		0.63	---
satisfaction → Recommend others to buy from the brand		0.45	---



4-9) Examining Hypotheses

1. Empathy has an impact on customer satisfaction.

According to a structural model of research observed that t-value between two variables empathy and customer satisfaction are equal to 2.62 and is significant because it is out of interval (-1.96 & 1.96) and thus hypothesis is confirmed and the amount of effect is equal to 0.164.

2. Reliability has an impact on customer satisfaction.

According to a structural model of research observed that t-value between two variables reliability and customer satisfaction are equal to 0.167 and is significant because it is in interval (-1.96 & 1.96) and thus hypothesis is rejected.

3. Responsiveness has an impact on customer satisfaction.

According to a structural model of research observed that t-value between two variables responsiveness and customer satisfaction are equal to 2.25 and is significant because it is out of interval (-1.96 & 1.96) and thus hypothesis is confirmed and the amount of effect is equal to 0.311.

4. Tangibility has an impact on customer satisfaction.

According to a structural model of research observed that t-value between two variables tangibility and customer satisfaction are equal to 2.58 and is significant because it is out of interval (-1.96 & 1.96) and thus hypothesis is confirmed and the amount of effect is equal to 0.181.

5. Assurance has an impact on customer satisfaction.

According to a structural model of research observed that t-value between two variables assurance and customer satisfaction are equal to 3.55 and is significant because it is out of interval (-1.96 & 1.96) and thus hypothesis is confirmed and the amount of effect is equal to 0.361.

6. Customer satisfaction has an impact on customer repurchase intention.

According to a structural model of research observed that t-value between two variables customer satisfaction and customer repurchase intention are equal to 10.48 and is significant because it is out of interval (-1.96 & 1.96) and thus hypothesis is confirmed and the amount of effect is equal to 0.590.

7. Customer satisfaction has an impact on word of mouth advertising.

According to a structural model of research observed that t-value between two variables customer satisfaction and word of mouth advertising are equal to 11.56 and is significant because it is out of interval (-1.96 & 1.96) and thus hypothesis is confirmed and the amount of effect is equal to 0.617.

8. Customer satisfaction has an impact on using other products of the same brand.

According to a structural model of research observed that t-value between two variables customer satisfaction and using other products of the same brand are equal to 11.60 and is significant because it is out of interval (-1.96 & 1.96) and thus hypothesis is confirmed and the amount of effect is equal to 0.635.

9. Customer satisfaction has an impact on Recommend others to buy from the brand.

According to a structural model of research observed that t-value between two variables customer satisfaction and Recommend others to buy from the brand are equal to 6.73 and is significant because it is out of interval (-1.96 & 1.96) and thus hypothesis is confirmed and the amount of effect is equal to 0.459.

Conclusion and Recommendations

The results of the analysis of data using structural equation modeling indicate that all hypotheses have been confirmed but the impact of Reliability on customer satisfaction has been rejected. Based on these findings it can be concluded that with increasing levels of service quality can be increased customer loyalty. According to the results of testing hypotheses the following recommendations are offered:

- A) equipment used in stores updated and by studying the latest technological developments be act to update equipment;
- B) by holding supplementary training courses for the staff, they were taught the best ways to deal with the client; and in addition to this training, is explained the impact of staff behavior on individual performance and organizational.
- C) About job satisfaction is recommended that by studying other chain stores, various circles of services completed because customers feel that can receive a complete service from chain store.

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