

The Influence of Service Quality on Service Loyalty Case Study: Irangate Company

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Abstract

Obtaining the loyalty of the customer has become a basic objective in e-commerce. The purpose of this study is to analyze the effects of service quality on customer loyalty. This goal has been followed by measuring the quality of the services provided by a website in 4 dimensions (usability, information quality, interaction quality and overall impression) and examining its impact on customer loyalty. This study can be considered as an applied research from purpose perspective and descriptive-survey with regards to the nature and method (type of correlation). Responders to the questionnaire were randomly selected customers of Irangate Company who have used this company's online retailing services between April and July 2012. Finally the data was analyzed by SPSS software. The results indicate that there is a strong relationship between service quality and customer loyalty.

Keywords: Service quality, WEBQUAL, Service loyalty, SERVLOYAL.

1. Introduction

The business world has changed tremendously with the development of information technology. Both the technology of doing business and the technology of managing business drive the dynamic shifting of value chains in the current market, creating seemingly unlimited opportunities for e-commerce. Success of a service provider depends on the high quality relationship with customers (Panda, 2003) which determines customer satisfaction and loyalty (Jones, 2002 as cited by Lymperopoulos et al., 2006).

Research has shown repeatedly that service quality influences organizational outcome such as performance superiority (Poretla & Thanassoulis, 2005), increasing sales profit (Levesque & Mc. Dougal, 1996; Kish, 2000; Duncan & Elliot, 2002) and market share (Fisher, 2001), improving customer relations, enhance corporate image and promote customer loyalty (Newman, 2001; Szymigin & Carrigan, 2001; Caruana, 2002; Ehigie, 2006). Furthermore, service quality and customer satisfaction were found to be related to customer loyalty through repurchase

intentions (Levesque & Mc. Dougall, 1996; Newman, 2001; Caruana, 2002). Delivering quality service to customers is a must for success and survival in today's competitive markets.

2. Literature Review

2.1 Service Quality

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Wisniewski, 2001). There are a number of different "definitions" as to what is meant by service quality. One that is commonly used defines service quality as the extent to which a service meets customers' needs or expectations (Lewis and Mitchell, 1990; Dotchin and Oakland, 1994a; Asubonteng *et al.*, 1996; Wisniewski and Donnelly, 1996). Service quality can thus be defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman *et al.*, 1985; Lewis and Mitchell, 1990).

Always there exists an important question: why should service quality be measured? Measurement allows for comparison before and after changes, for the location of quality related problems and for the establishment of clear standards for service delivery. Edvardson *et al.* (1994) state that, in their experience, the starting point in developing quality in services is analysis and measurement. The SERVQUAL approach, which is studied in this paper is the most common method for measuring service quality.

2.2 Webqual

To date, academia and business have tried to develop scales for measuring website service quality (Zeithaml, 2002; Wolfinbarger and Gilly, 2003; Parasuraman, 2004; Gounaris and Dimitriadis, 2003). The majority of the validated and scientifically developed scales are based on the Technology Acceptance Model and feature website usability, informativity, design, technical characteristics, functionality and safety of use, etc. (Zeithaml, 2002; Loiacono *et al.*, 2002; Rice, 1997; Liu and Arnett, 2000; Szymanski and Hise, 2000; Yang *et al.*, 2001; Wolfinbarger and Gilly, 2003; Yang *et al.*, 2005). There are, however, different approaches towards assessing website service quality. For example, Chen and Wells (1999) developed a scale for measuring website quality based on three website quality criteria: entertainment, informativeness and organisation (website structure). Huang (2004) developed a Web performance scale based on website quality perceptions of consumers, which refers to hedonic aspects of website quality (fun, playfulness and pleasure associated with the website's use). Yoo and Donthu (2001) have developed the SITEQUAL scale to measure the perceived quality of an online shop. This led to a nine-item scale of four dimensions: ease of use, aesthetic design, processing speed and security.

There are a number of methods that allow the measurement of a company's online service quality as perceived by its on-going customers. The best-known method is WEBQUAL, developed by Loiacono, Watson, and Goodhue (2002). It is developed based on the conceptual background of the Theory of Reasoned Action (TRA) and the Technology Acceptance Model (TAM). The main idea behind the use of WEBQUAL is that it is possible to predict the re-visit/re-use behavior of web users based on their perceptions of overall website quality. The instrument consists of four constructs, namely *usefulness*, *ease of use*, *entertainment*, and *complimentary relationship*, which include a range of website dimensions, each of which is evaluated by a website visitor according to his/her perceptions of website quality (Loiacono, Watson, and Goodhue, 2002).

WEBQUAL measures the perceptions of website visitors who use various website quality attributes (such as functionality, appearance of user interface, technical characteristics, etc.). Parasuraman (2004) suggests this approach can be misleading since the results of such ratings can be high on service attributes, but do not reveal important service shortcomings, because they do not consider the complex nature of customer service expectations. It is suggested a customer does not have a single "ideal" level of expectations, but his expectations are rather outlined by an interval, "zone of tolerance", out-bounded on the top level by the "desired service" situation, which "customers believe can and should be delivered", and on the bottom level by "adequate service", which is a minimal acceptable level of customer service. Furthermore, several important initial instrument dimensions – "Customer Service" and "Functional fit-to task" – were eliminated in WEBQUAL after instrument validation procedures. It is arguable whether such elimination was appropriate, considering the importance of these website quality criteria reported in the literature.

Parasuraman and Zinkhan (2002) and Zeithaml, Parasuraman and Malhorta (2002) express a similar view of WEBQUAL, highlighting that this instrument focuses mostly on the technical quality of the website itself, rather than with the provision of service quality through the website. They also point out that in a buying situation, when the user is typically goal-oriented and motivated by an intention to purchase a product or service, the entertainment-related criteria of the website, such as Flow or innovatively dimensions of WEBQUAL, are not relevant. Zeithaml, Parasuraman and Malhorta (2002) suggest that WEBQUAL is the scale that is mostly usable for web designers, who need to determine ways of improving a website to positively affect the interaction perceptions of users.

WEBQUAL is concerned with a website more as an independent instrument of a company in delivering service quality to customers.

2.3 Service Loyalty (SERVLOYAL)

Since service is peculiar that involves personal encounter and also has a bit of perceived risk in the consumption of the same, the measurement of loyalty has become a subject for discussion from a radically different perspective from that of a product loyalty. The term loyalty has been defined as a degree of continuity in patronage, customers' disposition in terms of preferences

and intentions and a psychological process resulting in brand commitment. Further, different measures of service loyalty have been utilized in different industries. While more number of articles on the measurement of SERVLOYAL is in extant for a retail banking service than for any other service sector, it was construed imperative by the authors to develop an all encompassing measurement for SERVLOYAL in utilizing the various ingredients that would reflect the SERVLOYAL construct.

SERVLOYAL is conceptualized as an interaction of attitude and behavior such that the behavior (loyalty) is determined by the strength of relationship between relative attitude and repeat patronage. Extending this, the loyalty dimensions or concepts are to include behavioral, attitudinal and cognitive processes. The attitudinal dimensions of loyalty were to include attributes such as word-of mouth, complaining behavior and purchase intentions. The behavioral loyalty measures include attributes such as brand allegiance, price elasticity, share of category (number of times a brand is purchased in a given period) and price until switching. The cognitive loyalty component includes attributes like preference to the service organisation, the belief that the service organisation provides best offer and suiting customer needs. But it should be mentioned that the loyalty dimension is to also include factors such as commitment and trust attributes, even though the utility of these constructs by Luarn and Lin was meant to consider them as antecedents to loyalty rather than components of loyalty. Based on the review of the aforesaid earlier studies, the authors identified the SERVLOYAL constructs into the following seven dimensions for scale construction process.

1. Behavioral dimension
2. Attitudinal dimension
3. Cognitive dimension
4. Conative dimension
5. Affective dimension
6. Trust dimension
7. Commitment dimension

3. Conceptual Model and Hypotheses

By considering previous researches it was finally assumed that there is a relationship between service quality and service quality. To test this hypothesis, service quality is measured by using WEBQUAL and its 4 factors, and service quality is measured by asking the behavior of customers. The hypotheses of this research are presented below:

H1: There is a positive relationship between **usability** and service loyalty in Irangate Company.

H2: There is a positive relationship between **information quality** and service loyalty in Irangate company.

H3: There is a positive relationship between **interaction quality** and service loyalty in Irangate company.

H4: There is a positive relationship between **overall impression** and service loyalty in Irangate Company.

So the conceptual model of this research is as below:

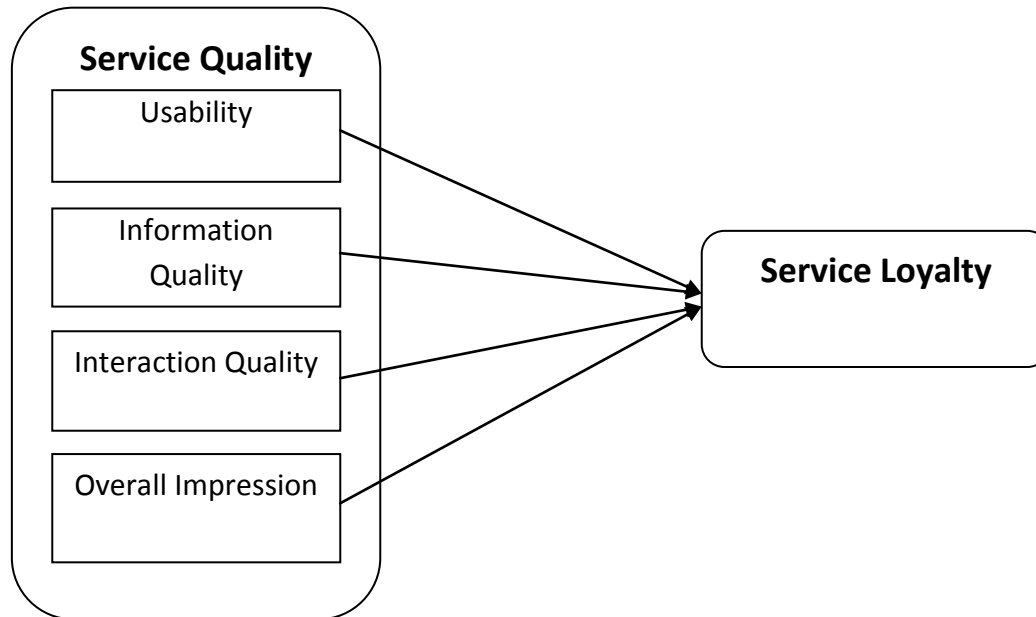


Figure 1- Conceptual Model

4. Methodology

4.1 Irangate Company: Case study

Irangate Company as a Data-center Provides Internet Bandwidth and Infrastructure to other companies. Also architect and provide solutions in virtualization and cloud computing solutions to improve data-centers services. There are also other departments active in e-commerce department, including a pay on delivery service called "Pardakht" that support thousands of websites providing on-line shopping to iranian customers.

4.2 Sampling and measurement

This study adopted the WEBQUAL instrument as a basis for examining the effects of service quality on service loyalty in Irangate Company. The four dimensions of WEBQUAL were usability, information quality, interaction quality, and overall impression.

The population of this research includes all Irangate customers who have used this company's online retailing services between April and July 2012. To estimate the sample size, a preliminary study was done first and a number of questionnaires (50 items) were randomly distributed

among the members of the community. Then the variance and the mean of the statistical community was computed and by using the formula of estimating the sample size, number 265 was calculated respectively for confidence interval of 5%.

To test the service quality of the Website of Irangate Company the standard WEBQUAL questionnaire was used, and to measure customer loyalty the standard SERVLOYAL questionnaire was applied. 0.874 of Cronbach's alpha for the WEBQUAL questionnaire and 0.941 for the SERVLOYAL questionnaire offered good reliability of both questionnaires which were conducted by investigating previous researches and experts' suggestions. All questions were rated on a five-point Likert scale from "strongly disagree" (1) to "strongly agree" (5).

4.3 Data Collection

A web-based questionnaire was designed (<http://pardakht.ir/?part=eform&inc=eform&id=20>); and the customers of Irangate Company were asked to fill it up. The total number of collected questionnaires was 340 which was satisfactory for having 5% confidence interval. Considering the number of total questions in the developed questionnaire which was 51 (23 question for service quality gap and 28 questions for e-loyalty)

5. Findings

In the first step of analyzing, the descriptive statistics have been reviewed. Table 1 addresses demographic characteristics of the sample.

Table 1- Sample Demographic Characteristics

Gender	N	%
Male	200	58.8
Female	140	41.2
Age	N	%
30 and less	288	84.7
31 to 40	43	12.6
41 to 50	5	1.5
51 to 60	2	0.6
61 and more	2	0.6
Educational Level	N	%
Less than Diploma	5	1.5
Diploma	22	6.5
Associates	78	22.9
Bachelor	156	45.9
Masters and higher	79	23.2

To assess the fitness of the proposed model, the overall model Cmin or chi-square, the Tucker – Lewis index (TLI), the comparative fit index (CFI), and the root mean square error of approximation (RMSEA) and goodness of fit index (GFI) were used (Byrne, 2010). After refining the initial model, all of the goodness of fit indexes were found within the acceptable range, indicating that the model of the research has a good fitness (Byrne, 2010).

In this study Pearson correlation test was performed with 95% confidence level and accuracy of 5% to investigate the relationship among independent and dependent variables. The results are shown below:

Table 2- Pearson Correlation

	Customer Loyalty	H1	H2	H3	H4
Customer Loyalty Pearson Correlation	1	-0.309	-0.245	-0.377	-0.173
Sig. (2-tailed)		0.000	0.000	0.000	0.001

According to the acquired results, all significant for the test are less than 0.05. So all the hypotheses are approved.

6. Discussion, Conclusion and Limitations

The main objective of conducting this research was to investigate the relationship between service quality and customer loyalty. The research was focused on the website of Irangate Company. In detail and more especially, this study identified the relationship between the independent variables of usability, information quality, interaction quality and overall impression of the website and the dependent variable of customer loyalty.

In the case of a pure service such as online shopping, service quality is generally believed to be the most important determinant of customer loyalty (Noel, Jeremy 2005). The results of correlation test and regression also proved that there was moderate and positive correlation between some service quality dimensions and service quality for Internet shopping services in Iran. The managers of Irangate Company need to specifically concentrate on service quality dimensions having high impact on customer loyalty.

The strongest association between service quality and customer loyalty was with the usability dimension. This showed that being able to use various options of the company's website is the essential element in satisfying customer needs. The second and third association were with the interaction quality and information quality dimensions which meant that appearance and proper functioning of the retailing websites were the essential elements in satisfying customer needs. The managers of Irangate Company should use graphic design with attractive and

pleasant appearance for their websites. At the same time they should consider simplicity of working with the website.

Any organization that wants to increase its customer loyalty should be entitled to a high level of loyal employees. Because the customers tend to buy from an organization who have identified customer needs and preferences and are committed to it. Therefore the creation of loyalty within the organization is recommended. It is also recommended that the customers be classified based on their value and ensure that the most valuable customers are those who buy more.

The process of creating customer loyalty should be recognized and the customers should go through this process. Responding to the customer should be strengthened. The company can save its data in a centralized database. Resulting data from all customer touch points should be stored in a centralized database.

This research has limitations which should be considered when interpreting the results. When the relationship between service quality and customer loyalty to the retailing websites is investigated, especially in Iran, it should be mentioned that using the internet is generally more prevalent among young people. Therefore the questionnaires were mostly answered by people aged less than 30. So the results of this study may not be extended to all segments of society. Furthermore, there are some other variables such as the type of the products, culture and life style of the customers that may affect customer loyalty. Investigation of these variables and finding their relations to customer loyalty can be suggested for further studies.

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