The Influence of Perceived Service Quality, Mooring Factor, and Relationship Quality on Customer Satisfaction and Loyalty

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Abstract

The phenomenon of declining in customer satisfaction and loyalty becomes the major concern of the service firms because the two factors determine the performance of the firms. Furthermore, factors that simultaneously influence customer satisfaction and loyalty are the customer perception on service quality, the mooring factors and the relationship quality. To analyze the relationship amongst factors that influence the customer satisfaction and loyalty, this research set some measurement on each factor/variable. The customer perception on service quality is measured by dimensions of call quality, price structure, mobile devices, value added services, convenience in procedure, and customer support. The mooring factors are measured by attitude, social influence, switching cost, prior switching behaviour, and variety seeking. The relationship quality is measured by dimensions of trust, familiarity and partnering. Customer satisfaction is measured by dimensions of price, functional, technical, and emotional. The last, the customer loyalty is measured by the dimension of cognitive loyalty, affective loyalty, conative loyalty and action loyalty. To measure all the constructs and indicators, this research distributes questioners to 370 students who subscribe cellular operator service at eight universities in Bandung. The method of data analysis of this research is Structural Equation Modeling (SEM). The research result proved that the customer perception on service quality and relationship quality have positive correlation with mooring factors. Then, the perception on service quality has positive direct influence customer satisfaction. On the other hand, mooring factors and relationship quality does not have direct influence customer satisfaction. However, mooring factors is proven to be moderating variable of service quality and relationship quality to customer satisfaction and has positive relationship. Moreover, the customer perception on service quality, relationship quality, and customer satisfaction has positive direct influence the customer loyalty.

Keywords: Perceived Service Quality, Mooring Factor, Relationship Quality, Customer Satisfaction, Loyalty.
behavior in doing repeat purchase. Second, loyalty is indicated by customers’ attitude toward the company. This includes preference and commitment towards brand and recommending it to others. Third, it is the combination of customers’ behavior and attitude toward the company. In other words, besides actively repeating purchase, the customers also give positive appraisal toward the brand and in sharing the company’s positive value to others. For a company, customer loyalty needs to be improved because of the following.

Loyal customers will boost income and create efficiency to the operation of company (Reichheld, 2001). This cognition indicates that loyal customers would continuously purchase despite higher bid or rate and high gain on margin. Thereby loyalty can give high gain to company. The loyal customers will reduce cost spent to draw new customers. Promotion cost required to draw new customers can be five times bigger compared to that needed to maintain the existing customers (Godes & Mayzlin, 2004). Based on the facts, hence loyalty becomes an important effort done by a company to reach for optimal economic benefit. In general, previous research on customer loyalty were emphasized on effort to analyze factors that influenced customer satisfaction (Bolton & Bramlett, 2000; Fornell & Wernerfelt, 2002). Those researches stated that the higher level of customer satisfaction toward the company, the higher level of loyalty. However, some other researches also revealed that customer satisfaction does not always relate to customers loyalty (Fornell & Wernerfelt, 2002). In other words, a high satisfaction level does not always guarantees the customers to stay loyal. The fact shows that 65 - 85 percentage of customers will switch, although they are highly satisfied (Reichheld, 2001). Other fact also illustrates that dissatisfaction does not always result in the customers becoming unloyal. Though experiencing dissatisfaction, customers remain to use service from the company (Hennig-Thurau & Alexander, 2002).

Research on factors endorsing customer loyalty is one of the efforts to be responsive to the fact of the tightening competition among cellular industries. In that sort of circumstance, industry is compelled to maintain their customers since the competition in acquiring new customers requires higher cost (Reichheld, 2001). According to writer’s opinion, maintaining customers for a long term requires other factors beside service quality perception, that is the mooring factor (Bansal, Taylor, & Yannik, 2005) and relationship quality. Mooring factor is a construct which has not been studied in analyzing customers’ satisfaction and loyalty because previous researches only service quality perception (Zeithmal & Bitner, 2003) and relationship quality (Hunt, 2001; Morgan & Hunt, 1994; Reichheld, 2001; Rust & Zahorik, 1995) applied to investigate customers’ satisfaction and loyalty in partial. Hence, to study and analyze customer satisfaction and loyalty, a simultaneous research on perceived service quality, mooring factors, and relationship should be carried out. This research will also includes control variables intended to notice the assumed difference of each independent variable influence on customers’ satisfaction and loyalty and the customer loyalty on the size of the cellular companies which are categorized based on their market share. The influence of those independent variables on the customers’ satisfaction and loyalty in huge cellular companies, which market share is above 15% (GSM operator group category), is predicted to be different from that in small cellular companies with market share below 15% (CDMA operator group category) and also different from the condition of cellular industry in general (GSM and CDMA operator group category). The difference assumed is based on observation on the tight competition and the service rate difference between group of cellular industry which solution is expected to be found in this research. The objective of this research is to develop science by studying variables that effect customers’ satisfaction and loyalty especially in cellular telecommunications industry in Indonesia.

2. Literature review and conceptual framework

Based on the explanation above, this research is an expansion from previous researches conducted by Bansal, Taylor, and Yannik, (2005) and Kim, Park, Cheol, and Jeong (2004) and other researchers. Hereinafter conceptual framework and hypothesis to explain interrelationship between dependent and independent variables are explained in the following scheme.
The figure explained the hypotheses of the research as follows:
H1: Perceived Service Quality positively correlated with Mooring Factor
H2: Relationship Quality is positively correlated with Mooring Factor
H3: Perceived Service Quality positively influences the Customer Satisfaction.
H4: Mooring Factor positively influences Customer Satisfaction.
H5: Relationship Quality positively influences Customer Satisfaction.
H6: Relation Between Perceived Service Quality and Customer Satisfaction moderated by Mooring Factor.
H7: Relation Between Relationship Quality and Customer satisfaction moderated by Mooring Factor.
H8: Perceived Service Quality positively influences Customer Loyalty.
H9: Relationship quality positively influences Customer Loyalty.
H10: Customer Satisfaction positively influence Customers Satisfaction.

3. Method

This research applies two methods, that is qualitative and quantitative. The application of both methods is due to the problem of decrease in customer loyalty in cellular industry is a complex problem so that to get a comprehensive discussion needs more than one research method. Quantitative method uses survey and qualitative method uses Focus Group Discussion (FGD). The sample of this research is as much as 370 respondents, consists of students from eight biggest universities in Bandung. The analysis method is descriptive with SPSS and inferential with Structural Equation Modeling (SEM) using LISREL 8.54. software. Construct measurement in this researched adopts previous researches. For service quality variable, the researcher adopted from Kim, Park, and Jeong (2004), mooring factor from Bansal, Taylor, and Yannik (2005), relationship quality from Bruhn (2003) dan Hollensen (2003:211), customer satisfaction from Barnes (2001 :80), and customer loyalty from Oliver (1999), Sivada dan Previtt (2000). The measurement uses Likert scale ranged from 1 to 6. Based on the pretest it is concluded that all indicators from studied construct are valid and reliable.

4. Results and discussions

It was mentioned above that measurement model analysis is carried out to observe validity and reliability of each construct that builds research model. Construct validity measurement is conducted by using Confirmatory Factor Analysis (CFA) procedure (Anderson & Gerbing, 1979). Through CFA, observed variable or indicator that will
form construct is selected. There are two criteria in the selection, first the Standardized Loading Factor (SLF) $\geq 0.7$ and $|t| \geq 1.96$ or $|t| \geq 2 (\alpha = 0.05)$ (Wijanto, 2003). Furthermore, construct reliability is measured by two scale (Hair, Andersen, Tatham, dan Black, 1998 :636), that is: 1) Composite Reliability Measure or Construct Reliability Measure (CR), often called reliability, with CR value $\geq 0.7$. 2) Variance Extract Measure (VE) variant extract, with VE value $\geq 0.5$.

In this research, all constructs have second order format, so that measurement model analysis is conducted through two validity and reliability measurement stages, where on the first stage first order CFA is applied to the sub construct. The next process is second order CFA. As in the first order, subcontract is perceived as observed variable and will go through validity and reliability measurement by looking at the loading factor and $|t|$ value to measure reliability. Based on the result of analysis all constructs and variants has CR value $> 0.7$ and VE $> 0.5$ and fulfilling the CR and VE criteria (Hair, Andersen, Tatham, & Black, 1998).

Data is analyzed using SEM and Lisrel 8.54 software. In which GOF (Goodness Of Fit) is attained. It is generally concluded that the research model has a good fit level. This is proven by the value of major estimation result that shows good fit. However, there are two different measurements below the good fit level measurement, that is GFI dan AGFI. But they are still in marginal fit scope. The result of testing on relation between two laten variable, or streak between two variables displayls coefficient resulted from $|t|$ value. When the structural streak has $|t|$ value $\geq 2$, the coefficient streak of is significant, however when $|t|$ value $< 2$, the coefficient of streak is insignificant.

Discussion of the result of this research illustrates analysis on important findings, by referring to the proof of research hypothesis. The result of testing shows that there are 8 hypotheses proven significant, however two other are insignificant due to the influence of the mooring factor and relationship quality on the customer satisfaction. The insignificance is resulted from the customer’s volatile expectation, offer from other providers, and ineffectiveness in quality relationship program presented by providers. On the other hand, customer satisfaction dominantly influences customer loyalty. It can be concluded that customer loyalty will be improved and maintainable when customer satisfaction increases.

5. Managerial implications and conclusion

Customer loyalty is maintainable in an organization when the organization is able to increase customer satisfaction. Customer satisfaction will enhance when the organization improve their service quality and relationship quality. To improve perceived quality service like call quality, cellular operators should be able to manage tangibles and intangibles resources. For example, to improve call quality, it applies the latest technology, and improves the quality and quantity of BTS. It also prepares its technical support to observe communication and call center personnel to accommodate complaints and to follow up system improvement. The company should also give reward and incentive, honesty and personnel integrity. In financial and strategy aspect, the company is obliged to maintain brand image as its intangible resource. The management of organization resource, tangibles and intangibles, will be effective if the organization has the capability for good empowerment, top management commitment and total continuous improvement supported by good corporate culture and open to new view of quality. The effort in management through tangibles and intangibles aspects become essential since a mistake in managerial aspect will result in employee churn that implies customer churn. Estimation of structural model of research model leads to a conclusion that perception of quality service supported by data applies positive correlation to the mooring factor. Relationship quality supported by data has positive correlation with the mooring factor. Perception of service quality supported by data has direct positive influence on the customer satisfaction. Mooring factor, not supported by data, has direct influence on customer satisfaction. Relationship quality, not supported by data, has direct influence on customer satisfaction. Mooring factor, as supported by data, can role as moderator to the relationship between perceived quality with customer satisfaction and result positively. Perceived quality, as supported by data, has direct positive influence on customer loyalty. Relationship quality, as supported by data, has direct positive influence on customer loyalty. And customer satisfaction, as supported by data, has direct positive influence on customer loyalty. It is expected that this research have succeeded in developing science by studying influential variables in customer loyalty and satisfaction, especially in cellular telecommunication industry in Indonesia.
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