

# Service Quality, Satisfaction and Loyalty

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**Abstract** – The present paper aims at the presentation of existing theories on service quality, satisfaction and loyalty. The competition among institutions and enterprises to obtain a larger market share and the customers' efforts to achieve more satisfaction have led the enterprises to try to find a distinguished position in the market and the customers to find clues for the best suppliers. Achieving these goals is closely related to the examination of two concepts: goods' quality and customer satisfaction. Study of these two concepts in service markets is more sensitive and more important due to the specific features of services; and has a particular importance for service providing organizations as well.

**Keywords** – Service Quality, Satisfaction and Loyalty.

## I. INTRODUCTION

Today, those enterprises which try more in order to attract the satisfaction of their customers in target markets are successful in obtaining profit. Today's customers face with a mass of products and their expectations on goods' and services' quality are so different from the past. Given these eventualities, customers will select those goods and services which match their needs and expectations more. Thus, the duty of the marketing division requires them to identify the factors affecting the customer satisfaction and try to attract it. In the recent years, the studies on factors affecting customer satisfaction and loyalty have been expanded. In most cases, customers' loyalty is critical for the organizations' business because attracting new customers is costlier than retaining the existing ones. Today, customers' loyalty is considered a key element to the commercial success. Increased customers loyalty elevates the market share and profitability of economic enterprises. Understanding the market with planning and adoption of appropriate strategies to make customers loyal and to increase their loyalty rates have long-term benefits for the firms. The present study and similar ones are necessary for identifying these factors which influence the CS and CL in order to attract and retain them so that the firm will survive in a highly competitive environment [3].

## II. THEORETICAL LITERATURE

Today's organizations need to introduce themselves properly to the customers in order to create an appropriate structure, which is only possible in the light of providing satisfactory services. The essential point is that when customers' position, role and function is properly defined in a society's culture and serving the customers is a value and is accomplished, organizations will be placed in their exact orbit and route so that each organization provides the

customers with quality and valuable service and benefits from the valuable services of other organizations, leading to customers satisfaction and customers loyalty [4]. Today, people live in an environment which is increasingly moving towards service-based economy. Study of the clients' traits, beliefs and expectations may help modification of organization's activities and at the same time result in the users' satisfaction. Hesitation in adopting quality techniques in services as a fundamental principle in the activities relating to quality assignment forces the institutions to incur unprofitable activities. Such a poor performance in providing quality services, not only will prevent the competitiveness of the corporations in the market, but also will lead to their recession or bankruptcy.

### *Service Quality*

The term *quality* has been defined by various researchers in different ways. Some important definitions include: quality means prediction (Deming, 1982); compatibility with specifications or needs (Crosby, 1984); suitable for consumption (Juran, 1988); and finally, quality is the customers' idea (Feigenbaum, 1945). In the mid 80's, a coherent foundation in definition and measurement of service quality was developed by Gronross (1984) and Parasuramen et al. (1985) [9]. They were the first to create a foundation for the service quality definition and development [2].

It is difficult to define service quality, in comparison with products' quality, due to some unique features of services such as intangibility, inseparability, homogeneity and imperishability (Chang & Yeh, 2002). However, Parasuraman achieved a comprehensive method for defining the service quality[6].

Service quality has been defined by various researchers in different ways. Gronross (1978) believes that service quality is composed of two components: technical quality and functional quality. Technical quality refers to the tools/instruments used to provide services while functional quality outlines how service employees provide the services. Casper et al. (1999) defined service quality as a degree to which the provided service meets the expectations of a user. According to these definitions, customers are the only judges for the service quality. If they consider those services as desirable, then they are desirable. They evaluate the service quality by comparing their expectations with their perceptions[1].

Quality has received much attention particularly during the recent years due to the increased competition among local, regional and global firms acting in the service industry, which are interested in elevating their service quality in order to protect themselves in a highly competitive global market.

Quality is an essential issue which enables the organizations to enhance their standards of services and products quality and achieve tangible success in global competition. Service quality is a key element for competition in today's markets. Researchers believe that quality is nothing more than meeting the needs of the clientele. On this basis, it was recognized that services which the customers receive are viewed based on previous experience and these trends are specified according to the satisfaction level the customers get with organization's services. The management of the organization's service department continuously focuses on the elevation of its service quality by considering the customers' needs and expectations; and tries to meet the desires of the employees, increase the profits by helping to improve productivity and increase its reputation in local and international markets, remain in the working environment of the benefited customers through increasing its success; and survival of the organization will be guaranteed by the demand for access to the services or goods provided by it[7].

#### *Satisfaction*

Since the Industrial Revolution during the early 19<sup>th</sup> century until the end of the World War I, many organizations used to focus on products. This philosophy was based on the conviction that if a product with a high quality or reasonable quality is provided, there will be enough customers and applicants for that product. During the early 20<sup>th</sup> century, the quantity demanded of Ford Motor Company was so high which it could sell as many cars as it produced (Carter Wright, 2004, p.16). In this view, the power balance between customer and supplier was biased towards the supplier [9].

Between 1920's and 1950's, the sales-based attitude dominated the market which emphasized that the customer might not intend to buy and there might be circumstances where the organization should take some actions to sell its goods and products. In this view (product-emphasized and customer-emphasized), the balance is biased towards the customer (Harvey, 2002, p.51)[5].

The marketing-based view became the focus of manufacturing and industrial organizations during the 1980's. This view emphasized that the more an organization is aware of its customers and their demands, the less it will face problems in the sales process (Jay, 2001, p.38).

During the late 20<sup>th</sup> century, with increase competition and introduction of superior technologies, especially in communication area, organizations concluded that the only way to survive was not only the identification of customers, but also being in continuous contact with them (Johnson et al., 2001, p.219).

#### *Loyalty*

Currently, customers determine the organizations' survival in the global economy; and organizations cannot be indifferent towards the customers any longer, they should focus all of their activities and capabilities on customer satisfaction because the customers are the only resource of return on investment (Lazarvic & Petrovic,

2007). Organizations should develop their activities by satisfying the receivers of their services in order to be able to retain their advantages in competitive environments. Some advantages of loyalty include improved profitability, reduced marketing costs, increased sales with low price sensitivity. Loyal customers provide much word-of-mouth advertisement for the organization and probably refer to the organization more frequently[7].

T Bowen (2001) stated that loyal customers, known as 'marketing force', amazingly introduce the organizations' products and service to their acquaintances through word-of-mouth and recommendations. In fact, providing service to the customers has lower costs for the organizations. Many organizations develop customer loyalty programs as part of their public relations. Customer loyalty is a complex concept and refers to the intention to repurchase and the service receivers' price analysis. Growing customer loyalty ensures the organizations' future revenues with the actual customers and therefore, the customer loyalty is the ultimate goal of organizations (Evans and Foxell, 2009). Souki & Filho (2008) examined the perceived service quality, customer satisfaction and customer loyalty. They found that the higher the customers' perceptions of services, the more they will be satisfied with the received quality and it is probable that they refer in the future to receive those services and recommend the actual supplier/provider to other users as well[11].

#### *Service Quality and Customer Satisfaction*

Kotler & Armstrong (2012) suggested that after examining the provided service quality, one should evaluate the customer satisfaction after purchase of products/services. Researchers are divided into service quality and customer satisfaction explorers. While some believe that service quality does not lead to customer satisfaction, others assert contrarily (Ting, 2004). Lee et al. (2000), Gilbert & Veloutsou (2006), Suliman (2011) and Buttle (1996) believe that service quality leads to customer satisfaction. Most researchers suggest that in order to achieve a high level of customer satisfaction, a high level of service quality should be provided by the service provider because service quality is usually considered to be a prerequisite to the customer satisfaction. Increased service quality entails higher possibility of elevated customer satisfaction [13].

Quality is only one of numerous dimensions on which satisfaction is founded. Also, satisfaction has a potential effect on future quality perception (Clemens, 2008). Service quality is an important tool for customer satisfaction measurement (Hazlina et al., 2011). Empirical studies show that service quality is related to overall customer satisfaction. According to Jamal & Anastasiadou (2009), reliability, tangibility and empathy have positive relationships with customer satisfaction. Suliman (2011) found that reliability, tangibility, responsiveness/accountability and trust have positive and significant relationships with customer satisfaction. In addition, Ravichandran et al. (2010) stated that responsiveness/accountability is the only significant component of service

quality which exerts a positive effect on customer satisfaction [10].

### *Service Quality and Customer Loyalty*

Many researchers have studied the relationship between service quality and customer loyalty. Rousan and Mohamed (2010), in a study on 322 hotel guests, found that in the hotel management industry, empathy, reliability, responsiveness, tangibility and trust considerably predicted the customer loyalty. Chen & Lee (2008) revealed that service quality had a strong, significant relationship with customer loyalty in service providing logistics international industry [12].

Liang (2008), surveying 308 hotel guests in the U.S. found that service quality had a positive effect on customer loyalty. Clotey et al. (2008), in a study on 972 customers of retail industries in the U.S. found a positive and significant correlation between service quality and customer loyalty. Jamal & Anatassiabou (2007) along with the study of the relationship between service quality and customer satisfaction in banking industry in Greece, examined the relationship between service quality and customer loyalty as well, and found that service quality had a positive and significant effect on customer loyalty in Greek banking industry [8].

After the development of ISO 9000 as the standard quality system, organizations and manufactures worldwide adopted this system as they realized its intrinsic and value-related features in order to release themselves from individualism problems and taste preferences, organizing their activities and work body and bring uniformity into their mechanisms.

### III. CONCLUSION

In the distant past, the non-competitive conditions raised by limited supply and absence of powerful rivals on one hand, the sole focus of attention to the quality of their own services/products by the manufacturers/providers on the other, and the belief that high quality would ultimately gain success in dominating over the market, led to disperse attention to such an important issue as customer satisfaction to that extent that Henry Ford famous quotes about a model was, “Any customer can have a car painted any color that he wants so long as it is black!”

However, many present-time manufacturers provide some of their products in customers design and custom formats because the customer satisfaction process does not end with the product quality. In fact, currently the investors and manufacturers have shifted towards the customers and to attract them as an important strategy not because of customer valuation, but because they have no other choices if they want to increase their incomes and profits and any manufacturer who thinks of monopolizing in today’s competitive economy, should focus on customer satisfaction. Anyway, it is not possible to ignore the fact that the main stimulus for commercial organizations seeking major improvements in their advancement routes is their customers. In other words, no business will survive without customers. Thus it is essential that any corporation

have available a framework for understanding, analyzing, and evaluating its customer satisfaction status.

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