THE ROLE OF SATISFACTION AS MEDIATING FACTOR BETWEEN PERCEIVED SERVICE QUALITY AND LOYALTY

Astrie Arichristyna
PT. Mitra Adiperkasa, email: astrie.arichristyna@hotmail.com
Andy Susilo Lukito Budi
Faculty of Economics, Atma Jaya Catholic University of Indonesia,
email: andy.susilo@atmajaya.ac.id

Abstract
This study introduces satisfaction as a mediating factor between perceived service quality and customer loyalty. To confirm its role as a mediator, this study compared results between the no use and the use of satisfaction in a model. This study takes 155 customers of a bakery branch located in Jakarta respondents and this study uses path analysis technique to measure the mediating effect. The result shows that satisfaction mediates nicely to the model and while it plays as a mediating factor, perceived service quality significantly affect to customer loyalty with indirect relationships. The comparison result with the no-use of mediating factor shows that the role of satisfaction as mediating factor increases the power or explanation.

Keywords: perceived service quality, satisfaction, loyalty, mediating role

JEL Classification: M30, M31

1. Introduction
To win competition, one important factor should be considered is having customer loyalty to our product (Hartono 2008; and Griffin 2005). A lot of research has been done in customer loyalty area to describe its magnitude towards winning the competition, namely Kassim and Abdullah (2010); Reichheld and Schefter (2000); and Semejin et al. (2005). A company should be able to deliver a good service quality to its customers and it can strengthen its position in the future as a result (Rangkuti 2008; Tsukatos and Rand 2006).

Research in behavioral science establishes a couple of measurement variables for service quality concept as well as loyalty (Parasuraman, 1985). In doing so, many of research had used indirect relation between satisfactions as independent variables to loyalty as dependent variables. For example, Lee (2010) has researched the effect of satisfaction to loyalty at internet banking in Korea; Akbar et al. (2010) did their satisfaction and loyalty study at hospitals in Malaysia, and Floh and Treiblmaier (2006) research satisfaction and loyalty in internet banking in Austria. They used satisfaction as mediating variable between loyalty and service quality because it is
believed that satisfaction behavior is faster and it is more directly to be collected. Satisfaction can be measured by comparing between customer expectation and experience, or asking customers whether they have good experience when buying and consuming a product/service (Brady and Cronin 2001; Zeithaml, Berry and Parasuraman 1996; Parasuraman, Zeithaml, and Berry 1985; and Gronroos 1982).

This research aims to analyse relationship between perceived service qualities to customer loyalty. As an addition to the existing research work in the similar area, customer satisfaction factor was imposed as a mediating variable that is believed can strengthen customer loyalty. The rest of this paper will be sequentially developed from giving theoretical background of the study, explaining the method used for the work and the selection of research object, presenting the results as well as analyzing them, and finally discussing the implication delivering some suggestions according to the result and discussion.

2. Literature Review

2.1. Perceived Service Quality

While the meaning of satisfaction and perceived service quality might be interpreted to be similar, some researches showed that both words are different in quality. Satisfaction, argued by Bitner (1990), is related closely but not the same as attitude toward the service. Satisfaction refers to more individual experience while attitude is more general and similar between individuals’ attitude towards the firm (Bitner 1990). Parasuraman, Zeithaml, and Berry (1988) defined perceived service quality as “the customers’ overall impression of the relative inferiority/superiority of a service provider and its services.” Tjiptono (2009) stated that service quality focuses on the effort to satisfy customer need and deliver the services promptly in the effort to cope with customer expectation.

Furthermore, Brady and Cronin (2001) developed a comprehensive theoretical framework about service quality. Brady and Cronin (2001) argued that perceived service quality should be reduced due to some researches that failed to acknowledge the five dimensions from Parasuraman, Zeithaml and Berry (1994) as direct determinants of service quality (for example, see Babakus and Boller 1992; Carman 1990; Dabholkar, Shepperd, and Thorpe 2000; Frost and Kumar 2000; Llosa, Chandon, and Orsingher 1998; Mels, Boshoff, and Nell 1997; Booms and Bitner 1981; McDougal and Levesque 1994). As a result, they proposed three condensed dimensions of perceived service quality, i.e.: (a) interaction quality (IQ), (b) physical environment quality (EQ), and (c) outcome quality (OQ). Interaction quality refers to attitude, behavior and expertise from actor in the service quality field. Physical environment deals with situation such as ambient condition, design and social factors that also becomes part of the service quality delivery. Finally, outcome quality refers to what customers get when the service are finished. These inludes factors such as waiting time, tangibles, and valence. This research uses the three perceived service quality sub-variables as mentioned above (IQ, EQ, and OQ).

2.2. Customer Satisfaction

Generally, Customer Satisfaction can be refered as the match situation between expectations and experience (Hasan, 2009 and Musanto, 2004). It is a fulfillment response from customer towards pleasure level of consumption-related of product/service (Lee, 2010 and Oliver, 1997). Given that, it can be argued that satisfaction is a form of attitude that can be assessed throughout the usage of a product or service (Caruana 2002). It is expectations reflect anticipated performance during delivery of service or transactions (Churcill and Suprenant 1982). It is a post decision construct of buying decision (Caruana, Money, and Berthon 2000; Bolton and Drew 1991; Cronin and Taylor 1994).

Caruana (2002), as also noted previously by Parasuraman, Zeithaml, and Bery (1994), stated that there is arguably concept of interchanging between service quality and satisfaction.