



Service Quality and its Relationship with Customer Satisfaction and Loyalty in a Saudi Arabian Automobile Company

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GJMBR - E Classification : JEL Code : M39



Strictly as per the compliance and regulations of:



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Abstract - The main aim of this study was to examine the relationship between service quality, customer satisfaction and customer loyalty in the context of a Saudi Arabian Automobile Company (SAACO). Spearman correlation analysis indicated that all quality dimensions have significant positive effect on both customer satisfaction and customer loyalty. A questionnaire was personally distributed to 140 customers and 117 were returned. The study suggests that in order for the automobile companies to keep up with the competition, it is essential to conduct periodic quality assessments to proactively identify and fix any gaps between customers' expectations and actual perceived service quality. Continuous improvement in service quality is necessary to increase customer satisfaction, loyalty, retention, market share and profitability.

I. INTRODUCTION

In the past, the main task of automobile service centre's was performing regular maintenance and fixing cars; however, this no longer applies in high competitive markets. A common response to the question of what differentiates one car dealer from another often revolves around customers' view of service quality. Unlike manufacturing firms, wherein quality of products is objectively judged by whether it meets technical specifications as per the requirement or as per the request, service firms provide intangible services where in quality is judged through perceptions of customers. Service quality is becoming more and more important to automobile companies as customer satisfaction and loyalty lead to repeated purchases and higher market share.

The present research attempts to address the issue of service quality in a Saudi service industry context with a specific focus on the automobile service industry from customers' viewpoint. This study shall be useful to the business under investigation, Saudi Arabian Automobile Company (SAACO), to improve market share, profits, customer's retention and competency.

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II. OBJECTIVES OF THE STUDY

The main objectives of the study are to:

- To measure the gap between the expected and actual perceived service quality.
- To measure the levels of customer satisfaction and loyalty.
- To examine the relationship between service quality dimensions and each of customer satisfaction and customer loyalty.

III. PREVIOUS STUDIES

In the literature, there has been extensive progress as to how service quality perceptions should be measured but little advance as to what should be measured (Brady and Cronin, 2001). Researchers in general have adopted one of two conceptualizations (Brady and Cronin, 2001). The first one is the "Nordic" perspective (Gronroos 1982, 1984), which defines the dimensions of service quality in general terms as consisting of functional and technical quality. The second one is the "American" perspective (Parasuraman, et al., 1985) that uses terms to describe service encounter characteristics as reliability, responsiveness, empathy, assurance and tangibles.

The original service quality model "Nordic Model" was generated by Gronroos (1982) Expanding on the work of Gronroos (1982, 1984), Parasuraman, et al. models (1985, 1988, 1991, 1991a, 1994) have made a significant contribution to several service quality research studies. Parasuraman and his colleagues developed a five dimensions service quality model which focused on the gap between expectations and perception, both of which are measurable by using the SERVQUAL instrument.

The SERVQUAL model measures the discrepancies between customers' expectations and perceptions. The SERVQUAL instrument consists of 22 items (Table 1) and comprises two parts: expectations and perceptions. Parasuraman et al., (1985) indicated that if the expectation of service quality is exceeded, it means customers' satisfaction. If the expectation is not met, it means customers' dissatisfaction.

Table 1: Service Quality Dimensions

Tangibles	<ul style="list-style-type: none"> • Modern equipment. • Visually appealing facilities. • Employees who have a neat, professional appearance. • Visually appealing materials associated with the service.
Reliability	<ul style="list-style-type: none"> • Providing services as promised. • Dependability on handling customer's service problems. • Performing services correctly the first time. • Providing services at the promised time. • Maintaining an error - free records.
Responsiveness	<ul style="list-style-type: none"> • Keeping customers informed about when services will be performed • Prompt service to customers. • Willingness to help customers. • Readiness to respond to customer's requests.
Assurance	<ul style="list-style-type: none"> • Employees who instil confidence in customers. • Making customers feel safe in their transactions. • Employees who are consistently courteous. • Employees who have the knowledge to answer customer's questions.
Empathy	<ul style="list-style-type: none"> • Giving customers individual attention. • Employees who deal with customers in a caring fashion. • Having the customer's best interest at heart. • Employees who understand the need of their customers. • Convenient business hours.

Source: Zeithaml, V.A., Parasuraman, A. and Berry, L.L. (1990), *Delivering quality service; Balancing customer perceptions and expectations*, The Free Press, New York, NY.pp.181 – 183.

Expanding on the work of Gronroos (1984), the Gaps model proposed by Parasuraman, et al. (1985) the service quality model is based on five gaps. The customer gap refers to the difference between customer's expectations and perceptions of the service (Zeithaml, et al., 1996).

According to Seth and Deshmukh (2004), the service gaps include:

- Gap one is the difference between what the customer expected and what management perceived about the customer expectation.
- Gap two is the difference between management perceptions of customer expectations and conversion of those perceptions into service quality specifications.
- Gap three is the difference between actual service standards and the delivery of those standards to customers actually.

- Gap four is the difference between the services delivered to the customer and external communications for the service.
- Gap five is the difference between customer expectations of service and the perception of service consumed.

There are many researchers who have defined customer satisfaction in different ways. For instance, (Brady and Robertson, 2001) conceptualized customer satisfaction as an individual's feeling of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his expectations. In the agreement with that, Kotler and Keller (2009) defined customer satisfaction as "the level of persons felt state resulting from comparing a product perceived performance or outcome in violation to his / her own expectations." Customer satisfaction represents the influence of a long relationship between the firm and its customer.

The relationship between customer satisfaction and service quality is arguable. For instance, some researchers contended that the service quality is the antecedent of customer satisfaction while others claimed the opposite relationship. Parasuraman et al., (1985) distinguished between service quality and customer satisfaction and argued that service quality is a global judgment, or attitude, relating to the superiority of the service while satisfaction is related to a specific transaction.

IV. RESEARCH METHODOLOGY

a) *Sample and Sampling Procedure*

A cluster sampling method was used to select the respondents. According to this method, the population of the study, 16,849 customers, was divided into three subgroups of elements (customers who visited three branches located in different geographical areas). Due to the large population and also due to cost and time constraints, a smaller-size sample of 140 customers was taken. In total, 140 questionnaires were distributed randomly to customers across the three company's service outlets in the eastern region of Saudi Arabia and equal number of customers from each branch was requested to fill the questionnaire.

The random selection at each location was done by using the random numbers table. The sampling frame was available as the company has detailed information in its database about each customer who scheduled service appointment at each branch. The valid returned questionnaires were 117 and the response rate was 83.6%.

b) *Instrument*

The questionnaire survey is the main form of data collection. SERVQUAL instrument was used to measure the perceived service quality as was proposed by Parasuraman et al., (1988) with slight modification to the wording to make it specific to the research service industry. The SERVQUAL instrument can be adopted to fit any service organization irrespective of its characteristics (Parasuraman et al., 1988).

A five points Likert scale will be used to measure the respondent's extent of agreement to the given statements. The instrument was first translated into Arabic as the majority of respondents are Arabic. Later on, the translated version was submitted to a number of instructors of the business administration college at the University of Bahrain for revision. Their valued suggestions about the phrasing and wording of the translated instrument were reviewed and undertaken by the researcher.

After that, an instructor at the English department in King Abdul - Aziz University in Saudi Arabia compared the original instrument with the translated Arabic version for the final examination. The final Arabic version became ready after the language

wording and grammar check. Both versions of the instrument include six sections as follows:

- Section 1: The first section covered the demographics characteristics of the respondents such as Age, Educational Level and so on.
- Section 2: The expectations scale is a set of 22 items encompassing the five dimensions that describe what customers expect from automobile dealers. Respondents were instructed to rate each item on a scale from 1 to 5 where (5) means "strongly agree" and (1) means "strongly disagree."
- Section 3: The perceptions scale is a set of 22 items encompassing the five dimensions that describe what the customers actually think of the service provided by SAACO. Respondents were instructed to rate each item on a scale from 1 to 5 where (5) means "strongly agree" and (1) means "strongly disagree."
- Section 4: In this section, the importance weight of each dimension was obtained from the customers in order to know how much of these features are important to them. Customers were requested to allocate preferential points to the dimensions so that the total comes up to 100.
- Section 5: One question was used to measure the total customer satisfaction dimension on a scale ranges from 1 to 5 where (5) means "strongly agree" and (1) means "strongly disagree."
- Section 6: Two questions were used to measure the customer loyalty (willingness to recommend automobile dealership services to others and willingness to buy from the same automobile dealer again) on a scale from 1 to 5 where (5) means "definitely recommend" and (1) means "definitely not recommend."

The final SERVQUAL scores were calculated by applying the following procedures (Zeithaml et al., 1990: pp. 176 - 177):

- Subtract the expectation score from the perception score for each pair of statements (P-E).
- Add the scores on the statements pertaining to the dimension and divide the sum by the number of statements making up the dimension to obtain the mean scores.

c) *Data Collection Procedure*

After obtaining SAACO Management permission to conduct this research study, the questionnaires were distributed personally to the randomly selected customers at the company's service reception lounge while they are waiting for their vehicles to be serviced at the quick service centres at the three locations.

The respondents were given several minutes to fill it in. After completion, the questionnaires were collected right away. A covering letter describing the purpose of the study, instructions and confidentiality assurance was included in the questionnaire.

V. RESULTS

a) Gap Analysis: Expected versus Actual Service Quality

Figure 1 shows the gap between the expected and actual perceived service quality at SAC. Based on

the analysis the researcher can say that SAC customers have very high level of expectation about the service quality provided by automobile companies. Although SAC is providing high level of service quality, there is still room for improvement to meet the customers' expectations.

Figure 1: Gap Analysis Results: Expected versus Actual Service Quality

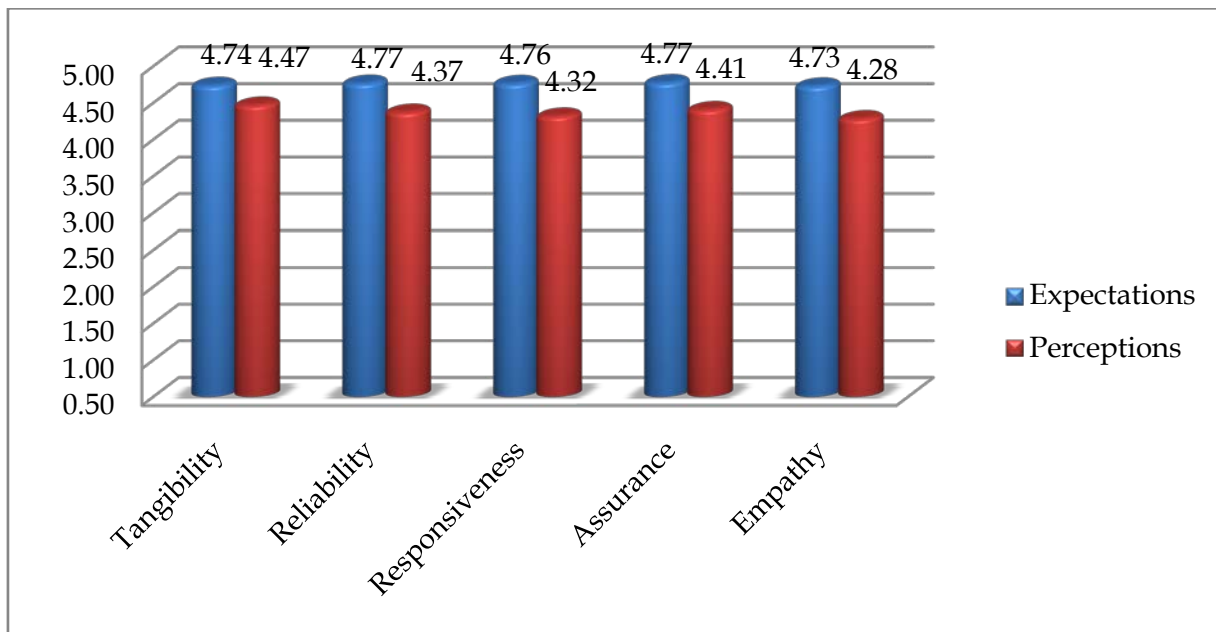


Table 2 shows the t-test done with the service quality dimensions. The Tangibles looked at Perception vs. Expectation, then Reliability looked at Perception vs. Expectation, then Responsiveness looked at Perception vs. Expectation, then Assurance looked at Perception vs. Expectation and finally Empathy looked at Perception vs. Expectation. The mean of the difference between all of expectation and perception values was negative and significant while standard deviation was seen but not at a huge scale. The Sig. (2 - tailed) value was all found to be significant at .000 which is less than 0.5.

b) Customer Satisfaction and Loyalty at SAACO

Table 3 shows the Levels of Customer Satisfaction at SAACO, based on the data collected from the respondents. The mean of the data after the calculation was 4.37, which means that the company is able to attain a good level of customer satisfaction and there is a room for improvement.

Table 4 shows the Levels of Customer Loyalty at SAACO, based on the data collected from the

respondents. The mean of the data after the calculation was 4.38, which means that the respondents agree that they as customers are loyal to the organisation.

Table 2: T-Test of Expected versus Actual Service Quality

Paired Samples Test							
	Paired Differences				t	df	Sig. (2-tailed)
	Mean	Standard Deviation	95% Confidence Interval of the Difference				
			Lower	Upper			
Tangibles (Perception – Expectation)	- 0.27	0.80	- 0.42	- 0.12	3.64	100	.000
Reliability (Perception – Expectation)	- 0.39	0.87	- 0.55	- 0.24	4.91	100	.000
Responsiveness (Perception – Expectation)	- 0.44	0.91	- 0.61	- 0.28	5.29	100	.000
Assurance (Perception – Expectation)	- 0.37	0.86	- 0.52	- 0.21	4.64	100	.000
Empathy (Perception – Expectation)	- 0.45	0.82	- 0.60	- 0.30	5.89	100	.000

Table 3: Mean and Standard Deviation for Customer Satisfaction

Statement - Customer Satisfaction	Mean Score	Standard Deviation
What was your level satisfaction with SAACO automobile company?	4.37	0.99
Total	4.37	0.99

Table 4: Mean and Standard Deviation for Customer Loyalty

Statement - Customer Loyalty	Mean Score	Standard Deviation
Would you recommend this SAACO automobile company to a friend / family member?	4.38	1.00
How likely are you to buy from SAACO automobile company again?	4.38	1.01
Total	4.38	0.97

Correlation Analysis between each Service Quality Dimension and Customer Satisfaction and Customer Loyalty

Table 5 shows the relationship between each Service Quality dimensions and Customer Satisfaction. The table indicates that customer satisfaction and reliability have a strong positive relationship followed by tangibles while the least was for assurance and responsiveness.

Table 5: Relationship between Service Quality Dimensions and Customer Satisfaction

			Correlations					
			Customer Satisfaction	Tangibility	Reliability	Responsiveness	Assurance	Empathy
Spearman's rho	Customer Satisfaction	Correlation Coefficient	1.000					
		Sig. (2-tailed)	.					
		N	100					
	Tangibles	Correlation Coefficient	.542**	1.000				
		Sig. (2-tailed)	.000	.				
		N	100	100				
	Reliability	Correlation Coefficient	.562**	.780**	1.000			
		Sig. (2-tailed)	.000	.000	.			
		N	100	100	100			
	Empathy	Correlation Coefficient	.483**	.745**	.822**	1.000		

		Sig. (2 - tailed)	.000	.000	.000	.		
		N	100	100	100	100		
Assurance		Correlation Coefficient	.512**	.659**	.806**	.781**	1.000	
		Sig. (2 - tailed)	.000	.000	.000	.000	.	
		N	100	100	100	100	100	
Empathy		Correlation Coefficient	.542**	.771**	.841**	.855**	.799**	1.000
		Sig. (2 - tailed)	.000	.000	.000	.000	.000	.
		N	100	100	100	100	100	100
**. Correlation is significant at the 0.01 level (2 - tailed).								
*. Correlation is significant at the 0.05 level (2 - tailed).								

Table 6 shows the relationship between each Service Quality dimensions and Customer Loyalty. Based on the results shown in the table, one can say that for customer loyalty and empathy dimension have strong positive relationship followed by assurance while reliability and tangibles have the least amount of strength with customer loyalty.

Table 6: Relationship between Service Quality Dimensions and Customer Loyalty

		Correlations					
		Customer Loyalty	Tangibility	Reliability	Responsiveness	Assurance	Empathy
Spearman's rho	Customer Loyalty	Correlation Coefficient	1.000				
		Sig. (2 - tailed)	.				
		N	100				
	Tangibles	Correlation Coefficient	.498**	1.000			
		Sig. (2 - tailed)	.000	.			
		N	100	100			
	Reliability	Correlation Coefficient	.491**	.780**	1.000		
		Sig. (2 - tailed)	.000	.000	.		

	N	100	100	100			
Responsiveness	Correlation Coefficient	.507**	.745**	.822**	1.000		
	Sig. (2 - tailed)	.000	.000	.000	.		
	N	100	100	100	100		
Assurance	Correlation Coefficient	.513**	.659**	.806**	.781**	1.000	
	Sig. (2 - tailed)	.000	.000	.000	.000	.	
	N	100	100	100	100	100	
Empathy	Correlation Coefficient	.588**	.771**	.841**	.855**	.799**	1.000
	Sig. (2 - tailed)	.000	.000	.000	.000	.000	.
	N	100	100	100	100	100	100
**. Correlation is significant at the 0.01 level (2 - tailed).							
*. Correlation is significant at the 0.05 level (2 - tailed).							

VI. CONCLUSION

Cars owners expect to receive excellent quality of service not only while the purchasing process is going on, but even after the car has been purchased. Today's customers expect to receive reminders when their vehicles' periodic service is due, to be able to book a service appointment easily and to receive personalized treatment. This means that in order to retain an existing customer and let him repurchase again in the future, it is important that their expectations are met not only to the minimum standard but beyond what is required. In order to achieve this, it is essential to be very close to the customers, continuously listen to their voice and keep capturing up to date information about their future needs, expectations and perceptions.

This analytical study evaluated the impact of service quality on customer satisfaction and customer loyalty in one of the automobile companies that operates in the developing country of Saudi Arabia .The service quality was tested and reviewed using the SERVQUAL. Through this study, it was found that the majority of SAACO customers are highly satisfied and are loyal to the organization. This result is definitely beneficial for SAACO in order to stay ahead of its competitors and grow its market share.

It is understood that improving customer satisfaction and customer loyalty will increase customer retention and this in turn reflects positively on both market share and profitability. In order for any organization to succeed in the modern market, it should put the customers in the centre of its businesses and build a strong and long term relationship with them by winning their confidence rather than concentrating only on number of units sold.

Management of customer gap is the key of improving service quality in an organization. Therefore, systematic and periodic assessment of service quality is essential to determine the strength and weakness areas. Acting proactively on this places the company in advantageous position.

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