

APPROVAL

‘I hereby declare that have read this thesis and in our research is sufficient in terms of scope and quality. This project is submitted to Universiti Teknikal Malaysia Melaka as a requirement for completion and reward Bachelor Degree of Technology Management (Technology Innovation)’

Signature :

Name : Dr. Sentot Imam Wahjono

Date :

**THE IMPACT OF SERVICE QUALITY ON CUSTOMER LOYALTY: A
STUDY OF PUBLIC INTER-CITY TRANSPORT IN SOUTHERN
PENINSULAR MALAYSIA BASE FROM MELAKA.**

MUHAMMAD AMIRUDIN BIN MOHAMAD YAJID

A Project Paper Submitted

In Fulfilment of the Requirements for the Bachelor Degree Of
Technology Management (Technology Innovation)

Faculty of Technology Management and Technopreneurship
Universiti Teknikal Malaysia Melaka

JUNE 2015

DECLARATION

I declare that this project entitled “The Impact of Service Quality on Customer Loyalty: A Study of Public Inter-City Transport in Southern Peninsular Malaysia Base from Melaka.” is the result of my own research except as cited in the references. The project paper has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

Signature :

Name : Muhammad Amirudin Bin
Mohamad Yajid

Date :

DEDICATION

I would like to dedicate this research to my beloved parents and my siblings. Their unconditioned love and encouragement have allowed me to strive and push myself beyond limits that I never thought would be possible. With their support, I was able to complete this research paper smoothly. I will give this thesis as a special gift for my parents especially to my father and mother for their support, this also as feedback for what they have done for me during my whole life.

ACKNOWLEDGEMENT

All praise to Allah S.W.T for the His blessings bestowed upon me.

First, I would like to express my gratitude to Allah S.W.T, for giving me strength and opportunity to finish this research project. Without His consent, I would never complete this research.

Secondly, I would like to take this opportunity to offer my sincerest gratitude to my supervisor, Dr. Imam Sentot Wahjono, who has supported me throughout my project paper with his supervision, patience, and motivation. Without his advice and guidance, this project paper would not have been completed. He has exceptionally inspires and enrich my growth as a student and a researcher. One simply could not wish for a better or friendlier teacher or supervisor. Thank you also to all lectures in FPTT for their support and helps towards my post-graduate affairs.

Finally, I would like to express my heartiest thanks to every person that involved directly and indirectly to complete my final project. Without your contribution guidance and help I won't be able to complete this paper final project. Thanks also to my parents, lecturer, and friend and staff Universiti Teknikal Malaysia Melaka for their hep complete my paper final project. **Thank you very much.**

ABSTRACT

The growth of literature in the field of quality of service in the public transport sector shows increasing concern for a better understanding of the factors affecting service quality in public transport service provider or companies. A large variety of approaches to service quality have been developed in recent years owing to the complexity of the concept, the broad range attributes required to evaluate service quality and the imprecision, subjectivity, and heterogeneous nature of the data used to analyse it. Most of these approaches are based on customer satisfaction and loyalty surveys. This study seeks to summarize the evolution of research and current thinking as it related to the different methodological approaches for service quality evaluation in the Public Inter-City Transport base Melaka to Southern Peninsular Malaysia area over the years and to provide a discussion of future directions. The research objective of this study were to determine the prominent factors that contribute to customer loyalty and to explain the feedback from passenger which use Public Inter-City Transport especially for trip from Melaka to Southern Peninsular Malaysia area and otherwise. This study conducted by quantitative method to identify the effect of service quality to customer loyalty in Public Inter-City Transport base on Melaka for chosen trip area. In this research, data was collected through questionnaire, research strategy was survey with total of 200 respondents and the analysis is carrying out using Statistical Package for Social Sciences (SPSS) and Microsoft Excel. The questionnaire will distribute among the passenger user of trip from Melaka Sentral to Southern Peninsular Malaysia area and otherwise. The finding of this research are all variable significant if analyse by individually influence to the Customer Loyalty, but no significant in simultaneous. For the better influence of customer loyalty, service provider in public transport industry must improve their capability to fulfil customer need relevant with latest technology.

Keyword: Public Inter-City Transport, Service Quality, Melaka Sentral.

ABSTRAK

Banyak persoalan dan pertanyaan berkenaan faktor-faktor yang mampu mempengaruhi kesetiaan pengguna dalam industri pengangkutan awam. Kebanyakan daripada pendekatan-pendekatan yang telah digunakan dalam kajian sebelum ini berusaha meringkaskan evolusi penyelidikan dan pemikiran semasa apabila ia berkisar dengan pendekatan-pendekatan metodologi berbeza untuk membuat penilaian kualiti perkhidmatan Pengangkutan Awam Antara Bandar dalam kawasan Selatan Semenanjung Malaysia berpusat dari Melaka bagi menyediakan satu perbincangan untuk masa depan bagi meningkatkan kualitinya. Objektif penyelidikan kajian ini akan menentukan faktor penting yang menyumbang kepada kesetiaan pelanggan dan menjelaskan dengan terperinci maklum balas dari penumpang yang menggunakan Pengangkutan Awam Antara Bandar terutamanya bagi perjalanan dari Melaka ke kawasan Selatan Semenanjung Malaysia dan sebaliknya. Kajian ini menggunakan kaedah kuantitatif bagi mengenal pasti kesan kualiti perkhidmatan kepada kesetiaan pelanggan di Pengangkutan Awam Antara Bandar berteraskan Melaka untuk kawasan perjalanan yang terpilih. Dalam penyelidikan ini, data dikumpul melalui soal selidik, strategi penyelidikan ialah tinjauan dengan jumlah 200 orang responden dan analisis dilaksanakan dengan menggunakan Statistical Package for Social Sciences (SPSS) dan Microsoft Excel. Soal selidik diedarkan di kalangan pengguna penumpang perjalanan dari Melaka Sentral ke kawasan Selatan Semenanjung Malaysia dan sebaliknya. Hasil penyelidikan ini menunjukkan semua pembolehubah penting jika dianalisis secara individu dan mempengaruhi kesetiaan pengguna, tetapi tidak mempengaruhi jika dianalisa serentak. Untuk penambahbaikan bagi mempengaruhi kesetiaan pelanggan, penyedia perkhidmatan dalam industri pengangkutan awam mesti meningkatkan kemampuan mereka memenuhi keperluan pelanggan dengan menggunakan teknologi terkini.

Kata Kunci: Pengangkutan Awam antara Bandar, Servis Kualiti, Melaka Sentral

TABLE OF CONTENTS

CHAPTER	TITTLE	PAGES
	APPROVAL	i
	TITLE	ii
	DECLARATION	iii
	DEDICATION	iv
	ACKNOWLEDGEMENT	v
	ABSTRACT	vi
	ABSTRAK	vii
	TABLE OF CONTENTS	viii
	LIST OF TABLE	xi
	LIST OF FIGURE	xii
	LIST OF SYMBOL	xiii
	LIST OF APPENDIX	xiv
CHAPTER 1	INTRODUCTION	1
	1.1 Introduction	1
	1.2 Research Questions	3
	1.3 Research Objectives	4
	1.4 Scope	5
	1.5 Limitation of Study	5
	1.6 Importance of Study	6
	1.7 Summary	6
CHAPTER 2	LITERATURE REVIEW	7
	2.1 Introduction	7
	2.2 Service Quality	10
	2.2.1 SERVQUAL Dimension	11
	2.2.1.1 Tangibles	13

2.2.1.2 Reliability	13
2.2.1.3 Assurance	14
2.2.1.4 Empathy	14
2.2.1.5 Responsiveness	15
2.2.2 Measuring Service Quality: The SERVQUAL Model	15
2.3 Customer Loyalty	16
2.3.1 Loyalty Dimension	18
2.3.1.1 Uni-dimensional approach	19
2.3.1.2 Bi-dimensional approach	19
2.3.1.3 Multi-dimensional approach	22
2.4 Relationship SERVQUAL and CL	25
2.5 Public Inter-City Transport	27
2.5.1 Service Provider	27
2.5.2 Destination and Related Information	28
2.6 Theoretical Framework	30
2.7 Research Hypotheses	31
2.8 Summary	31
CHAPTER 3 RESEARCH METHODOLOGY	32
3.1 Introduction	32
3.2 Research Design	33
3.3 Methodological Choices	34
3.4 Primary and Secondary Data Sources	34
3.4.1 Primary data	34
3.4.2 Secondary Data	35
3.5 Research Location	35
3.6 Research Strategy	36
3.7 Populaton and Sampling	37
3.8 Data Analysis method	37
3.9 Time Horizon	38
3.10 Summary	39

CHAPTER 4	RESULTS AND DISCUSSION	40
	4.1 Introduction	40
	4.2 Result Dissemination Questionnaire	41
	4.3 Respondent Profile Analysis	42
	4.3.1 Gender	43
	4.3.2 Age Range	44
	4.3.3 Marital Status	45
	4.3.4 Educational Attainment	46
	4.3.5 Income Level	47
	4.3.6 Purpose Using of Public Service	48
	4.4 Descriptive Statistic for Variable	49
	4.5 Validity and Reliability Test	49
	4.5.1 Validity Test	49
	4.5.2 Reliability Test	50
	4.6 Inferential Statistic for Analysis	53
	4.6.1 Pearson Correlation Coefficient	53
	4.6.2 Hypothesis Testing	56
	4.7 Finding	62
	4.8 Discussion	63
CHAPTER 5	CONCLUSION AND RECOMMENDATION	65
	5.1 Introduction	65
	5.2 Conclusion	65
	5.2.1 Conclusion Objective 1	67
	5.2.2 Conclusion Objective 2	68
	5.2.3 Conclusion Objective 3	69
	5.3 Limitation	70
	5.4 General Recommendations	70
	5.5 Recommendation for Future Research	72
REFERENCES		73
APPENDIXES		76

LIST OF TABLES

TABLE	TITLE	PAGE
1.0	Itinerary Public inter-city buses to the area Southern Peninsular Malaysia base of Melaka	29
3.1	Work Flow Planning	39
4.1	Results Dissemination Questionnaire	41
4.2	Summary Total of Respondent	42
4.3	Result of Survey Respondent by Gender	43
4.4	Result of Survey Respondent by Age	44
4.5	Result of Survey Respondent by Marital Status	45
4.6	Result of Survey Respondent by Educational Attainment	46
4.7	Result of Survey Respondent by Income Level	47
4.8	Result of Survey Respondent by Purpose of Using Public Services	48
4.9	Value of Descriptive for Variable	49
4.10	Result of Validity Test	50
4.11	Cronbach's Alpha Coefficient range and its strength of association.	51
4.12	Result of Reliability for Research	52
4.13	Rules of Thumb for Interpreting correlations	53
4.14	Pearson Correlation Coefficient of all Variables	54
4.15	Simple Linear Regression for Tangible	56
4.16	Simple Linear Regression for Reliability	56
4.17	Simple Linear Regression for Responsiveness	57
4.18	Simple Linear Regression for Assurance	57
4.19	Simple Linear Regression for Empathy	57
4.20	Model Summary and Table of Coefficients	59
4.21	Table of Coefficients	61

LIST OF FIGURES

TABLE	TITLE	PAGE
2.1	Theoretical Framework	30
4.1	Result of Survey Respondent by Gender	43
4.2	Result of Survey Respondent by Age	44
4.3	Result of Survey Respondent by Marital Status	45
4.4	Result of Survey Respondent by Educational Attainment	46
4.5	Result of Survey Respondent by Income Level	47
4.6	Result of Survey Respondent by Purpose of Using Public Services	48
4.7	Results Finding Significant framework of Service Quality	62

LIST OF SYMBOL

B	=	Beta
0	=	Null
%	=	Percentage
R	=	Point of estimate
R^2	=	Point of estimate Square
P	=	Value

LIST OF APPENDIX

APPENDIX	TITLE	PAGE
A	Questionnaire	76

CHAPTER 1

INTRODUCTION

1.1 Introduction

Success of a service provider depends on the high quality relationships with customers which determines customer satisfaction and loyalty (Jones, 2002 as cited by Lymproulos et al., 2006). Service providers around the world believe that the most effective way to maintain customer loyalty and customer satisfaction is consistent service quality that decrease the cost of attracting new customers and increase sales and market share. The quality of service is one of the most effective factors in creating competitive advantages and improves business (Tsoukatos and Rand, 2007).

The concept of customer satisfaction occupies a central position in marketing through and practice. Satisfaction was the major outcome of marketing activities and serves to link process culminating in purchase and consumption with post purchase and brand loyalty.

In the early 1970s, customer satisfaction began to emerge as a legitimate field of inquiry. The U.S Department of Agriculture's Index of Consumer Satisfaction (Pfaff 1972) was the first study to report direct information on consumer satisfaction to policy makers. Both Olshavsky and Miller (1972) and Anderson (1973) examined disconfirmed expectancies and their influence on product performance rating. These two studies along with Cardozo's (1964) experiment formed the foundation for much of the later theory testing and experimental research.

Transport is one alternative system in the world. It regarded as driving force and given some income for society. Development of certain place closely related to in communication system transport. In Malaysia, public transport system is aspect most important in communication system whether for township or rural. As a country that increasingly advances, system relationship in one country should be having efficiency and progress from service aspect and also technology used. Because of that, Malaysia government make effort to make various innovations and new strategy to further improve public transport services quality. So that, it can attract social attention.

Movement of phase time happened according to turn of technology uses and service provide when form of transport and traffic constantly changing. Service minibus have turned into intra city and then move to inter-city or express and for train graduating from commuter system, monorail and light rail transit (LRT) kind of service. But in this study researcher not to discuss the train section but focused to familiar Public Inter-City Transport in Sothern Peninsular Malaysia base Melaka.

Public Transport service is to be one of the alternatives to help and overcoming the problem of traffic congestion especially in town areas like Melaka and Johor in area Southern of Peninsular Malaysia. Therefore, this use of the service level should be raised to help reduce road congestion and road accident case. For that to attract and give trusted feeling for passenger, the main aspect is how to improve the service quality.

The rising problems caused by the high dependency on private transportation have raised the concern of the Malaysian government to promote the model shifting to public transportation usage. Thus, improving the public transport system is a major priority of the government. The government has established the Public Land Transport Commission (SPAD) as the lead agency responsible for planning, regulating and enforcing public land transport related matters and operations. It will also be responsible for providing safe and reliable services at reasonable fares to encourage more people to use public transport (Tenth Malaysia Plan, 2010).

By the end of 2012, the government is targeting 600,000 or 25 percent of the Klang Valley's population which is 2.5 times from the current level to use public transport under the National Key Results Area (NKRA) initiative (SinChew Online, 2012). "Improving public transportation in the medium term" is specifically included

as the 6th NKRA to promote public transportation usage to the public and to increase the utilization rate (GTP Annual Report, 2010). It is the first phase why Malaysia committed to develop the public transportation access.

In Malacca, the state government also shows initiative to improve public transportation to provide better transportation to fulfil customer loyalty. The recent announcement about the state government taking over the operation especially of the public bus service and other medium public transport shows a good move to take public transportation to a higher level of service. Malacca also have “river cruise” as alternative public transport especially to tourist to round and sightseeing this historical city.

1.2 Research Question

Nowadays, the identification of consumer motives is an important step to ensure that a product will satisfy appropriate needs. Traditional approaches to consumer behaviour focus on the abilities of products to satisfy rational needs (utilitarian motives), but hedonic motives (like the need for exploration or for fun) also play a key role in many decision.

Industrialist of Public Transport in Malacca should consider the customer satisfaction to get their loyalty by providing suitable and good service to meet satisfaction and bring happiness to the customer. Based on the reason above, the research question for this study are:

1. What is Service Quality individually influence to Customer Loyalty in Public Inter-City Transportation base from Melaka?
2. What is it Service Quality influence simultaneous to Customer Loyalty in Public Inter-City transport base from Melaka?
3. What is the most important of Service Quality influence to Customer Loyalty?

1.3 Research Objective

There should be an obvious concept of quality in order to understand the concept of one service quality. Quality is defined as preparedness of the service or goods for the user which requires design quality, accordance, accessibility and suitability of the location of presenting services. The international standards institute has defined “quality” as all of the properties/specifications of a product/service which have the ability of satisfying customers need. Customers evaluate services quality by comparing what they expect/predict with what the services presenter practically offers. Therefore, service quality may be defined as the difference between customer s expectations from the services and their understanding of the real performance of the services (Zeithaml and Parasuraman, 2008).

From the concept quality, objective of this research are to measuring customer loyalty comes from customer satisfaction based on service performance in Public Transportation at Malacca. The objectives of this study are as below:

1. To determine Service Quality individually influence to Customer Loyalty in Public Inter-City Transportation base from Melaka.
2. To explain the Service Quality influence simultaneous to Customer Loyalty in Public Inter-City Transportation base from Melaka.
3. To describe the most important of Service Quality influence to Customer Loyalty.

1.4 Scope

Measure customer loyalty due to concept SERVQUAL Models based on Public Inter-City Transport in Southern Peninsular Malaysia base Melaka which is centre at Melaka Central. By Using the SERVQUAL Models concept, Public Inter-City Transport base Melaka provider improve their service such as provide interactive response customer medium, suitable equipment for customer and alert about customer safety aspect to make better loyalty to their service.

SERVQUAL Models are the best concept for the Public Inter-City Transport in Southern Peninsular Malaysia base Melaka provider to identify their customer loyalty founded satisfaction and target market. The researcher method is distributing the questionnaire to the respondent.

The scope of this research is Public Inter-City Transport in Southern Peninsular Malaysia base Melaka. The Questionnaire will be distribute to passenger which will be go by bus to Southern Peninsular Malaysia from Melaka Central and otherwise.

1.5 Limitation

Measuring customer loyalty due to SERVQUAL Models based on service provided in Public Inter-City Transport in Southern Peninsular Malaysia base Melaka. The limitation researcher have to face capability of Public Inter-City Transport in Southern Peninsular Malaysia base Melaka providers itself to fulfil user, which are majority of Melaka citizen

The research only focused on Melaka citizen and passenger usage trip Melaka to Southern Peninsular Malaysia area without considering their races, ages, genders and so on. This research will not include other place as location to the research survey. But, researcher only look another place as guidance to make perfect observation.

1.6 Importance of Study

Understanding passenger behaviour and need is good business. The basic concept to attract and get trusted from customer and to fulfil satisfy. To implement of this, management or owner of Public Inter-City Transport base on Melaka need to understand the people or any organizations that will get the service they are trying to serve.

The important of this research is to ensure that service provider Public Inter-City Transport base Melaka for provides best services to their passenger especially for passenger trip from Melaka to Southern Peninsular Malaysia. Research is required to understand passenger behaviour and needs to ensure quality services in Public Inter-City Transport base Melaka to Southern Peninsular Malaysia area.

1.7 Summary

Passenger response is the ultimate test of whether a service strategy will succeed. Thus, service provider of Public Inter-City Transport base Melaka should incorporate knowledge about passenger especially for regular users. Data about passengers help service provider and related organization to define the need and identify threats to and opportunities for a best service. From the point view, customer loyalty measurement can be useful develop service provided in Public Inter-City Transport base on Melaka.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

A literature review is an evaluative report of studies found in the literature related to your selected area. The review should describe, summarize, evaluate and clarify this literature. It should give a theoretical basis for the research and help you determine the nature of your own research. Select a limited number of works that are central to your area rather than trying to collect a large number of works that are not as closely connected to your topic area. (Boote, D.N. & Beile, P., 2005)

In this cut throttle competition, every company wants to get edge over other. For public transport industry, service quality is an important consideration, so companies striving to attain maximum customer satisfaction by providing quality services. According to Min & Min (1996) service quality is the life blood for public transport industry and service quality is further linked with customer satisfaction being studied by Shi & Su, (2007) and the other one, customer satisfaction is related with customer loyalty (Han, Barrett & Back, 2009). Service quality is considered an evaluation between service prospect and what actually has been received (Parasuraman et, al., 1985).

According Zeithamlet, al. (1985) conducted a study in which they presented the ten useful requirements to measure the quality of services provided to the customers. These are: responsiveness, reliability, tangibility, credibility,

communication, security, competence, understanding the customers, courtesy and service accessibility. In 1990, Zeithamlet, al. presented the five dimensional SERVQUAL scale to measure the service quality. These dimensions are: responsiveness, reliability, assurance, tangibility and empathy. These constructs have higher correlation with each other.

Parasuraman *et al.* (1985) emphasized that attainment of quality in products and services has become a pivotal concern of the 1980s. In that period, quality in service was largely undefined and unexplored.

Jović (1992) carried out the first survey of indicators that customers used to define the notion of public transport system service quality in Belgrade. The goal of this survey was to determine what transport system customers consider to be service quality. The survey showed that customer perception of service quality implied all of the elements in the functioning of the transport that customers were dissatisfied with. Service quality elements established in this research, among others, were used in research that authors conducted during 2011.

According Lai and Chen (2011) highlighted behavioural intentions and explored the relationships between passenger behavioural intentions and the various factors that affect them. Apart from the factors recognized by past studies, such as service quality, perceived value, and satisfaction, this study addressed the importance of the involvement of public transit services in passenger behavioural intentions. According to their results, service attributes such as vehicle safety, facility cleanliness, and complain handling have significant influences on passenger behavioural intentions.

Dell Olio *et al.* (2010) showed that perception of quality changed with the category of user and that there tended to be more criticism towards variations in overall quality until the users were stimulated into thinking more deeply about other influential variables. Although, the aim of survey that Olio presented was very similar with the aim that authors presented, methodologies were quite different. Also, the difference between researched transport systems contributed to different obtained results. For example, cleanliness of the bus had no relevant weight in Olio's study. The weight given to vehicle cleanliness was negligible because the bus fleet in the city where survey was conducted had only recently been completely renewed, with no vehicles

over 2 years old. Therefore, the user did not value lack of cleanliness because they were completely satisfied in this respect. This was not the case in the survey results obtained in Belgrade, and that was logical because the average age of vehicles was more than 11 years.

Dell Olio *et al.* (2011) highlighted that desired quality is different from the perceived quality because it does not represent the daily experiences of the users, but rather what they desire or hope for from their public transport system. Waiting time, cleanliness and comfort are shown to be the public transport variables that users most valued, but the degree to which they are valued varies according to the category of a user. Variables such as driver kindness, bus occupancy and journey time are generally given less weight. For potential users the more important variables when defining expected quality from public transport are waiting time, journey time and above all, level of occupancy. The purpose of the research, conducted by authors in Belgrade, was also to improve transport system service quality based on users and potential user perception.

In literature review, researcher will tells about SERQUAL Model, loyalty theory, Public Inter-City Transport base Melaka access and industry player for Public Inter-City Transport base Melaka. Public Inter-City Transport is an example of urbanisation factor for Melaka. It was introduce and sort systematically of trip and related service to passenger. From that state of government also look the Melaka Central is an important part for their administration and conducting state development especially in economic aspect.

2.2 Service Quality

A series of articles by Parasuraman, Zeithaml, and Berry has traced the improvement of a theory that attempts to explain how consumers acquire perceptions of the quality of service firms. Parallel with their theory development, Parasuraman, et al. has experimented with various ways of measuring the hypothetical dimensions of service quality. Their latest effort resulted in a set of scales they have named SERVQUAL.

A research was published by Parasuraman, Zeithaml and Berry (1988) focused more about specifically on the psychometric aspects of service quality. Their multi-item SERVQUAL scale was considered as first trials to operate customer satisfaction construct. The SERVQUAL scale focused on the enactment components of the service quality model which quality was obtained that can differentiate between expectations and performance.

Definitions of service quality hold that this is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Lehtinen & Lehtinen, 1982). Service quality is defined as the degree of discrepancy between customer's normative expectation for service and their perceptions of service performance. The definition of service quality was further developed as "the overall evaluation of a service firm that results from comparing that firm's performance with the customer's general expectations of how firms in that industry should perform (Parasuraman et al. 1998)

Parasuraman *et al.* (1988), defined perceived service quality as "global judgment or attitude relating to the superiority of the service". The superiority of the service is confirmed by what the service delivers, which is the outcome and is evaluated after the performance, and how the service is delivered, which is the process and is evaluated during delivery.

According to Asubonteng *et al.* (1996), what a service delivers is difficult to evaluate for any service, so consumers or customers rely on other measures of quality attributes associated with service delivery, as evidenced in the five generic dimensions of service quality. A survey of service theory seems to indicate that, clients will judge