SERVICE QUALITY RELATIONSHIP TOWARDS CUSTOMER LOYALTY

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APPROVAL

I/ We hereby declare that I/ we have read this dissertation/report and in my opinion, this dissertation/report is sufficient in terms of scope and quality as a partial fulfilment the requirements for the award of Bachelor of Technopreneurship with Honours

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DECLARATION

I hereby declared that this report entitled **"SERVICE QUALITY RELATIONSHIP TOWARDS CUSTOEMR LOYALTY"** is the result of my own research except as cited in the references. I acknowledge this report is my own work except the summaries and quotes which I have detailed the sources on every single one of them. The report has not been accepted for any degree and is not concurrently submitted in the candidature of any other degree.

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DEDICATION

I dedicate this thesis to my beloved parents which are Shaipudin bin Ahmad Sahim and Rashidah binti Mazlan who always support me during to complete this research. They also given advice, financial and moral support give advices, financial and moral support in order to motivation me during to this research until now. Thank you to my Supervisor Puan Atikah Saadah binti Selamat because she always guide and give advice to complete the research. Thank you to my family and my friends for always support and help me in this research.

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I would like to thank my fellow classmates for the guidance we give each other every day where it is important in the project, how to write it and how to encourage each other to complete this project is so helpful because sometime I forget the necessary research on this project, I am very thankful for that as well.

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ABSTARCT

The main objective of this research project is to identify the factors that contribute to determining customer loyalty with the most significant effect. The five core quality of service dimension will be discussed further in the research studies: assurance, empathy, reliability, responsiveness, and tangible. The works of the previous researcher helps in develop the hypothesis in this research project.

The research will carry out by distributing questionnaires to respondents, while the target population is commuters in Kuantan. The questionnaires will be hand out to commuters at bus stop, online or sent via e-mail. The Statistical Package for Social Science (SPSS) version 20.0 was used during the data analysis process.

Feedback from the respondent will be analyze and present through the Correlation Analysis and Multiple Regression Analysis test of Pearson. The research finding will tells us on the dimension of service quality is importance in determining customer loyalty level. This finding will enable companies to pay more attention to the service dimension to ensure loyalty to their customers. In the future, their customer expectations will be fulfilled.

ABSTRAK

Objektif utama projek penyelidikan ini adalah untuk mengenal pasti faktor-faktor yang menyumbang untuk menentukan kesetiaan pelanggan dengan kesan yang paling penting. Lima teras kualiti dimensi perkhidmatan akan dibincangkan lebih lanjut dalam kajian penyelidikan: jaminan, empati, kebolehpercayaan, responsif, dan ketara. Kerja-kerja penyelidik terdahulu membantu dalam membangunkan hipotesis dalam projek penyelidikan ini.

Penyelidikan akan dijalankan dengan menyebarkan soal selidik kepada responden, sementara sasaran penduduk adalah penumpang di Kuantan. Soal selidik akan dihantar kepada penumpang di perhentian bas, dalam talian atau dihantar melalui e-mel. The Statistical Package for Social Science (SPSS) versi 20.0 digunakan semasa proses analisis data.

Maklum balas daripada responden akan dianalisis dan hadir melalui ujian Analisis Regresi dan Analisis Regresi Berganda Pearson. Tinjauan penyelidikan akan memberitahu kita tentang dimensi kualiti perkhidmatan adalah penting dalam menentukan tahap kesetiaan pelanggan. Temuan ini akan membolehkan syarikat-syarikat memberi lebih perhatian kepada dimensi perkhidmatan untuk memastikan kesetiaan kepada pelanggan mereka. Di masa hadapan, harapan pelanggan akan dipenuhi.

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CHAPTER 1 INTRODUCTION

1.0 Introduction

Customer loyalty and service quality are leading external components of every company relations system, as they largely determine today's competitiveness. The desire to manage customer relationships result organizations to begin in paying attention to developing and implementing service standards. Reviewing customer service standards as a portion of the organization's corporate culture makes it possible to develop and implement more successful strategies to be found.

Customer satisfaction and quality of service are one of the fundamental chances that support the company to run, improve its business, profit and in particular, protect its customers' loyalty. Good service is the consequence of an organized corporate culture that can generally be considered as a kind of social culture. This course is made concrete by setting the values of a general trend in activity, rules, regulations and standards. Five aspects of good service quality and customer perception of service measurements of service are represented in theoretical parts. The research study intensified to find out what customers think about the service quality of the company and whether the level of customer satisfaction is adequate to draw more consumers and save those who have long been loyal to the company.

1.1 Background of the Study

The purpose of the research is to backing businesses up as practitioners in evaluating expectations perceptions gap in determining their view of the quality of service offered by the business. It attempts to assess whether there is any proof exists that the dimensions of SERVQUAL are relevant to the businesses. The research also attempts to examine the relationship between customer satisfaction and loyalty perceived by the customer as offering "quality" and whether this strategy enhances the opportunity to attract repeat business.

Despite the instrument's criticisms, in order to measure service quality, the SERVQUAL model was used. By considering all the five dimensions proposed by Parasuraman, Zeithaml and Berry (1991), the research aims to classify the most important dimensions. The research was carried out for a practical perseverance, such as identifies areas where the customer perceives quality as a problem. To this extent, the methodology, presentation, and analysis were consistent with the audit firm's necessities for assessing customer satisfaction and loyalty.

1.2 Problem Statement

Bus Rapid Transit (BRT) is a bus transit public transport system build to improve flexibility and reliability compared to a traditional bus system in Kuantan. A BRT system typically includes bus-dedicated roads and prioritizes buses at intersections when interacting with other traffic. BRT seeks to combine a metro's efficiency and speed with a bus system's versatility, cost savings, and simplicity (Hassan, 2019). The post also stated that the bus services encountered a 10 percent decrease in the overall ridership of 81 million passengers in a year compared to the corresponding period of around 88 million passengers which includes in Kuantan. One of the commuters' concerns is that the network is too sluggish, which could also lead to the decline. While there may be other reasons why the buses are late, the main factor in the world has to compete on the roads with personal vehicles. Busses hardly arrive on time, and the Passenger Information System (PIS), frequently known as electronic signs, is incorrect in arrival times. Many of commuters are frequently frustrated by the delay and no longer depend on the "estimated moment of arrival" of the electronic signboards.

There is a need for more commuters to switch from cars to public transport. There are time costs apart from the driving costs. Recently, Malaysia has invested in the development of public transport and has ambitions to increase substantially to reduce congestion. We estimate, however, that even with planned expansions and full capacity utilization of current and future rail lines, current peak congestion levels by 2022 may not be sustained (Vincent Chin, 2017). Public transportation should be improved to ease the future event of Pahang Visiting Year. In the previous years, Pahang Visiting Year recorded 14.8 million visitors came to celebrate (Kosmo, Negara, 2018). Bus Rapid Transit is a main public transport in Kuantan. By improving its efficiency, the future event will definitely become more successful than the one in 2017.

1.3 Research Questions

1.3.1 Which service quality element that influences customer satisfaction the most?
1.3.2 How customer satisfaction does impact to build customer loyalty?
1.3.3 Does customer satisfaction mediating the relationship of service quality and customer loyalty?

1.4 Research Objectives

1.4.1 To identify the best service quality element that affects customer satisfaction the most.
1.4.2 To observe how customer satisfaction impacts customer loyalty.
1.4.3 To examine whether customer satisfaction mediate the relationship of service quality to customer loyalty.

1.5 Significance of the Study

A new concept is very important to understand for the implementation of an effective marketing plan for marketing normalization practices or cause socially desirable behaviors. While performance and customer satisfaction are generally accepted and have such loyalty positive impact on outcomes, the exact nature of the partnership was revealed for discussion. Therefore, research on these issues is hoped to shed light. Customers can be described as "loyal" in the services industry because they tend to choose some firm more frequently than others. Note, however, the use of the word "choose;" customer loyalty becomes apparent when customers make choices and take action. In a survey, customers may express high levels of satisfaction with a company, but loyalty is not equal to satisfaction. The customer's actions show loyalty; customers can be very pleased and not trustworthy yet. Based on this study, feedback from the customer will show the clients are most likely to be happy and loyal. The study will also provide advantages to:

1.5.1 Benefits to customers

The value of delivering superior service quality is steadily increased as rivalry intensifies throughout the service industry. The most enticing lure for customer acquisition and retention is today's superior quality of service. Customers benefit from improved service and therefore greater loyalty to the company.

1.5.2 Benefits to practitioners

The variable price is utilized by companies in Malaysia to gain competitive advantages in the world market. More customer satisfaction and loyalty is achieved by the firms, calculated by income and revenue growth and cost savings, to boost the company's performance. In terms of increased market share, reduced operating costs and increased profit margins, increased client service, and business efficiency and effectiveness the advantages of that research study for the organization can be summarized.

1.5.3 Definitions of Key Terms

The following key terms need further explanation in order to provide a precise terminology:

a) Service Quality

Service quality is a centered review that reflects the perception of the customer of specific service dimensions, namely reliability, responsiveness, assurance, empathy, tangible. A high-quality service business will meet the needs of customers while remaining competitive economically. Improved quality of service can increase competitiveness in the economy. This goal can get achievements by awareness and enhancement of organizational processes, quickly and systematically identifying problems, define valid and reliable metrics of performance for service, and evaluating customer satisfaction and other performance outcomes.

b) Service Quality Dimensions

Zeithaml, Parasuraman and Berry found that customers use five dimensions when evaluating service quality after extensive research. They called their SERVQUAL survey instrument. In other words, when suppliers correct these measurements, consumers can move the keys to their loyalty. Because, according to what is important to them, they will have received service excellence. It is essentially a formal market research process dividing service overall into five different areas or components that are tangibility, responsiveness, reliability, assurance, and empathy.

Tangibles – The presence of physical facilities, equipment, personnel, and communication materials.

Reliability – The ability to responsibly and accurately deliver the promised service.

Responsiveness – The willingness to help and provide prompt service to customers.

Assurance – The employees ' competence and courtesy and ability to communicate trust.

Empathy – It refers to caring, individualized thoughtfulness the firm offers its customers.

c) Customer Satisfaction

Customer satisfaction is defined as "the number of clients or proportion of total clients whose experience was recorded with a company, their products or their services (ratings) exceeds the satisfaction indicated objectives" (Paul W. Farris et al, 2010). In their research they also stated that they need to focus on the importance of meeting the expectations of customers as they might warn against sales and profitability problems. This indicates how the products and services delivered by a business meet customer expectations or surpass those expected.

d) Customer Loyalty

Customer loyalty benefits from an emotionally always positive experience; satisfaction based on physical characteristics and perceived experience value that includes the product or services. According to reviews as in the literature of Sandip Ghosh Hazra and Kailash B. L. Srivastava (2009), big firms are exposed to higher competition; while small businesses are attempt to win company loyalty, commitment and confidence by providing services of better quality to them. Quality of service is now a business tactic, so it is vital to discover the quality of service and its effect in order to improve customer satisfaction.

1.6 Organization of Remaining Chapters

A total of five chapters were developed to effectively discuss this research. The first chapter provides an overview of the work and clarifies the reasons for it.

Chapter two mainly deals with past experiments in quality of service, audit service quality, marketing relationships, customer satisfaction and customer loyalty. This second chapter also discusses the theoretical framework and development of the hypothesis.

The researcher also discusses the research methodology, the research design, the data collection, the calculation tool, and the statistical analysis carried out in hypothesis analysis in Chapter Three.

Chapter four mostly deals with the measurement goodness used and the outcome of the hypotheses tested. Last and foremost, the overall findings and research implications will be discussed in Chapter Five.

CHAPTER 2 LITERATURE REVIEW

2.0 Introduction

The secondary sources are provided for this chapter and its objective is to review the critical point of the current topic. This research focused on to identify the impact of providing businesses with a good quality service product. Researchers are studying the quality of experience-based support of consumers as end users. The researcher then also studies public opinion on experiencing services in order to build loyalty to the products or services. Finally, this study will reveal how important it is to design good customer service quality.

2.1 Service and Service Quality

Research from Anil Kumar et al. (2017) supports the cost, handiness and quality dimensions of the value of service and the relationship between service retention. Cost of service is an important factor in the retention of customers. Location convenience as reflected by the service center range of the auto dealer affects the retention of customers because long distances mean that communication is more difficult. The flexibility of the hours of service as determined by factors such as timing and the time required to provide the service affects customer satisfaction and retention. In addition, high service quality is a customer standards necessity and is hence a vital factor in customer retention. In addition, service friendliness and pick-up or loan service delivery can affect the relationship quality, which in turn has a major effect on customer retention and word of mouth (Anil Kumar et al, 2017).

More and more customers are encouraged to take on more active roles in the production of goods and services (Peter C. Verhoef et al, 2010). The literature on service marketing has focused on customer involvement in service firms. Co-production in particular can enhance value perceptions because customers create value with the company (Lih-Bin Oh and Hock-Hai Teo, 2010). Service providers and educators cannot tell too easily that tangibility is a big characteristic of services; such a statement depends on the specific services being characterized. The achievement of customer satisfaction is a requirement for loyal customers. Restaurant managers and owners assume that loyal customers are also customers of much interest than causal consumers (Espinosa, 2018).

While in food service industry, food quality and quality of service have been associated with higher customer satisfaction rates, as well as willingness to evaluate and recommend to others (Mathe-Soulek et al, 2015; Namin, 2017). Quality of service is widely recognized as a precedent of customer satisfaction and behavioral intent, which in turn contributes to profitability of an business (Kyoung Yong Kim et al, 2016; Prentice, 2013; Yongdong Shi et al, 2014). The perceived value of any product and service to the consumer is very critical for brand loyalty. Keeping customers loyal is an ultimate goal in a service factory such as a fast food restaurant by offering value-based service and food (Baker L. a., 2012).

2.2 The SERVQUAL Model

An effective and efficient quality enhancement for the purpose of continuity needs an awareness of different dimensions of quality that significantly influence the intention of continuity because the quality of service has various dimensions (Jungi Park et al, 2016). Improving an influential quality dimension enhances the intention of continuance better and more effectively than enhancing a less significant. Comprehension of relative quality dimensional effects on the intention of continuity can therefore guide managers for assigning their limited business resources (Aron O'Cass