



International Journal of Multidisciplinary Research and Growth Evaluation



International Journal of Multidisciplinary Research and Growth Evaluation

ISSN: 2582-7138

Impact Factor (RSIF): 7.98

Received: 09-06-2020; Accepted: 08-07-2020

www.allmultidisciplinaryjournal.com

Volume 1; Issue 4; July - August 2020; Page No. 116-119

Service Quality as an Antecedent to Customer Loyalty: The Central Role of Customer Satisfaction

Sudesh Kharb

Government P. G. College, Sector -1, Panchkula, Haryana, India

Corresponding Author: Sudesh Kharb

DOI: <https://doi.org/10.54660/IJMRGE.2020.1.4.116-119>

Abstract

This empirical study examines the causal relationships among service quality, customer satisfaction, and customer loyalty within a specific service context. Data were collected from a sample of 100 customers via a structured survey, capturing their perceptions of service quality across the five SERVQUAL dimensions, overall satisfaction, and loyalty intentions. Statistical analysis, including correlation, Analysis of Variance (ANOVA), and multiple regression, was employed to test the study's hypotheses. The results reveal a strong positive correlation between service quality and customer satisfaction, and between satisfaction and

loyalty. ANOVA was used to compare mean satisfaction and loyalty scores across customer segments. Most importantly, regression analysis confirms that service quality is a significant predictor of customer satisfaction, which, in turn, acts as a powerful mediator linking service quality to customer loyalty. These findings provide practical evidence for service managers, demonstrating that strategic focus on enhancing service quality is a robust pathway to improving customer satisfaction and ultimately cultivating long-term customer loyalty.

Keywords: Service quality, SERVQUAL, customer satisfaction, customer loyalty, mediation, regression analysis

1. Introduction

In today's highly competitive service environment, cultivating loyal customers has become both a challenge and a necessity for survival. Organizations across industries—whether in retail, hospitality, banking, healthcare, or education—recognize that superior service is not merely an operational function but a strategic differentiator. Yet, service excellence alone does not guarantee customer loyalty. Customers may perceive a service to be high in quality, but unless this perception translates into satisfaction, loyalty may not materialize.

The theoretical literature has long emphasized a sequential pathway: service quality → customer satisfaction → customer loyalty. However, businesses increasingly demand empirical evidence to validate and quantify these relationships within specific contexts. The present study contributes to this need by systematically investigating the connections between these three constructs using data collected from 100 customers.

The central premise is that service quality is the primary antecedent, customer satisfaction plays the mediating role, and loyalty is the ultimate outcome. To substantiate this, the study applies robust statistical tools including correlation, ANOVA, and regression. By doing so, it provides both theoretical reinforcement and practical guidance for managers.

2. Literature Review

2.1. The Service Quality Construct

Service quality is a multidimensional construct that captures customers' perceptions of how well a service meets or exceeds expectations. Parasuraman, Zeithaml, and Berry (1988) introduced the widely adopted SERVQUAL model, which evaluates service performance across five dimensions:

- **Reliability:** delivering what is promised accurately and dependably.
- **Responsiveness:** willingness to help and provide prompt service.
- **Assurance:** knowledge, courtesy, and ability to inspire trust.
- **Empathy:** individualized attention and care.
- **Tangibles:** physical facilities, equipment, and appearance.

Research consistently finds that higher performance in these areas enhances customers' evaluations, though the effect on loyalty is often indirect.

2.2. Customer Satisfaction as a Mediator

Satisfaction represents the emotional and cognitive evaluation of a service experience. Drawing on Expectancy-Disconfirmation Theory (Oliver, 1980)^[8], satisfaction occurs when perceived performance exceeds expectations. Scholars agree that satisfaction strongly predicts loyalty intentions (Fornell, 1992)^[5], but more importantly, it mediates the service quality–loyalty link. Without satisfaction, even objectively superior service quality may fail to generate repeat patronage.

2.3. Customer Loyalty: Behavioral and Attitudinal Perspectives

Customer loyalty encompasses both behavioral loyalty (e.g., repeat purchases) and attitudinal loyalty (e.g., positive recommendations). Dick and Basu (1994)^[4] conceptualized loyalty as a combination of relative attitude and repeat behavior. Loyalty is therefore not just transactional but also relational. Reichheld (2003)^[10] later operationalized loyalty measurement through the Net Promoter Score (NPS), reflecting the likelihood of customer referrals.

2.4. Past Empirical Insights (Expanded)

Scholars across decades have extensively explored the interrelationships among service quality, satisfaction, and loyalty, producing a body of empirical evidence that continues to shape both theory and practice.

Grönroos (1984)^[7]: The Two-Dimensional View of Quality Christian Grönroos made an early and influential contribution by distinguishing between technical quality (what customers receive) and functional quality (how they receive it). For example, in a hotel context, technical quality refers to whether the room is clean and the bed comfortable, while functional quality refers to the courtesy of staff and timeliness of service. His empirical work highlighted that even when technical delivery is flawless, poor functional interactions can erode customer satisfaction and loyalty. This perspective remains relevant today in industries like healthcare, where medical accuracy (technical) must be accompanied by empathy and communication (functional) to achieve satisfaction.

Fornell (1992, 1994)^[5, 6]: Linking Satisfaction to Macro Outcomes

Claes Fornell's work on the American Customer Satisfaction Index (ACSI) was ground-breaking because it scaled satisfaction measurement to a national level, connecting micro-level perceptions to macro-level business and economic performance. Using econometric modelling, Fornell demonstrated that customer satisfaction significantly predicts complaints, repurchase behavior, and firm profitability. For instance, industries with consistently high ACSI scores, such as mobile telecommunications and retail banking, have also shown stronger retention rates. These studies emphasized that satisfaction is not just a psychological state but an economic driver, directly influencing loyalty and long-term financial performance.

Bolton (1998, 2000)^[1,2]: The Dynamic Nature of Satisfaction Ruth Bolton's studies emphasized that satisfaction is not static; rather, it evolves with repeated interactions and is influenced by cumulative experiences. In her 1998 study, she found that customers adjust their expectations and satisfaction levels based on service encounters over time. Later, with Kannan and Bramlett (2000)^[2], she demonstrated that competitive comparisons also shape satisfaction—customers evaluate not only a single firm's performance but also how it compares to rivals. For example, in the airline industry, even a "good" flight experience may yield lower satisfaction if competitors are perceived as offering more value. These insights stress that service quality must be managed continuously to sustain loyalty.

Reichheld (2003, 2011)^[10, 11]: Loyalty and Growth through NPS

Fred Reichheld redefined how firms approach loyalty with his concept of the Net Promoter Score (NPS). His research showed that a single question "Would you recommend us to others?"—is a powerful predictor of customer loyalty and future growth. In his empirical studies across multiple industries, firms with high NPS scores consistently outperformed competitors in revenue growth. For instance, Apple, Amazon, and Southwest Airlines leveraged loyalty-driven strategies to achieve sustained market leadership. Reichheld's later work emphasized that loyalty is not merely behavioral but tied to emotional commitment, advocating that companies must enrich customers' lives to earn genuine loyalty.

Caruana (2002)^[3]: Mediation of Satisfaction in Service Quality–Loyalty Link

Caruana conducted a seminal study in the banking sector, providing concrete empirical evidence that customer satisfaction mediates the relationship between service quality and loyalty. His analysis revealed that while service quality directly affects loyalty to some extent, the majority of its influence flows through satisfaction. For example, customers reported stronger intentions to continue banking with institutions that not only delivered reliable and responsive services but also left them feeling satisfied overall. This finding has since been replicated in other industries, including retail, hospitality, and healthcare, reinforcing the universality of satisfaction's mediating role.

Other Sectoral Insights

- **Hospitality Industry:** Studies have shown that customer satisfaction in hotels is heavily dependent on responsiveness and empathy, and these in turn strongly influence repeat bookings and positive reviews.
- **Retail Banking:** Research indicates that tangibles (e.g., ATM accessibility, branch facilities) enhance satisfaction, but loyalty depends more on assurance and empathy from staff interactions.
- **Healthcare Services:** Empirical studies highlight that while technical competence ensures trust, patient satisfaction—and eventual loyalty to a hospital—is strongly linked to communication, empathy, and responsiveness.

Synthesis

Together, these empirical insights establish three recurring patterns:

1. Service quality shapes satisfaction across industries, but the dimensions that matter most vary by context.
2. Satisfaction is consistently the bridge between quality and loyalty, whether in banking, hospitality, retail, or healthcare.
3. Loyalty is multidimensional—it reflects both repeat behavior and emotional attachment, requiring organizations to go beyond functional delivery to create positive emotional experiences.

This cumulative evidence provides a strong foundation for the present study, which empirically tests these established relationships using a primary dataset of 100 customers.

3. Research Methodology

3.1. Research Design

A quantitative, cross-sectional survey design was adopted.

3.2. Sample and Data Collection

Data were gathered from a convenience sample of 100 customers. Respondents represented diverse age groups and genders. Surveys were distributed through an online platform over one month.

3.3. Measurement Instruments

- **Customer Satisfaction:** Measured via a single global item assessing overall satisfaction.
- **Customer Loyalty:** Multi-item scale measuring repeat purchase intention and word-of-mouth recommendations.
- **Demographics:** Age and gender.

3.4 Data Analysis Techniques

Data were analyzed using SPSS. Three main statistical approaches were employed:

1. Correlation analysis to examine associations.
2. ANOVA to test differences across demographic groups.
3. Multiple regression to assess causal relationships and mediation.

4. Data Analysis and Results

4.1. Correlation Analysis

The analysis revealed:

- **Service Quality ↔ Customer Satisfaction:** Strong positive correlation ($r > 0.70$).
- **Satisfaction ↔ Loyalty:** Strong positive correlation ($r > 0.70$).
- **Service Quality ↔ Loyalty:** Moderate positive correlation, weaker when satisfaction was excluded.

4.2. ANOVA Results

Comparisons across age groups found no statistically significant differences in satisfaction or loyalty scores. Service experiences were perceived consistently across demographics.

4.3. Regression Analysis

- **Model 1 (Direct Effect):** Service quality significantly predicted loyalty.
- **Model 2 (Mediated Effect):** When satisfaction was

included, the direct effect weakened substantially, while satisfaction strongly predicted loyalty.

- **Conclusion:** Customer satisfaction mediates the service quality–loyalty relationship.

5. Discussion

The findings affirm the established theoretical framework while providing context-specific evidence. Customers clearly value high service quality, but loyalty is not guaranteed unless that quality translates into satisfaction. This underscores the psychological dimension of customer experience: loyalty is less about objective service delivery and more about the customer's subjective evaluation.

From a managerial perspective:

- Investing in quality dimensions such as responsiveness and empathy is essential, but must be aligned with customer expectations.
- Measuring satisfaction continuously is crucial, as it serves as the bridge between service performance and loyalty.
- Loyalty strategies should emphasize not only repeat purchases but also attitudinal commitment (e.g., willingness to recommend).

These findings also resonate with Caruana's (2002) [3] conclusion that satisfaction is not optional but central in translating service quality into loyalty.

6. Conclusion and Implications

6.1. Theoretical Contribution

This study validates the mediating role of customer satisfaction in the service quality–loyalty link. It contributes to literature by empirically confirming that loyalty outcomes are contingent on the emotional evaluation of service experiences.

6.2. Managerial Implications

- Managers should prioritize service quality improvements that directly enhance satisfaction.
- Satisfaction surveys should be integrated into performance dashboards.
- Loyalty programs should go beyond transactional rewards, focusing instead on creating emotionally satisfying experiences.

6.3. Limitations and Future Research

- Sample size was limited to 100 customers and may not represent broader populations.
- Cross-sectional design restricts causal inference over time.
- Future studies should adopt longitudinal methods, explore industry-specific contexts, and examine other mediators such as trust or perceived value.

6.4. Final Note

The path from quality to loyalty is not direct but sequential: Great Service Quality → Customer Satisfaction → Customer Loyalty.

In essence, customer satisfaction is the central driver that converts positive service encounters into enduring loyalty. Organizations that ignore this mediating role risk losing customers despite investing in service quality.

7. References

1. Bolton RN. A dynamic model of the duration of the customer's relationship with a continuous service provider. *Mark Sci.* 1998;17(1):45-65.
2. Bolton RN, Kannan PK, Bramlett MD. Implications of loyalty program membership and service experiences for customer retention and value. *J Acad Mark Sci.* 2000;28(1):95-108.
3. Caruana A. Service loyalty: The effects of service quality and the mediating role of customer satisfaction. *Eur J Mark.* 2002;36(7-8):811-28.
4. Dick AS, Basu K. Customer loyalty: Toward an integrated conceptual framework. *J Acad Mark Sci.* 1994;22(2):99-113.
5. Fornell C. A national customer satisfaction barometer: The Swedish experience. *J Mark.* 1992;56(1):6-21.
6. Fornell C. The American customer satisfaction index: Nature, purpose, and findings. *J Mark.* 1994;60(4):7-18.
7. Grönroos C. A service quality model and its marketing implications. *Eur J Mark.* 1984;18(4):36-44.
8. Oliver RL. A cognitive model of the antecedents and consequences of satisfaction decisions. *J Mark Res.* 1980;17(4):460-9.
9. Parasuraman A, Zeithaml VA, Berry LL. SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *J Retail.* 1988;64(1):12-40.
10. Reichheld FF. The one number you need to grow. *Harv Bus Rev.* 2003;81(12):46-54.
11. Reichheld FF. *The ultimate question 2.0: How net promoter companies thrive in a customer-driven world.* Boston: Harvard Business Press; 2011