

CHAPTER 2.

THEORETICAL FOUNDATION

2.1. Service Quality

A service is “any act or performance that one party can do to another that is essentially intangible and does not result in the ownership or anything” (Kottler, 2003, Pg. 444). Generally nearly all of the providers of tangible products have service elements in its offering, i.e. product guarantee, aftersales services, and maintenance contracts, on the other hand, there are also organizations that focus only on the intangible products, for instance the performance of a live band or orchestra. Services can also be described as providing added value to customers, such as convenience, amusement, entertainment, comfort, or health (Cant, Strydom, Jooste, Plessis, 2006, pg. 282).

Services can be distinguished from the tangible products by overlooking its criteria, such as; intangibility, inseparability, heterogeneity, perishability, and demand and supply management (Cant, Strydom, Jooste, Plessis, 2006, pg. 289 - 290). The categories can be described as;

- Intangibility; Services cannot be seen, touched, felt, tasted or smelled. Due to its nature that is produced by people, services can be varied from one to another
- Inseparability; Services can be distinguished by seeing the interconnectivity between service provider and the customer involved in receiving the services. Some services require physical presence of its provider, i.e. class lecturer, dentist, and surgeons.
- Heterogeneity; the quality of the services may differ from one to the other provider.
- Perishability; services cannot be inventoried and used later
- Demand and Supply; Customer demand for services is generally unpredictable

Parts of the aspects in evaluating services are emotions and moods (Zeithaml & Bitner, 2003, pg. 42). Moods are more volatile, affected by time and situations, while emotions are less volatile and more pervasive.

Meanwhile, in defining quality, Reeves and Bednar (1994, pg. 419 – 423) argued that the definition of quality has been influenced by the constantly changing demands of businesses, but instead of replacing the old definitions, new definitions has become the complement of the old definitions. Some of the definitions that were described are;

- Quality as Excellence; quality is described as the good, the highest form or the highest idea of all
- Quality as Value; quality is described the best if it meets the certain customer conditions, i.e. actual use and selling price
- Quality as Conformance to Specifications; the idea suggested that the key to quality was conformance to specifications, if parts do not conform to the specifications, they would be interchangeable and the production system would fail.
- Quality is Meeting and /or Exceeding Customer's Expectations; the idea suggested that product and service quality can be defined as total composite products, through which the product and the service in use will meet and can exceed the expectations of the consumers.

Within the definition of quality, Reeves and Bednar (1994, pg. 435) argued that quality is measured most precisely when it is defined as conformance to specifications, and it is most difficult to measure when it is defined as excellence.

In measuring service quality, Parasuraman, Zeithaml, and Berry (1988, *et al*) suggested SERVQUAL theory, which defined service quality as a comparison result between before and after experience of the services, hence it compares the expectation of a customer before using services and the perception of a customer after using services. The definition is similar with the definition of customer satisfaction,

which can also be described as discrepancy between the consumer's prior expectations and the perception regarding the purchase (Iacobucci, Ostrom, Grayson, 1995, pg. 278), which is why the connection between the two subjects has become a topic that has been researched frequently. Some of the research however has shown the positive connection between customer satisfaction and the service quality, which shown service quality as the antecedent of customer satisfaction (Ruyter (1997), Brady (2001), Suchendar (2002) on Wang & Shieh, 2006, pg. 197).

Comparing customer's expectations and their perceptions of actual performance can be done by using SERVQUAL scale (Parasuraman, Seithaml, and Berry, 1988, *et al*). The scale has been developed for the service sector and has five generic dimensions or factors; First is Tangible, which consists of physical activities, equipment, and appearance of personnel; Second is Reliability, which consists of the ability to perform services dependably and accurately; Third is Responsiveness, which consists the willingness to help customers and provide prompt service; Fourth is Assurance, which consists knowledge and courtesy of employees and their ability to inspire trust and confidence, which include competence, courtesy, credibility and security; Fifth is Empathy, which consists of Caring and individualized attention that the firm provides to its customers.

Hypothesis 1: Service Quality has a positive influence on Emotional Bonding

Hypothesis 2: Service Quality has a positive influence on Customer Satisfaction

2.2. Emotional Bonding

Emotion can be described as “the bodily changes follow directly the perception of exciting fact, and that our feeling of the same changes as they occur” (William James in Scherer, 2000, pg. 155), The definition argued that emotion occurs through a process, and certain characteristics can be defined as components in defining emotion, which are, an event, a perception / evaluation of the event, a wide variety of bodily reactions and action tendencies, and a characteristic feeling state.

Meanwhile bonding or attachment theories conceptualize on the human condition to make a strong affectionate connection with particular others (Bowlby on Bartholomew and Horowitz, 1991, pg. 226). The idea provides the example of the infants and their caretakers as the attachment figure, whereas the caretaker can be seen as a figure that can provide sense of security for the infant to rely on. Attachment theory indicates an evolving formation process, starting with the proximity seeking, which is motivated by desire for security and provision care, into situations where the attachment figure become a reliable source of safety, and subsequently become the source of security (Hazan and Shaver, 1994, pg. 3 – 4).

People can form emotional attachment with various objects, including pets, places, gifts, collectibles, or special favorite objects. In terms of marketing, an emotional attachment towards an object can become a valid measure to predict consumer commitment (Thomson, MacInnis, Park, 2005, pg. 78). A strong emotional attachment towards an object can increase customer commitment, and with a strong

commitment, the willingness to forego immediate self-interest to promote a relationship arises (van Lange, 1997, pg. 1374), hence a strong emotional attachment has the tendency to increase customer loyalty.

Individuals who are emotionally attached to a brand are most likely to be satisfied with it. The level of customer satisfaction, however, may vary between satisfied customers; it may vary greatly to the extent of its emotional attachment. On the other hand, Customer satisfaction may also provide a basis for emotional attachment (Thomson, MacInnis, Park, 2005, pg. 79). Satisfaction does not imply behavioral manifestations, i.e. giving safety or security, which is why, customer that consumes a product may immediately be satisfied, but not immediately be attached emotionally. Emotional attachment tends to develop within multiple interactions (Thomson, MacInnis, Park, 2005, *et al*).

Hypothesis 3: Emotional Bonding has a positive influence on Customer Loyalty

Hypothesis 4: Customer Satisfaction has a positive influence on Emotional Bonding

2.3. Customer Satisfaction

In defining customer satisfaction, Yi (1990, pg.69 – 70) argued that customer satisfaction can be defined into two main definitions, which can either be defined as an outcome or as a process. As an outcome, customer satisfaction can be defined by measuring the outcome resulting from the consumer's consumption experience. According to this perspective, in order to achieve satisfaction, the buyers' cognitive

state should be adequately rewarded for their sacrifices (Howard and Seth on Yi, *et al*). The satisfaction as an outcome perspective covers the customer emotional responses on the experience that has been given, which include the experience in the particular products or services that are provided, retail outlets, patterns of behavior, and the overall market place (Westbrook and Reilly on Yi, *et al*). The emotional respond to the expectation and the actual perceived value have also become the criteria in measuring the consumption experience (Oliver on Yi *et al*).

Customer satisfaction as a process is referred to the arguments that customer satisfaction is defined as “an evaluation rendered that the consumption experience was at least as good as it was supposed to be” (Hunt on Yi, 1990, pg. 69), the evaluation considers the prior expectations and other substitutes (Engel and Blackwell on Yi, *et al*). The gap between the actual perceived performance and the prior expectations is also the criteria in evaluating the customer satisfaction. Yi (1990, *et al*) also argued that the customer satisfaction is also differed in the level of specificity, which include the customer satisfaction with a product, consumption experience, purchase decision experience, the sales person, the store, the attribute, and pre-purchase experience.

Customer satisfaction can be described as a business term that explains the measurement of whether the kinds of products or services provided by a company have met its customer expectation. In a business that focuses on customer for its activity base, customer satisfaction can be seen as the main factor in succeeding the competition. (Munusamy, Chelliah and Mun, 2010, pg. 399). Customer satisfaction

can also be seen as a key differentiator and has become the key element in business strategy. Companies that have more satisfied customer can gain higher economic returns, and consequently, a higher customer satisfaction can lead to a higher customer loyalty (Munusamy, Chelliah and Mun, 2010, *et al*).

Hypothesis 5: Customer Satisfaction has positive influence on Customer Loyalty

2.4. Customer Loyalty

Loyalty was first studied for brands, and the concept of brand loyalty emerged during the times when brands and physical good were the focus of the interest. Though it is not specifically reviewed the service sector, researches that have been done in brand loyalty are still relevant to be used in analyzing relational and service settings (Nordman, 2004, pg. 29).

In its early studies, behavioral aspect has become the main focus in researching loyalty, in which the loyalty is defined as a repeat patronage, where a customer purchases the same product or services in a specific category more frequently than his / her total purchase in that specific category (Neal, 1999 on Yang & Peterson, 2004, pg. 802). The behavioral aspects, however, is viewed as biased due to its incapability to distinguish between true loyalty and false loyalty, i.e. loyalty that is caused by the unavailability of alternative products or services.

Due to the gap of the definition that still need to be researched, in the more recent researches, loyalty is also proposed to be measured in its attitudinal

perspective, in which, brand loyalty is defined as “the preferential, attitudinal, and behavioral responses toward one or more brands in a product category expressed over a period of time by a customer” (Engel and Blackwell, 1982 on Srinivasana, Andersona, Ponnnavolu, 2002, pg. 41 – 42). The attitudinal perspective suggested that loyalty is only present when the favorable attitudes toward a certain brand are manifested in repeat buying behavior (Keller, 1993 on Srinivasana, Andersona, Ponnnavolu, *et al*). And it is suggested that behavioral and attitudinal perspective is used in measuring loyalty. In defining the attitudinal measurement of customer loyalty, Reichheld and Sasser (1990, *et al*) suggested that besides the repeat patronage, a customer can be defined loyal if a customer informs the good experience on the product or services that he / she had to other people.

In conclusion, generally consumer loyalty can be achieved when a company can create the behavior of re-purchasing and re-patronizing, and how a customer informs the good experience on the company’s product or services to others can become an additional indicator that needs to be calculated in measuring customer loyalty.

2.5. Theoretical Framework

The proposed hypothetical model that is going to be used can be defined in the Figure 2.1.

Figure 2-1 Proposed Hypothetical Model

