

THE EFFECTS OF SERVICE QUALITY AND THE MEDIATING ROLE OF CUSTOMER SATISFACTION TOWARDS SERVICE LOYALTY IN BOXING STUDIO INDUSTRY; Study Case: Casa Boxe

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Abstract Six months since its opening, Casa Boxe only has 155 customers with only 20% of them are taking membership program. In previous studies, customer satisfaction is a key factor in influencing the loyalty of a customer. The research was done with collecting questionnaire from 71 customers of Casa Boxe to analyze the current level Of service quality, Customer Satisfaction and Service Loyalty. The result indicate that, the current level of Casa Boxe's service quality can be categorized as good and with the lowest score on Reliability sub-dimensions. While for the level of Casa Boxe's customer satisfaction and service loyalty is high. Findings also show that empathy and tangible dimensions significantly influence customer satisfaction, leading to service loyalty.

Keywords: Service Loyalty, Service Quality, Customer Satisfaction

Introduction

With the increase of healthy lifestyle awareness within Jakarta teenager and young adult, the growth of gym and martial arts studio are very fast in Jakarta. Most of the gym in Jakarta now has a muay-thai class program, as it is one of the most favorite martial arts training for Jakarta's people to support their healthy lifestyle. Based on my research result on June, 2016, there are 20 gyms that are listed in Google, While the result from my personal research, in South Jakarta only, there are 25 Muay-thai gyms. Most of other martial arts such as Taekwondo, Karate and etc, are served in a more lower-end gyms, unlike Muay-thai gyms that are mostly decorated and created for high-end people.

Jakarta people see Muay-thai as a platform to reduce body weight and self-protection. But, many of the class participants are not only training muay-thai, but also boxing. The reason why they wanted to train boxing were vary, some because they loved boxing match, for self-protection, and also for competing in a competition. But, until Casa Boxe's appearance, there are no gym or martial arts studio that has a specific boxing program for its customer. What most of Jakarta's people don't know is that, Boxing and Muay-thai has a very distinct difference in value and technique and both of these martial arts cannot be described as a similar martial arts.

With the rapid growth of martial arts house studio in Jakarta, the competition between each studio is getting tighter. Each studio offers a different training method, pricing and training facility, and the customers will select a studio that based on the brand that they know (brand awareness). The source of information that they might be used are; word-of-mouth, social media branding and also the brand

awareness of the studio. The more positive information that they received from this channel, will increase the chance of a studio got selected by customers.

Since its opening in January 2016, Casa Boxe has 155 customers with only 20% of them are revisiting or taking the Casa Boxe's academy program. This facts show that Casa Boxe still has a low number of visitors since its opening. To increase its customer and create them loyal to Casa Boxe's service, Casa Boxe needs to assess its current service quality in order to increase the satisfaction of its customer. As what Mittal & A (2001) Said that Customer Satisfaction is a key factor for Customer in repurchasing a product or a service.

This research was conducted to (1) analyze the influence of Casa Boxe service quality towards the customer satisfaction (2) Analyze the influence of Casa Boxe's customer satisfaction towards its service loyalty. (3) Analyzing the Casa Boxe's service quality that indirectly influence Casa Boxe's service loyalty. (4) Discover the aspects of Casa Boxe's service quality that needed to be improved in order to make its customer loyal to Casa Boxe's service

Literature Eeview

Service Marketing

Service marketing is an economic activities which produce a not physical product or construction, consumed by the consumer at the time it is produced and provided added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser (Zeithaml, 2003). Grönroos (2001) stated that the main difference between goods and services is that service is indicated as an "act" which involves processes, whereas "goods" are "things" (Grönroos, 2001). For example, a restaurant is producing a products (foods or drinks), but the delivery service of the restaurant is producing an intangible products or service by helping the consumers to enjoying the food at their place.

Based on these theories, Boxing academy is categorized as a service. As Boxing academy serve its member or visitor by train them the necessary skills to be a good boxer. It is very essential to carefully understanding the needs of customers and providing services that will help them more successful to building the service marketing. the major problems faced by services marketers arise from the basic characteristics like *intangibility, inseparability, heterogeneity and perishability* (e.g. Grönroos, 1978, 1990, 2000; Parasuraman et al., 1983, 1985; Zeithaml & Bitner, 1996; Kasper et al. 2006)

Service Marketing Mix of Casa Boxe

Marketing Mix are a set of controllable marketing variables that the firm blends to produce the response it wants in the targeted market (Kotler & Ambrose, 1989) Borden claims that he is the first to use the *Marketing Mix* terms and that it was suggested by Culliton's (1948) to him, which describe business executive as "mixer of ingredients". Borden originally stated that there are 12 components of marketing mix. However, McCarthy's marketing mix has been the most popular one. McCarthy regrouped and reduced Borden's 12 components of marketing mix into the now popular 4Ps, which are product price, promotion and place (McCarthy, 1964).

Despite its famous framework. McCarthy's framework faces many criticism from many many marketers. Many other marketers that think that McCarthy's marketing mix needs to be expanded as it is not suits every business category needs. From many suggestion, author chooses to use Booms and Bittner 7Ps marketing mix which components are including three extensions from McCarthy's marketing mix, which are people, process and physical evidence. (Booms & Bitner, 1987). Rafiq & Ahmed (1995) stated that

based on their survey on European and UK marketing academics, 7Ps marketing mix is more preferable to use for service marketing rather than the traditional 4Ps Marketing Mix. (Rafiq & Ahmed, 1995). To explain deeper about Casa Boxe, author will use 7p Marketing mix from the customers perspective in order to gain more understanding about Casa Boxe. The reason why author not using 4p's marketing mix is because for a service marketing, there 3 most important component which are People, Process and Physical evidence as stated by Rafiq & Ahmed (1995) research.

Service Quality

Parasuraman et al., (1985) defines service quality as "*The differences between customers' expectation of a service that offered by a firm and the expectation about the firms offering the service*". A firm's service quality will strongly affect to the customers' satisfaction rate as service quality is the only factors that affecting the customers' satisfaction judgment (Cronin and Taylor, 1992). Spreng and Mocooy (1996) also supporting this statement by stated that "*Service quality is an antecedent of customers' satisfaction*." Service quality is a method that can be used to analyzing the gap between the firm's service quality performance and the customers' service quality needs. SERVQUAL can also be a method to evaluate and improve a firm's service quality performance. To analyzing the gap, Parasuraman, Berry and Zeithaml have developed five dimensions of SERVQUAL in 1988. The dimensions are reliability, responsiveness, assurance, empathy, and tangibles.

Customer Satisfaction

Customer Satisfaction is the individual perception towards the service or product performance in relation to his or her expectation (Schiffman & Kanuk, 1991). Also Kotler & Armstrong (2009) stated that customer satisfaction is "the extent to which a product's performance matches the customer expectation. Basically, customer will be satisfied with a product or service if their expectation is matched and if the products or services exceeds the customer's expectation, then the customers will be highly satisfied or reached customer delight stages. But, if a product or a service failed in reaching the customer's expectation, then the customer will be dissatisfied with the product or the service.

These expectations appear can be caused by the advertisement, brand promises that stated in the social media and website and also the reference of a friend (Word-of-Mouth). Then to evaluate the performance, customers will compare the actual performance with the desired performance. If the training method are as expected by the customers or even better than their expectation, then the customers will be satisfied by the service of Casa Boxe. But, if the actual performance is below the customer expectation, then the customer will be dissatisfied.

Customer Satisfaction is a key factor for Customer in repurchasing a product or a service (Mittal & A, 2001). If the customer are satisfied with a product or a service that a company offers, there might be a change that they will become a loyalist or even *apostles* to a product or a service. Loyalist is a satisfied customer who keeps purchasing the product, while *apostles* is a customer whose expectation is exceeded by the actual product or service and he or she spreads a good word about the product his or her surroundings (Schiffman & Kanuk, 1991).

Service Loyalty

The concept of service loyalty, customer satisfaction and service quality According to Caruana A., (2002) are related to each other. Gremler and Brown (1996) defines service loyalty as *the degree to which a customer shows a repeat purchase behavior of a service provider, having a positive response towards the service provider, and only considering to use this service provider when the needs for the service occurred*. Caruana. A (2002) developed a research model for analyzing service quality, customer satisfaction and service loyalty that will be used in this research and stated in the conceptual framework.

Conceptual Framework

Many previous studies show that service quality and customer satisfaction have a positive relationship. (Cronin & Taylor, 1992) Originally hypothesized that customer satisfaction is an antecedent of service quality, however on their research for a multi-industry which using LISREL analysis shows the opposite results from their previous research hypothesized. In his research, service quality appears to be the service factors that contributing to customers' satisfaction judgments.

This research will determine three relationship among the variables. First, the relationship of service quality dimensions, as the independent variable, and customer satisfaction, as the mediator.

H₁: Service Quality dimensions which are consist of reliability, assurance, tangibility, empathy and responsiveness, influence customer satisfaction in training at Casa Boxe

Second, this research will examine the influence of customer satisfaction, which act as the mediator, to customer loyalty, which act as the dependent variable. (Caruana, 2002) Argue that overall satisfaction with a experience leads to customer loyalty. His argument are based on several researcher arguments. Boarden & Tell (1983) stated on their research that Customer Satisfaction is a significant determinant for repeat sales, positive word-of-mouth and consumer loyalty. His statement is also similar with Bloemer and Poiesz (1989) "Satisfaction can be thought as an important determinant of service loyalty", while Selnes (1993) stated that customer loyalty leads by the customers' satisfaction of a brand. His statement is supported by LaBarbera and Mazursky (1983) that stated a brand loyal customer will have a low probability to switch to another brand due to high satisfaction towards the brand.

H₂: Customer satisfaction influence customer loyalty of Casa Boxe

Third, this research will examine the influence of Service quality dimensions which act as the independent variable, towards the customer loyalty, which act as the dependent variable, via customer satisfaction which act as the mediator. Caruana (2002) indicated that Customer satisfaction act as the mediator in the link between service quality and service loyalty.

H₃: Service Quality dimensions which are consist of reliability, assurance, tangibility, empathy and responsiveness, influence customer loyalty which customer satisfaction acts as the mediator in Casa Boxe.

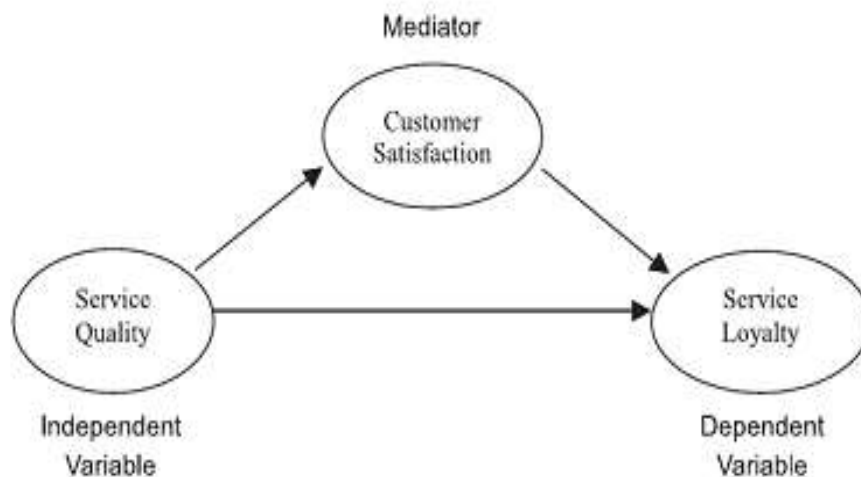


Figure 2-o-1 Theoretical Framework

Research Methodology

Survey Design

To collect the data, the author used quantitative research, which has a meaning "Explaining a phenomena by collecting numerical data that are analyzed using mathematically based methods in particular statistics. (Aliaga and Gunderson, 2003). Quantitative research is done by distributing questionnaire to the determined sample which are people who have been training in Casa Boxe. Questionnaire is a method in collecting data from respondents that contains sets of questions. The questionnaire purpose on this research is to examining the satisfaction of Casa Boxe's customer and their loyalty to Casa Boxe.

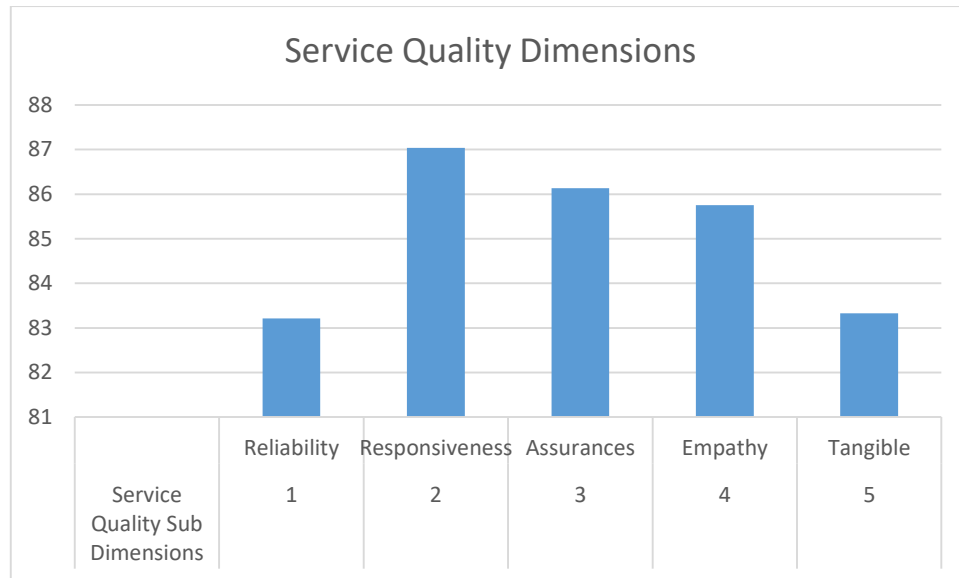
The researcher will adopt the Caruana's (2002) research questionnaire that will examine three variables which are service loyalty, customer satisfaction, and Service quality and five sub-variables of Service quality. To measure the service quality, Caruana's research adopted the 22 items of SERVQUAL. To measure customer loyalty, the 12-item measures that suggested by Gremler and Brown (1996) that captures their conceptualization of customer loyalty are used. To measure customer satisfaction, Caruana used Bitner and Hubbert (1994) instrument. The total items of the questionnaire will be 37 items, exclude the personal data questions.

Due to the fact that Caruana's research was done in a bank Industry, which is a different industry from the industry that the researcher analyze, the question list on the questionnaire will be adjusted to suits this research. Also this questionnaire will be distributed using Bahasa Indonesia and English. The Bahasa Indonesia will be distributed online and offline, while the questionnaire with English language will be distributed offline (directly to the customer after the training). The reason why using two different language is because Casa Boxe has customer that from Indonesia and also foreigner.

The questions will be scored by likert scale from 1 to 5 score. 1 represents the lowest score and 5 the highest. Low score means that the attribute hasn't matched yet with what the customer wants and must be improved immediately. While, high score describes that the attribute has matched with the customer wants and must be maintained. The questionnaire will be distributed to 61 customers of Casa Boxe. the questionnaire will be distributed online (Line and email) and offline (distributed directly to customers after training)

Data Analysis

Researcher gathered 71 responses with age ranges from 15-27, with the detail of 59,2% of 19-22 years old, 19,7% of 23-26 years old, 16,9% of 15-18 years old, and 4,2% of more than 27 year old. The respondents' gender are 77% male and 23% female. While the occupation for the respondents are 54,9% university students, 18,3% entrepreneur, 16,9% high school students, 9,9% employee. The data has passed the validity and reliability test, as the reliability has value >0.7 . Then for validity, the $r\text{-stats} > r\text{-table}$.



Above is the rank of service quality dimensions, where responsiveness is rated as the highest and reliability as the lowest. This means Casa Boxe needs to improve its reliability to increase its service quality. In overall, service quality has 85% score which means the service quality of Casa Boxe is very good.

Customer satisfaction score is 81.3%, which means the satisfaction level of respondents towards Casa Boxe is high. While for service loyalty is 75.9% which means service loyalty of Casa Boxe is high.

Hypotheses Test

Service Quality dimensions towards Customer Satisfaction

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.744 ^a	.554	.520	2.64976

a. Predictors: (Constant), Tangible, Responsiveness, Empathy, Assurances, Reliability

b. Dependent Variable: Customer Satisfaction

Above is the result of R-square test. Based on the table above, service quality has 55.4% influence towards customer satisfaction.

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	567.536	5	113.507	16.166	.000 ^a
	Residual	456.380	65	7.021		
	Total	1023.915	70			

a. Predictors: (Constant), Tangible, Responsiveness, Empathy, Assurances, Reliability

b. Dependent Variable: Customer Satisfaction

F-test is conducted, to analyze the significant influence of service quality towards customer satisfaction simultaneously. Based on the table above, service quality dimensions has significant influence towards customer satisfaction.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-9.528	3.019		-3.156	.002		
	Reliability	.047	.178	.041	.263	.793	.280	3.571
	Responsiveness	.400	.194	.249	2.068	.043	.474	2.110
	Assurances	.214	.205	.136	1.043	.301	.405	2.467
	Empathy	.369	.145	.272	2.550	.013	.601	1.663
	Tangible	.375	.110	.308	3.412	.001	.843	1.187

a. Dependent Variable: Customer Satisfaction

T-test is conducted to analyze the significant influence of service quality dimensions towards customer satisfaction. to be considered as significant, the service quality dimensions should have sig score <0.05 Based on the result above, only responsiveness, empathy and tangible that pass t-test, which means responsiveness, empathy and tangible has significant influence towards customer satisfaction.

Based on the results above, it can be concluded service quality dimensions has significant influence towards customer satisfaction, which means H1 is accepted.

Customer Satisfaction towards service loyalty

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.837 ^a	.701	.697	6.00437

a. Predictors: (Constant), Customer Satisfaction

b. Dependent Variable: Service Loyalty

To analyze the influence of customer satisfaction towards service loyalty R-square test is conducted. Based on the table above, the influence of customer satisfaction towards service loyalty is 70.1%

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.724	3.135		2.145	.035
	Customer Satisfaction	2.386	.188	.837	12.714	.000

a. Dependent Variable: Service Loyalty

To analyze the significance of customer satisfaction towards service loyalty, t-test is conducted. The sig value must be below 0.05 to be considered as significant. Based on the result above customer satisfaction has significant influence towards customer satisfaction.

Based on the results above, customer satisfaction has significant influence towards service loyalty. Which means H2 is accepted.

Service quality towards service loyalty

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.706 ^a	.499	.460	8.00699

a. Predictors: (Constant), Tangible, Responsiveness, Empathy, Assurances, Reliability

b. Dependent Variable: Service Loyalty

To analyze the influence of service quality towards service loyalty, R-square test is conducted. Based on the table above, the influence of customer satisfaction towards service loyalty is 49.9%

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4148.391	5	829.678	12.941	.000 ^a
	Residual	4167.271	65	64.112		
	Total	8315.662	70			

a. Predictors: (Constant), Tangible, Responsiveness, Empathy, Assurances, Reliability

b. Dependent Variable: Service Loyalty

F-test is conducted, to analyze the significant influence of service quality towards customer satisfaction simultaneously. Based on the table above, service quality dimensions has significant influence towards customer satisfaction.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-19.937	9.122		-2.186	.032		
	Reliability	.483	.537	.149	.900	.371	.280	3.571
	Responsiveness	.882	.585	.192	1.508	.136	.474	2.110
	Assurances	-.440	.621	-.098	-.709	.481	.405	2.467
	Empathy	1.355	.437	.351	3.099	.003	.601	1.663
	Tangible	1.116	.332	.321	3.361	.001	.843	1.187

a. Dependent Variable: Service Loyalty

T-test is conducted to analyze the significant influence of service quality dimensions towards service loyalty. To be considered as significant, the service quality dimensions should have sig score <0.05 Based on the result above, only empathy and tangible that pass t-test, which empathy and tangible has significant influence towards customer satisfaction.

Based on the result above, it can be stated that

Variables	Path coefficient towards X ₂	Path mediation towards Y	t Statistics	Standard Error	p-value X ₁ towards Y	Result
Reliability (X _{1.1})	0,041	0,149	0.23	0,537	0,848	Not Significant
Responsiveness (X _{1.2})	0,249	0,192	1.237	0,585	0,217	Not Significant
Assurances (X _{1.3})	0,136	-0,098	0.67	0,621	0,511	Not Significant
Empathy (X _{1.4})	0,272	0,351	1.7286	0,437	0,083	Significant
Tangibles (X _{1.5})	0,308	0,321	4.4521	0,332	0,00085	Significant
Customer Satisfaction	-	0,837	-	0,188	-	

Based on the result above, it can be conclude that the only dimensions of ServQual that has significant influence towards Service loyalty which customer satisfaction acts as the mediator are Tangible and Empathy. This might occur since the Caruana's research was done in a bank industry. Also, it might be occur because the customers of Casa Boxe perceived the tangible factor and the empathy factor as the only thing that make loyal into Casa Boxe. The third reason is it might occurred because, from 71 respondents, 43 of them are not taking the membership program. Which may resulting vary perspective towards their motive on training with Casa Boxe.

Conclusion

For future improvement, Casa Boxe needs to improve its service quality, especially Reliability as it is found to be the lowest aspect of Casa Boxe Service Quality. Casa Boxe needs to fulfill its customers' expectation towards its service by train its trainer to not only able to train the customer well, but also to serve and understand the customer better. However, since there are only two sub-dimensions of ServQual that were found significant towards the service loyalty for Casa Boxe, Casa Boxe really needs to maintain its empathy and tangible aspect so its service loyalty can increase. Casa Boxe needs to make sure that its trainers has good personal care or attention towards its customer and also to make sure that the training facility inside and the place appearance can be interesting and comfortable for the customer to train. For future research, researcher suggest to gather more respondents and separate the respondents into two. The first is non-member and the second is member. Since they might have different perspective and motives towards boxing training.

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