

# Customer Perceived Service Quality, Product Quality, Satisfaction and Loyalty in Beauty Business

Lisa Restiana

Department of Management, STIE Perbanas Surabaya, Surabaya.

*e-mail:* lisarestiana@gmail.com

**Abstract**—In the hyper competitive and low entry barrier in beauty industry, customer loyalty is critical factor for gaining success for the company. The customer loyalty and satisfaction are key of success factor for strengthen bussiness performance. By creating and preserving customer loyalty, business entities can develop a long term relationship with the customers. The purpose of the research is to know further the determinant of customer satisfaction and loyalty from service quality and product quality. This study is designed by qualitative research by using theoretical review based and supporting by previously research. The basic concepts underlyed this theoretical review are dimensions of service quality, product quality, customer satisfaction, and customer loyalty. By critical review and classifying the result of previous research, this research found some propositions: (1) Service quality have significant effect on customer satisfaction (2) Product quality have significant effect on customer satisfaction (3) Service quality have significant effect on customer loyalty (4) Product quality have significant effect on customer loyalty (5) customer satisfaction have significant effect on customer loyalty.

**Keywords**—Service Quality, Product Quality, Customer Satisfaction, Customer Loyalty.

## I. INTRODUCTION

THE rapid development of the beauty industry in Indonesia is currently influenced by the needs of a person, especially women to care for themselves and increasingly lifestyles, which are growing rapidly, this has an impact on the number of the beauty industry that has sprung up. Basen on Badan Pengawas Obat dan Makanan (BPOM) Data cosmetic products in circulation in Indonesia in 2018 were 52.7% with a total of 19,167 products and an increase in 2019 amounted to 61.4% with a total of 55,401. The number of purchases of beauty products is also marked by the increasing variety and types of cosmetics purchased by middle class people or male customers who are aware of self-care. Intense competition that is now arising from the many companies engaged in the beauty industry, especially beauty clinics, will influence a similar company to maintain its market share.

In order to survive, the company is required to pay more attention to the wants, needs, and satisfaction of consumers, especially on how to maintain customer loyalty in order to win the competition. Research on customer satisfaction of more than 600 companies in Ireland shows that customers who have a relatively high level of satisfaction tend to change

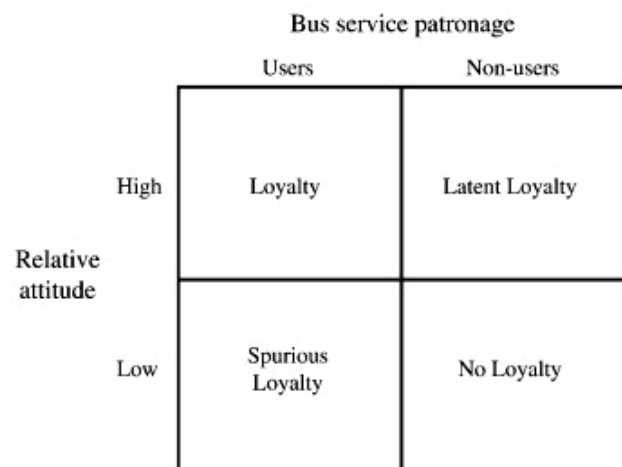


Figure 1. Relative Attitude Behaviour Relationship

brands frequently. this is caused by the company's misperception of customer satisfaction, the company considers customer satisfaction as the company's final goal, not a process for internal improvement. The marketing literature is replete with studies which have examined the drivers of customer satisfaction and customer loyalty. Kaura et al. (2015) attempted to investigate the casual relationships among 2015. Service quality, service convenience, price and fairness, customer loyalty, and the mediating role of customer satisfaction. They focused on mediating effect of customer satisfaction on customer satisfaction. Wu, et al (2016) conducted a study to test the relationship between Service Quality, Perceived Value, Emotion, Satisfaction, and Behavioral Intentions. This study also explored the main dimensions of various dimensions of visitor persepsion. Therefore, through this paper, the author would like to discuss the the influence of service quality and product quality on customer satisfaction in forming customer loyalty.

In order to comprehend the essence of the discussion, the author will present this paper in several parts. The first part, already given here, is the opening part about commercial activities. Data obtained from BPOM is given to show readers that cosmetic sales in Indonesia have increased from year to year. Also, examination of some of the literature has shown that service quality and product quality have an influence on customer satisfaction which can further shape customer loyalty. Next, a discussion about service quality, product quality, customer satisfaction and customer loyalty will be exhibited in the literature review section, along with several

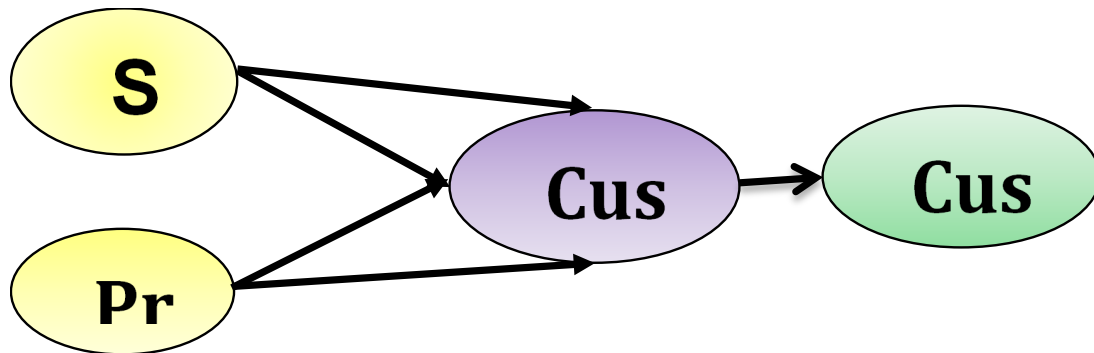


Figure 2. Theoretical Framework

research questions. Section 3 starts the process of discussing research questions. Finally, the closing remarks will be given at the end of this paper.

## II. METHODOLOGY

The purpose of the research is to know further the determinant of customer satisfaction and loyalty from service quality and product quality. This study is designed by qualitative research by using theoretical review based and supporting by previously research. The basic concepts underlyed this theoretical review are dimensions of service quality, product quality, customer satisfaction, and customer loyalty.

## III. THEORY AND PAST RESEARCH

### A. Service Quality

Accordding to Hayzer dan Render (2004) the quality of services can be measured by looking at how far the effectiveness of services reduces the gap between expectations and the services provided. Service quality is a function of customer expectations on pre-purchase, on the process of providing quality received and on the quality of output received [1]. Some studies on customer loyalty show that service quality has an impact on customer satisfaction and customer loyalty [2-4]. Parasuraman, Zeithaml, and Berry (1985), for instance, introduced a 10-dimension SQ assessment model based on the results of surveying customers utilising bank, credit card, securities, and product maintenance services. SERVQUAL scale, developed by Parasuraman et al., (1988), is the most famous measure of service quality. It classifies and measures service quality in five dimensions. We have taken four out of these i.e. tangibles, reliability, assurance and empathy.

### B. Product Quality

Philip Kotler (2011) believes that product definition is all that can be offered to the market to attract attention, acquisition, use, or consumption that can satisfy a desire or need. the product is a complex trait, both tangible and intangible, including packaging, color, price, company and retailer prestige, which the buyer receives to satisfy his wants or needs (2011). Garvin developed a system of thinking about the quality of products by describing the basic elements of product quality in eight dimensions. Garvin pointed out that

quaity is multidimensional and that each of its dimension can be used strategically to gain competitive advantage.

The following is a summary of Garvin’s eight dimensions of product quality :

- a. Performance is the level of consistency and goodness of product functions
- b. Aesthetics is an aesthetic that relates to the appearance of a product between the style and beauty of the appearance of facilities, equipment, personnel, and communication materials related to services.
- c. Service Ability is a reminder of the ease of caring for and repairing a product.
- d. Reliability is the probability of the product or service in carrying out the intended function within certain period.
- e. Durability is the useful life of the functions of a product.
- f. Quality of Performance is a measure of whether a product or service meets specified specifications.
- g. Fitness for Use is the suitability of the product to carry out functions as advertised or promised.

### C. Customer Satisfaction

Consumer satisfaction is obtained if consumers get or exceed what is expected. Customer satisfaction will shape customer perception of what products are marketed by the company, so this can promote the product in the eyes of customers. Today too many companies pay attention to customer satisfaction. The increasingly fierce competition makes many producers involved in meeting the needs and desires of consumers and must place an orientation on customer satisfaction. Kotler and Keller (2009: 138) define satisfaction is someone's feeling of pleasure or disappointment arising from comparing the perceived performance of the product (or outcome) to their expectations. According to Kotler and Keller the higher the level of quality of products and services, can increase customer satisfaction so that it can support higher prices.

Consumers will experience some level of satisfaction or dissatisfaction. Customer satisfaction to repeat the purchase or use of a product or service is strongly influenced by the behavior after the purchase, that is, consumers are satisfied or dissatisfied with previous purchases. If the consumer feels dissatisfied, the consumer will go to another product or hope to fulfill his needs. According to Kotler and Keller (2011) the higher the level of quality of products and services, can increase customer satisfaction so that it can support higher prices. In terms of creating customer satisfaction, the

products and services offered by the company must be of high quality. Meanwhile, according to Sunyoto (2012: 193) stated that customer satisfaction is the level of one's feelings after comparing the performance and results that are felt in proportion to his expectations. Customers will be satisfied if performance can exceed expectations, and conversely customers will feel disappointed if the performance is below their expectations.

Three dimensions in measuring customer satisfaction universally (Dutka) :

- a. Attributes related to product are satisfaction dimensions related to the attributes of the product such as the determination of the value obtained by price, the ability of the product to determine satisfaction, the benefits of the product.
- b. Attributes related to service are satisfaction dimensions related to the attributes of the service, for example with the promised guarantee, the process of fulfilling the service or delivery and the process of solving the problem provided.
- c. Related to purchase attributes are satisfaction dimensions related to the attributes of a decision to buy or not from a producer such as ease of getting information, employee politeness and also the influence of the company's reputation.

#### *D. Customer Loyalty*

Loyalty is a commitment that is strongly held to buy or re-subscribe to certain products or services in the future despite the influence of the situation and marketing efforts that have the potential to cause behavior change [5]. Loyalty is a condition where customers have a positive attitude towards a brand, are committed to the brand, and intend to disclose their purchases in the future. Customer loyalty is a customer's assessment of a store's brand, or supplier, based on a very positive attitude and is reflected in consistent repurchases. Customer loyalty is an asset and has an important role in an effort to maintain business continuity and activities. Loyal customers are customers who are very satisfied with certain products and services, so they have the enthusiasm to introduce it to their relatives who will increasingly increase to the loyal stage. At the loyal stage, they will expand their loyalty to other products in the same producer.

Loyal customers according to Griffin (2005) are people who:

- a. Make repeat purchases regularly (Repeat Purchase).
- b. Buy between product lines and services (Across Product).
- c. Referring to others (Refers Others).
- d. Demonstrate immunity against the pull of competitors (Immunity).

#### *E. Theory and Past Research*

Relationship marketing theory suggest that profitability is enhanced when customer retention is high. Retention in competitive markets is generally believed to be a product of customer satisfaction. In addition, customer satisfaction has been shown to be positively associated with return of investment (RoI) and market value, although these are

sometimes regarded as poor measure of actual company performance in the long term.

Most of researches agree that satisfaction is a psychological process of evaluating perceived performance customer based on predetermined expectations. Customer are, therefore, satisfied when their expectation of values are positively disconfirmed. In contrast, the greater gap between the level of expectation and the matching of such expectations, the greater the level of dissatisfaction experienced by the customer.

Much of the marketing literature takes as a given the notion that customer satisfaction is a proxy for repatronising behaviour. As a result, many companies of strengthening bonds and achieving customer loyalty. Great claims are made regarding higher customer satisfaction levels. It is suggested that customer satisfaction increas customer loyalty, reduces price elasticity, insulates market share from competitors, lowers transaction costs reduces failure rates and the costs of attracting new customers, and improves the firm's reputation in market place. Jones and Sasser (1995) suggest taht, except in few rare instances, customer satisfaction is the key to securing customer loyalty and to generating superiot long-term financial performance.

Dick and Basu (1994) indocate graphically the first anomaly by cross-classifying the concepts of relative attitude to an organisation and repeat patronage (Figure 1). Customer who have a strong relative attitude and who are seen to frequently repatonise the supplier may be seen as loyal (at least for the time being). Those with a weak attitute, however, may be spuriously loyal as their reasons for staying with supplier may be linked to having no other option but to continue the relationship. Dick and Basu also point out that latent loyalist exist who hold a positive attitude but who may be prevented from patronising the supplier for reasons other than potential satisfaction. Customer satisfaction has been used as a proxy measure of loyalty because it has been assumed that satisfaction affect buying intentions in a positive way.

Vinita Kaura et al., (2013) expounded a theoretical discussion of service quality, service convenience and perceived price and fairness and how they interact with satisfaction and loyalty in Indian retail banking. Results provide evidence that customer satisfaction influences loyalty. Customer satisfaction is found as mediating variable between its antecedents (except tangibility and post-benefit convenience) and customer loyalty. Tangibility and post-benefit convenience were not qualified to enter into mediation analysis. Tangibility did not show any impact on customer satisfaction and loyalty. This finding has great significance for professionals. It is required to provide impressive physical evidence to customers, however, it does not play significant role in their satisfaction and loyalty. Post-benefit convenience did not show impact on customer loyalty. This finding does not underestimate significance of post-benefit convenience.

However, Kondasani (2015) briefly describe Indian private hospital patients' service quality perceptions from a loyalty perspective.

A seven-dimension model, using regression analysis, was developed to analyse customer perceived service quality and loyalty in Indian private hospitals. The result indicates that two dimensions: reliability, and privacy and safety are not contributing significantly towards loyalty. This implies that service providers fail to provide these in healthcare services.

#### IV. PROPOSED MODEL AND HYPOTHESES DEVELOPMENT

So far, we have discussed about three models provided by Dick and Basu (1994), Vinita Kaura (2013) and Kondasani (2013) in previous discussion. Based on these models, this article aims to know further the determinant of customer satisfaction and loyalty from service quality and product quality. of customer loyalty that applied in beauty clinic. To this end, five sets of hypotheses have been developed.

As the present paper is a conceptual article, it has formulated a theoretical framework of customer loyalty based on the previous literature supports. As a result, the paper constructs five research hypotheses which would be tested collating an empirical data set in the future research endeavours. In doing so, this paper has delineated sample numbers of empirical research on the pertinent subjects of the constructs and model.

- H1 : Service quality have significant effect on customer satisfaction
- H2 : Product quality have significant effect on customer satisfaction
- H3 : Service quality have significant effect on customer loyalty
- H4 : Product quality have significant effect on customer loyalty
- H5 : Customer satisfaction have significant effect on customer loyalty

#### V. CONCLUSION

The many types of business in Indonesia indicate that the Indonesian economy is progressing from year to year. Each company is required to develop strategies so that customer needs can be met, so that customers will feel satisfied and ultimately the company's goals make customers become loyal to the company. Based on the background above, it is important to conduct research on the Effect of Service Quality and Product Quality on Customer Satisfaction in Forming Customer Loyalty. Researchers are interested in further studying the linkages of these factors. Future research can be done by gathering field-level information using this framework to examine cohesion between various variables included in the model. This is my own guess that this model will provide an important framework for expressing customer loyalty in choosing a product and service.

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