

Mediating Effect of Customer Satisfaction on Service Quality and Customer Loyalty: A Study of Goan Personal Grooming Industry

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Abstract

Satisfying a customer is the ultimate goal of any B2C organization. An attempt has been made to study the relationship between service quality and customer satisfaction and also to find out whether customers are loyal to firms in the personal grooming sector. A high degree of correlation was seen between customer satisfaction and customer loyalty which indicates that customer satisfaction was the key for repurchase of services. It was also found that responsiveness from the employees was the main attribute of service quality. Further, the approach by Baron and Kenny (1986) was used to find the extent of mediation of customer satisfaction between service quality and customer loyalty in this industry.

Keywords: Mediation, Customer satisfaction, Service quality, Customer loyalty, Personal grooming.

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1. Introduction

While liberalization and globalization have led to rapid progress in the personal grooming sector, competition in this industry has also become acute. It is difficult for the firms in this sector to survive if they are unable to satisfy customers. Service quality offered by firms to customers is the deciding factor for survival in a competitive market.

Service quality is defined as the customer's experience during a service transaction. It is felt when a customer is actually availing himself/herself of the service (Christopher, 1986). Customers have a certain expectation of service quality when entering into a service transaction, and then, they compare the actual experience with the expected satisfaction (Nargundkar, 2004). Service quality focuses on customer's needs and requirements and on how it differs from the expectations (Lewis, 1993). It is one of the critical factors that influence competitiveness of a firm. Marketing efforts of all firms are directed towards maximizing customer satisfaction (Schiffman & Kanuk, 2002).

As Schiffman and Kanuk (2002) also notes, customers get satisfied with factors besides the experience of the service. For example, an upscale beauty salon may provide an appealing environment, has attentive stylists and manicurists, serves coffee and other soft drinks to waiting clients and provides free local telephone service at each hairdressing salon. If the supply of a service is according to the expectations of customers, they would be satisfied. The amount of satisfaction depends upon the level of supply that meets the level of expectations or whether it falls above/below that level.

As the saying goes, “Always keep your customers happy because this will make them come to you again.” Such a customer would be loyal towards the organization. If the customer is satisfied with the product/service, he/she will be loyal and if he/she is dissatisfied, then loyalty is not guaranteed (Zeithaml, 2008). Customer loyalty is a commitment that a customer makes to re-buy or patronize a particular product or service. Satisfied customers are much more likely to become or remain as repeat purchasers than are dissatisfied customers. As stated by Kumar, Mani, Mahalingam, and Vanjikovan (2010), high quality of service will result in high customer satisfaction and increased customer loyalty.

In short, service quality, customer satisfaction and customer loyalty are the three aspects of service delivery that are pertinent to any service firm and it is important to understand the interrelationship among them.

Personal Grooming Industry

‘Personal grooming’ is the term used for people taking care of their body and appearance. Habits that are considered personal grooming include bathing, dressing, applying make-up, hair removal, and taking care of one's teeth and skin. A person's grooming routine may determine how he or she feels about these habits, and how other people perceive him or her.

Many people take care of their skin and teeth. Skin care typically consists of using products designed to clean, exfoliate, moisturize, and improve the appearance of the skin. Taking care of one's teeth generally involves flossing and brushing the teeth using toothpaste.

Many men and women choose to include body and facial hair removal in their personal-grooming routine. Women may shave or wax their legs, underarms, and bikini area. Men often shave their facial hair and may use a trimming tool to remove hair from their ears and nose. Eyebrows can also be groomed by waxing or using a pair of tweezers to pluck out stray hairs.

Cologne, perfume, and deodorant are often used by both men and women. Deodorant is applied to the underarm area in order to control body odor. The type of perfume or cologne selected is a matter of personal taste. Perfume and cologne should be applied in small amounts in order to not produce an overwhelming smell. Women often apply cosmetics to enhance the features of their face. Make-up products commonly used are face powder, blush, and lipstick. Eye shadow, eye liner, and mascara may also be used on the eyes. Dressing is also an important part of personal grooming. Clothes should be neat and clean.

Good personal grooming can make a person look polished and well put together. Looking good usually improves a person's self-esteem and confidence. A person that is well groomed is often better perceived by others than a person that does not take as much care with his or her appearance. Thus, personal grooming (also called titivating and preening) is the art of cleaning, grooming, and maintaining parts of the body.

The study aims to determine the level of satisfaction of consumers towards personal grooming services in the state of Goa. The services covered in the study are haircuts, waxing, pedicure, manicure, facial, bleaching, threading, eyebrows, upper-lip hair removal, skin massage, head massage, nail art, hair styling, face masks, skin lightening, hair nourishing, straightening, ironing, etc. The focus here is on low-cost services due to the constraint of having the majority of respondents falling under the average-income sample.

2. Literature Review

2.1 Service Quality

Service quality is defined as an antecedent to overall customer satisfaction and as an overall attitude towards the service (Zeithaml, 1996; Parasuraman, Zeithaml & Berry, 1988). It is the ability of the organization to meet or, to an extent, exceed customer expectations. It is the difference between customer expectations of service and the perceived service (Zeithaml, 1990). Perceived service quality results from comparisons by customers of expectations with their perceptions of service delivered by the suppliers. If expectations are greater than actual performance, then customer dissatisfaction occurs (Parasuraman & Berry, 1985; Lewis & Mitchell, 1990). When we attempt to check the most critical factor of service quality determining satisfaction or dissatisfaction of a customer, we have a few studies lined up in the hotel industry. The study on Hotel May Fair, Bhubaneswar by Rao and Sahu (2013) showed that most respondents identified tangibility as the most important factor in determining satisfaction. This study results contrast with an earlier study by Juwaheer and Ross (2003) of service quality in Mauritian hotels which found that by focusing on assurance and reliability, a hotel could achieve high levels of satisfaction and service quality (Akibaba, 2006).

2.2 Customer Satisfaction

Satisfaction is an evaluation formed by a customer after comparing his expectations from the product to his subjective perceptions of the performance of the product (Oliver, 1980; Rao & Sahu, 2013). Kotler (2000) defined satisfaction as a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. Furthermore, as explained by Yi (1990) and Rao & Sahu (2013),

customer satisfaction is a collective outcome of perception, evaluation and psychological reactions to the consumption experience with a product/service. Customer satisfaction is the key differentiator and key element in business strategy. Thus, a satisfied customer will determine the long-term survival of a business.

2.3 Customer Loyalty

Customer loyalty measures the willingness of customers to maintain their relations with a particular firm or service/product (Kim & Choong, 2004; Khan, 2012). In the emerging business situation, loyalty of customers is shown as the main feature in competitive advantage (Lin & Wang, 2006; Khan, 2012). Customer-focused business organizations will attract and develop loyal customers (Chang & Chen, 2007; Khan, 2012). Managing loyalty is important because it means not only managing behavior but also managing the state of mind (Dick & Basu, 1994; Bloemer, 1998). Interestingly, as stated by Siddiqi (2011), most research on customer loyalty focus on brand loyalty and not on service loyalty.

2.4 Interrelations between Service Quality, Customer Satisfaction and Customer Loyalty

Literature suggests that there is a direct relationship between service quality and behavioral intentions such as repeat purchases of customers (Bitner, 1990; Bolton & James, 1991). As pointed out by Bolton (1998), service quality influences a customer's subsequent behavior, intentions and preferences, i.e. customer loyalty.

A satisfied customer is six times more likely to repurchase a product and share his experience with other people (Christian, 2000; Zairi, 2000). There is a strong positive correlation between

customer satisfaction and customer loyalty (Donio, 2006;Story& Hess, 2006;Cheng, Lai, & Yeung, 2008).Many researchers found that customer satisfaction is the predictor of customer loyalty (Leverin& Liljander,2006;Terblanche, 2006; Faullant, Matzler, & Füller, 2008).And service quality leads to customer satisfaction (Gilbert& Veloutsou, 2006;Sulieman,2011; Buttle, 1998). To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction.

Researchers argued that service quality has influence on customer satisfaction and generates customer loyalty(Chang, Wang, & Yang,2009).Zeithaml(2008)developed a conceptual model that correlates service quality, customer satisfaction and customer loyalty in one frame. According to the model, service quality is the outcome of reliability, assurance, responsiveness, empathy and tangibility. Customer satisfaction is influenced by the quality of service and product, price as well as the situational and personal factors.

2.5 Mediation of Customer Satisfaction between Service Quality and Customer Loyalty

Caruana(2002) studied the mediating role of customer satisfaction wherein it links service quality to customer loyalty. The results prove that customer satisfaction does play a mediating role between service quality and customer loyalty. Brown(2008) examined the mediating effect of customer satisfaction in the hair-care industry and the results showed that customer satisfaction was the antecedent to customer loyalty. Ahmed (2010) proposed to study what impact service quality has on re-purchase intentions of customers of telecom services. All attributes of service quality had significant and positive relation with customer satisfaction

except for the attribute of empathy. Further, satisfaction is a strong predictor of repurchase intentions. A test of mediation was also done by Mosahab (2010) and it was revealed that customer satisfaction plays a major role in mediating service quality with customer loyalty.

2.6 Research Objective

This study importantly seeks to find the mediation effect of customer satisfaction between service quality and customer loyalty. This aspect had been studied for India in the past, although not specifically for the state of Goa. Also, to the best of our knowledge, no studies have been done on this relation in the personal grooming industry.

Goa is one of the most important destinations of tourists in India. As noted by Falleiro (2015), tourism has had major socio-cultural fallouts on Goa in different ways such as commercialization of traditions, dilution of cultures, development of an artificial culture, loss of identity, discontentment and uneasiness, forced changes and adjustments, changes in the local languages, demonstration effect, socio-culturally inappropriate imitation of foreign lifestyles, etc. This study also wants to find out changes in the lifestyle of Goans brought about by tourism specifically with regards to the personal grooming sector.

3. Hypotheses

An objective of the study is to check whether correlation exists between service quality, customer satisfaction and customer loyalty. For the purpose, the following hypotheses were tested.

H₁: There is a significant relationship between service quality and customer satisfaction.

H₂: There is a significant relationship between customer satisfaction and customer loyalty.

H₃: There is a significant relationship between service quality and customer loyalty.

H₄: There is a significant relationship between service quality, customer satisfaction and customer loyalty.

To study the most critical factor of service quality in personal grooming industry in Goa, the hypotheses tested are as follows.

H₅: There is a correlation between tangibility and customer satisfaction in the personal grooming industry.

H₆: There is a correlation between reliability and customer satisfaction in the personal grooming industry.

H₇: There is a correlation between responsiveness and customer satisfaction in the personal grooming industry.

H₈: There is a correlation between assurance and customer satisfaction in the personal grooming industry.

H₉: There is a correlation between empathy and customer satisfaction in the personal grooming industry.

To check the mediating effect of customer satisfaction between service quality and customer loyalty, the following hypotheses are tested.

H₁₀: There is a mediation effect of customer satisfaction between service quality and customer loyalty.

4. Methodology

This study was conducted using SERVQUAL model proposed by Parasuraman et al. (1985), i.e. tangibility, reliability, responsiveness, assurance and empathy. A self-administered questionnaire was framed for the same based on a review of the literature on SERVQUAL and in-depth interviews with the people directly in contact with personal grooming services like beauty experts, beauticians, and customers availing these services frequently. A set of 20 statements were included in the questionnaire as per suitability of the industry to check the expectation and perception by customers of personal grooming services in Goa. The questionnaire had two parts. The first part was to measure the respondents' expectations and perceptions regarding the service quality offered by personal grooming salons in Goa. A five-point Likert scale was used to get the responses wherein the respondents had to rate 1 for "strongly disagree" to 5 for "strongly agree". And the second part was to elicit demographic information of the respondents and on how they were aware of the salon.

A pilot test was conducted with 20 respondents to assess the reliability of the attributes before the actual survey. Some modifications were made on the questionnaire after the pilot survey. The final questionnaire used for the survey is annexed.

This research is quantitative in nature and has used the survey method to collect data. Convenience sampling was adopted to obtain the required data. The cost and time required to carry out convenience sampling is less especially when the sample is small. It also helps to collect useful data without any formal access to the list of population. Besides, there is simplicity and ease of conducting research through convenience sampling and also it can be done in a

shorter duration. Along with these advantages, this method involves several drawbacks too, such as the limited size of the sample and a few biases. Here the sampling frame is not known, and the sample is not chosen at random and, therefore, there are chances of generalizations and also lack of reliability and validity of data (Peterson & Merunka, 2014).

Data was collected from all parts of Goa, i.e. both North and South Goa. Around 200 questionnaires were circulated among users of personal grooming services out of which 187 were returned which were complete in all respects and were taken to be usable for further analysis. The questionnaires were filled by the respondents with some guidance. Data analysis was done using SPSS 20. The collected data was proved reliable with Cronbach alpha being more than 0.7.

5. Results and Discussion

Descriptive analysis indicated that majority of respondents were in the age group of 18-30, i.e. 77 per cent, followed by the group of 30-50. Maximum respondents are said to be graduates with 50 per cent and then post-graduates with 35 per cent. Unmarried people constituted 73 percent against 27 per cent married respondents. It was also seen that the awareness of the salons has occurred more through word-of-mouth and walk-ins than tagging along, advertisement and publicity. Most of the respondents used the services often while some used it occasionally. However, further analysis indicated that most of them were split loyalist, i.e.46 per cent were loyal to two or three salons, and hardcore loyalist were 34 per cent, and very few were switchers and shifting loyalists.

Customer loyalty is what keeps a business enterprise going. Therefore, service providers need to check as to what leads to customer loyalty. What is the main cause of customer loyalty? This question brings us to the need to understand the relation of customers being satisfied due to superior service quality. The technique of correlation enables us to understand the degree of

relationship between the three concepts of service quality, customer satisfaction and customer loyalty. Table 1 shows the correlation matrix of the relationship between the three pairs of variables, i.e. service quality and customer satisfaction, customer satisfaction and customer loyalty, and service quality and customer loyalty. Service quality and customer satisfaction had a correlation of 0.585 which showed a positive moderate correlation between them with 5 per cent level of significance.

Table 1: Correlation Matrix

	Service Quality	Customer Satisfaction	Customer Loyalty
Service Quality	1	0.585**	0.449**
Customer Satisfaction	0.585**	1	0.616**
Customer Loyalty	0.449**	0.616**	1

*** At 5% level of significance.*

Therefore, we accept H_1 . When we checked the relation between customer satisfaction and customer loyalty, the result showed a high positive correlation between them of 0.616 with the level of significance at 5 per cent. Thus we accept H_2 . A moderately low positive correlation of 0.449 was observed between service quality and customer loyalty. This called for accepting H_3 since the significance was at 5 per cent level. The correlation matrix clearly shows how the three concepts are correlated.

As we understand how important service quality and service experience is to the customers, it is equally important to understand which is the most important factor that decides the best service-

quality decision. From among the many service quality attributes, which ones are the most important? To understand this is the purpose of the exercise below.

As seen in Table 2, the correlation is the highest in case of the attribute of responsiveness of service quality with 0.539 which indicates a positive moderate correlation between responsiveness and customer satisfaction. Positive correlation is also seen for the attributes of assurance, reliability, empathy and tangibility. All have a level of significance at 5 per cent. Therefore, we accept the alternate hypotheses and conclude that all service-quality dimensions have positive correlation with customer satisfaction.

Table 2: Correlation of Service-Quality (SQ) dimensions with Customer Satisfaction

SQ Dimensions	Pearson Correlation Coefficient
Tangibility	0.445
Reliability	0.500
Responsiveness	0.539
Assurance	0.501
Empathy	0.465

The next step is to do regression analysis in order to check the prediction of one variable by another variable. In this case, we have a single dependent variable with more than one independent variables and, we need to use multiple regression.

Table 3 gives the results of multiple regression analysis for consumer satisfaction. The R^2 value which specifies the explained variation is 35 per cent and the rest remains unexplained.

Table 3: Multiple Regression Analysis for Consumer Satisfaction (CS)

SQ Attributes	Sig.	R^2
Tangibility	0.224	0.350
Reliability	0.203	
Responsiveness	0.007	
Assurance	0.087	
Empathy	0.542	

$$Y = a + bX_1 + bX_2 + bX_3 + bX_4 + bX_5$$

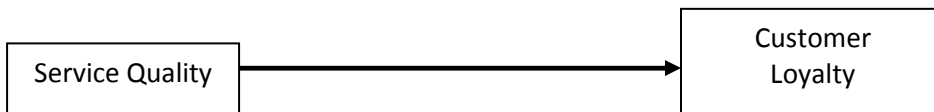
$$CS = 1.741 + 0.084 \text{ Tangibility} + 0.098 \text{ Reliability} + 0.201 \text{ Responsiveness} + 0.129 \text{ Assurance} + 0.043 \text{ Empathy}$$

The table also gives the significance values of all dimensions in the multiple regression analysis. All dimensions except responsiveness are having the level of significance >0.05 thus leading to the rejection of those alternate hypotheses. The attribute of responsiveness has significance of $0.007 < 0.05$ and, therefore, we accept the hypothesis H_7 . Thus we conclude that all dimensions except responsiveness do not help predict customer satisfaction. It is only responsiveness that predicts customer satisfaction. Also, the regression coefficients say that higher the value of the independent variable, the more it can predict the dependent variable. Table 3 shows that responsiveness followed by assurance has the highest values. We can thus conclude that more the responsiveness and assurance on the part of employees, the more the customer is satisfied.

The Role of Mediation

‘Mediation’ is a very interesting and highly researched topic in the study of consumer behaviour. Mediation is done in the context of a causal variable affecting the outcome of another variable. The objective here is to check the mediating effect of customer satisfaction between service quality and customer loyalty. We use the Baron-Kenny approach (Baron& Kenny, 1986) to mediation testing where the mediation effect is brought out in different steps.

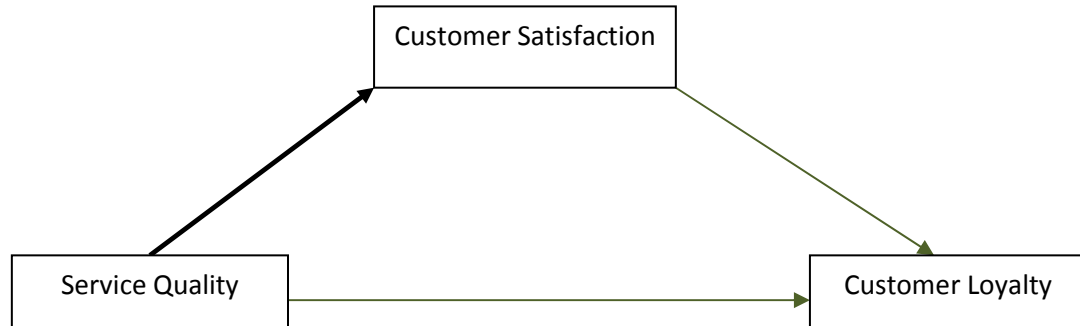
Step 1: Independent variable, i.e. service quality, is regressed with the dependent variable, i.e. customer loyalty, and if there is a significant relationship, the process continues to step 2 or else it is concluded that there is no mediation.



Result: Since $R^2 = 0.201$, the explained variation is 20 per cent, and the significance level is $0.00 < 0.05$. Therefore, we reject H_0 . It shows a significant relation and we can move on to the next step.

$R^2 = 0.201$
$Y = a + bX$
$CL = 2.213 + 0.296 SQ$
$p\text{-value} = 0.000$

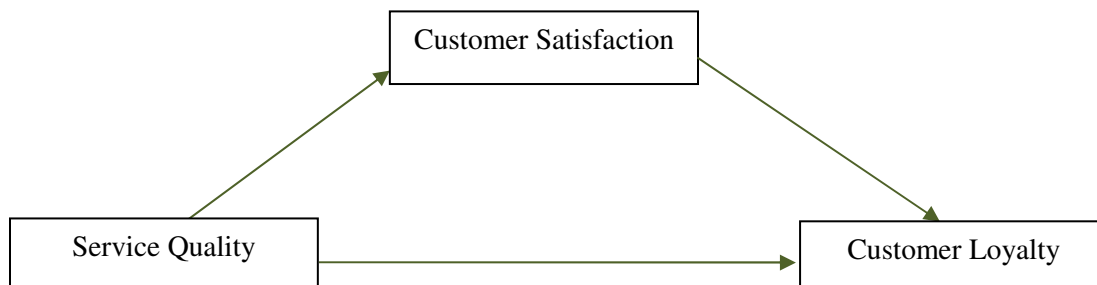
Step 2: Regression analysis is done of the independent variable, service quality, to see whether it is related to the mediating variable, i.e. customer satisfaction. If the result shows a significant relationship, the process can be continued to the next step or else there is no mediation.



$R^2=0.342$
$Y= a+bX$
$CS=1.731+0.558 SQ$
$p\text{-value}= 0.000$

Results: Since $R^2 = 0.342$, explained variation is 34 per cent, and significance is $0.000 < 0.05$ and so we reject H_0 . Therefore, it is a significant relation and we can move on to the next step.

Step3: In this step, simple regression is undertaken between mediating variable, i.e. customer satisfaction, with dependent variable, i.e. customer loyalty, and if the results are significant, then the last step is undertaken and if it is not significant, it is concluded that there is no mediation.



Result: Since $R^2 = 0.379$, explained variation is 38 per cent, and significance is $0.000 < 0.05$ and so we reject H_0 . Therefore, it is a significant relation and we can move on to the next step.

$R^2 = 0.379$
$Y = a + bX$
$CS = 1.695 + 0.425 CS$
$p\text{-value} = 0.000$

Step 4: The last step calls for conducting multiple regression analysis of customer loyalty with service quality and customer satisfaction and the results are shown in Table 4.

Table 4: Multiple Regression Analysis for Customer Loyalty (CL)

Variables	Sig.	R^2
SQ	0.059	0.391
CS	0.000	

$Y = a + bX_1 + bX_2$
$CL = 1.571 + 0.089 SQ + 0.371 CS$

Result: This relation between CL and SQ is not significant since the level of significance is $0.059 > 0.05$. This shows that there is full mediation of customer satisfaction between service quality and customer loyalty.

6. Policy Implications

The study results have a number of policy implications. Service firms need to work towards enriching the consumer experience and reducing the gap between the expected and perceived service quality. This can be done by adopting new strategies. Without good service quality, customers will not come back. Responsiveness is seen to be the most crucial factor. Customers look for services offered by friendly and helpful employees. Therefore, service firms should concentrate on improving the responsiveness attribute of service quality.

The mediation of customer satisfaction was checked between service quality and customer loyalty and it was found that customer satisfaction mediated fully between these variables. This shows that service quality decides the customer satisfaction and the satisfaction of customers which, in turn, decides the loyalty they would have towards the service firm. So customer satisfaction is the core element to decide the future repeated purchases of services. Therefore, the enterprises should formulate strategies to increase customer satisfaction.

7. Conclusion

This research has been done in the personal grooming industry of the state of Goa to understand the attributes of service quality, customer satisfaction and customer loyalty. Different techniques were used to check the mediation effect of customer satisfaction in this industry. The SERVQUAL instrument was used to identify the various dimensions involved in service quality. This research also checked the correlations between service quality, customer satisfaction and customer loyalty. The study found that responsiveness as the crucial factor determining the

quality of personal grooming services in Goa. It also checked the mediation of customer satisfaction between service quality and customer loyalty and found that customer satisfaction mediated fully between these variables. This shows that service quality decides the satisfaction and satisfaction of customers which, in turn, decides the loyalty towards the service firm. So customer satisfaction is the core element to decide the future repeated purchases from service enterprises. Future research could be done to find the gaps of service quality in different types of firms.

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**Annex: Questionnaire to Study Service Quality, Customer Satisfaction
& Customer Loyalty**

Service Quality	
Tangibles	Modern equipment of the salon
	Visually appealing physical facilities at salon
	Well dressed and neat employees of the salon
	Physical facilities support the type of services provided at the salon
Reliability	Salon is dependable.
	Salon provides consistent (same) level of service at each visit.
	Salon provides services at the promised time.
	Salon keeps records accurately (free from error).
Responsiveness	Salon provides prompt (fast) service to customers.
	Employees of the Salon are always willing to help customers
	Salon staff replies to all queries of customer.
	Salon arranges special care to special customers.(senior citizens, etc.)
Assurance:	Salon is sympathetic and reassuring when customers have problems.
	Customers feel safe in dealings with salon.
	Customers can trust employees of salon.
	Employees of the Salon are polite and courteous.
Empathy	Employees keep customers best interest at heart.

	Staff gives individual attention to customers.
	Salon has convenient operating hours for all customers.
	Service providers in Salon understand all customer needs.
Customer Satisfaction	
Availing the services of this Salon is a good decision.	
This Salon takes customer satisfaction as its main goal.	
I am satisfied with my choice of this Salon.	
I feel at ease in the ambience (atmosphere) of this Salon.	
I feel pampered during & after my visit to the Salon.	
I am satisfied with pricing in relation to service quality provided by this Salon.	
Overall, I am satisfied with this Salon.	
Customer Loyalty	
Behavioral	I will visit this Salon for future needs.
	I will try new services that are provided by this salon.
	I will recommend this salon to others.
	I am willing to assist in improving the effectiveness of service by giving feedback.
Cognitive	To me, this salon would rank first among other salons.
	I will continue to patronize this salon in future.
	I will deal exclusively with this salon.
	I think of this Salon as my salon.
	The salon I patronize reflects a lot about who I am.
	I will patronize this salon even if I have to pay more.

Affective	I dislike the salon.
	I am satisfied with the services of the salon.
	I have a negative attitude towards this salon.
	I am satisfied with my decision to stay with this salon.
Trust	This salon is like a friend to me.
	The people in the Salon respond kindly when I share my thoughts and feelings to them.
	The salon personnel are professional and dedicated.
Commitment	I am committed to this salon.
	Even when I hear negative comments about this salon,I still continue my visits
	I like switching from this salon to another.
	My continued association with this salon is important to me.