Service Quality Relationship with Customer Satisfaction and Business

Profitability (A Case Study of Royal Jordanian)

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Abstract

The purpose in this research is   to find   the relationship   between service quality and customer satisfaction of the Royal Jordanian and the mediated relationships between the service quality and financial performance by customer satisfaction. To achieve this objective, the study utilises a quantitative instrument for customers of Royal Jordanian. A representative sample of customers (number=120) was recruited voluntarily in the study. The questionnaire sought information and financial performance, plus demographic details.

The results of this study suggested there is a relationship between service quality and customer satisfaction and financial performance.

Keywords: Jordan, Customer Satisfaction**,** Financial Performance, Service Quality, Royal Jordanian

1. Introduction

Royal Jordanian has a fleet of 30 airplanes an important niche in the Middle East air transport market. Royal Jordanian primary market focus is to connect the Levant countries to the world. One of Royal Jordanian strengths is providing frequent and convenient service to markets that the regions large airline can't serve economically, concentrated on quality for the passengers, both in the air and on the ground. In 2007 Royal Jordanian joined one of world major international airline alliance. The more increases the airline access to long distance markets and will help expand intercontinental connections that currently reach four continents.

The expansion of the Queen Alia International Airport was originally planned to meet increasing demands and to handle projected traffic volumes of the airport in Jordan, and at the same time to enhance and develop its position as a regional hub to serve the increasing demands on the airport regionally. The project was initiated to introduce private sector finance and technical know-how to one of the most significant service sectors of the Jordanian economy. The project agreement included that the construction of the new terminal be performed in two main phases. In the first phase, the expansion works was planned to provide a total capacity for up to 5.5 million annual passengers, over the capacity of the existing airport, and was planned to be completed by the first quarter of 2012. The second phase, which is planned to be completed and fully operational in so far.

2. Literature Review

2.1. Services quality dimensions and customer satisfaction

In the service literature strong emphasis is placed on the importance of service quality perceptions and the relationship between service quality and customer satisfaction (Jamal and Naser, 2003; Arasile et al., 2005). Also, results of a study conducted in Kuwait with 605 customers revealed that customers generally are satisfied with services provided by Airline companies (Alhemoud, 2008). Identifying and meeting customer demands by developing and delivering products and services is an essential part of the business and financial services industry (Araslie, Salime, and Salih, 2005) offering a diverse portfolio of competitive products and services, restructuring their services and products in order to meet the changing needs of customers and to make continuing use of rapid technology (Arasli, Salih and Salime, 2005)

2.2.Intangible and tangible services: Customer discontent and SERVQUAL instruments

Services are often characterised by their, ability, intangibility, (Jamal and Naser, 2003). The implication of these characteristics is usually difficult for customers to evaluate services and products   so intangibility makes it difficult for a company to understand how its customers perceive and evaluate the quality of its services (Jamal and Naser, 2003). Consequently, it has been argued that the service quality is not a uni dimensional construct but it incorporates various dimensions that relate to both core and augmented service offering (Bitran and Lojo, 1993; Lewis, 1993).

(Parasuraman et al., (1988) described five dimensions of service quality: tangibles, assurance, empathy, responsiveness and reliability. Tangibles, assurance, empathy, and responsiveness are concerned with the service delivery process whereas reliability is mainly concerned with the outcome (Parasuramanet al., 1991). The instrument called SERVQUAL has been developed to capture and measure perceived quality that provides a construct of quality as conceptualised in the service literature Parasuraman et al., (1988).

2.3.Tangibles general service quality dimension and customer satisfaction

Parasuraman et al., (1988, p. 23) defined Tangibles as comprising of "physical facilities, equipment, and appearance of personnel". Three years' later (Parasuraman et al., 1991, p. 446) extended his definition to include the quality of brochures and statement.   Tangible qualities of service are the most visually obvious examples of Parasuraman's five dimensions.

   Additionally, an increasing number of customers are becoming more sophisticated users of technology because they have access to the latest forms of information technology such as the Internet. Consequently, many service institutions have to concentrate on increasing customer satisfaction and retention through improving the information technology component of the quality of their services and products (Arasile et al., 2005; Wang et al., 2003).

(Rod et al., 2008) examined the relationship among three dimensions of service quality that influence overall Internet banking service quality and its subsequent impact on customer satisfaction in the New Zealand banking industry. Results on this tangible factor revealed a significant relationship among online customer service quality, online information system quality, Customers make inferences about the service quality on the basis of tangibles (the physical layout, building, etc) that surround the service environment. The support for this argument comes from empirical evidence suggesting that the tangible, physical surroundings of the service environment can have a significant effect on customers' affective responses and their behavioural intention (Wakefield and Blodgett, 1999).

The perceived service quality and subsequent customer satisfaction leading to loyalty in England Airline. Results showed that image indirectly related to Airline loyalty via perceived quality. In turn, service quality is both directly and indirectly related to Airline company loyalty via satisfaction.

2.4.Assurance general service quality dimension and customer satisfaction

Assurance has been defined as: "Knowledge and courtesy of employees and their ability to inspire trust and confidence (Parasuraman et al., p. 446) the ability for customers to feel "safe in their transactions".

This definition comprises 3 elements that imply these dimensions are interrelated. First, the customer judges the dependability and accuracy (reliability dimension) of the delivered service as well as the service being delivered Second, the delivery of dependable services in an accurate manner requires employees to be knowledgeable. Taylor, S.A. and Baker, T.L. (1994)

Customers' satisfaction measurements therefore are used to provide a sense of achievement, and accomplishment of the customer satisfaction goal for all employees involved in any stage of the customer service process (Mihelis et al., 1999). the company's work practices and processes used within the company (Dash et al., 2006);

2.5. Empathy general services quality dimension and customer satisfaction

Empathy is defined as the provision of caring and individual attention by the firm to its customers. In 1991 Parasuraman et al., extended this definition to include firms (1) having operating hours convenient to all their customers, (2) having the customers' best interests at heart, (3) having an understanding of the specific needs of their customers.

2.6.Responsiveness general service quality dimension and customer satisfaction

Responsiveness has been defined as the "willingness to help customers and provide prompt service". Later, they r extended this definition to include employees telling customers exactly when services will be performed and never being too busy to help customers (Parasuraman et al., 1991, p. 446). Vorhies, D. W., and Morgan, N. A. (2003).

2.7.Reliability, general services quality dimension and customer satisfaction

Reliability is the ability for a firm to perform the promised services in a dependable and an accurate manner In Parasuraman et al., (1991, p.446) they included employees having a sincere interest in solving the customers' problems performing the promised services right the first time.   Therefore, customers judge the dependability and accuracy of not only the delivered service but also the service being delivered (Parasuraman, et al. 1991). Unsatisfactory problem solving is a major reason why customers switch service providers (Hart et al., 1990; Levesque and McDongall, 1996).

2.8.Inconsistencies: quality service findings as determinates of customer satisfaction

By using five dimensions as a guide it is revealed that (Levesque and McDongall (1996) as well as Jamal and Nasser (2003) found assurance (#2) had the largest impact on customer satisfaction.   In contrast to this result, Araslie et al., (2005) found reliability (#5) had the highest influence on customer satisfaction   More recently,   Tahir and Baker (2007) designate responsiveness (#4) as the most important dimension, followed by reliability (# 5), tangibles (#1), assurance (#2) and empathy (#3).

Although Buttle (1996) acknowledged that SERVQUAL was widely accepted, he noted that from the publications identified following his search of the keyword 'service quality', SERVQUAL had been a key word in 41 of these publications. He advanced 11 criticisms of SERVQUAL.   One of his criticisms was the lack of universality of Parasuraman et al., (1988) dimensions. He suggested that inconsistent findings about the importance of the dimensions were by prior studies because they used the instrument in different industries. Ullman, A. A. (1985). Data in search of a theory.

2.9.Relationship between the services quality and customer satisfaction

In the service literature strong emphasis is placed on the important of service quality perceptions and the relationship between service quality and customer satisfaction (Rust and Oliver, 1994; Levesque et al., 1996; Jamal and Naser, 2003; Arasile et al., 2005). Customer satisfaction is highly related to service quality (Dash, 2006; Jamal and Naser, 2002; Arasile et al., 2005).

2.10.Relationship between the services quality and financial performance

Although prior studies discussed an associate between customer satisfaction and financial performance, Soterious and Zenios (1998) initially proposed service quality impacts on performance as measured by profitability. An earlier study has investigated this link between customer performance and financial performance measures, which were based on customers' perception (Stafford, 1994).

3. Motivation of the study

There is limited and inconsistent evidence about whether a direct relationship exists between service
quality and customer satisfaction and the mediated relationship between the service quality financial
performances by customer satisfaction and its new study about the Royal Jordanian customers.

4. Hypotheses

H1- There is a statistical relationship between superior general services of Royal Jordanian and customer satisfaction.

H2- There is a statistical relationship between superior general services by Royal Jordanian and Profitability mediated by customer's satisfaction.

5. Methodology

Customers randomly have been completed the questionnaire at the branches and the airport itself within a reasonable period of time. A convenient sample of customers was recruited from the branches in different cities in Jordan   contacts with the mangers of the selected branches were made prior to conducting research in Jordan.

Customer invited to participate without writing their names on the questionnaires. This instruction was intended to provide assurance to customers that the identity of respondents and non-respondents was not known to the researcher. An eight-point Likert-type scale was used, and customers were asked to indicate the level of emphasis placed on each of the items when determining their branches'. The measurement questions selected for customer satisfaction have been developed and used in customers' satisfaction literature (Lundstrom and Lamont, 1976; The main instrument used to measure customers satisfaction.

6. Statistical analysis

The researcher analysed data through using the Statistical Package for the Customer satisfaction (SPSS) version 18.5 personal computer versions. The properties of the measures used were assessed using Cronbach's alpha for reliability (internal consistency).

To determine the relationship between the Service quality and customer satisfaction and mediated with financial performance stepwise multiple regression analyses were undertaken.. An alpha level of 0.05 was used for all statistical tests.

7. Results

Table NO (1)
Descriptive Statistics for Royal Jordanian Customers

Variable	Mean	Std. Deviation	Rank
Tangible	18.3	103.51	1
Intangible	7.09	0.99	2
Assurance	3.32	2.77	3
Empathy	2.64	4.21	4
Responsiveness	1.55	1.14	5
Reliability	0.6	0.2	6

We can note that the variable tangible to earning" ranked first with a mean reached to (18.3) and standard deviation reached to (103.51). And the variable Intangible ranked second with mean reached (7.09) and standard deviation reached (0.99). Finally, the variable with mean reached Reliability (0.6) and standard deviation reached (.2) came in the final rank.

Correlation Coefficient:

This part will present the Pearson correlation matrix which indicates all variables included in the analysis as listed in the following table (2).*Correlation Matrix of Variables*

Table NO (2).

The factors measurement for Royal Jordanian Customers

	Tangi	Inta	Assu	Emp	Resp	Relia
Tangible	1.00					
Intangible	0.02	1.00				
Assurance	-0.09	-0.05	1.00			
Empathy	-0.10	0.02	0.76	1.00		
Responsiveness	0.03	-0.09	0.12	0.04	1.00	
Reliability	-0.06	0.05	0.18	0.20	-0.02	1.00

all variables do not have a high correlation with other independent variables; except the correlation between Assurance and Reliability, in which the correlation coefficients between these variables is higher than (0.5). This result shows that multicollinearity problem doesn't exist in the model, because no large correlation existed between independent variables.

Table NO (3)

Variable	Level			First difference		
	T	Critical	Stationary	T	Critical	Stationary
Tangible	-8.39	0.000	Yes	159.44	1.000	No
Intangible	-31.67	0.000	Yes	-18.27	0.000	Yes
Assurance	-3.12	0.001	Yes	-7.10	0.000	Yes
Empathy	-0.96	0.169	No	-13.25	0.000	Yes
Responsiveness	-10.67	0.000	Yes	-46.92	0.000	Yes
Reliability	-4.94	0.000	Yes	-8.88	0.000	Yes

Results in table (3) indicate that all variables are stationary at the level (without taking the differences) unless tangible stationary when taking the first difference.

Table NO (4)
Dummy variables For Royal Jordanian Customers

	Coefficient	Std. Error	T-Statistic	Prob.
tangible	0.037	0.017	2.158	0.0321
Intangible	0.020	0.009	2.137	0.0337
Assurance	0.003	0.001	4.652	0.0000
Empathy	0.037	0.017	2.178	0.0305
Responsiveness	0.018	0.003	6.752	0.0500
Reliability	0.0278	0.002	1.236	0.0218
R-squared	0.98		Mean dependent var	1.44
Adjusted R-squared	0.97		S.D. dependent var	1.74
S.E. of regression	0.096		Sum squared resid	1.97
F-statistic	216.8		Durbin-Watson stat	1.98
Prop (F-statistic)	0.00			

* Significant at the 0.05 level

Findings contained in the above sections result from the examination of specific services affecting customers' satisfaction and specific control elements, which involves an extension to the investigations conducted in prior customers' satisfaction research. This extension involves the use of three dimensions for the differentiation services. Investigating the separate relationships between the services and customers' satisfaction has provided specific significant results.

8. Research Implications

Results   indicated that customer satisfaction is mediated   general service, with financial performance. Future studies may be guided by the current study's results for the direct and indirect relationship between the service quality and customer satisfaction as well as their relationship with financial performance. The current study contributed statistically significant evidence to an area of research where there was a gab of evidence about some relationships. In particular, the varying mediating effects of the specific elements of factors have a number of implications for future studies.

Future research therefore should provide more informative results when data are gathered that relate to customer satisfaction and financial performance. This study can be replicated in other developed and developing countries

Such result   should assist future research with the following investigations.

the results indicate the different indirect effect of factors mediating customer satisfaction on financial performance. In addition to these findings, future research may use the evidence from the current study that combinations of the different factors are available for selection by successful organisations as their source of competitive advantage and adding to their customer base. results added to and confirmed the body of knowledge on the relationship between service quality, and profitability mediated by customer satisfaction;

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