

## Relationship among Service and Product Quality, and Price in Establishing Customer Satisfaction

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### ABSTRACT

One of the current issues discussed in any service provider organizations were customer satisfaction. Customer satisfaction can be fulfilled when the product or service meet the requirements of customers' wants and needs. Generous previous studies indicated many elements related to the customer satisfaction. There were three elements were tested in this study that include service quality, product quality, and price of the product or service offered by the business. Therefore, this study were conducted in order to identify the relationship among service quality, product quality and price towards customer satisfaction. In order to get the data, a set of instruments were adapted from previous study. For that reason, a set of 125 survey study were distributed to random respondents at Terengganu Equestrian Resort (TER) to investigate the relationship. The collected data were evaluated by using the statistical software SPSS version 21.0. This software was used to recognize the descriptive statistic, Pearson's correlation, multiple regression and anova. As a result, two hypotheses were rejected and only one hypothesis showed positive relationship to the consumer satisfaction.

**KEYWORDS:** TAM Model, Perceived Ease of Use, Perceived Usefulness, Perceived Enjoyment, Intention to Shop Online.

### INTRODUCTION

Profit based organizations always seek for innovation in selling their goods or gives services but at the same time, they can gain profit. Manufacturing industries can use the innovation by cutting cost effectively besides remaining the number of production. However, it was different approach when the profit based organizations involved customers such as banking, hotel and tourism, private hospitals and many more. These organizations not only provide goods but give services to their customers. Therefore, customer satisfaction was very crucial part in order to maintain good, long term relationship with their customers.

Many previous researches were conducted in order to identify what are the factors that contribute towards customer satisfaction. This study was conducted to investigate the industry of hospitality and tourism in Terengganu, Malaysia. This industry were quite competitive in Kuala Terengganu and required serious initiative on developing and establish customer satisfaction. As a result, this study was conducted at Terengganu Equestrian Resort (TER) that was located in Kuala Terengganu, Terengganu as one of the urbanization areas in Terengganu. There are many competitors for TER in this industry such as Permai Inn, Prinz Park, Duyong Marina and Resort, and, Primula Beach Resorts.

Thus, the study was conducted to find the factors that contributed towards the customer satisfaction at Terengganu Equestrian Resort (TER), Terengganu. TER was an organization that provides goods and services to its customers. One of the activities offered by TER is horse riding. TER offers an outdoor swimming pool and in the same building, TER provides a bowling alley. Besides, TER provides air-conditioned rooms with free Wi-Fi. In addition, TER provides meeting facilities, laundry services and has Paddock food court that serves local and western dishes. Customers can organize any functions or events with dine at Sri Melor Restaurant. Therefore, the objectives of this study were to investigate the relationship among product quality, service quality, and price towards customer satisfaction at TER.

### LITERATURE REVIEW

#### Customer Satisfaction

In hospitality and tourism industry, it was crucial to understand customers' responsive factors that related to their spending involvement and repeated purchases [1]. The customers got chances to interact with a product or services by this industry during their spending involvement [1]. It was supported by [2], customer satisfaction was

total equal gratification with a goods (product or services) involvement. Thus, customer satisfaction was been thought as a significant predecessor of loyalty for a long term [1]. However, previous studies defined the customer satisfaction in numerous ways. According to [3], it was the customers' reaction towards the product or service whether the product or service can fulfill their needs or wants. Besides, customer satisfaction was important factors that lead the customers to repeat sales, spread the good word of mouth and maintain customer loyalty [4]. Alternatively, this study accomplished to explore three factors towards customer satisfaction at TER. These factors were service quality, product quality and price of the goods or services by TER.

### Service Quality

Service quality received great attention from the service provider in order to provide good, long term connection with their customers. Service quality was a reasonable benefits for company that involve in service industries [13]. Previous researchers defined service quality from different perspective depending to the service provided by the service provider. Service quality reflects a crucial instruments for a service provider's effort to distinguish its services from its opponents [11]. In retailer self-checkout study, the customer expectation from the service provider versus the customer awareness to the actual service from service provider was theorized as service quality [2][5]. Besides, service quality researchers extensively used the SERVQUAL, the service quality measurement model [6]. This model was proposed that service quality can be valued into five components comprised of tangible, reliability, responsiveness, assurance, and empathy [6][7]. In addition, numerous studies indicated that service quality lead to customer satisfaction [2][8][9]. When the customers' experience to a goods and services and these goods and services met their expectation, the customers felt satisfied [6][10]. Consequently, the consumers evaluated the service gives by service providers on practical and functional features [10]. Practical features concentrated on what was provided, instead the functional features concentrated on how, why, who and when it was provided [10].

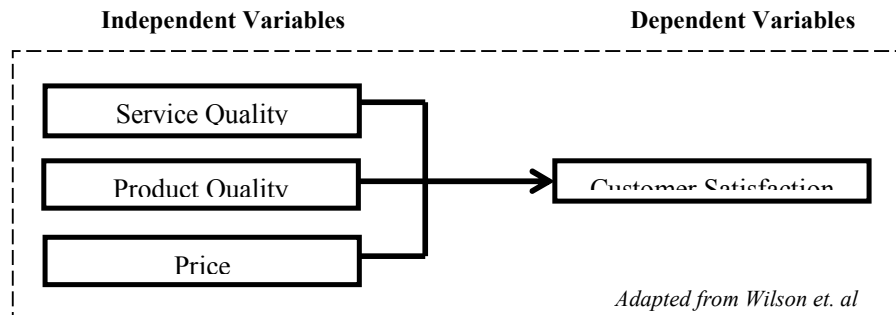
### Product Quality

Another element towards customer satisfaction in this study was the product quality. Previous observed studies recognized product quality was one of the important elements towards customer satisfaction [6][10]. Some businesses provided both product and services to the customers. Therefore, many studies were focusing on service quality since these service providers were offering a product at the same time. In addition, earlier studies majority were concentrated on the quality for both products and services provided by that company [1][3].

### Price

One of the vital thoughts that described the customers' buying manner was the price [14]. Previous studies agreed that service quality and product quality act as important elements towards customer satisfaction [6][10][14]. Price awareness among customers act as crucial part in customers' decision making activities [15][16]. Observed studies verified that customers' awareness on a company's price and compared it to its competitors' price in order to build promising purposes and faithfulness towards that company [17]. Therefore, the price offered by the business whether expensive or cheap, reasonable or unreasonable act as a benchmark for the customer whether to proceed with the purchasing or not. Customers' awareness about the price offered by a business or service provider gave advantages to the customers to make comparison and to decide whether the company or service provider offered a reasonable price or not [18].

### Relationship among Customer Satisfaction, Service Quality, Product Quality and Price



**Figure 1: Conceptual framework for relationship among service quality, product quality and price towards customer satisfaction**

In order to identify the relationships between variables, the following hypotheses had been tested:

#### *Hypotheses Development*

H<sub>1</sub>: Service quality significantly affect towards customer satisfaction.

H<sub>2</sub>: Product quality significantly affects towards customer satisfaction.

H<sub>3</sub>: Price significantly affects towards customer satisfaction.

## RESEARCH METHODOLOGY

### Sample and Data Collection Procedure

This study was directed to reveal the connection among service quality, product quality, price, and customer satisfaction at Terengganu Equestrian Resort (TER), Terengganu. The total number of customers who visited and used the goods and services provided by TER were the population for this study. For that reason, convenience sampling method was applied because the population for this study was unknown [19] and the researcher was decided to get the sample size more than 100 respondents for accuracy. Data were collected through designed questionnaire using 5 point Likert scale. The questionnaire consisted five sections included Section A: demographic background, Section B: service quality, Section C: product quality, Section D: price, and Section E: customer satisfaction. All data collected were evaluated using the IBM Statistical Package for Social Science (SPSS) 21 program.

## FINDINGS AND DISCUSSION

The discussion for this study was focusing on the variables that impacted the customer satisfaction at TER. Thus, 200 modified instruments were directly delivered and collected simultaneously among customers who visited and used the goods or services of TER. However, from 200 set of questionnaires, only 125 questionnaires were returned completely and valid for this study.

**Table 1: Profile of Correspondents**

Demographic Value	Category	N	%
Gender	Male	61	48.8
	Female	64	51.2
	<b>Total</b>	<b>125</b>	<b>100</b>
Marital Status	Single	64	51.2
	Married	61	48.8
	<b>Total</b>	<b>125</b>	<b>100</b>
Demographic Value	Category	N	%
Age	25 years old and above	28	22.4
	26 – 30 years old	28	22.4
	31 – 35 years old	31	24.8
	36 – 40 years old	19	15.2
	41 years old and above	19	15.2
	<b>Total</b>	<b>125</b>	<b>100</b>
Higher Educational Level	SPM	34	27.2
	STPM/Matriculation/Diploma	46	36.8
	Bachelor Degree	41	32.8
	Master Degree	4	3.2
	PhD	0	0
	<b>Total</b>	<b>125</b>	<b>100</b>
Monthly Income	RM1000 and below	14	11.2
	RM1001 – RM2000	57	45.6
	RM2001 – RM3000	45	36.0
	RM3001 – RM4000	8	6.4
	RM4000 and above	1	0.8
	<b>Total</b>	<b>125</b>	<b>100</b>

According to Table 1, results showed that 48.8% of the customers were male and 51.2% were female. Majority of the customers were aged range 25 years old and below (22.4%) and range 26 – 30 years old (22.4%). Besides, 36.8% of the customers were STPM/Matriculation/Diploma holder and only 4% (4 customers) were Master degree holder. Finally, majority of the customers' monthly income were ranged RM1001 – RM2000 (45.6%).

There were six items for each variables in this study. This items were rated based on five point Likert scale started with 1: Strongly disagree and ended with 5: Strongly agree. Based on the descriptive statistic for each variable, the customers who visited and used TER's goods or services agreed and disagreed as below:

#### Customer Satisfaction

Most agree: Customer satisfaction was important in determining the success of organization.  
Most disagree: The organization must continuously control the customer satisfaction in order to stay in the marketplace for a longer time.

#### Service Quality

Most agree: The management or the staff provided individualized attention to customer.  
Most disagree: The management listens/responds to public concerns related the service provided by the company.

#### Product Quality

Most agree: The management are delivering the product quality according as promised.  
Most disagree: The management are taking prompt action if there are any complaint from the customer according to the product quality offered by the organization.

#### Price

Most agree: Customers always interested in price discounted or special deals offered by the organization.  
Most disagree: The organization that customer had visited offered reasonable price for the service offered.

**Table 2: Correlation Analysis Result**

	Customer satisfaction	Product Quality	Service Quality
Product Quality	.643**		
Service Quality	.514**	.484**	
Price	.854**	.660**	.515**

N = 125, p < 0.05; \*\*\* P < 0.01

Table 2 showed the relationship among product quality, service quality and price towards customer satisfaction. It was indicated that product quality had strong positive relationship with the customer satisfaction ( $r=.643^{**}$ ,  $n=125$ ,  $p<0.01$ ). However, results showed that service quality had moderate relationship with the customer satisfaction ( $r=.514^{**}$ ,  $n=125$ ,  $p<0.01$ ). Price showed very strong relationship towards customer satisfaction ( $r=.854^{**}$ ,  $n=125$ ,  $p<0.01$ ). As a results, price was the most significant factor towards the customer satisfaction in this study. It was supported by the customers who visited and used TER's goods or services whereby most of them agreed that they were interested on the discounted price or special deals offered by TER.

**Table 3: Summary of Regression Analysis between Dependent Variable and Independent Variables.**

Summary			Anova		
R	R Square	F	Sig.		
.863 <sup>a</sup>	.745	82.325	.000 <sup>b</sup>		
Dimensions	Unstandardized Coefficients			Collinearity Statistics	
	B	T	Sig.	Tolerance	VIF
Product Quality	.134	1.928	.056	.536	1.865
Service Quality	.082	1.409	.161	.698	1.432
Price	.764	11.491	.000	.515	1.942

Dependent Variable: Customer Satisfaction

Table 3 showed the results for multiple regressions of variables in this study. It showed that this study had a high of R (0.863) and high R square (0.745). The values of R square represented the proportion of variation of dependent variable (customer satisfaction) that accounted by independent variables (product quality, service quality, and price) in regression model. It implied that 74.5% of the alteration or changes in the dependent variable (customer satisfaction) was recognized to three independent variables (product quality, service quality, and price). Based on the above results, it showed that all independent variables contribute to the customer satisfaction that consisted of product quality ( $\beta=0.121$ ,  $p>0.05$ ), service quality ( $\beta=0.077$ ,  $p>0.05$ ), and price ( $\beta=0.735$ ,  $p<0.01$ ). Therefore, two hypotheses were rejected ( $H_1$  and  $H_2$ ) and only one hypothesis was supported ( $H_3$ ). It supported that price significantly affects towards customer satisfaction in this study with very strong relationship between the price and customer satisfaction. This results were shown in Table 4.

**Table 4: Summary of Hypotheses Testing Summary**

Items		Hypothesis	Results
PQ → CS	H <sub>1</sub>	Service quality significantly affect towards customer satisfaction.	Rejected (p>0.05)
SQ → CS	H <sub>2</sub>	Product quality significantly affects towards customer satisfaction.	Rejected (p>0.05)
P → CS	H <sub>3</sub>	Price significantly affects towards customer satisfaction.	Supported (p<0.05)

## CONCLUSION

As a conclusion, the findings for this study found that price was the most significant factor to the customer satisfaction among customers who visited and used the goods or services at Terengganu Equestrian Resort (TER), Terengganu. Although, all independent variables had a positive connections with the customer satisfaction, only third hypothesis (price) significantly affects towards customer satisfaction at TER. Another two hypotheses, product quality and service quality showed that both variables did not significantly affects towards customer satisfaction at TER. This results can help TER to improve its services to its customers. It is suggested to conduct this study to other service industry that provide product and services like TER. Besides, future research can add another independent variables to identify other factors that can give significant relationship toward customer satisfaction that used the product and services in service industry.

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