THE EFFECTS OF SERVICE QUALITY, RELATIONAL BENEFITS, PERCEIVED VALUE AND CUSTOMER SATISFACTION TOWARDS CUSTOMER LOYALTY IN HAIR SALON INDUSTRY

CHOW HONG WAI
TAN HUI LU
THIAM BEE NGOH
WONG POI JIN

BACHELOR OF INTERNATIONAL BUSINESS (HONS)

UNIVERSITI TUNKU ABDUL RAHMAN

FACULTY OF ACCOUNTANCY AND MANAGEMENT
DEPARTMENT OF INTERNATIONAL BUSINESS

APRIL 2012

THE EFFECTS OF SERVICE QUALITY, RELATIONAL BENEFITS, PERCEIVED VALUE AND CUSTOMER SATISFACTION TOWARDS CUSTOMER LOYALTY IN HAIR SALON INDUSTRY

BY

CHOW HONG WAI
TAN HUI LU
THIAM BEE NGOH
WONG POI JIN

A research project submitted in partial fulfillment of the requirement for the degree of

BACHELOR OF INTERNATIONAL BUSINESS (HONS)

UNIVERSITI TUNKU ABDUL RAHMAN

FACULTY OF ACCOUNTANCY AND MANAGEMENT
DEPARTMENT OF INTERNATIONAL BUSINESS

APRIL 2012

Copyright @ 2012

DECLARATION

We hereby declare that:

(1) This undergraduate research project is the end result of our own work and that due acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.

(2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.

(3) Equal contribution has been made by each group member in completing the research project.

(4) The word count of this research report is 12812.

	Name of Student:	Student ID:	Signature:
1	Chow Hong Wai	10 UKB 05728	
2	Tan Hui Lu	10 UKB 04943	
3	Thiam Bee Ngoh	10 UKB 04472	
4	Wong Poi Jin	10 UKB 06446	

Date: 20 April 2012

ACKNOWLEDGEMENT

TABLE OF CONTENTS

Page

LIST OF TABLES

Page

LIST OF FIGURES

LIST OF ABBREVIATIONS

SQ	Service Quality
CS	Customer Satisfaction
CL	Customer Loyalty
RB	Relational Benefits
CB	Confidence Benefits
SB	Social Benefits
STB	Special Treatment Benefits
β	Beta
Sig	Significant

LIST OF APPENDICES

Appendix A - Survey Questionnaire

Appendix B – SPSS Output

PREFACE

In today's era of fast-changing global marketplace, customer loyalty has been an important aspect that most firms would want to empower in. In order to have a significant level of customer loyalty, the antecedents of it are actually playing the crucial role. This study is basically examining the antecedents of customer loyalty such as service quality,   relational benefits, perceived value and customer satisfaction. The study of the effects of these variables may help the hair salon service providers to make an important decision in this highly competitive marketplace for successful survival.

The role of customer loyalty is becoming gradually important as it helps the firm to reduce cost in searching new customers as retention of customers is always of lower cost than to attract new customers. Thus, maintaining current customers can help the firms to be more profitable. Moreover, the loyal customers may help the hair salon service providers to spread positive word-of-mouth to others and this could help in bringing in new customers.

On top of that, this study can help firms to identify which variable is the best predictor of customer loyalty in hair salon industry and thus to put in more effort in that particular dimension in order to make customer loyalty happens in their business.

Last but not the least, this study may help to provide insights for academicians, future researchers, hair salon service providers and those who read it.

ABSTRACT

In the era of the intense competition and strong-survive business environment has fostered business firms to not only attract but more importantly to retain the customers within their business environment. Many firms, no exception for hair salons businesses, strive to differentiate themselves from the rest of the competitors. Retaining customers is somewhat much lower cost than to acquire new customers. Hence, customer retention has become the main objective and an important issue that servicing firms are focusing on including hair salon industry. Hair salon industry has become matured in the business cycle and this is where the firms are required to put in more effort in order to make their business survive in the highly competitive environment. This research investigates the impact of service quality, relational benefits, perceived value and customer satisfaction on customer loyalty. The purpose of this study is to examine the factors that affect the satisfaction level of the people visit hair salon for hair treatment services in Klang Valley and ultimately the customer loyalty.

To analyze our result, we used SPSS version 17.0 to analyze the 200 questionnaires from our respondents. The respondents consist of students and working adults and we found that customer loyalty is highly depending on service quality of the service provider. However, customer loyalty only depends partially on relational benefits to occur. Besides, perceived value is a significant moderator between service quality and customer satisfaction and hence customer loyalty.

After the study is conducted, we acknowledged that service quality, relational benefits, perceived value and customer satisfaction are crucial factors that determine customer loyalty. Ultimately, the limitations of the current study and the recommendations for the future study have been discussed in the last chapter of this research. The recommendations may help the future researchers to conduct their related future research more effectively and meaningfully.

CHAPTER 1: RESEARCH OVERVIEW

1.0   Introduction

In this chapter, it contains seven sections to provide an overview of the research in which it includes the research background, followed by problem statement, research objective and research question. Next, researchers discuss about hypotheses of the study, significant of the study and finally the chapter layout.

1.1   Research Background

Lovelock, Patterson and Walker as cited in Garzaniti, Pearce and Stanton (2011) contends services are transitory and perishable cannot be inventoried and are therefore difficult for clients to visualize. Besides, these researchers also stated that when there is high contact in services, people become an integral part of the service experience since the person delivered the service often is the service. Bowen (1990) classifies services into three distinct groups: high contact customized, moderate contact non-personal and moderate contact standardized. For hair salon industry, it is being categorized into the high contact customized groups where it contains services directed at people and individually customized service solutions and the interaction and services provided to customer will likely influence customer experience which leads to satisfaction and hence fostering customer loyalty (Bowen, 1990).

Since Malaysian Hairdressing Association (MHA) was launched in the year 2005, positive professional image and advancement of hairdressing have been developed and the industry is maturing. Besides, the exposure of Malaysia

hairdressing professional has been increasing in the global hairdressing scene. One of the most notable competitions in the hairdressing industry is the Hair Malaysia competitions and it was held in conjunction with one of the Southeast Asia largest expo and trade event for beauty businesses and professionals namely Beauty Expo.

Nowadays, more and more women are going to the hair salon more frequently as a matter of convenience as well as a prerequisite to meet the demands of a corporate image. Hair is thought of as a symbol of beauty to a woman in terms of status and power (Ahmad, 2011). Furthermore, men nowadays often visit the hair salon to get a professional service and hair cut. A lot of male customers are becoming more metrosexual that are stressing on their appearance. As people increasingly view on the importance of having good hairstyle as a complement to fashion, it will help to grow the hair salon industry in Malaysia as they will keenly visit the hair salon in order to get a good hairstyle.

In the hair salon industry, competition is often related to price war. Some hair salons offer a package deal for customer in order to retain existing customer and attract price sensitivity customers. Others may refuse to join the price war as they are confident with their skills and want to maintain a standard. Hence, it is important for a hair salon to have their loyal customer in order to sustain their business in a competitive environment. Thus, understanding the effects of service quality, relational benefits, perceived value and customer satisfaction towards customer loyalty in hair salon industry is essential for every hair salon in order to survive in this industry both short term and long term duration. For the following part, the problem statement of our study will be discussed.

1.2 Problem Statement

For many services, the essence of marketing is the development of long-term value added relationships with customers. In order to ensure long term success and generate favorable financial result, firms must understand the critical role of customer loyalty rather than acquiring new customer alone.

According to Ehigie (2006), excellent in service quality is a key to achieve customer loyalty. Besides, as customer loyalty depends largely on customer satisfaction (McDougall & Levesque, 2000), hence there are many research that focus on identifying factors that enhance customer satisfaction level. Some researchers mentioned that customer satisfaction is influenced by relational benefits and perceived value (Dagger & O' Brien, 2010; Han & Ryu, 2009). However, there are only few studies which have dealt with business efforts to establish long lasting relationship with customers as well as with connection between relational benefits and customer satisfaction. Since by building a quality relationship with customers allows firms to create good customer's value, therefore, relational benefits plays an important role for customers to differentiate among hair salons in this competitive environment.

According to Khalifa (2004), perceived value has become one of the most misused concepts and the role still remains unclear both empirically and theoretically. Besides, relationship between service quality, perceived value and customer satisfaction are of key importance to the service industry (Hu, Kandampully & Juwahee, 2009). However, current research on these variables is sparse and lack of studies particularly in Malaysia. There is also limited research conducted on hair salon industry as past studies were focused mainly on hospitality, banking or airline industry. Hence, this study is to examine the effects of service quality, relational benefits, perceived value and customer satisfaction towards customer loyalty that focused on the hair salon industry. The result will provide insight for people to

understand the role of those variables to increase customer loyalty in hair salon industry.

1.3 Research Objectives

This research seeks to examine customer loyalty in hair salon industry. There are numbers of objectives being developed.

1.3.1 General Objective

The primary objective of this research is to examine the relationship of service quality, relational benefits, perceived value and customer satisfaction towards customer loyalty in hair salon industry.

1.3.2 Specific Objectives

1. To determine the relationship of service quality and relational benefits towards customer satisfaction in hair salon industry.

2. To determine the moderating role of perceived value between service quality and customer satisfaction in hair salon industry.

3. To determine the relationship of customer satisfaction towards customer loyalty in hair salon industry.

4. To determine the mediating role of customer satisfaction between service quality and relational benefits towards customer loyalty in hair salon industry.

1.4   Research Questions

Four main research questions are formed and shown as below:

1. What are the relationship among service quality, relational benefits and customer satisfaction?

2. Is perceived value function as moderator between service quality and customer satisfaction?

3. What is the relationship between customer satisfaction and customer loyalty?

4. Is customer satisfaction function as mediator between service quality and relational benefits towards customer loyalty?

1.5   Hypotheses of the Study

Six hypotheses have been developed as follow:

H1: Service quality has a significant positive impact on customer satisfaction.

H2: Relational benefits have significant impact on customer satisfaction.

> H2a: Confidence benefits have a significant positive impact on customer satisfaction.

> H2b: Social benefits have a significant impact on customer satisfaction.

> H2c: Special treatment benefits have a significant impact on customer satisfaction.

H3: Customer satisfaction as a mediator between relational benefits and customer loyalty.

H4: Customer satisfaction has a significant positive impact on customer loyalty.

H5: Customer satisfaction as a mediator between service quality and customer loyalty.

H6: Perceived value will moderate the relationship between service quality and customer satisfaction.

1.6   Significance of the Study

This study is deemed significant and helpful for hair salon owners, service providers, customers and for academic purpose. From the result of the study, the hair salon owners can derive a better understanding about the antecedents of customer loyalty that may positively or negatively influence customer satisfaction and customer loyalty towards their business. The hair salon service providers are able to look into each contribution of the antecedents and derive meaningful meaning from the relationships toward customer loyalty. For example, service quality may be an important contributor to customer loyalty and hence the service providers can improve their service quality in all relevant aspects. As for relational benefits, it allows the service providers to understand what are the ways to build up relationships with customers in order to increase their satisfaction and hence loyalty. While for perceived value, the service providers are able to understand whether their pricing matches their service quality. Thus, this research plays a significant role to the management of the hair salons.

This study can aid hair salon owners in improving their service and competence when they realize which constructs are interdependent and correlated to customer loyalty. As a result, customer loyalty has become a focal point for many firms as it has been acknowledged as a vital contributor to profitability over the long term (Heskett, 2002; Iniesta & Sanchez, 2002; Heskett, Sasser & Schlesinger, 1997). Hence, the study triggers owners to improve and ultimately gain profitability as improvement may lead to higher customer commitment and satisfaction.

Besides, the improvement of service may help hair salon service providers to gain monetary (i.e. profits) as well as non-monetary incentives (i.e. work satisfaction) from the appraisal of the satisfied customers. The study could contribute to the further development of studies in relational benefits, service quality, perceived value, customer satisfaction and customer loyalty. It could provide conceptual, empirical,

and statistical support for further studies of these variables. Nevertheless, this research will contribute to academics who are interested in conducting a research in the related field to investigate the relationships between each variable more in depth in the future study.

1.7 Chapter Layout

The body of the research consists of five chapters as following:

Chapter one is research overview, which is the introduction chapter for overall project. It includes the research background, research problem and significance of study. It sets the research objectives to be achieved, research questions to be answered and hypotheses to be tested.

Chapter two is the description of literature review. It is to build a conceptual foundation for the research issues which are worth researching. The purpose is to gain insight in existing work in the relevant field. Besides, the review of the relevant theoretical models is needed and the conceptual framework will be proposed for further investigation and research. Therefore, hypotheses are formed to examine the relationships among those variables.

Chapter three provides information on the research methodology. It describes on how the research is designed, what methods are used to collect data and sampling design. It also describes types of measuring instrument, discussion on data preparation process and methods of analysis data.

Chapter four presents the patterns and analyses of the results which are relevant to the research questions and hypotheses. It discusses about respondents' demographic profiles by using descriptive analyses and identifies result of reliability

analysis. Inferential analyses are included for examining the relationship among the variables of the research.

Chapter five provide a summary of statistical analyses, discussions of major findings and implication of the research. It includes the discussions on limitations of the research and recommendation for future research. Lastly, an overall conclusion is formed based on the entire research project along with the research objective set.

1.8   Conclusion

The hair salon industry in Malaysia is maturing and kept on evolving as a result of the current trends and development of the industry. Most of the time, the competition in hair salon industry is price related. The study is conducted because there is lack of study particularly in Malaysia that focus on service quality, relational benefits, perceived value and customer satisfaction which are of key importance towards service industry. Besides, there is limited research conducted on hair salon industry. Furthermore, the roles of customer loyalty become increasingly important.

The objective of this study is to examine the relationship of service quality, relational benefits, perceived value and customer satisfaction towards customer loyalty in hair salon industry. This study is significant and will be helpful for hair salon owners, service providers, customers and for academic purpose as further research may use to enhance services outcome.

In the next chapter, previous researches on each variable will be reviewed in terms of definition and relationship among the variables and a conceptual framework will be proposed.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

In previous chapter, the research problem of the study, research objectives, research questions and hypotheses have been identified. This chapter will discuss the literature review, followed by review of relevant theoretical model, proposed conceptual model and six hypotheses are developed.

2.1 Literature Review

2.1.1 Customer Loyalty

2.1.1.1 Definition of Customer Loyalty

Customer loyalty is defined by Oliver (1997) as a commitment formed for being a steady customer or purchasing again in the future for the preferred product or service regardless of the marketing efforts or situational effects. Gremler and Brown (1996) offer one definition of customer loyalty that is related to our purpose in this study which is the degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider and considers using only this provider when a need for this service exists.

2.1.1.2 Conceptualization of Customer Loyalty

Customer loyalty is classified under three approaches including behavioural loyalty, attitudinal loyalty and composite loyalty in the marketing literature (Bowen & Chen, 2001).

Firstly, behavioural loyalty refers to the consistent and repetitious purchasers are the indicator of the loyalty. Dick and Basu (1994) indicated that level of customer loyalty is measured by examining the frequency of purchases or the amount of brand switching. However, this steady customer may be originated from the situational factors (i.e. price) but not always influenced by psychological factor (Hartmann & Ibanez, 2007).

Besides, Jacoby and Chestnut (1978) criticized these behavioural measures as lacking a conceptual basis and have a narrow view of what is in fact a dynamic process. Thus, Dick and Basu (1994) added that true loyalty only exists when repeat patronage is accompanied by a high relative attitude.

Secondly, attitudinal approach is based on psychological and sensation oriented which means loyalty is a personal attitude towards product or service. Attitudes may be measured by asking people how much they like the brand, feel committed to it, will recommend it to others and have positive feelings about it (Dick & Basu, 1994). Even if the customer does not have repeat purchase activity, he /she will have positive discussion about the retailer and convincing other people to purchase from the retailer (i.e. willingness to recommend) (Gremler & Brown, 1996).

However, by measuring only attitudinal loyalty is also lack of conceptual basis. For example, a person may like and prefer a hair salon but he may not visit it due to purchasing power. Thus, a better measurement of loyalty would be the combination of both behavioural and attitudinal which is composite loyalty.

Lastly, composite loyalty is used to measure the loyalty through the customer's product preferences, tendency of brand switching, frequency of purchase and total amount of purchase. By evaluating on this two dimensional composite could increase the anticipated power of loyalty (Bowen & Chen, 2001). It measures the purchasing behaviour of customers and at the same time measures for customer's mental and emotional structure. Therefore, it is more reliable and valuable in measuring for customer loyalty.

In understanding customer loyalty, the two dimensional composite has been applied and supported as a valuable tool in several field, such as retailing, airlines, hotel and recreation (Jacoby & Kyner, 1973; Backman & Crompton, 1991; Pritchard & Howard, 1997).

2.1.1.3 Importance of Customer Loyalty

The fundamental goal of relationship marketing approach is to gain and foster customer loyalty because it is the ultimate goals for marketers with its high repeat patronage and high relative attitude towards purchasing of same product or service.

Loyal customers are less motivated to search for alternatives, more resistant to counter persuasion from other brand and more likely to pass along positive word-of-mouth communication about the service to other consumers (Dick & Basu, 1994). According to Yang and Peterson (2004), loyal customers contribute huge amounts of revenue and demand less time and attention which makes them as an important asset of a company. Furthermore, Bowen and Chen (2001) found that there is a positive correlation between loyal customer and profitability.

Besides, customer loyalty has been treated as an important source of sustained competitive edge in terms of customer retention, repurchase and long-term customer relationships (Rust, Zeithaml & Lemon, 2000; Woodruff, 1997). Therefore, there are many companies emphasize in developing and increasing customer loyalty.

2.1.2 Customer Satisfaction

2.1.2.1 Definition of Customer Satisfaction

We are adopting the definition of customer satisfaction by Oliver (1996) in our study, which customer satisfaction is defined as the consumer fulfilment response and judgement of a product or service feature and will provide a pleasurable level of consumption-related fulfilment. During the last four decades, satisfaction has been regarded as one of the most important theoretical as well as practical issues for most marketers and customer researchers (Jamal, 2004).

2.1.2.2 Importance of Customer Satisfaction

Customer satisfaction is the key and value outcome of good marketing practices as creating satisfied customers (Greenland & Looney, 2007; Weitzman, 2008). This is because increasing customer satisfaction has been found to lead to higher future profitability, increased buyer willingness to pay price premiums, provide referrals, and used more of the companies' product and service (Ferryanto, 2006). Thus, to increase buyers, management should put themselves in the buyers' shoe and think about customers' concerns and priorities. (Bolton & Drew, 1994; Fornell, 1992).

2.1.3 Perceived Value

At a general level, perceived value is defined as a judgement or a valuation by the customer of the comparison between the benefits or utility obtained from a product, service or relationship, and the perceived sacrifices or costs (Zeithaml, 1988; Monroe, 1990; Lovelock, 1991; Gale, 1994; Bigné, Moliner & Callarisa, 2000). It is therefore conceived as a highly subjective and personal concept (Parasuraman, Zeithaml & Berry, 1985).

Broadly defined, perceived value is the results or benefits customers receive in relation to total costs (price paid plus other costs associated with the purchase). Research evidence suggests that customers who perceive that they received "value for money" are more satisfied than customers who do not perceive they received "value for money" (Zeithaml, 1988).

Perceived value is identified in prior research as the benefit received by customers for the price of the service exchange, or the overall utility of a product based on the perceptions of what is received and what is exchanged (Zeithaml, Berry & Parasuraman, 1988). These include low price, receiving what you want, quality for price and receiving what you have paid for (Caruana, Money & Berthon, 2000; Zeithaml *et al.*, 1988).

2.1.4 Service quality

2.1.4.1 Definition of Service Quality

According to Parasuraman, Zeithaml and Berry (1988), perceived service quality is a form of attitude and a comparison of expectations with perceptions of performance. It is referred to the judgment of consumer on an entity's excellence or superiority.

2.1.4.2 Model of Service Quality

Service quality can be measured using three different perspectives. The three models are developed by Grönroos (1982), Lehtinen and Lehtinen (1982), followed by Parasuraman, Zeithaml, and Berry (1985, 1988, 1991).

- **Functional quality and technical quality model**

Grönroos (1982) categorised service dimensions into functional quality and technical quality but it is difficult to distinguish between technical quality (i.e. service product, primarily determined by technical procedures) and the competitors in service industry Grönroos (1984).

For functional quality, it is refer to how the service is delivered and which the researcher defined it as the perceptions of customer about the interactions while service is delivering. This refers to the concern on both psychological and behavioral aspects (i.e. accessibility to the provider, how employees perform their task, what they say and how the service is done).

However, technical quality is the outcome of the interaction between what consumers get and the service provider, which is equivalent to core quality (product or service- related offerings) (McDougall & Levesque, 1994).

- **Three- dimensional view of service quality**

Lehtinen and Lehtinen (1982) stated service quality has three-dimensional view which is in terms of "physical", "interaction" and "corporate" quality.

For physical quality, it is defined as the quality derived from the physical elements (i.e. foods and drinks) of the service which is relates to the tangible aspects of the service. Interaction quality refers to the customer contact with the service personnel and other customers. Corporate quality is defined as the attribution of an image to a service provider by its current, potential customers and publics. It is also considered as a symbolic in nature and involving the perceptions of customers towards the corporate entity (Lehtinen & Lehtinen, 1991).

- **SERVQUAL Model**

According to Parasuraman, Berry and Zeithaml (1991), the researchers indicated that there are five dimensions (tangibles, reliability, responsiveness, assurance and empathy) to determine the quality of service.

Firstly, tangible is referred to the outward physical trapping of the service provider, facilities and communication materials used (Parasuraman *et al*., 1991 (a), (b), 1985; Zeithaml, Berry & Parasuraman, 1988). Examples like the appealing store appearance; well-dressed, neat employees and appealing promotional materials (Shostack, 1981).

Secondly, reliability is the ability of the service provider and/or firm to consistently deliver the service as promised (Parasuraman *et al*., 1991a, b, 1985; Zeithaml *et al.,* 1988) such as error-free records, reliable service performance and reliability in transactions. If performed well, they assured the customer and increased confidence towards the store.

Thirdly, responsiveness is the readiness of the service provider or firm to service and help customers promptly (Parasuraman *et al.,* 1991a, b, 1985; Zeithaml *et al.,* 1988).

Fourthly, assurance is the competency of the employee or firm that inspires trust and confidence in the service provider or firm (Parasuraman *et al.,* 1991a, b, 1985; Zeithaml *et al.,* 1988). In addition, it is knowledgeable and skilful in performing the service may increase job efficiency.

Lastly, empathy is the caring, individualized attention provided to customers (Parasuraman *et al.,* 1991a, b, 1985; Zeithaml *et al.,* 1988).

For the purpose of this study, we have adopted SERVQUAL model by Parasuraman, *et al.* (1991) to identify and measure service quality.

2.1.5 Relational Benefits

2.1.5.1 Definition of Relational Benefits

The benefits that customer received have been termed ''relational benefits'' and is the result of having cultivated long term relationship with a service provider (Gwinner, Gremler, & Bitner, 1998; Hennig-Thurau, Gwinner, & Gremler, 2002). Studies pointed out the existence of three types of benefits received, which are confidence benefits, social benefits and special treatment benefits (Gwinner *et al.*, 1998; Patterson & Smith, 2001; Hennig-Thurau *et al.*, 2002).

2.1.5.2 Types of Relational Benefits

Firstly, confidence benefits refer to the feeling of trust in the service provider (Gwinner *et al.*, 1998; Hunt, Amett & Madhavaran, 2006; Hennig-Thurau, Gwinner, Gremler & Paul, 2005) and psychological factors (i.e. feelings of security, reduced anxiety or keeping of promises) Bitner (1995).

Secondly, Gwinner *et al.* (1998) defined social benefits are the emotional part of the relationship and are characterized by personal recognition of customers by employees, the customers' own familiarity with employees, and the creation of relationships between customers and employees.

Lastly, special treatment benefits are regarded as the form of relational consumers receiving discount, faster service or individualized additional services, which comprises the components of economic (i.e. discounts, quicker services) and customization (i.e. preferential treatment, extra attention) (Gwinner *et al.*, 1998; Vazquez-Carrasco & Foxall, 2006).

Alternatively, Reynolds and Beatty (1999) tested and confirmed two categories of benefits in the customer–retail salesperson relationship which are functional (i.e. time-savings, convenience and advices) and social benefits (i.e. feeling of enjoying the relationship with service providers). The study of Reynolds and Beatty (1999) stated functional benefits include the confidence and the special treatment benefits of Gwinner *et al*. (1998).

2.1.5.3 Importance of Relational Benefits

As stated by Marzo-Navarro *et al*., (2004), both the firm and the customer in a relationship must benefit for it to continue over time. The study of long-term relationships by Gwinner *et al*. (1998) focused on customer's perspective instead of firm's perspective and has developed a typology of relational benefits that are enjoyed beyond the core service performance including confidence, social and special treatment benefits.

Some studies have supported social benefits as a variable that driving perceptions of satisfaction (Gwinner *et al*., 1998; Reynolds & Beatty, 1999; Patterson & Smith, 2001). Moreover, Patterson and Smith (2001) found that the loss of special treatment benefits had an especially strong impact on customer propensity to remain with service providers. Thus, firms such as hair salon can raise customer satisfaction by increasing the various relational benefits they provide to regular customers and ultimately build a loyal customer base.

For our study, we adopted the relational benefits that pointed out from Gwinner *et al* (1998) because it is more suitable in the hair salon context.

2.2 Review of Relevant Theoretical Models

Figure 2.1: Behavioral Intentions in the Motel industry: A Conceptual Research Model
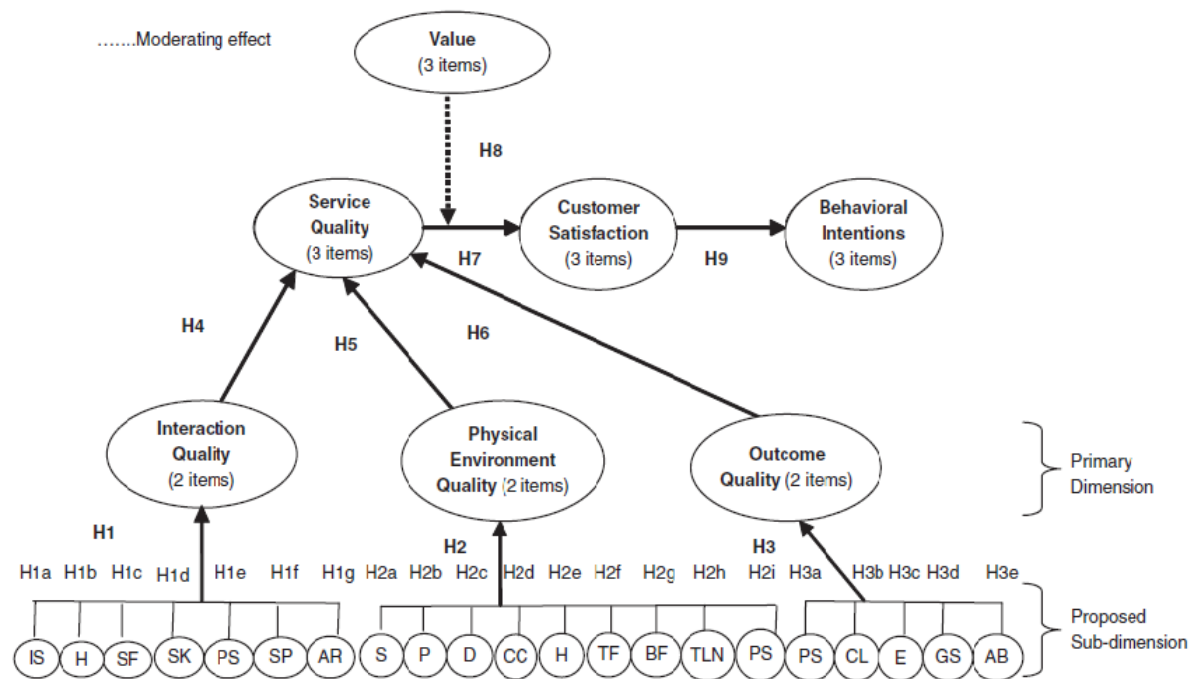
Note. IS = staff interpersonal skill; H = staff helpfulness; SF = staff friendliness; SK = staff knowledge, PS = problem solving; SP = service performance; AR = accuracy of reservation; S= security; P= parking, D= decor; CC= cleanliness and comfort; H= standard of house-keeping; TF= room technology facility, BF= bath facility; TLN= temperature/lighting/noise level; PS= basic products and service offered; PS= pleasant stay; CL= convenience(location); E=efficiency of check-out process; GS= good sleep, AB= accuracy of billing

Source: Clemes, Gan and Ren (2011). Synthesizing the effects of service quality, value, and customer satisfaction on behavioral intentions in the motel industry: An empirical analysis. *Journal of Hospitality & Tourism Research, 31*, 530-568.

The research model above is the foundation we used to develop the conceptual model in this study which developed by Clemes, Gan and Ren (2011) and it is to synthesize the effects of service quality, value, and customer satisfaction on behavioral intentions of motel customers.

Based on the research model, there are three primary dimensions which are interaction quality, physical environment quality and outcome quality to form an overall service quality perception. Besides, the motel customers' perceptions of service quality are expected to influence satisfaction then affect favourable future behavioral intentions. Moreover, value as moderator between service quality and customer satisfaction.

2.3 Conceptual Framework

Figure 2.2: The Effects of Service Quality, Relational Benefits, Perceived Value and Customer Satisfaction towards Customer Loyalty in Hair Salon Industry.
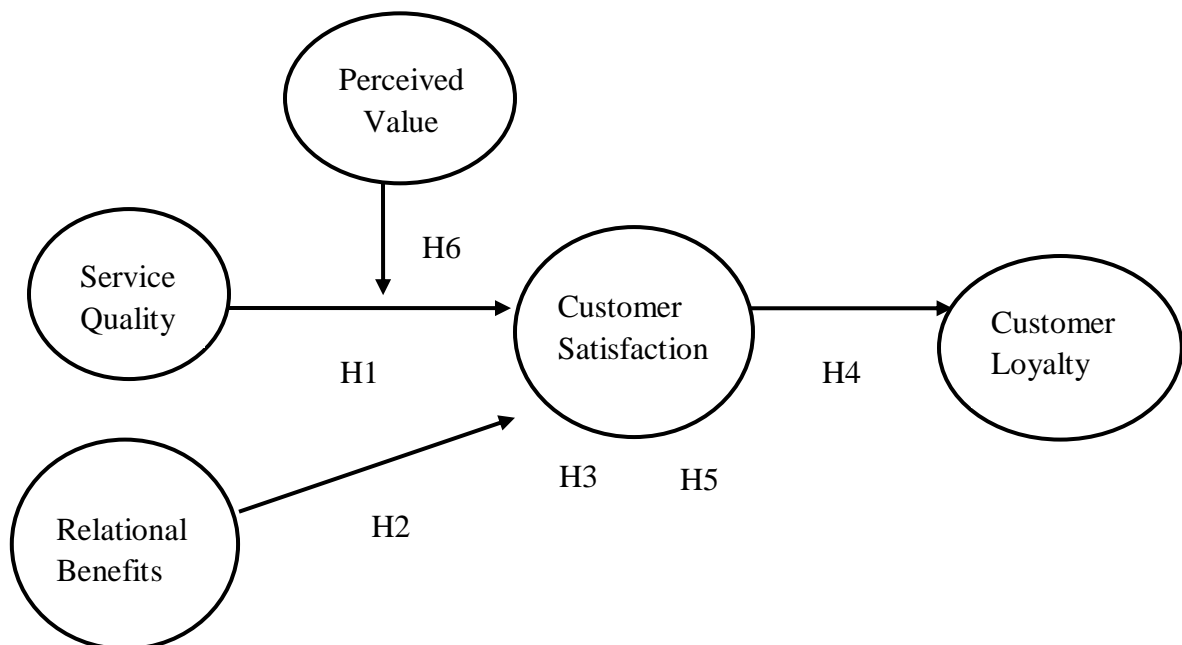
Source: Developed for the research.

The conceptual framework above would be used to serve as the foundation for this research project. The link of service quality to customer satisfaction and perceived value as moderator then followed by customer loyalty has been adopted from the study of Clemes, Gan and Ren (2011). The link between relational benefits to customer satisfaction and followed by customer loyalty has been adopted from Dagger and O'Brien (2010).

Clemes, Gan and Ren (2011) stated perceived value is an important factor which acts as a moderator between service quality and customer satisfaction. Moreover, many other researchers proven that price is playing a major role in influencing customer satisfaction levels (Bolton & Lemon, 1999; Voss, Parasuraman, & Grewal, 1998). However, the factor of perceived value is excluded in other studies. Hence, including perceived value as moderator between service quality and customer satisfaction is identified as first conceptual research gap due to the lack of research in this area.

According to the research by Dagger and O'Brien (2010), the second conceptual research gap relates to the lack of relational benefits (confidence, social, special treatments). Relational benefits are necessary to be included because customer relationship is getting important as the cost of maintaining existing customer is less costly than acquiring for new customers and long term relationship is always more profitable (Reichheld & Sasser,1990). Thus, we added in relational benefits as one of our independent variables to examine the effects of confidence, social and special treatment benefits toward customer satisfaction.

The purpose of this study is to examine the relationship among five variables (service quality, relational benefits, perceived value, customer satisfaction and customer loyalty), which the two independent variables are service quality and relational benefits and one dependent variable is customer loyalty. Besides, perceived value acts as moderator between service quality and customer satisfaction; customer

satisfaction acts as mediator between service quality and relational benefits towards customer loyalty.

In this proposed model, there are six hypotheses to test the relationships between the variables which will be discussed in hypothesis development.

2.4 Hypotheses Development

2.4.1 The relationship between Service Quality and Customer Satisfaction

According to Cronin and Taylor (1992), service quality has a strong effect on consumer satisfaction and also one of the antecedents of consumer satisfaction. Bitner (1990), Bolton and Drew (1991) stated that customer satisfaction is an effect of disconfirmation of a single transaction when service quality as the assumption. Besides, the quality perception is an effect of multiple satisfactory or dissatisfactory service transactions. Other than that, Oliver (1997) stated that quality is one of the key dimensions that are factored into the consumer's satisfaction. Finally, these studies have proved that service quality will affect customer satisfaction. Therefore, a hypothesis between service quality and customer satisfaction is formed as:

H1: Service quality has a significant positive impact on customer satisfaction.

2.4.2 The relationship between Relational Benefits and Customer Satisfaction

Szymanski and Henard (2001) reported that there is a positive relationship between the confidence benefit and satisfaction. Regardless of the service type, confidence benefits have been found to be the most important type of benefits (Gwinner *et al.*, 1998), and its effect on loyalty primarily occurs through satisfaction and that satisfaction plays a partial or full mediating role in the benefits – outcomes relationship (Hennig-Thurau *et al.*, 2002).

More recently, two studies covering a variety of service sectors concluded that confidence benefits are the sole predictor of satisfaction and relational response behaviors, such as loyalty; social and special treatment benefits showed no significant influence (Hennig-Thurau *et al.*, 2002; Kinard & Capella, 2006). However, the findings of Gwinner *et al.* (1998) showed that there is significant, yet weak correlations were observed between all three relational benefits and satisfaction. Thus, the following hypothesis was proposed:

H2: Relational benefits have significant impact on customer satisfaction.

H2a: Confidence benefits have a significant positive impact on customer satisfaction.

H2b: Social benefits have a significant impact on customer satisfaction.

H2c: Special treatment benefits have a significant impact on customer satisfaction.

H3: Customer satisfaction as a mediator between relational benefits and customer loyalty.

2.4.3 The relationship between Customer Satisfaction and Customer Loyalty

As a general rule, customer satisfaction and customer loyalty are very closely related and customer satisfaction functions as an antecedent of customer loyalty (Fornell, 1992). Higher level of customer satisfaction is more likely to have greater customer loyalty (Anderson & Sullivan, 1993; Boulding, Kalra, Staelin & Zeithaml, 1993). Bolton (1998) stated customer satisfaction has been proven to positively influence customer loyalty in the service context. In addition, satisfaction strength plays a key role in the translation of satisfaction into loyalty (Chandrashekaran, Rotte, Tax & Grewal, 2007). Hence, the following hypothesis was proposed as:

H4: Customer satisfaction has a significant positive impact on customer loyalty.

H5: Customer satisfaction as a mediator between service quality and customer loyalty.

2.4.4 The relationship between Service Quality, Perceived Value and Customer Satisfaction

The link between value and quality may not be straightforward, but still the consumers' wants from the products and services. Moreover, the firms delivering high value services (quality services at reasonable prices) to satisfy customer needs (satisfaction) better (Heskett, Sasser & Schlesinger, 1997; Anderson & Mittal, 2000).

Furthermore, there is a strong positive relationship exists between service quality and perceived value, with positive appraisal emotion resulting from perceived value (Liliander & Mattsson, 2002). Besides, perceived value has also been promoted as a moderator of the service quality and customer satisfaction relationship in other service industry research (Caruana *et al.*, 2000). Caruana *et al.* (2000) research has confirmed the hypothesized paths of service quality, satisfaction, value, and future

behavioral intentions in the conceptual model. Hence, the following hypothesis was proposed:

H6: Perceived value will moderate the relationship between service quality and customer satisfaction.

2.5 Conclusion

In review of literature, we discuss about the past studies for the independent variables (service quality and relational benefits), moderator variable (perceived value), mediator variable (customer satisfaction) and dependent variable (customer loyalty) in our study.

In the next section, we adopt two relevant theoretical models which are used to develop a proposed conceptual model. Finally, six hypotheses have been developed.

The next chapter is describing how the research is formulated in terms of research design, the method of collecting data, sampling design, research instrument, measurement scales and methods of data analysis.

CHAPTER 3: METHODOLOGY

3.0   Introduction

This chapter covers the research method that is being implemented in this study. Topics to be discussed in this chapter are the research design, data collection method, sampling design, research instrument, construct measurement, data processing and also data analysis.

3.1 Research Design

Research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information (Zikmund, 2003). There are three types of business research which are exploratory research, causal research and descriptive research.

3.1.1 Quantitative Research

The research will be conducted using quantitative research as it seeks to quantify the data and conclusion evidence which is based on large and representative samples and typically applies some form of statistical analysis (Malhotra, 2002). The findings of quantitative research can be treated as conclusive and used to recommend a final course of action. The objective of this study using quantitative research is to test the hypotheses from the questionnaires.

3.1.2 Descriptive Research

Descriptive method is used because of its usefulness in describing the market phenomenon, which is closely relevant to this research (i.e. this research is about the understanding of the influences of service quality, relational benefits, perceived value and customer satisfaction on customer loyalty) in hair salon industry.

The purpose of this research is to determine the significant impact of the independent variable that can lead customers to stay loyal on the particular hair salon. It is used because we have the prior knowledge about the problem situation as it has been discovered in past studies.

3.2 Data Collection Methods

3.2.1 Primary Data

Primary data refers to information that is collected from original source for a specific purpose of addressing the problem at hand. Due to the inaccuracy and unreliability of secondary data in subjecting to the issues, primary data should be gathered to fit with the precise purpose of the research topic (Malhotra, 2002). In this study, we are using survey to get the most desirable data or information.

3.2.2 Secondary Data

Secondary data or historical data are previously collected and assembled for some project other than the one at hand (Zikmund, 2003). It is an analysis of data that have already been collected for other purpose. From this study, most of the secondary data are obtained from various journals, internet and books. We also use the online database to get relevant journals via Emerald Library Database, Proquest Database and Science Direct Database.

3.3 Sampling Design

3.3.1 Target Population

The target population that is chosen for this research is the customers who have been going to the same hair salon for several times before and the age group would be open to public. This is because customers who are purchasing services from hair salons consist of all age group people as the society now has turned to spend more willingly on receiving better services.

3.3.2 Sampling Location

Klang Valley is an appropriate choice of location to conduct the sampling process. This is because Klang Valley gathers different people around the country and it is undoubtedly Malaysia's most attractive economic hotspot (Lee, 2011). Thus, it is easier for us to carry out the survey.

3.3.3 Sampling Elements

The sampling elements would consist of people in Klang Valley which include students, undergraduates, working executives or others who purchase services from hair salons.

3.3.4 Sampling Technique

Convenience sampling is chosen as the sampling technique. It is used to obtain a sample of element based on the convenience of the researcher. This technique is chosen because it is impossible to estimate or calculate the probability of the selection for each element in the population.

3.3.5 Sample Size

Roscoe (1975) proposed the rules of thumb for determining the sample size, sample size more than 30 and less than 500 are appropriate for most research. For this research, we have collected a sample size of 200 respondents.

3.4   Research Instrument

The research instrument for this study is self-administrated questionnaire. The questionnaire was developed based on literature reviewed and as a tool in collecting primary data. Questionnaires served as an important tool to get response from the respondents in Klang Valley and all the data collected were then evaluated.

3.4.1 Questionnaire Design

For the current research, closed ended questions including scaled questions will be used in the questionnaire. Closed ended questions are used as it is simple to create and easier to answer.

There are three sections in the questionnaire. In part one, general questions were asked to gain the information of the respondents. In part two, all constructs such as service quality, relational benefits, perceived value, customer satisfaction and customer loyalty are being examined. The questions are all about the experience toward the hair salon industry. In part three, questions are being asked to understand the demographic profile of the respondents such as age, gender, race, marital status, occupation and income level.

3.4.2 Pilot Test

A pilot test was conducted before the actual survey took place. 30 sets of questionnaire were distributed out during the pilot test stage. Pilot testing was to avoid mistake and error occurred within the questionnaire. It was also allowed for collection of feedback in order to clarify the question. Only minor changes were suggested to modify from responses of the pilot test and no statements were removed. The sequence of the question of service quality was rearranged after pilot testing.

3.5 Construct Measurement

3.5.1 Scale Measurement

Nominal scales and ordinal scales are used to obtain the general and demographic information about target population. Gender is one of the examples of nominal scale question being asked in the questionnaire and occupation is in form of ordinal scale question.

Besides, ratio scale is used for getting the information about frequency of respondents visit the hair salon averagely per month and the average expenses for hair treatment services per visit.

In addition, interval scales are used for opinion and attitude measurement. It is a scaling technique that indicates respondent's degree of agreement and disagreement with each of these statements that are related to the object in question. The Likert scale is based on 5-point scale which consists of strongly disagree, disagree, neutral, agree and strongly agree. The 5-point Likert scale is adopted because it has many advantages that account for its popularity and it is easy and quick to construct (Cooper & Schindler, 2008).

3.5.2 Origin of Constructs

Table 3.1 below shows the origins of the 5 constructs in the research.

Table 3.1: Examples of Origin of Constructs

Construct	Adapted Items	Source of Items
Service quality	1) The hair salon has modern looking equipment. 2) The hair salon performs the service right on the first time. 3) The hair salon upholds an error free service. 4) Employees of the hair salon give prompt service to customers.	Zeithaml, Parasuraman and Berry (1990) as cited in Goldman (2011)
Relational benefits i. Confidence benefits	1) I have more confidence the service will be performed correctly. 2) I have less anxiety when I use the service. 3) I know what to expect when I go in. 4) I get the hair salon's highest level of service quality.	Gwinner *et al.*, (1998) and Reynolds and Beatty (1999) as cited in Dagger and O'Brien (2010)

ii. Social benefits	1) I am recognized by certain employees of the hair salon. 2) I am familiar with the employee(s) who perform(s) the service. 3) I have developed a friendship with the employees of the hair salon. 4) The employee of the hair salon knows my name.		
iii. Special treatment benefits	1) I get discounts or special deals that most customers do not get. 2) I get better prices than most customers. 3) The hair salon does services for me that they don't do for most customers. 4) I am placed higher on the priority list when there is a line or queue for this service.		
Perceived Value	1) The price of the hair salon is reasonable, given the quality of service. 2) The hair salon provides good value for money. 3) Overall, I am satisfied with the value I received, for the price that I paid.	Clemes, Gan and Ren (2011)	

Customer Satisfaction	1) I have a favorable opinion of the hair salon. 2) I am satisfied with the hair salon. 3) I am pleased with the hair salon. 4) I have positive feelings about the hair salon.	Lin (2010)
Customer Loyalty	1) I intend to switch to a competitor of the hair salon. 2) I will not acquire services of this hair salon anymore in the future. 3) I will not visit this hair salon again. 4) I am dedicated to doing business with this hair salon.	Garbarino, Ellen and Johnson (1999). Ganesh, Jaishankar, Arnold, and Reynolds (2000)

Source: Developed for the research.

3.6 Data Processing

3.6.1 Data Processing Process

Malhotra and Peterson (2006) stated that it is a must to convert the raw data we obtained from respondent into a suitable form before proceeding to statistical analysis. Besides, it is a must to pay adequate attention in data preparation process to avoid serious affect in obtaining inaccurate result and lead to incorrect interpretation.

3.6.2 Questionnaire Checking

A pre-test is important to be conducted to ensure the appropriateness of questionnaire among the respondents. The first step is to check for the completeness of the questionnaire and interviewing quality. The checking process is usually made while field work is still in process. Thus, the identification of problem and necessary correction in the questionnaire will be conducted accordingly.

3.6.3 Editing

The next step is to further edit the questionnaires we received. Editing the questionnaire is to identify the unreadable, incomplete, inconsistent or ambiguous responses. Data editing involves reviewing questionnaires to increase the level of accuracy and precision of the questionnaire (Malhotra & Peterson, 2006) and the preliminary check for questionnaire consistence is needed. Unsatisfactory responses are commonly handled by returning to the field by the interviewer to re-contact the respondents.

3.6.4 Coding

Coding means assign a code, usually a number, to each possible response to each question. For example, gender may be coded as 1 for "male" and 2 for "female". Generally, all data for a respondent will be stored on a single record, although a number of records may be used for each respondent.

All the data obtained from respondent will be translated into numerical form by replacing strongly disagree as 1, disagree as 2, neutral as 3, agree as 4 and strongly agree as 5. This translation is to ease the interpreting process in SPSS program. Data collected will be transformed into useful information in order to analyze properly.

3.6.5 Transcribing

Once the coded data is gathered, it will be further transcribed into the disk or computer. It involves transferring the coded data from the questionnaires directly into computer by key punching or other means. In our research, we tend to transcribe our coded data by keypunching that is more convenience.

3.6.6 Data Cleaning

The data cleaning process will be carried out to have consistency checks and treatment of missing responses after transcribing process. The computer software like SPSS can be programmed to identify out-of-range values for each variable and print out the respondent code, variable code, variable name, record number, column number and out-of-range values. This makes it easy to check each variable systematically for out-of-range values. The correct response then can be determined by going back to the edited and coded questionnaires.

Missing responses are the unknown variables caused by either the ambiguous answer that have been provided or the improperly record of the answers. Hence, there were few options to treat these missing responses which are substitute a neutral value, casewise deletion and pairwise deletion.

3.7 Data Analysis

After assembling all the data collected, computer software was used to analyze the data. SPSS is the widely used package of computer software for analysis and analyze quantitative data quickly. Hence, this study was conducted using this type of computer software to accomplish the analysis part.

3.7.1 Descriptive Analysis

Descriptive analysis refers to a set of concept and method used in organizing, summarizing, tabulating, describing collections of data. It provides a picture of what happened in the study. Descriptive statistic analysis in this study included frequencies analysis.

3.7.1.1 Frequency Distribution

Calculating frequency distribution and percentage distribution are the most common way of summarizing data. It provides statistics and graphical displays that are useful for describing many types of variables. Researchers can label charts with frequencies or percentage. It also provides a clear picture on the demographic and general section.

3.7.2 Scale Measurement

Reliability test can be used to determine the stability and consistency with which the research instrument measures the construct. Moreover, the relationship between individual items in the scale can be determined significantly. Thus, we can determine whether the items in the questionnaire are related to each other or not. Cronbach's alpha is calculated by averaging the coefficients that result from all possible combination of split halves. This coefficient varies from 0 to 1 and value of 0.6 or less generally indicated unsatisfactory internal consistency reliability (Zikmund, 2003).

3.7.3 Inferential Analyses

3.7.3.1 Multiple Linear Regressions

The general purpose of multiple regressions is to learn more about the relationship between independent variables and dependent variable. It is used to investigate the effects of independent variables (confidence benefits, social benefits and special treatment benefits) on a dependent variable (customer satisfaction. The general equation of the multiple regression is as follow:

$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots + \beta n X n$

Where

Y   = dependent variable

a   = intercept or constant

β_1 = coefficient associated with the predictor variables

X_1 = predictors (independent) variables that influence the dependent variable.

According to Sekaran (2003), the test will be significant if the p-value is less than 0.05. The beta coefficient is used to determine which independent variables have the most influence on the dependent variables. Besides, F-test is a procedure for comparing one sample variance to another sample variance and large F-value indicates that the result is statistically significant. In addition, R is the correlation of the independent variables with the dependent variable and R^2 is used to determine the strength of the relationship between all the independent variables collectively and the dependent variable.

3.7.3.2 General Linear Model

It is a technique for measuring the linear association between a dependent and an independent variable. It assumes that the dependent variable, Y, is predictively linked to the independent variable, X. This form of regression is as follow:

$Y = a + \beta_1 X$

3.7.4 Moderator Analysis

A moderator is a third variable that modifies a causal effect as purpose is to enhance a deeper and more refined understanding of a causal relationship between an independent variable and dependent variable. A linear causal relationship in which the variable X (service quality) is presumed to cause the variable Y (customer satisfaction) and moderator variable M (perceived value) is a variable that alters the strength of the causal relationship (Baron & Kenny, 1986).

Generally, moderator effects are indicated by the interaction of X and M in explaining Y. The following multiple regression equation is estimated:

$Y = i + aX + bM + cXM + e$

Y = dependent variable

i = intercept or constant

a = the effect of X when M is zero

b = the effect of M when X is zero

c = how much the effect of X changes as M goes from 0 to 1

The interaction of X and M or coefficient c measures the moderation effect. This path measures the simple effect of X when M equals zero. The effect of X on Y is a + cM. Thus, the effect of X on Y depends on the value of M. .

This analysis test whether or not the relation between X and Y changes as a function of a third variable, M (Baron & Kenny, 1986) In this study, perceived value act as moderator and is measured on a quantitative scale where a regression analysis will be more appropriate.

3.7.5 Mediator Analysis

According to Baron and Kenny (1986), a given variable may be said to function as a mediator to the extent that it accounts for the relation between the predictor and the criterion. The steps to test the mediation are so well known and are as follow:

(1) Simple regression on the independent variable predicts mediator.
(2) Multiple regressions on both independent variable and mediator predict dependent variable.
(3) Simple regression on the independent variable predicts dependent variable.

Besides, to establish mediation, the following conditions must hold:

(1) The independent variable must affect the mediator in the first equation.
(2) The mediator must affect the dependent variable in the second equation.
(3) The independent variable must be shown to affect the dependent variable in the third equation.

If all the three condition was met, partial mediation is occurring. Pure mediation effect is occurring when the first two conditions were met but the third condition do not met.

Figure 3.1: Sobel z- test
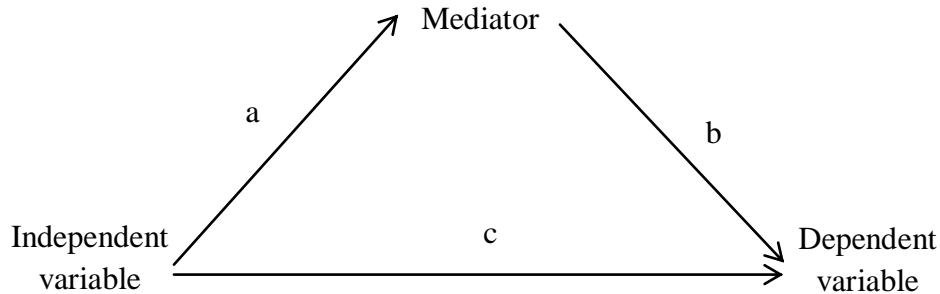
Sobel (1982) provided an approximate significance test for the indirect effect of the independent variable on the dependent variable via the mediator. Baron and Kenny go on to recommend the Sobel z-test for the indirect path *a x b* in Figure 3.1, as shown in below:

$$z = \frac{a \times b}{\sqrt{b^2 s_a^2 + a^2 s_b^2}}$$

3.8 Conclusion

This chapter describes the research design, data collection methods, sampling design, research instrument, data processing, and method of data analysis.

Descriptive and quantitative researches are used for research design in order to understand market phenomenon and collect numerical and measurable data. Questionnaire that conducted is considered as primary data, secondary data is obtained through reviewing and summarizing the articles, books, journals and internet.

The following chapter reports on the result of the statistical analysis as well as discussion and interpretation of result of hypotheses.

CHAPTER 4: DATA ANALYSIS

4.0   Introduction

First, descriptive analysis will be analyzed. It will be followed by scale measurement, inferential analysis, simple regression analysis, multiple regression analysis and moderator analysis. Finally, mediation analysis will be stated.

4.1   Descriptive Analyses

This section will describe the characteristic of the respondents and how were their buying behaviors when they visit hair salon.

4.1.1 Respondents' Profile

Table 4.1: Statistics

	Gender	Age group	Race	Marital status	Occupation	Income or loan allowance or parents' allowance
N Valid	200	200	200	200	200	200
Missing	0	0	0	0	0	0

Source: Developed for the research.

4.1.1.1 Gender

Figure 4.1: Gender
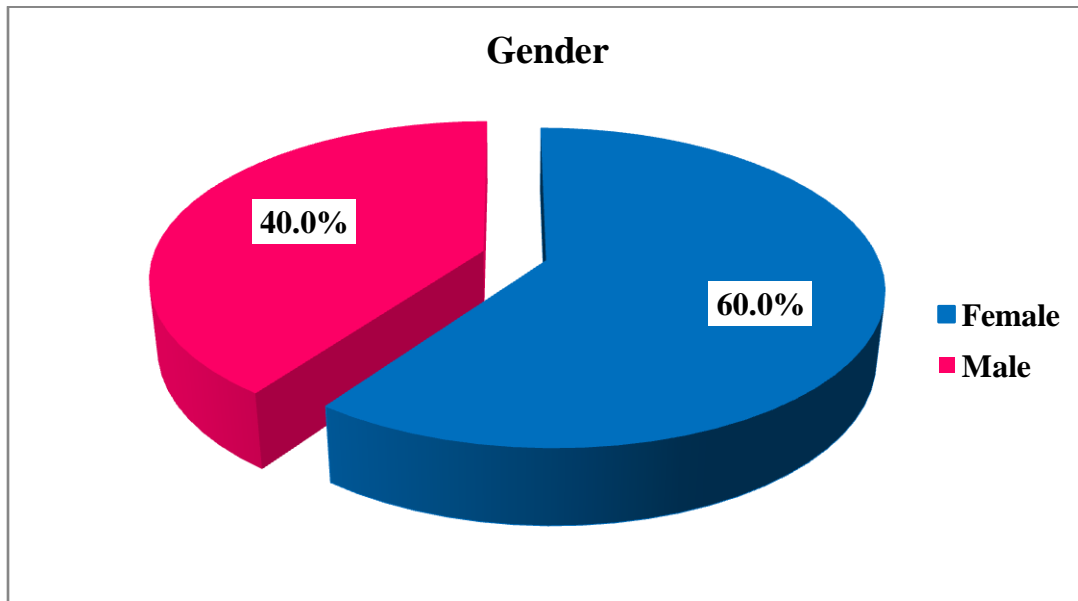
Source: Developed for the research.

Figure 4.1 shows that there are more female respondents compared to male respondents. Among the respondents, 120 were females (60%) and 80 were males (40%).

4.1.1.2 Age

Table 4.2: Age

		Frequency	Percent
Valid	20 and below	22	11.0
	21-25	131	65.5
	26-30	27	13.5
	31-35	9	4.5
	36-40	5	2.5
	41-45	1	0.5
	46 and above	5	2.5
	Total	200	100.0

Source: Developed for the research.

As shown in Table 4.2, majority of the respondents which are 131 respondents (65.5%) fall into the age group of 21-25 years old. This follow by 27 respondents (13.5%) fall into age between 26-30 years old, 22 respondents (11.0%) fall into age between 20 and below and 9 respondents (4.5%) fall into age between 31-35. There are 5 respondents (2.5%) fall into age between 36-40 years old and 46 and above respectively. There is only 1 respondent (0.5%) falls into age of 41-45 years old.

4.1.1.3 Race

Figure 4.2: Race

According to Figure 4.2, majority of respondents which are 166 (83.0%) of them were Chinese. The rest of the respondents consist of 19 Indians (9.5%), 14 Malays (7.0%) and one respondent (0.5%) who is an Eurasian.

4.1.1.4 Marital Status

Figure 4.3: Marital Status

Marital Status

Single   Married   Others
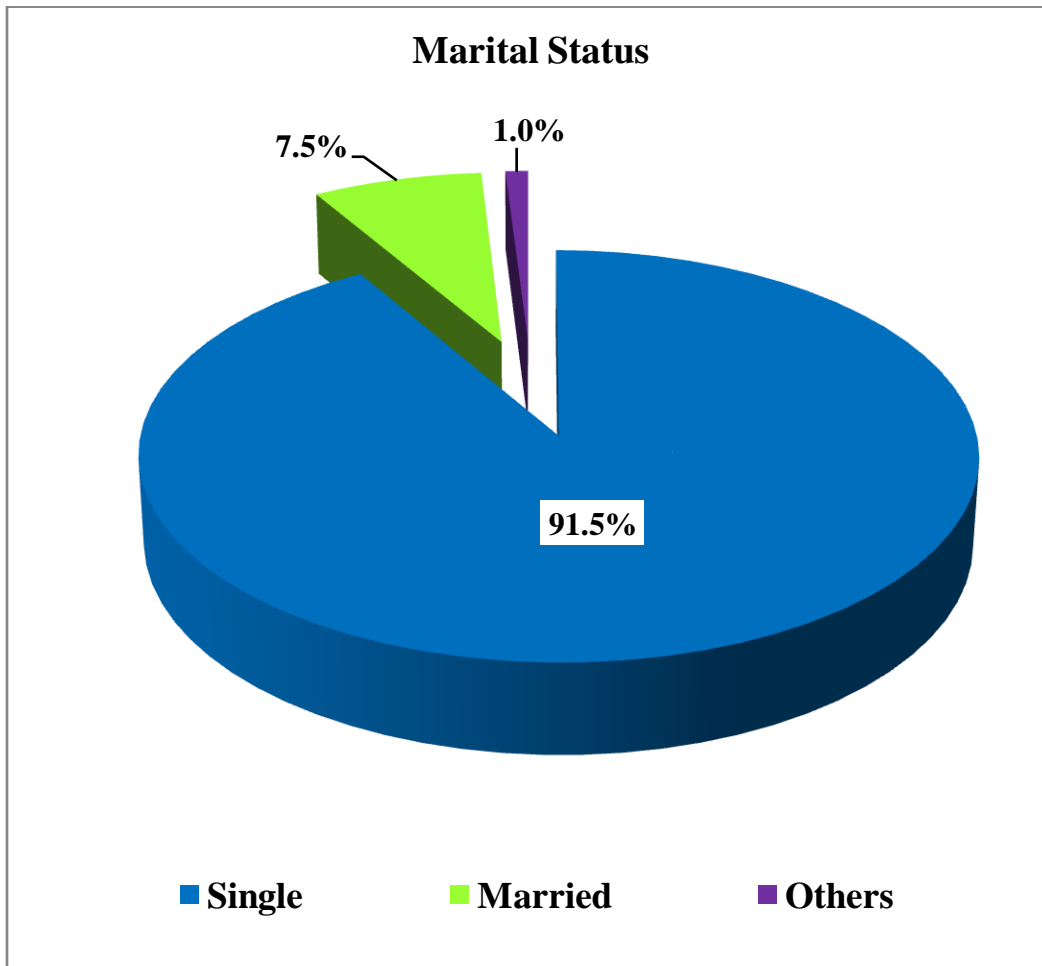
Figure 4.3 shows that the majority of the respondents which consist of 183 respondents (91.5%) are single. There are 15 respondents (7.5 %) was married and only 2 respondents (1.0 %) are in other who are engaged.

4.1.1.5 Occupation

Table 4.3: Occupation

		Frequency	Percent
Valid	Student	140	70.0
	Executive	17	8.5
	General administrator	16	8.0
	Manager	2	1.0
	Professional	16	8.0
	Others	9	4.5
	Total	200	100.0

Source: Developed for the research.

As shows in Table 4.3, majority of the respondents are students which consist of 140 respondents (70.0 %). As for the rest of the respondents, 17 respondents (8.5%) are executives, 16 respondents (8.0%) are general administrators and professional respectively, 2 respondents (1.0%) are managers and 9 respondents (4.5%) from other occupations.

4.1.1.6 Income

Table 4.4: Income

		Frequency	Percent
Valid	Below RM 1000	126	63.0
	RM 1000- RM 1999	13	6.5
	RM 2000- RM 2999	28	14.0
	RM 3000- RM 3999	21	10.5
	RM 4000- RM 4999	5	2.5
	RM 5000 and above	7	3.5
	Total	200	100.0

Source: Developed for the research.

According to Table 4.4, majority income of the respondents which consist of 126 respondents (63.0 %) is below RM1000. As for the rest of the respondents, 13 respondents (6.5 %) are between RM1000–RM1999, 28 respondents (14 %) are between RM2000–RM2999, 21 respondents (10.5 %) are between RM3000–RM3999, 5 respondents (2.5 %) are between RM4000–RM4999 and there are 7 respondents (3.5 %) fall between the range of RM5000 and above.

4.1.2 Respondents' Buying Behaviour

4.1.2.1 Selection of Hair Salon

Figure 4.4: Selection of Hair Salon
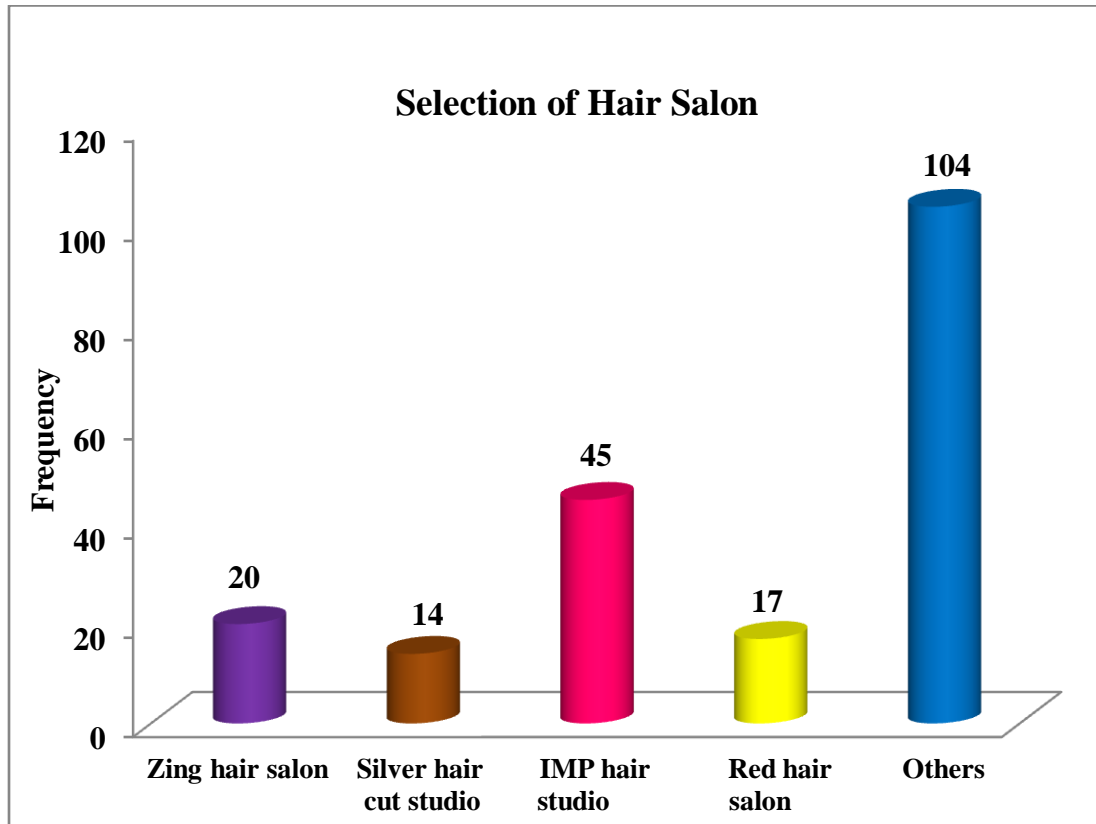
Source: Developed for the research.

As shows in Figure 4.4, majority of respondents which consist of 104 of respondents (52.0%) who choose on visited to other hair salons rather than the hair salons that we had listed in the questionnaire. The second highest selection of hair salon is IMP hair studio that visited by 45 respondents (22.5 %), followed by Zing hair salon visited by 20 respondents (10.0 %) and Red hair salon visited by 17 respondents (8.5 %). The least selection of hair salon visited by respondents is Silver cut hair studio with only 14 respondents (7.0 %) choose for it.

4.1.2.2 Purchase Frequency

Figure 4.5: Purchase Frequency
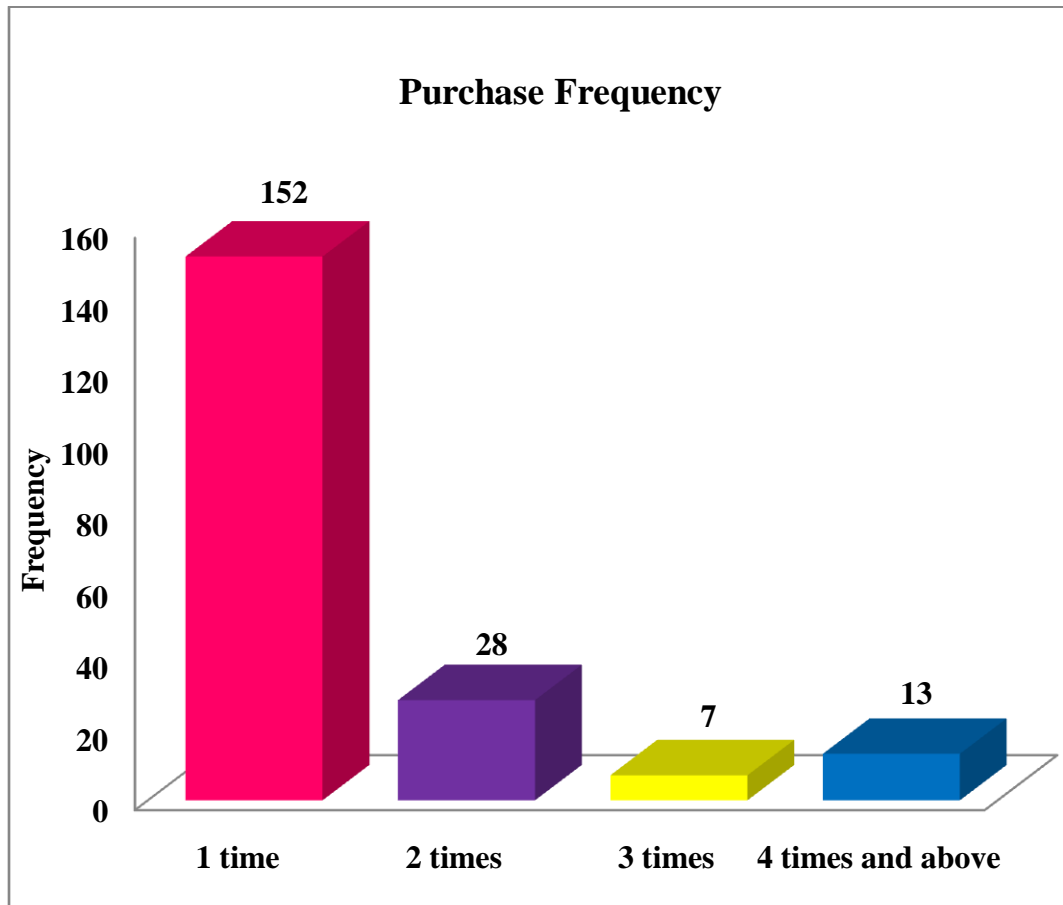
Source: Developed for the research.

Figure 4.5 shows that most of the respondents which consist of 152 respondents (76.0%) purchase hair treatment service 1 time in average per month in the past one year. The second highest purchase frequency is 2 times with 28 respondents (14.0%) fall into this category. There is only 7 respondents (3.5 %) purchase hair treatment service 3 times in average per month and 13 respondents (6.5 %) purchase hair treatment service 4 times and above in average per month.

4.1.2.3 Types of Hair Treatment Service

Figure 4.6: Types of Hair Treatment Service
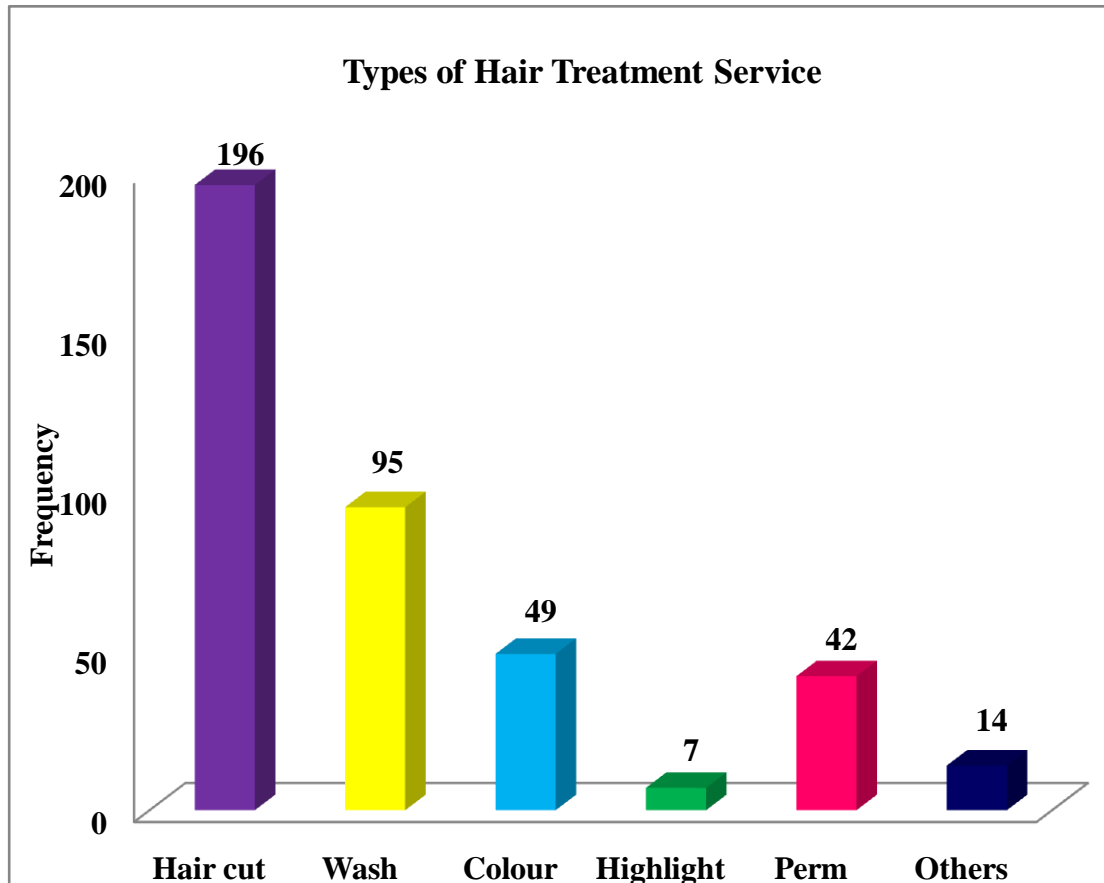
Source: Developed for the research.

Referring to Figure 4.6, this question allows respondents to tick more than one answer out of 5 types of hair treatment services and specify other hair treatment service. The highest frequency for types of hair treatment service is hair cut which have been chosen by 196 respondents (98.0 %). This means that most respondents will usually choose to purchase hair cut service when they visit to hair salon. The second highest frequency for types of hair treatment service is hair wash service which have been chosen by 95 respondents (47.5%), followed by colouring chosen by 49 respondents (24.5 %), perm chosen by 42 respondents (21.0%), others chosen by 14 respondents (7.0%) and highlight chosen by 7 respondents (3.5%).

4.1.2.4 Average Expenses

Figure 4.7: Average Expenses

Average Expenses
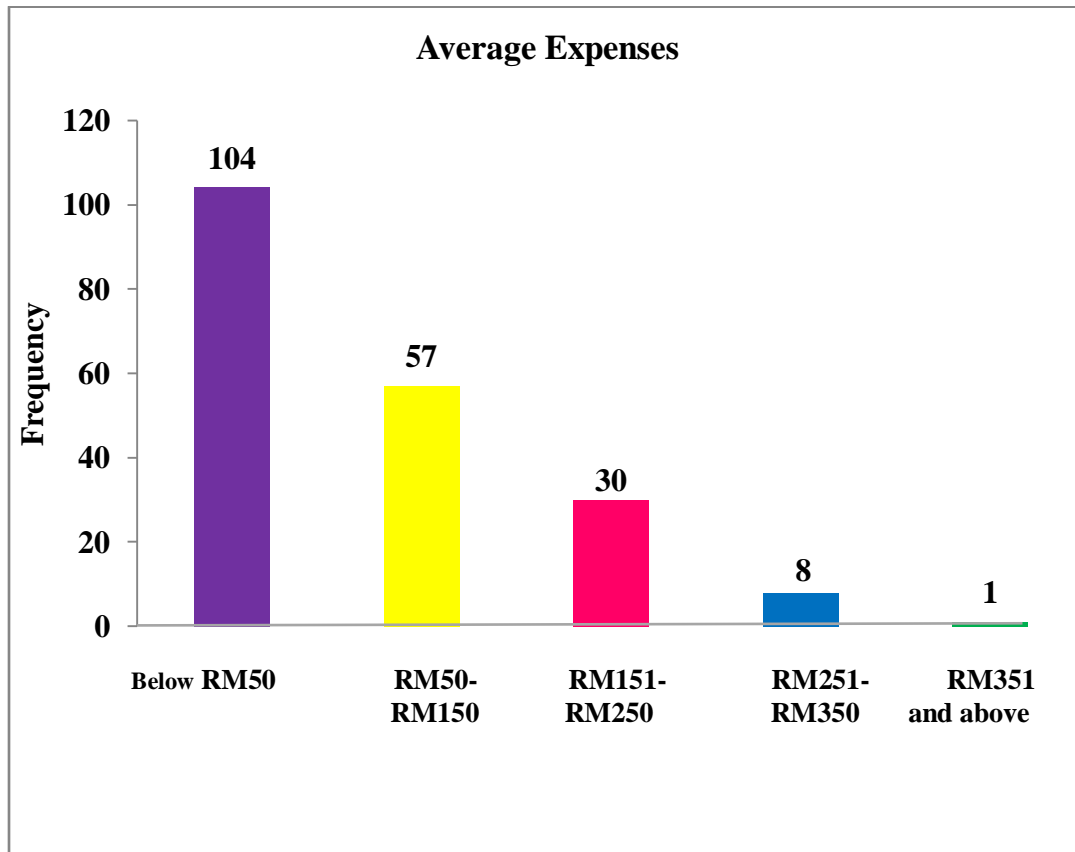
Source: Developed for the research.

Figure 4.7 shows that majority respondent which are 104 (52.0%) of the respondents spend below RM50 per visit for hair treatment services. This is followed by the RM50-RM150 categories with 57 respondents (28.5%), 30 respondents (15.0 %) spend RM151-RM250 per visit, 8 respondents (4.0 %) spend RM251-RM350 per visit and lastly there is only 1 respondent (0.5 %) spend RM351 and above when they go to hair salon for services.

4.2 Scale Measurement

4.2.1 Reliability Analysis

Table 4.5: Summary of Reliability Analysis

Construct	Alpha coefficient	Number of items
Service Quality	0.903	22
Relational Benefits	0.898	13
Confidence Benefits	0.798	4
Social benefits	0.896	4
Special Treatment Benefits	0.923	5
Perceived Value	0.917	3
Customer Satisfaction	0.881	4
Customer Loyalty	0.740	6

Source: Developed for the research.

In our research, we used Cronbach's alpha to examine the internal reliability of the 5 constructs. In the survey, 48 items have been included to test for it. Based on Table 4.5, the value of Cronbach's Alpha of service quality is 0.903, relational benefits is 0.898, perceived value is 0.917, customer satisfaction is 0.881 and customer loyalty is 0.740. Besides, the value of Cronbach's Alpha of confidence benefits is 0.798, social benefits is 0.896 and special treatment benefits is 0.923. Overall, the internal reliability coefficient for the entire construct are moderate strong to very strong as all alpha coefficient are more than 0.7. In conclusion, all the constructs show a Cronbach's Alpha value of more than 0.6 and this indicates that the measurement scales of the constructs were stable and consistent in measuring the constructs.

4.3 Inferential Analyses

4.3.1 Simple Regression Analysis

H1: Service quality has a significant positive impact on customer satisfaction.

Table 4.6: Summary of Simple Regression Analysis (SQ to CS)

Table 4.6a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.564[a]	.318	.314	.47818

a. Predictors: (Constant), service quality

Table 4.6b: Anova Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.070	1	21.070	92.147	.000[a]
	Residual	45.274	198	.229		
	Total	66.344	199			

a. Predictors: (Constant), service quality

b. Dependent Variable: customer satisfaction

Table 4.6c: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.067	.283		3.772	.000
	service quality	.722	.075	.564	9.599	.000

a. Dependent Variable: customer satisfaction

Source: Developed for the research.

Based on the Table 4.6a, the value of R^2 is 0.318. This means that changes in customer satisfaction was explained 32% by the factor of service quality. Table 4.6b indicates that the F value is significant at 92.147 at the level of 0.05.

Table 4.6c shows that service quality is significant at 0.000 (t-value= 9.599, p<0.05). Therefore, H1 is accepted and this indicates that service quality has a significant positive impact on customer satisfaction.

As from the result obtained from the analysis, it means that one unit increase in service quality (SQ) will increase customer satisfaction (CS) by 0.722 units. Hence, the following equation was created.

CS = 1.067 + 0.722 SQ

H4: Customer satisfaction has a significant positive impact on customer loyalty.

Table 4.7: Summary of Simple Regression Analysis (CS to CL)

Table 4.7a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.591[a]	.350	.346	.50901

a. Predictors: (Constant), customer satisfaction

Table 4.7b: Anova Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.579	1	27.579	106.444	.000[a]
	Residual	51.301	198	.259		
	Total	78.880	199			

a. Predictors: (Constant), customer satisfaction

b. Dependent Variable: customer loyalty

Table 4.7c: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.831	.238		3.493	.001
	customer satisfaction	.645	.062	.591	10.317	.000

a. Dependent Variable: customer loyalty

Source: Developed for the research.

Based on the Table 4.7a, the value of R^2 is 0.350. This means that changes in customer loyalty was explained 35% by the factor of customer satisfaction. Table 4.7b indicates that the F value is significant at 106.444 at the level of 0.05.

Table 4.7c shows customer satisfaction is significant at 0.000 (t-value= 10.317, $p<0.05$). Therefore, H4 is accepted and this indicates that customer satisfaction has a significant positive impact on customer loyalty.

As from the result obtained from the analysis, it means that one unit increase in customer satisfaction (CS) will increase customer loyalty (CL) by 0.645 units. Hence, the following equation was created.

$$CL = 0.831 + 0.645 \ CS$$

4.3.2 Multiple Regression Analysis

H2: Relational benefits have significant impact on customer satisfaction.

H2a: Confidence benefits have a significant positive impact on customer satisfaction.
H2b: Social benefits have a significant impact on customer satisfaction.
H2c: Special treatment benefits have a significant impact on customer satisfaction.

Table 4.8: Summary of Multiple Regression Analysis (CB, SB, STB to CS)

Table 4.8a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.603[a]	.364	.354	.46411

a. Predictors: (Constant), special treatment benefits, confidence benefits, social benefits

Table 4.8b: Anova Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.126	3	8.042	37.336	.000[a]
	Residual	42.218	196	.215		
	Total	66.344	199			

a. Predictors: (Constant), special treatment benefits, confidence benefits, social benefits

b. Dependent Variable: customer satisfaction

Table 4.8c Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.795	.198		9.057	.000
	confidence benefits	.346	.059	.381	5.894	.000
	social benefits	.195	.044	.315	4.489	.000
	special treatment benefits	.009	.042	.014	.216	.830

a. Dependent Variable: customer satisfaction
Source: Developed for the research.

Table 4.8a shows the result of the regression analysis where 36% of the variance in customer satisfaction was explained by the 3 independent variables (i.e. special treatment benefits, confidence benefits, social benefits) as R^2 is 0.364. Besides, Table 4.8b indicates that the F value of 37.336 is significant at the level of 0.05.

Table 4.8c shows confidence benefits is significant at 0.000 (t-value= 5.894, p<0.05) and social benefits is significant at 0.000 (t-value= 4.489, p<0.05). This shows that confidence benefits have a significant positive impact on customer satisfaction and social benefits have a significant impact on customer satisfaction. Thus, H2a and H2b are supported. However, the significant value for special treatment benefits is 0.830 (t-value= 0.216, p>0.05). This implies that special treatment benefits do not have significant impact on customer satisfaction. Therefore, H2c is not supported.

In addition, Table 4.8c also shows that confidence benefits has the strongest impact on customer satisfaction (β= 0.381) and followed by social benefits (β= 0.315). As a conclusion, relational benefits is partial significant toward customer satisfaction because H2c is not significant whereas H2a and H2b are significant. Hence, the following equation was created.

CS= 1.795 + 0.346CB + 0.195SB

4.3.3 Moderator Analysis

H6: Perceived value will moderate the relationship between service quality and customer satisfaction.

Table 4.9: Summary of Moderator Analysis

Table 4.9a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703[a]	.494	.488	.41296

a. Predictors: (Constant), SQPV, service quality

Table 4.9b: Anova Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.747	2	16.374	96.011	.000[a]
	Residual	33.596	197	.171		
	Total	66.344	199			

a. Predictors: (Constant), SQPV, service quality

b. Dependent Variable: customer satisfaction

Table 4.9c: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.874	.263		7.125	.000
	service quality	.159	.094	.124	1.689	.093
	SQPV	.001	.000	.608	8.275	.000

a. Dependent Variable: customer satisfaction

Source: Developed for the research.

In our research, we tested the moderation effect of perceived value using multiple regression analysis. Based on Table 4.9a, R^2 is 0.494 and Table 4.9b shows F value of 96.001 is significant at the level of 0.05. Besides, Table 4.9c shows t-value of 8.275 and service quality and perceived value prove to be significant at 0.000 ($p<0.05$). Thus, H6 is supported which means there is moderation effect as perceived value will moderate the relationship between service quality and customer satisfaction.

4.3.4 Mediator Analysis

H5: Customer satisfaction as a mediator between service quality and customer loyalty.

Table 4.10: Summary of Mediation Analysis (SQ-CS-CL)

Table 4.10a: Coefficients

	Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.067	.283		3.772	.000		
	service quality	.722	.075	.564	9.599	.000	1.000	1.000

a. Dependent Variable: customer satisfaction

Table 4.10b: Coefficients

	Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.506	.310		1.629	.105		
	service quality	.156	.097	.112	1.620	.107	.682	1.465
	customer satisfaction	.576	.075	.528	7.645	.000	.682	1.465

a. Dependent Variable: customer loyalty

Table 4.10c: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1.120	.341		3.290	.001		
service quality	.572	.091	.410	6.318	.000	1.000	1.000

a.   Dependent Variable: customer loyalty

Table 4.10d: Sobel's Test

Input:		Test statistic:		p-value:
t_a 9.599		Sobel test:	5.98012128	0
t_b 7.645		Aroian test:	5.96036357	0
		Goodman test:	6.00007678	0
	Reset all		Calculate	

Source: Developed for the research.

For the mediation result, we have tested 3 regressions. The t-value for first regression and second regression is 9.599 (Table 4.10a) and 7.645 (Table 4.10b) respectively. Based on the result of Sobel's test (t-value = 5.980, p-value= 0), hence H5 is supported and we conclude that customer satisfaction mediates the relationship between service quality and customer loyalty. By referring to Table 4.10c, since service quality has a significant direct effect (t-value= 6.318, p-value= 0.000) on customer loyalty, customer satisfaction has a partial mediating effect which means independent variable (service quality) has a strong relationship with dependent variable (customer loyalty) and mediation effect is also strong.

H3: Customer satisfaction as a mediator between relational benefits and customer loyalty.

Table 4.11: Summary of Mediation Analysis (RB-CS-CL)

Table 4.11a: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	2.296	.172		13.338	.000		
relational benefits	.463	.053	.526	8.703	.000	1.000	1.000

a. Dependent Variable: customer satisfaction

Table 4.11b: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.680	.242		2.811	.005		
relational benefits	.164	.064	.171	2.579	.011	.723	1.382
customer satisfaction	.546	.072	.501	7.543	.000	.723	1.382

a. Dependent Variable: customer loyalty

Table 4.11c: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1.934	.199		9.734	.000		
relational benefits	.417	.061	.435	6.797	.000	1.000	1.000

a. Dependent Variable: customer loyalty

Table 4.11d: Sobel's Test

Input:		Test statistic:		p-value:
t_a 8.703	Sobel test:	5.70003309		1e-8
t_b 7.543	Aroian test:	5.67866682		1e-8
	Goodman test:	5.72164236		1e-8
	Reset all		Calculate	

Source: Developed for the research.

For the mediation result, we have tested 3 regressions. The t-value for first regression and second regression is 8.703 (Table 4.11a) and 7.543 (Table 4.11b) respectively. We had also performed Sobel's test in order to test the mediation effect of customer satisfaction between relational benefits and customer loyalty. Based on the result of Sobel's test (t-value = 5.700, p-value= 0), H3 is supported and we conclude that customer satisfaction mediates the relationship between relational benefits and customer loyalty. Referring to Table 4.11c, since relational benefits has a significant direct effect (t-value= 6.797, p-value= 0.000) on customer loyalty, customer satisfaction has a partial mediating effect which means independent variable (relational benefits) has a strong relationship with dependent variable (customer loyalty) and mediation effect is also strong.

4.4 Conclusion

In this chapter, respondents' profile and buying behaviour have been analyzed using descriptive analysis. Moreover, reliability test was used to examine the reliability of the items of the five constructs. Furthermore, simple and multiple regression analysis were used to analyze the relationship between independent variables and a dependent variable. Moderator and mediator analysis were used to analyze on moderator and mediator variable.

CHAPTER 5: DISCUSSIONS, CONCLUSION AND IMPLICATIONS

5.0 Introduction

This chapter provides the clear discussion, conclusion and implication from the previous chapter which including the summaries of statistical analysis, discussion of the relationship (independent variables, moderator variable, mediator variable and dependent variable), managerial implications, limitations, recommendations for future research and finally conclusion are being discussed.

5.1 Summary of Statistical Analyses

5.1.1 Summary of Descriptive Analyses

5.1.1.1 Respondents' Profile

For gender, the proportion of female, 60% is more than that of male, 40%. Whereas for age group, the largest proportion of respondents, 65.5% is made up of age between 21 to 25 years old; while only 0.5% of the sample age falls in 41 to 45 years old. For race, the respondents consist of Chinese (83%), Malay (7%), Indian (9.5%) and others (0.5%). Besides, most of the respondents are students and are single and majority of them receive a monthly allowance of below RM1000.

5.1.1.2 Customer Perceptions and Behaviours towards Hair Salon

Majority of the respondent in Klang Valley (52%) used their hair service in hair salons other than the suggested hair salons in the questionnaire. Most of them visit the hair salon only 1 time in a month and not many of them who actually visit the hair salon 4 times and above monthly. As for the types of hair treatment service, almost all of the respondents (98%) purchase hair cut service in the hair salon; however, majority of the respondents (96.5%) do not purchase highlighting service. As for the expenses per visit at the hair salon, more than half of the respondents (52%) spend RM50 and below while only one of the respondent spend RM351 and above per visit of hair salon.

5.1.2 Summary of Inferential Analyses

5.1.2.1 Reliability Test

Table 5.1: Summary of Reliability Analysis

Construct	Alpha coefficient
Service Quality	0.903
Relational Benefits	0.898
Confidence Benefits	0.798
Social benefits	0.896
Special Treatment Benefits	0.923
Perceived Value	0.917
Customer Satisfaction	0.881
Customer Loyalty	0.740

Source: Developed for the research.

From the table above, it shows that all of the Cronbach's Alpha reliability coefficients are above 0.60 which indicates that the internal reliability of the variables were stable.

5.1.2.2 Result of Simple Regression Analysis

Simple regression analysis is used to test the relationship between service quality and customer satisfaction. According to the result analyzed, it is proven that service quality has a significant positive impact to customer satisfaction (t-value= 9.599, p<0.05).

Simple regression analysis is also used to test the relationship between customer satisfaction and customer loyalty. Based on the result, it has proven that the relationship between customer satisfaction and customer loyalty is significant (t-value= 10.317, p<0.05).

5.1.2.3 Result of Multiple Regression Analysis

Multiple regression analysis is used to determine the relationships of each component of relational benefits (confidence benefits, social benefits and special treatment benefits) to customer satisfaction. The significant value of confidence benefits and social benefits showed as 0.000 (p<0.05) and indicate that both of the variables have a significant impact on customer satisfaction. However, special treatment benefits do not have a significant impact on customer satisfaction as it significant value at 0.830 (p>0.05).

5.1.2.4 Result of Moderator Analysis

Moderator analysis is used to determine the moderating effect of perceived value between service quality and customer satisfaction. Based on the result, it has been proven that the relationship of perceived value between service quality and customer satisfaction is significant at value of 0 (p<0.05). As a result, the hypothesis is accepted.

5.1.2.5 Result of Mediator Analysis

For mediator analysis, it is used to determine the mediating effect of customer satisfaction between service quality and customer loyalty. Based on the result, it is proved to be significant at value of 0 ($p<0.05$) which supports the hypothesis and concludes that customer satisfaction mediates the relationship between service quality and customer loyalty. Besides, mediator analysis is also used to test the mediating effect of customer satisfaction between relational benefits and customer loyalty. Based on the result, it is proved to be significant at value of 0 ($p<0.05$) which supports the hypothesis and made a conclusion that customer satisfaction mediates the relationship between relational benefits and customer loyalty.

5.2 Discussion of Major Findings

Table 5.2: Major Findings for Hypotheses Testing

No.	Hypotheses	Significant level	Supported/Rejected
H1	Service quality has a significant positive impact on customer satisfaction.	Sig= 0.000 p<0.05	Supported
H2	Relational benefits have significant impact on customer satisfaction.		Partially Supported
H2a	Confidence benefits have a significant positive impact on customer satisfaction.	Sig= 0.000 p<0.05	
H2b	Social benefits have a significant impact on customer satisfaction.	Sig= 0.000 p<0.05	
H2c	Special treatment benefits have a significant impact on customer satisfaction.	Sig= 0. 830 p>0.05	
H3	Customer satisfaction as a mediator between relational benefits and customer loyalty.	Sig= 0 p<0.05	Supported
H4	Customer satisfaction has a significant positive impact on customer loyalty	Sig= 0.000 p<0.05	Supported
H5	Customer satisfaction as a mediator between service quality and customer loyalty.	Sig= 0 p<0.05	Supported
H6	Perceived value will moderate the relationship between service quality and customer satisfaction.	Sig= 0.000 p<0.05	Supported

The first hypothesis is testing about the relationship between service quality and customer satisfaction. The result indicates that there is a positive relationship between these two variables which is consistent with the research conducted by Cronin and Taylor (1992). The authors conducted a research in four industry- banking, fast food, dry-cleaning and pest-control for the purpose of identifying the interrelationship between service quality, customer satisfaction and purchase intention and the result showed that the service quality was the antecedent of customer satisfaction. The construct of service quality and customer satisfaction is to a certain extent, highly related. Besides, the result of the study also supported through the finding of Woodside, Frey and Daly (1989). The author signifies that their study results also gave support to the idea that service quality and customer satisfaction are two related constructs. Lastly, Sureshchandar, Rajendran and Anantharaman (2002) indicated that increase in either service quality or satisfaction is likely to cause the other one variable to increase as well in banking industry and there is a high relationship between the two variables.

The second hypothesis which is the relationship between relational benefits and customer satisfaction has been supported significantly. Gwinner, Gremler and Bitner (1998) stated that confidence benefits, social benefits, and special treatment benefits re exist in all service industries at varying levels. Furthermore, these benefits are not only important to customers but should be directly important to organizations given their positive relationship to several outcomes (loyalty, customer satisfaction and etc.) valued by firms. On top of that, their study reports strong positive relationships between the three relational benefits and loyalty, word of mouth, intent to stay in relationship, and customer satisfaction. In another study conducted by Hennig-Thurau, Gwinner and Gremler (2002), the results largely support the relationships proposed in the integrated model. Besides, the study of Kinard and Capella (2006) found that economic based loyalty programs that offer special treatment benefits fail to significantly influence relational response behaviors such as loyalty. As consistent with the study of Hennig-Thurau *et al*. (2002), special

treatment benefits was not found to influence customer loyalty significantly via the mediator of satisfaction, leading to the rejection of Hypothesis 2c.

Subsequently, the following hypothesis is testing the mediating effect of customer satisfaction from relational benefits to customer loyalty. Based on the result, the relationship is supported that customer satisfaction mediates the relationship between relational benefits and customer loyalty. Customer satisfaction reveals the general evaluation of the actions carried out by a given business in relation to expectations accumulated after various contact between the consumer and business, since if customers perceived that they are obtaining additional benefits from their relationship with the establishment, their satisfaction level with the service provider will increase (Beatty, Nayer, Coleman, Reynolds & Lee, 1996). The result has been supported by Hennig-Thurau *et al.* (2002) in which they proposed that satisfaction as a mediator in the relationship between relational benefits and customer loyalty, so that some of the items used in confidence benefits are simply items of satisfaction with the employee (Hennig-Thurau *et al.*, 2002; Reynolds & Beatty, 1999).

The fourth hypothesis is testing the relationship between customer satisfaction and customer loyalty. The result proves that there is a positive relationship between the two variables. This hypothesis is supported by Lin (2010), where the results of Pearson correlation showed that there were statistically positive correlations existing between variables of customer satisfaction and customer loyalty. This finding also corresponds with several past studies conducted in various industries (Oliver & Swan, 1989; Cronin & Taylor, 1992; Anderson & Sullivan, 1993; Gotlieb, Grewal & Brown, 1994; Ford, 1995). Besides, the study by Curtis (2009) also shows the result that suggests a strong positive relationship between satisfaction and loyalty. The field study results supported the positive relationships between investigated loyalty dimensions and satisfaction.

The next hypothesis is testing the mediating relationships of customer satisfaction between service quality and customer loyalty. The result supported the hypothesis that customer satisfaction mediates the relationship between service quality and customer loyalty. This is supported by Lenka, Suar and Mohapatra (2009) that the findings revealed that improved human, technical and tangible aspects of service quality increase customer satisfaction. Human aspects of service quality were more potently found to influence customer satisfaction compared to technical and tangible aspects. Customer satisfaction enhanced their loyalty to the bank branches. Furthermore, they also stated that technical and tangible aspects cannot be neglected because they would bring satisfaction and in which satisfaction promotes their loyalty. In the hypothesized model, service quality via customer satisfaction determined customer loyalty suggesting that customers' satisfaction promoted their loyalty.

The sixth hypothesis is testing whether perceived value would moderate the relationship between service quality and customer satisfaction. The result proved to be significant. This has been supported by Caruana *et. al.* (2000) that perceived value has been promoted as a moderator of the service quality and customer satisfaction relationship. The result of the study suggests that the effect of quality on satisfaction is not just direct but is also moderated by value. It is also stated that satisfaction does not depend on service quality alone and higher levels of quality are worthwhile to the extent that customers believe that value is being enhanced. The findings substantiate the salience of satisfaction in services marketing confirming that ensuring customer satisfaction should be as much a concern in service marketing as obtaining positive service quality judgements (Oliver, 1993).

Objectives of this study are to examine the antecedents of customer loyalty and the interrelationship among service quality, relational benefits, perceived value and customer satisfaction. From the hypotheses discussed above, the objectives of the study has been achieved and supported.

5.3 Implications of the Study

Implications from the results obtained for decision makers to improve their business performance and hence increase their future profitability.

5.3.1 Managerial Implications

Through the findings of H1 and H2, it has shown that in order to enhance customer satisfaction, service quality and relational benefits play an important role. Service quality can be determined by prompt service which is seen as the key dimension that will influence the level of customer satisfaction. Thus, the hair salon manager should always ensure that the employees have sufficient knowledge in the servicing field to be able to answer customers' enquiry satisfactory Moreover, managers should provide training for the employees on interpersonal communication skills and relevant hair treatment knowledge as communication takes part in the whole process and without good interpersonal communication skills may affect the customer satisfaction level. Finally, enhancing service quality provided by the hair salon will increase customer satisfaction level and hence customer loyalty towards the service provider. If the service quality has been improved, then it might help the firm to reduce cost in searching new customers because customers retention is always less expensive than customers recruitment (Grönroos, 2001).

On the other hand, relational benefits are also crucial to determine customer satisfaction. The sense of reduced anxiety, faith in the trustworthiness of the provider, reduced perceptions of anxiety and risk and knowing what to expect are the most critical benefits of service relationships (Gwinner *et al.*, 1998). Sheth and Parvatiyar (1995) contend that consumers like to reduce choices as long-term relationships may facilitate choice reduction through confidence benefits. This can be explained when the customers have confidence towards a certain hair salons, it may automatically reduce their choices in their minds. Besides, social benefits are the second most

important benefit to consumers across service types. Social benefits were associated with personal recognition by employees, customer familiarity with employees and the development of friendship (Gwinner *et al.,* 1998). When the employees are able to recognize the customers and build up a good relationship with them, it is actually an advantage for the firm to increase customer satisfaction level and to retain the customers.

This study suggests that hair salon service providers need to look into the antecedents of customer satisfaction and not only how customer satisfaction alone can contribute to customer loyalty. This is supported to the Bloemer and Kasper (1995) statement that loyalty satisfaction relationship is complicated and in which the field study results support the view that satisfaction is not enough to form loyalty. Relational benefits are important variable in determining customer satisfaction and hence customer loyalty as the finding of H3 shows the positive relationship between the two variables. The important role of relational benefits in influencing customer loyalty presents a new challenge for service industry, particularly hair salon service provider. Hair salon providers should concentrate on efforts in offering guarantees for their hair treatment services and carrying out communication campaigns to improve the firm's image. The guarantees such as free error service and the communication campaigns such as advertisement and promotions should be implemented. Additionally, the identification of the convenience benefits offers an additional opportunity to create value in a relationship (Dimitriadis, 2010). The firms can attempt to reduce the service duration and to locate the firm in a more strategic place as to ease the customers in visiting the hair salons.

Furthermore, service quality has been found to be an important input to customer satisfaction. However, the main focus of management attention should be on customer satisfaction, of which service quality is an important antecedent. Service quality, satisfaction and fostering a favorable relative attitude have a positive effect on consumers' likelihood of recommending the service provider to others. Recommending the service provider to others results in increased repurchase

intentions, which fosters store loyalty. Thus, managers should design programs that can increase consumer likelihood of recommending the store to others. Incentive programs (free coupons or special discounts or bring a friend to the store program) or advertising that encourages consumers to recommend the store to their friends is a key to successful implementation (Sivadas & Baker-Prewitt, 2000). Nonetheless, a simple method such as asking the customers to recommend to their friends and family if they find the service of the firm is satisfactory would be helpful. Thus, in order for firms to increase customer loyalty, they should emphasize on the determination of customer satisfaction and the antecedent factors of it.

Although service quality and relational benefits tend to result in customer satisfaction, perceived value is always being regarded as an important factor in determining customer satisfaction. Thus, in order for a firm to achieve competitive advantage in the market, firm should provide customers with a perceived value higher than that of the competition. It is fundamentally important for hair salon service providers to compose offers that provide value to their customers in a sustained way to generate a competitive advantage and maintain it over time. However, in achieving such perceived value may require the firm to make a great effort in selecting and training the employees and to monitor over time the appropriateness of their level of knowledge and their attitude towards customers. At the same time, functional value of service performed or service quality cannot be neglected at any time as it is also of great importance in determining the overall value perceived by the customers (Fandos Roig, Garcia, Moliner Tena & Monzonis, 2006).

5.4 Limitations of Study

Our study is subjected to several limitations which would affect our research result. Firstly, majority of our respondents are Chinese and there are only a few numbers of Malay and Indian. Through the distribution, Chinese are more willing to answer the questionnaires as it is normal for them to visit hair salons for their hair treatment service. For Malays however, are not so willing to be our respondents as they provided that they seldom or never go to hair salon for hair treatment service at all.

Secondly, we have language limitation in our questionnaire. Our survey questionnaires are conducted in English. Some of the potential respondents are not English educated; hence, they do not understand our questions. We had to read out the questions one by one and explained to them. It was time consuming and slowed down the speed of our research progress.

Thirdly, our sample of respondents is too general as we only distributed 200 questionnaires to the respondents in some areas located in Kuala Lumpur. Thus, it cannot be generalized as the whole population of Malaysia. Therefore, the data collected might not representative to draw a conclusion.

Fourthly, we have limitation in including variables in our research which we only limit to few variables in our research due to some certain constraints. To get a more precise result, we should not limit the variables to be used.

Lastly, we used convenience sampling in collecting data in which convenience sampling may be bias in selecting respondents. The research is conducted based on cross-sectional basis which the result obtained may not be that representative in long term as we are examining customer loyalty

5.5 Recommendations for Future Research

Firstly, the future researchers should not only focus on their respondents in Klang Valley. It is recommended that they should widen their data collections and have a broader sampling size in their future study in order to get a more precise outcome. Besides, the sampling proportion can be designed according to the proportion of Malaysia's population statistics. Example such as proportion of Malaysian consists of 70% of Malay, 20% of Chinese and 10% of Indian, then the future researchers can design their sampling proportion accordingly.

Secondly, the future researchers should look at different variables from other researches and add in some of the variables that are not included in the research. They can include variable such as location convenience as moderator; mediator such as trust and commitment.

Thirdly, the future researchers suggested to use longitudinal design instead of cross sectional design as the variables measures associated with customer loyalty and their preferred hair salon are involved in long term relationships.

Fourthly, perceived value plays an important role to influence and moderate one variable to another variable. The result indicated that there is a significant relationship in which perceived value moderates service quality to customer satisfaction to affect customer loyalty in hair salon industry. Hence, we recommend future researchers to add in perceived value in different framework and apply in other industries.

Fifthly, the survey questionnaires are all in quantitative format; hence, future researchers should conduct their survey questionnaires in qualitative format instead of using only quantitative format as qualitative questionnaires may bring in different views and answers that can lead to a more precise outcome.

Lastly, the result showed relational benefits is partially significant to customer satisfaction and loyalty which special treatment benefits are not significant to affect customer satisfaction and customer loyalty. Thus, the future researchers should find out the reason (i.e. unrelated item included) that lead to the insignificance relationships and make relational benefits to be completely significant to influence customer satisfaction and loyalty.

5.6 Conclusion

In a nutshell, our research has achieved the primary objective of this research which is to examine the influence of determinants of customer loyalty in hair salon industry. It has identified the impact of service quality, relational benefits, perceived value and customer satisfaction towards customer loyalty. The relationships among variables have been examined and all of the hypotheses are supported and one of it is partially supported. In addition, the research has clarified that the roles of service quality, relational benefits, perceived value and customer satisfaction in shaping customer loyalty in hair salon industry in Malaysia. Lastly, this research could serve as a guideline for future researchers as well as hair salon owners for a better understanding of customers' loyalty.

REFERENCES

Ahmad, A. (2011, January 2). Locks of style. *The star online*. Retrieved January 10, 2012, from
http://thestar.com.my/metro/story.asp?file=/2011/1/2/sundaymetro/7707670&sec=sundaymetro

Anderson, E. W. & Sullivan, M. W. (1993). The antecedents and consequences of customer satisfaction for firms. *Marketing Science*, *12*(2), 125-143.

Anderson, E. W. & Mittal, V. (2000). Strengthening the satisfaction – profit chain. *Journal of Service Research, 3*, 107-20.

Backman, S. J. & Crompton, J. L. (1991). Differentiation between high, spurious, latent, and low loyalty participants in two leisure activities. *Journal of Park and Recreation Administration*, *9*(2), 1-17.

Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic and statistical considerations. *Journal of Personality and Social Psychology, 51,* 1173-1182.

Beatty, S. E., Nayer, M., Coleman, J. E., Reynolds, K. E. & Lee, J. (1996). Customer-sales associate retail relationships. *Journal of Retailing, 72*(3), 223-47.

Bigné, J. E., Moliner, M. A. & Callarisa, L. L. J. (2000). El valor y la fidelización de clientes: una propuesta de modelo dinámico de comportamiento. *Revista Europea de Dirección y Economía de la empresa, 9*(3), 65-78.

Bitner, M. (1990). Evaluating service encounters: the effects of physical surroundings and employees responses. *Journal of Marketing, 54*, 69-82.

Bloemer, J. M. M., & Kasper, H. D. P. (1995). The complex relationship between consumer satisfaction and brand loyalty. *Journal of Economic Psychology, 16*, 311-329.

Bolton, R. (1998). A dynamic model of the duration of the customers' relationship with a continuous service provider: The role of satisfaction. *Marketing Science, 17*(1), 45–65.

Bolton, R. N., & Drew, J. H. (1994). Linking customer satisfaction to service operations and outcomes. *Service quality: New directions in theory and practice,* 173–200.

Bolton, R. N., & Lemon, K. N. (1999). A dynamic model of customers' usage of services: Usage as an antecedent and consequence of satisfaction. *Journal of Marketing Research*, *36*, 171 – 186.

Bolton, R. N., & Drew, J. H. (1991). A multistage model of customers' assessment of service quality and value. *Journal of Consumer Research, 17*, 375-378.

Boulding, W., Kalra, A., Staelin, R., & Zeithaml, V. A. (1993). A dynamic process model of service quality: From expectations to behavioral intentions. *Journal of Marketing Research, 30*(1), 7–27.

Bowen, J. (1990). Development of a taxonomy of services to gain strategic marketing insights. *Journal of the Academy of Marketing Science*, *18*, 43-49

Bowen, J. T. & Chen, S. (2001). The relationship between customer loyalty and customer satisfaction. *International Journal of Contemporary Hospitality Management*, *13*(5), 213-217

Caruana, A., Money, A. & Berthon, P. R. (2000). Service quality and satisfaction – the moderating role of value. *European Journal of Marketing*, *34* (11/12), 1338-56.

Chandrashekaram, M., Rotte. K., Tax, S., & Stephen, S. (2007). Satisfaction strength and customer loyalty. *Journal of Marketing Research, 44* (1), 153-163.

Clemes, M. D., Gan, C. E. C., & Ren, M. (2011). Synthesizing the effects of service quality, value, and customer satisfaction on behavioral intentions in the motel. *Journal of Hospitality & Tourism Research 2011, 35*, 530-567.

Cooper, D. R & Schindler, P. S. (2008). *Business research methods*. (10th ed). McGraw Hill.

Cronin, J. J. & Taylor, S. A. (1992). Measuring service quality: a reexamination and extension, *Journal of Marketing, 56*, 55-68.

Curtis, T. (2009). Customer satisfaction, loyalty and repurchase: meta-analytical review, and theoretical and empirical evidence of loyalty and repurchase differences. (Doctoral dissertation, Nova Southeastern University, 2009). *Dissertation Abstracts International,* 134-135.

Dagger, T. S., & O'Brien, T. K. (2010). Differences in relationship benefits, satisfaction, trust, commitment and loyalty for novice and experienced service users. *European Journal of Marketing*, *44,* 1528-1552.

Dick, A. S. & Basu, K. (1994). Customer loyalty: toward an integrated conceptual framework. *Journal of the Academy of Marketing Science*, *22*, 99-113.

Dimitriadis, S. (2010). Testing perceived relational benefits as satisfaction and behavioral outcomes drivers. *International Journal of Bank Marketing, 29*(4), 297-313.

Ehigie, B. O. (2006). Correlates of customer loyalty to their bank: a case study in Nigeria. *International Journal of Bank Marketing, 24*(7), 494-508.

Fandos Roig, J. C., Garcia, J. S., Moliner Tena, M. A. & Monzonis, J. L. (2006). Customer perceived value in banking services. *International Journal of Bank Marketing, 24*(5), 266-283.

Ferryanto, L. (2006). Why is quality job no. 1? ASQ Six Sigma. *Forum Magazine, 5*(2), 22–25.

Ford, W. S. Z. (1995). Evaluation of the Indirect Influence of Courteous Service on Customer Discretionary Behavior. *Human Communication Research, 22*, 65-89.

Fornell, C. (1992). A national customer satisfaction barometer: The Swedish experience. *Journal of Marketing, 56*(1), 6–21.

Gale, B. T. (1994), *Managing Customer Value*, New York: The Free Press.

Ganesh, Jainshankar, Arnold.M. J., & Reynolds, K. E. (2000). Understanding the customer base of service providers: An examination of the differences between switchers and stayers. *Journal of Marketing, 64*(3), 65-87.

Garbarina, Ellen, & Johnson, M. S. (1999). The different roles of satisfaction, trust, and commitment in customer relationships. *Journal of Marketing, 63*(2), 70-87.

Garzaniti, I., Pearce, G. & Stanton, J. (2011).Building friendships and relationships: The role of conversation in hairdressing service encounters. *Managing Service Quality, 21*(6), 667-687.

Goldman, N. (2011). Drivers of Member Advocacy and Detraction in Credit Unions: Key Contributors to Net Promoter Scores. (Doctoral dissertation, Pepperdine University, 2011). Dissertation Abstracts International, 128-129.

Gotlieb, J. B., Grewal, D. & Brown, S. W. (1994). Consumer Satisfaction and Perceived Quality: Complementary or divergent constructs. *Journal of Applied Psychology, 79*, 875-885.

Greenland, K., & Looney, W. (2007). Secondary market offers another option to manage loan portfolios. *Commercial Lending Review, 35*(37), 44.

Gremler, D. D. & Brown, S. W. (1996). *Service loyalty; its nature, importance and implications, Advancing Service Quality: a Global Perspective*, New York: ISQA.

Grönroos. (2001). *Service Management and Marketing: A Customer Relationship Management Approach,* New York: Wiley.

Grönroos, C. (1982). *Strategic Management and Marketing in Service Sector*, Marketing Science Institute, Cambridge, MA.

Grönroos, C. (1984). A service quality model and its marketing implications. *European Journal of Marketing, 18(4)*, 36-44.

Gwinner, K. P., Gremler, D. D. & Bitner, M. J. (1998). Relational benefits in services industries: the customer's perspective. *Journal of the Academy of Marketing Science. 26*(2), 101-114.

Han, H., & Ryu, K. (2009). The roles of the physical environment, price perception and customer satisfaction in determining customer loyalty in the restaurant industry. *Journal of Hospitality & Tourism Research*, *33*, 487-510.

Hartmann, P. & Ibanez, V. A. (2007). Managing customer loyalty in liberalized residential energy markets: the Impact of energy branding. *Energy Policy*, *35*, 2661-2672.

Hennig-Thurau, T., Gwinner, K. P., Gremler, D. D. & Paul, M. (2005). Managing service relationships in a global economy: exploring the impact of national culture on the relevance of customer relational benefits for gaining loyal customers. *Advances in International Marketing, 15*, 11-31.

Hennig-Thurau, T., Gwinner, K.P. & Gremler, D.D. (2002). Understanding relationship marketing outcomes: an integration of relational benefits and relationship quality. *Journal of Service Research 2002, 4,* 230-247.

Heskett, J. L. 2002. Beyond customer loyalty. *Managing Service Quality, 12*(6), 355-357.

Heskett, J. L., Sasser, W. E. (Jr) & Schlesinger, L. A. (1997). *The service profit chain. how leading companies link profit and growth to loyalty, satisfaction and value*. New York: The Free Press.

Heskett, J. L., Sasser, W.E., Schlesinger, L.A. (1997), *The Service Profit Chain*, New York: The Free Press.

Hu, H. H. S., Kandampully, J., & Juwaheer, T. D. (2009). Relationships and impacts of service quality, perceived value, customer satisfaction, and image: an empirical study. *Services Industry Journal, 29*, 111-125.

Hunt, S., Arnett, D. & Madhavaram, S. (2006). The explanatory foundations of relationship marketing theory. *Journal of Business & Industrial Marketing, 21*(2), 72-87.

Iniesta, M. A. & S ánchez, M. (2002). Retail-consumer commitment and market segmentation. *The International Review of Retail, Distribution and Consumer Research, 12*(3), 261-279.

Jacoby, J. & Chestnut, R. W. (1978). Brand loyalty Measurement and Management. New York: Wiley.

Jacoby, J. & Kyner, D. (1973). Brand loyalty vs. repeat purchasing behaviour. *Journal of Marketing Research*, *10*, 1-9.

Jamal, A. (2004). Retail banking and customer behaviour: a study of self concept, satisfaction and technology usage, *International Review of Retailing, Distribution and Consumer Research, 14*(3), 357-79.

Khalifa, A. S. (2004). Customer value: a review of recent literature and an integrative configuration. *Management Decision*, *42*(5), 645-666.

Kinard, R. B. & Capella, M .L. (2006). Relationship marketing: the influence of consumer involvement on perceived service benefits. *Journal of Services Marketing, 20*(6), 359–368.

Lee, P. (2011, August 12*).* Klang Valley: A Ticking Timebomb. *Freemalaysiatoday.* Retrieved February 14, 2012, from http://www.freemalaysiatoday.com/2011/08/12/klang-valley-a-ticking-time-bomb/

Lehtinen, J. R. & Lehtinen, U. (1982). *Service quality: a study of quality dimensions*, unpublished working paper, Service Management Institute, Helsinki.

Lehtinen, U. & Lehtinen, J. R. (1991). Two approaches to service quality dimensions. *Service Industries Journal, 11*(3), 287-303

Lenka, U., Suar, D. & Mohapatra, P. K. J. (2009). Service quality, customer satisfaction and customer loyalty in Indian commercial banks. *Journal of Entrepreneurship, 18*(1), *47-64.*

Liliander, V. & Mattsson, J. (2002). Impact of customer preconsumption mood on the evaluation of employee behavior in service encounters. *Psychology and Marketing*, *19*(10), 837-60.

Lin, H. Y. (2010). The study of exercise participation motivation and the relationship among service quality, customer satisfaction and customer loyalty at selected fitness health clubs in Taipei city, Taiwan. (Doctoral dissertation, United States Sports Academy, 2010). Dissertation Abstracts International, 126-127.

Lovelock, C. (1991), *Services Marketing, Text, Cases and Readings.* Englewood Cliffs: Prentice-Hall.

Maholtra, N. K. & Peterson, M. (2006). *Basic marketing research: A decision-making approach* (2nd Ed). New Jersey: Pearson Education, Inc.

Malhotra, N. K. (2002). *Basic marketing research: Applications to contemporary issue* (international ed). New Jersey: Prentice-Hall.

Marzo-Navarro, M., Pedraja-Iglesias. M., & Rivera-Torres, M. P. (2004). The benefits of relationship marketing for the consumer and for the fashion retailers. *Journal of Fashion Marketing and Management, 8*(4), 425-36.

McDougall, G., & Levesque, T. (2000). Customer satisfaction and future intentions: the role of perceived value and service quality. *Journal of Services Marketing, 14,* 392-410.

McDougall, G. H. G. & Levesque, T. J. (1994). A revised view of service quality dimensions: an empirical investigation. *Journal of Professional Services Marketing, 11*(1), 189-209.

Monroe, K. (1990). *Pricing: Making Profitable Decisions*. New York: McGraw-Hill.

Oliver, R. L. & Swan, D. W. (1988). Response Determinants in Satisfaction Judgments. *Journal of Consumer Research, 14*, 495-507.

Oliver, R. L. & Swan, J. E. (1989). Processing of the satisfaction response in consumption: A suggested framework and research propositions. *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior, 2*, 1-16.

Oliver, R. L. (1993). Cognitive, affective, and attribute bases of the satisfaction response. *Journal of Consumer Research, 20*(3), 418-430.

Oliver, R. L. (1996). *Satisfaction.* New York: McGraw Hill.

Oliver, R. L. (1997). *Satisfaction: A Behavioral Perspective on the Consumer*, New York: McGraw-Hill.

Parasuraman, A., Berry, L. L. & Zeithaml, V. A. (1991a). Refinement and reassessment of the SERVQUAL scale, *Journal of Retailing, 67*(4), 420-50.

Parasuraman, A., Berry, L. L. & Zeithaml, V. A. (1991b). Understanding customer expectations of service. *Sloan Management Review, 32*(3), 39-48.

Parasuraman, A., Zeithaml, V. A. & Berry, L. L. (1988). The service-quality puzzle. *Business Horizon, 31(5),* 35-43.

Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). A Conceptual Model of Service Quality and its Implications for Future Research. *Journal of Marketing, 49*, 41-50.

Parasuraman, A., Zeithaml, V.A., & Berry, L. L. (1985). Alternative scales for measuring service quality: a comparative assessment based on psychometric and diagnostic criteria. *Journal of Retailing, 70*(3), 201-300.

Patterson, G. & Smith, T. (2001).Relationship benefits in service industries: a replication in a Southeast Asian context. *Journal of Services Marketing, 15*(6), 425-43.

Pritchard, M. P. & Howard, D. R. (1997). The loyal traveller: examining a typology of service patronage. *Journal of Travel Research*, 2-10.

Reichheld, F. F. & Sasser, W. E. Jr (1990). Zero defections: quality comes to services. *Harvard Business Review*, 105-110.

Reynolds, K. E., & S. E. Beatty. (1999). Customer benefits and company consequences of customer-salesperson relationships in retailing. *Journal of Retailing, 75*(1), 11-32.

Reynolds, K. E. & Beatty, S. E. (1999). Customer benefits and company consequences of customer-salesperson relationships in retailing. *Journal of Retailing, 75*(1), 11-32.

Roscoe, J. T. (1975). *Fundamental research statistics for the behavioral sciences* (2nd ed.) New York: Holt, Rinehart and Winston.

Rust, R. T., Zeithaml, V., & Lemon, K. (2000). *Driving customer equity*. Boston: The Free Press.

Sekaran, U. (2003). *Research methods for business: A skill building approach* (4th ed). New York: John Wiley & Sons, Inc.

Sheth. J. N. & Parvatiyar, A. (1995). Relationship Marketing in Consumer Markets: Atitecedents and Consequences. *Journal of the Academy of Marketing Science, 23*, 255-271.

Shostack, G. L. (1981). *How to Design a Serivce*. AMA, Chicago, IL, 221-229.

Siau, K., & Shen, Z. (2003). Building customer trust in m-commerce. *Communications of the ACM, 46*(4), 91-94.

Sivadas, E. & Baker-Prewitt F.L. (2000). *International Journal of Retail & Distribution Management, 28*(2), 73-82.

Sobel, M. E. (1982). A symptotic confidence intervals for indirect effects in structural equation models. *Sociological Methodology, 13*, 290-312.

Sureshchandar, G. S., Rajendran, C., Anantharaman, R. N. (2002). *Journal of Services Marketing, 16*(4), 363-379.

Szymanski, D. A & Henard, D. H. (2001). Customer satisfaction: a meta-analysis of the empirical evidence. *Journal of the Academy of Marketing Science, 29*(1), 16-35.

Vazquez-Carrasco, R. & Foxall, G. R. (2006). Influence of personality traits on satisfaction, perception of relational benefits, and loyalty in a personal service context. *Journal of Retailing and Consumer Services, 13*(3), 205-19.

Voss, G. B., Parasuraman, A., & Grewal, D. (1998). The roles of price, performance, and expectations in determining satisfaction in service exchanges. *Journal of Marketing, 62,* 46-61.

Weitzman, H. (2008, May 16). Outstanding in a smaller field. Financial Times. Retrieved January 25, 2012, from http://www.ft.com/intl/cms/s/5ede8f9c-22e0-11dd-93a9-000077b07658,Authorised=false.html?_i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2F5ede8f9c-22e0-11dd-93a9-000077b07658.html&_i_referer=http%3A%2F%2Fsearch.ft.com%2Fsearch%3FqueryText%3DOutstanding%2Bin%2Ba%2Bsmaller%2Bfield.%26ftsearchType%3Dtype_news#axzz1rqjJT7Gy

Woodruff, R. B. (1997). Customer value: The next source for competitive advantage. *Journal of the Academy of Marketing Science*, *25*(2), 139–153.

Woodside, A. G, Frey, L. L., & Daly, R. T. (1989). Linking Service Quality, Customer Satisfaction, and Behavioral Intention. *Journal of Health Care Marketing*, 9, 5-17.

Yang. Z & Peterson, R. T. (2004). Customer perceived value, satisfaction, and loyalty. The role of switching costs. *Psychology and Marketing*, *21*(10), 799-822.

Zeithaml, V. A. (1988). Consumer perceptions of price, quality, and value: a means end model and synthesis of evidence. *Journal of Marketing*, *52*(3), 2-22.

Zeithaml, V. A., Berry, L. L. & Parasuraman, A. (1988). Communication and control processes in the delivery of service quality. *Journal of Marketing, 52*, 35-48.

Zikmund, W.G. (2003). *Business Research Methods*. (7th ed). Thomson south western.

Appendix A: Survey Questionnaire

UNIVERSITI TUNKU ABDUL RAHMAN
Faculty of Accountancy and Management

BACHELOR OF INTERNATIONAL BUSINESS (HONS)

FINAL YEAR PROJECT

TITLE OF RESEARCH:

The Effects of Service Quality, Relational Benefits, Perceived Value and Customer Satisfaction towards Customer Loyalty in the hair salon industry

Survey Questionnaire

Dear respondents,

We are undergraduate students of Bachelor of International Business (Hons), from Universiti Tunku Abdul Rahman (UTAR). The **purpose** of this survey is to find out the effects of service quality and other factors towards customer loyalty in hair salon industry. Your answers will be kept PRIVATE and CONFIDENTIAL and used solely for academic study purpose.

Thank you for your cooperation.

Instructions:

1) There are **THREE parts** in this questionnaire. Please answer ALL questions in ALL sections.
2) In part one, the questions are about examining customer perceptions and behaviours towards hair salon. In part two, it consists of questions that relate with service quality, relational benefits, perceived value, customer satisfaction and customer loyalty. In part three, the questions are on the respondents' demographic profiles. Completion of this form will take you approximately 10 to 15 minutes.
3) Your response to this questionnaire will be kept **strictly confidential**.

Part One: Customer Perceptions and Behaviours towards Hair Salon

A. INSTRUCTION: Please provide the following information by placing a "√" on the blank space.

1. Have you visited any hair salon for hair treatment service in the past one year?
   ☐ Yes
   ☐ No (Please return questionnaire to interviewer)

2. Which hair salon that you have visited **the most** for the past one year?
   ☐ Zing hair salon
   ☐ Silver cut hair studio
   ☐ IMP(In My Place) hair studio
   ☐ Red hair salon
   ☐ Others (Please specify :_____)

3. Based on your **most preferred hair salon**, how often do you visit the hair salon **averagely per month** for the past one year?
   ☐ 1 time and below
   ☐ 2 times
   ☐ 3 times
   ☐ 4 times and above

4. Referring to Question 3, what are the hair treatment services that you will usually choose when you go to the hair salon? You may tick **more than one answer**.
   ☐ Hair cut
   ☐ Wash
   ☐ Colour
   ☐ Highlight
   ☐ Perm
   ☐ Others (Please specify :_____)

5. Referring to Question 4, what are your average expenses for hair treatment services **per visit**?
   ☐ Below RM50
   ☐ RM 50 - RM 150
   ☐ RM 151 - RM 250
   ☐ RM 251 - RM 350
   ☐ RM 351 and above

Part Two: Opinion related to the Hair Salon

B. INSTRUCTIONS: Listed below are opinions on your **preferred hair salon**.
Please indicate how strongly you agree or disagree with each statement by **placing a circle** on the number from 1 to 5, where:

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

B) Service Quality

	SD	D	N	A	SA
The hair salon has modern looking equipment.	1	2	3	4	5
The physical facilities at the hair salon are visually appealing.	1	2	3	4	5
Employees of the hair salon are neat in their appearance.	1	2	3	4	5
Materials associated with the service (pamphlets or statements) are visually appealing at the hair salon.	1	2	3	4	5
Employees of the hair salon have their customers' best interest at heart.	1	2	3	4	5
When a customer has a problem, employees of the hair salon show a sincere interest in solving it.	1	2	3	4	5
The hair salon performs the service right on the first time.	1	2	3	4	5
When employee of the hair salon promises to do something by a certain time, he or she usually does.	1	2	3	4	5
The hair salon upholds an error free service.	1	2	3	4	5

	SD	D	N	A	SA
Employees of the hair salon tell customers exactly when services will be performed.	1	2	3	4	5
Employees of the hair salon give prompt service to customers.	1	2	3	4	5
Employees of the hair salon are always willing to help customers.	1	2	3	4	5
Employees of the hair salon are never too busy to respond to customers' requests.	1	2	3	4	5
The behavior of the hair salon employees instills confidence in customers.	1	2	3	4	5
Customers of the hair salon feel safe in doing transactions with it.	1	2	3	4	5
Employees of the hair salon are consistently courteous with customers.	1	2	3	4	5
Employees of the hair salon are knowledgeable in answering customers' questions.	1	2	3	4	5
Employees of the hair salon give customers individual attention.	1	2	3	4	5
Employees of the hair salon have operating hours convenient to all their customers.	1	2	3	4	5
The hair salon has employees who give customers personal service.	1	2	3	4	5
The employee of the hair salon provides the service at the time he or she promise to do so.	1	2	3	4	5
Employees of the hair salon understand the specific needs of their customers.	1	2	3	4	5

C) Relational benefits

i.   Confidence benefits

	SD	D	N	A	SA
I have more confidence the service will be performed correctly.	1	2	3	4	5
I have less anxiety when I use the service.	1	2	3	4	5
I know what to expect when I go in.	1	2	3	4	5
I get the hair salon's highest level of service quality.	1	2	3	4	5

ii.   Social benefits

	SD	D	N	A	SA
I am recognised by certain employees of the hair salon.	1	2	3	4	5
I am familiar with the employee(s) who perform(s) the service.	1	2	3	4	5
I have developed a friendship with the employees of the hair salon.	1	2	3	4	5
The employee of the hair salon knows my name.	1	2	3	4	5

iii.   Special treatment benefits

	SD	D	N	A	SA
I get discounts or special deals that most customers do not get.	1	2	3	4	5
I get better prices than most customers.	1	2	3	4	5
The hair salon does services for me that they don't do for most customers.	1	2	3	4	5
I am placed higher on the priority list when there is a line or queue for this service.	1	2	3	4	5
I get faster service than most customers.	1	2	3	4	5

D) Perceived Value

	SD	D	N	A	SA
The price of the hair salon is reasonable, given the quality of service.	1	2	3	4	5
The hair salon provides good value for money.	1	2	3	4	5
Overall, I am satisfied with the value I received, for the price that I paid.	1	2	3	4	5

E) Customer Satisfaction

	SD	D	N	A	SA
I have a favourable opinion of the hair salon.	1	2	3	4	5
I am satisfied with the hair salon.	1	2	3	4	5
I am pleased with the hair salon	1	2	3	4	5
I have positive feelings about the hair salon.	1	2	3	4	5

F) Customer Loyalty

	SD	D	N	A	SA
I intend to switch to a competitor of the hair salon.	1	2	3	4	5
I will not acquire services of this hair salon anymore in the future.	1	2	3	4	5
I will not visit this hair salon again.	1	2	3	4	5
I am dedicated to doing business with this hair salon.	1	2	3	4	5
If the hair salon were to raise its prices, I would continue to be a customer of the hair salon.	1	2	3	4	5
If a competing hair salon were to offer better prices or a discount on their services, I would switch hair salon.	1	2	3	4	5

Part Three: Demographic Profile

A. INSTRUCTION: Please provide the following information by placing a tick "√" in the box provided.

1. Your gender
   ☐ Female
   ☐ Male

2. Your age group
   ☐ 20 and below
   ☐ 21-25
   ☐ 26-30
   ☐ 31-35
   ☐ 36-40
   ☐ 41-45
   ☐ 46 and above

3. Your race
   ☐ Chinese
   ☐ Malay
   ☐ Indian
   ☐ Others (Please specify :_____)

4. Your current marital status
   ☐ Single
   ☐ Married
   ☐ Others (Please specify :_____)

5. Your current occupation
   ☐ Student
   ☐ Others (Please specify :_____)

6. Your current income or loan allowance or parents' allowance
   ☐ Below RM 1000
   ☐ RM 1000-RM1999
   ☐ RM 2000-RM2999
   ☐ RM 3000-RM3999
   ☐ RM 4000-RM4999
   ☐ RM 5000 and above

THE END
THANKS FOR YOUR COOPERATION

Appendix B: SPSS output

Respondents' Profile

Frequencies

Statistics

		Gender	Age group	Race	Marital status	Occupation	Income or loan allowance or parents' allowance
N	Valid	200	200	200	200	200	200
	Missing	0	0	0	0	0	0

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	120	60.0	60.0	60.0
	Male	80	40.0	40.0	100.0
	Total	200	100.0	100.0	

Age
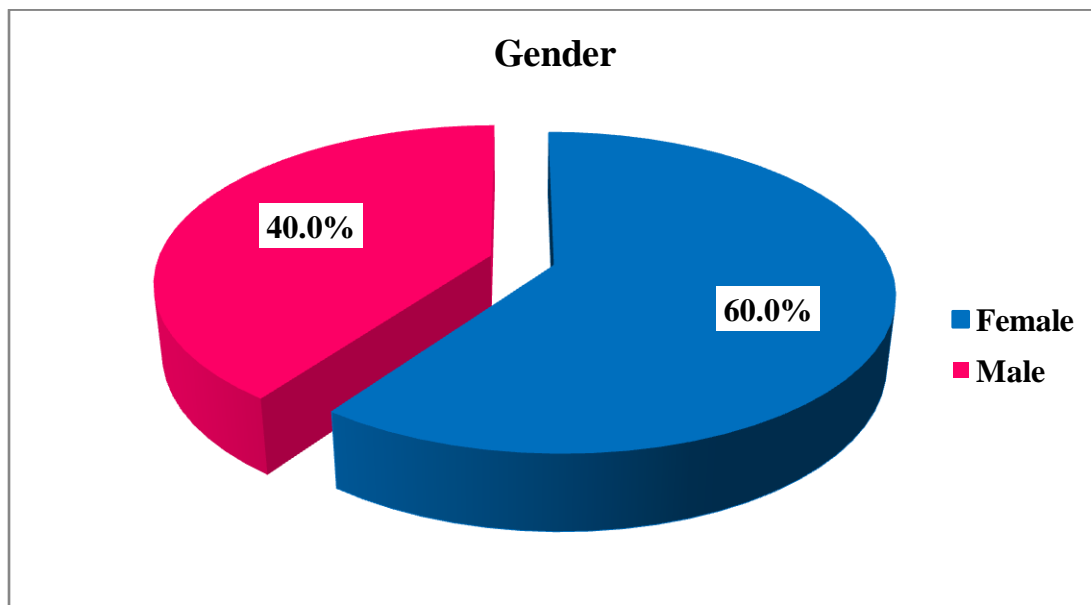
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 and below	22	11.0	11.0	11.0
	21-25	131	65.5	65.5	76.5
	26-30	27	13.5	13.5	90.0
	31-35	9	4.5	4.5	94.5
	36-40	5	2.5	2.5	97.0
	41-45	1	0.5	0.5	97.5
	46 and above	5	2.5	2.5	100.0
	Total	200	100.0	100.0	
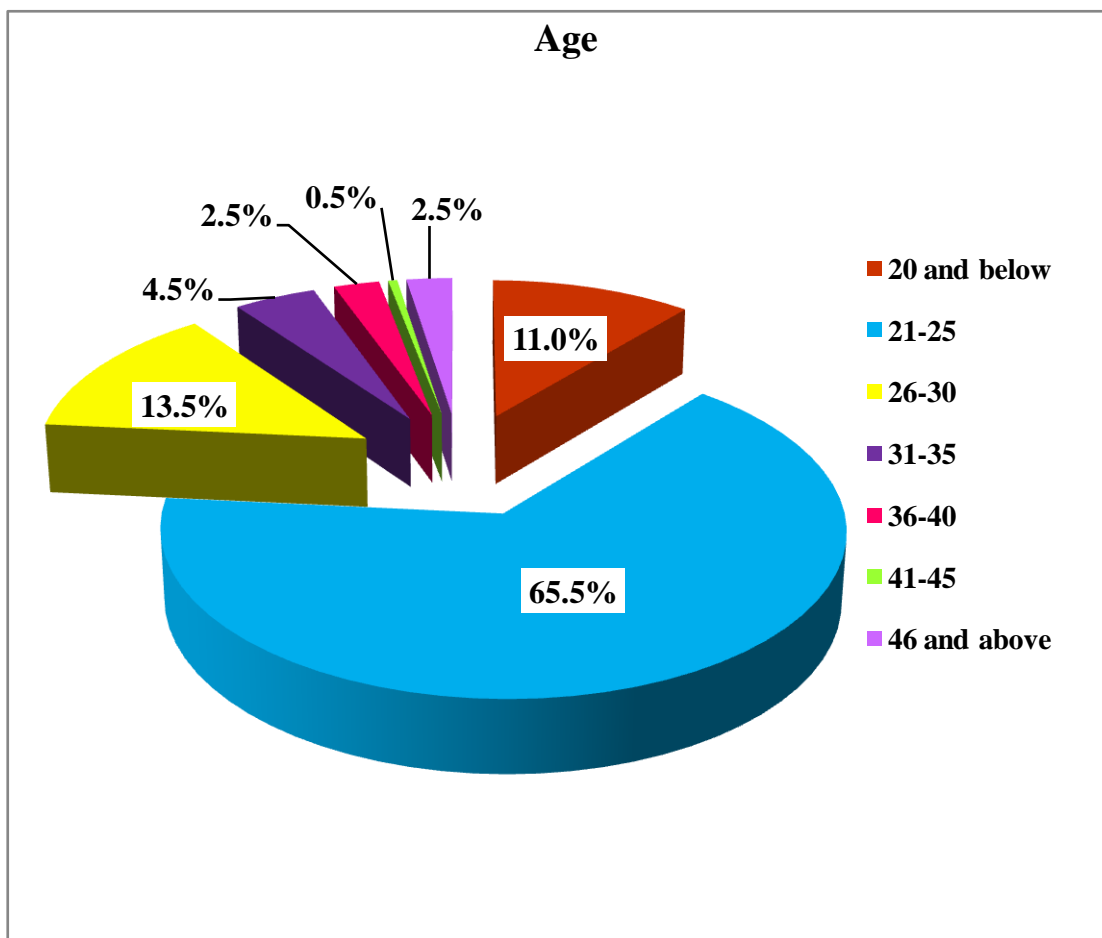
Race

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Chinese	166	83.0	83.0	83.0
	Malay	14	7.0	7.0	90.0
	Indian	19	9.5	9.5	99.5
	Others	1	0.5	0.5	100.0
	Total	200	100.0	100.0	
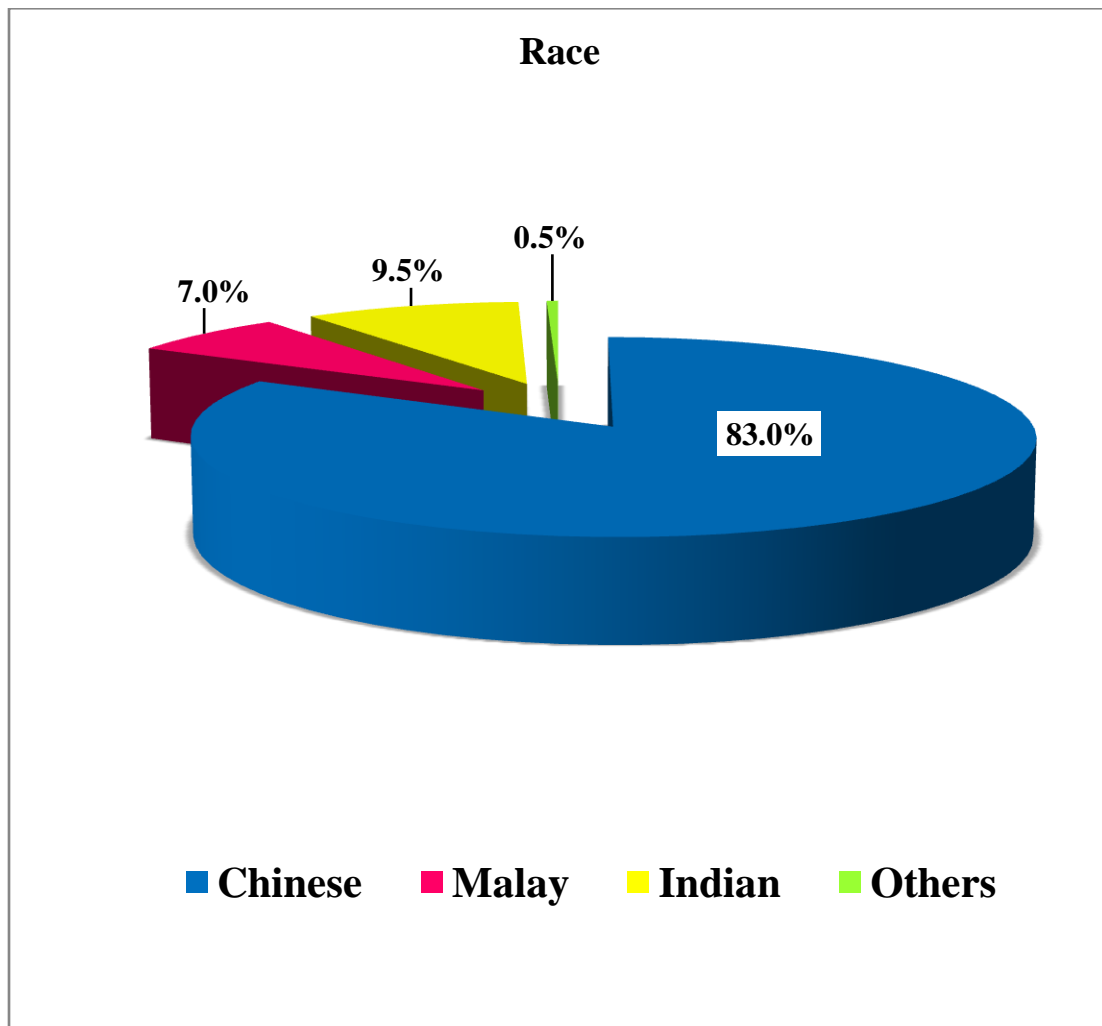
Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	183	91.5	91.5	91.5
	Married	15	7.5	7.5	99.0
	others	2	1.0	1.0	100.0
	Total	200	100.0	100.0	

Marital Status

7.5%

1.0%

91.5%

■ **Single**   ■ **Married**   ■ **Others**
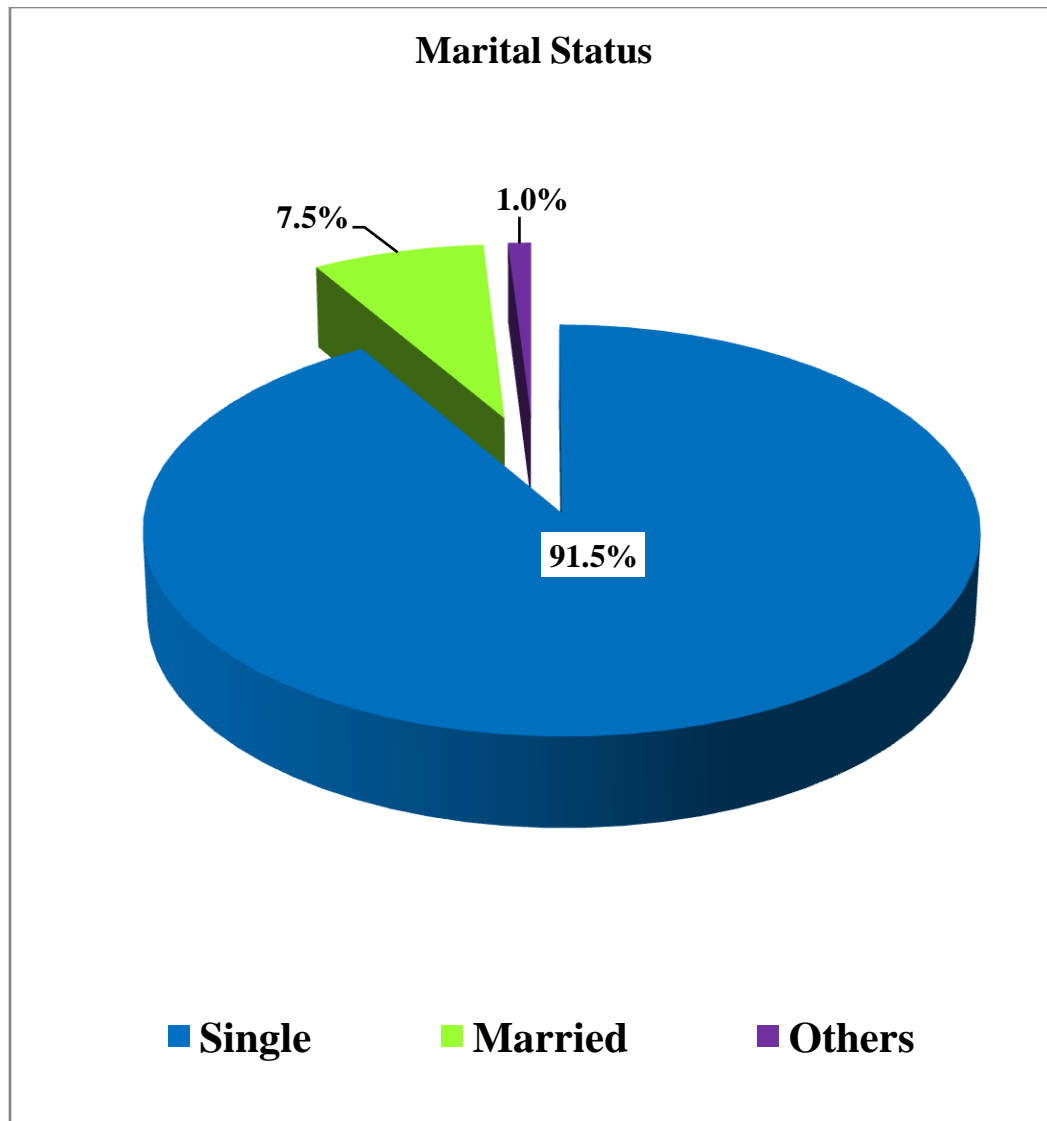
Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Student	140	70.0	70.0	70.0
	Executive	17	8.5	8.5	78.5
	General administrator	16	8.0	8.0	86.5
	Manager	2	1.0	1.0	87.5
	Professional	16	8.0	8.0	95.5
	Others	9	4.5	4.5	100.0
	Total	200	100.0	100.0	
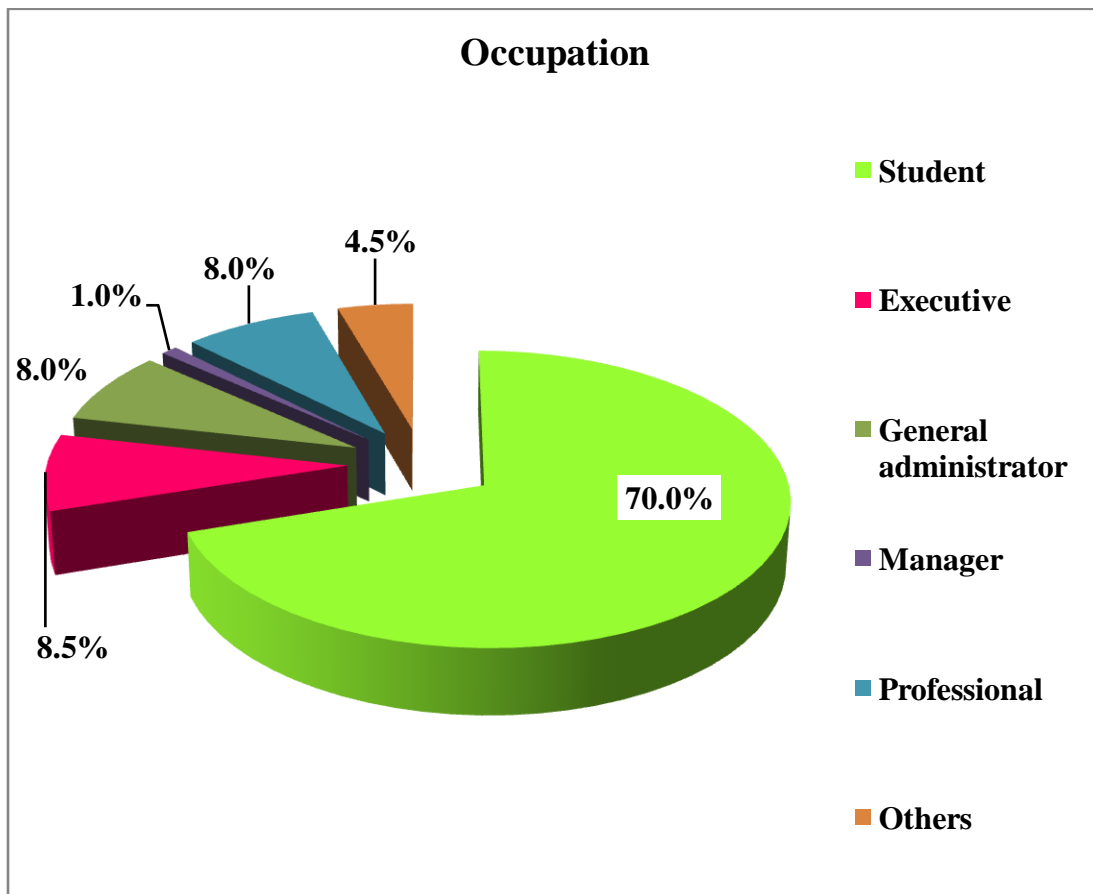
Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below RM 1000	126	63.0	63.0	63.0
	RM 1000- RM 1999	13	6.5	6.5	69.5
	RM 2000- RM 2999	28	14.0	14.0	83.5
	RM 3000- RM 3999	21	10.5	10.5	94.0
	RM 4000- RM 4999	5	2.5	2.5	96.5
	RM 5000 and above	7	3.5	3.5	100.0
	Total	200	100.0	100.0	
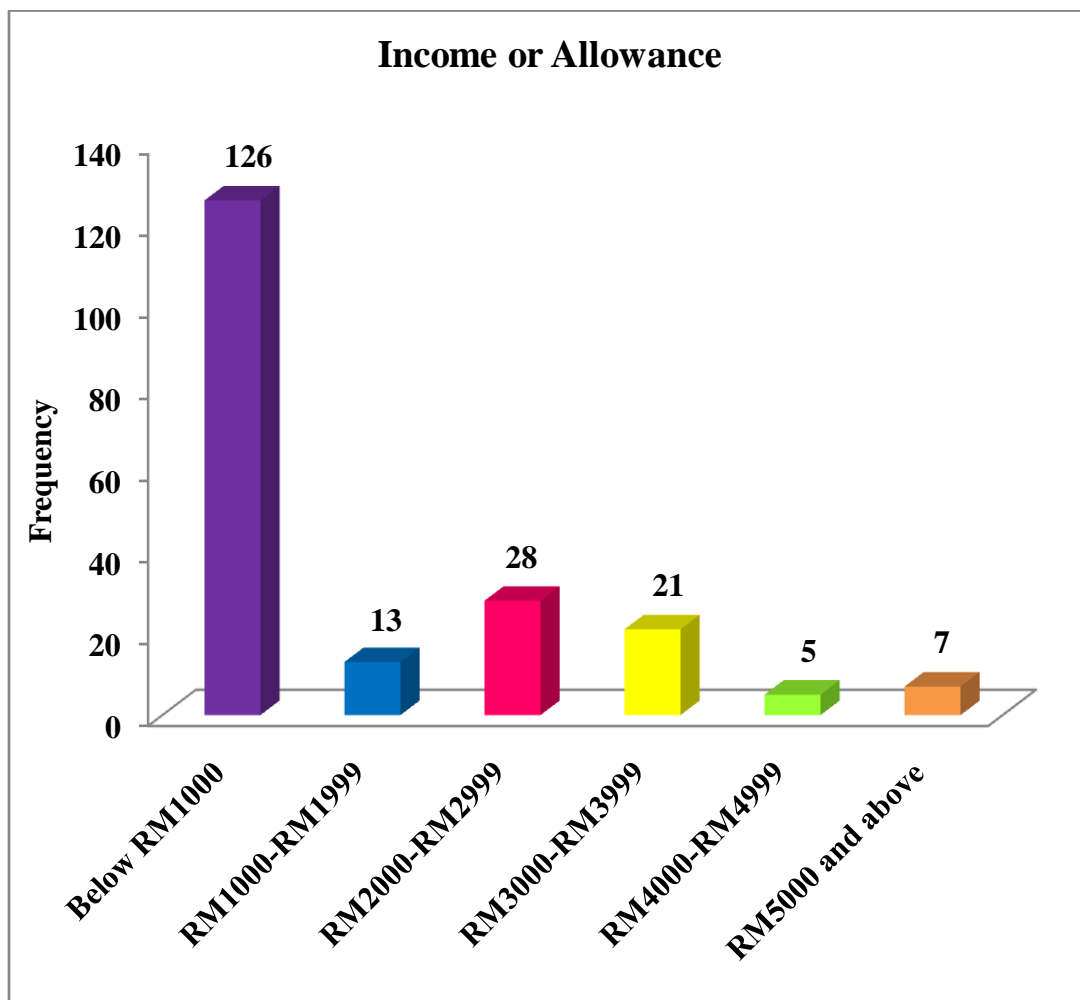
Respondents' Buying Behaviour

Selection of Hair Salon

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Zing hair salon	20	10.0	10.0	10.0
	Silver cut hair studio	14	7.0	7.0	17.0
	IMP hair studio	45	22.5	22.5	39.5
	Red hair salon	17	8.5	8.5	48.0
	Others	104	52.0	52.0	100.0
	Total	200	100.0	100.0	

Selection of Hair Salon
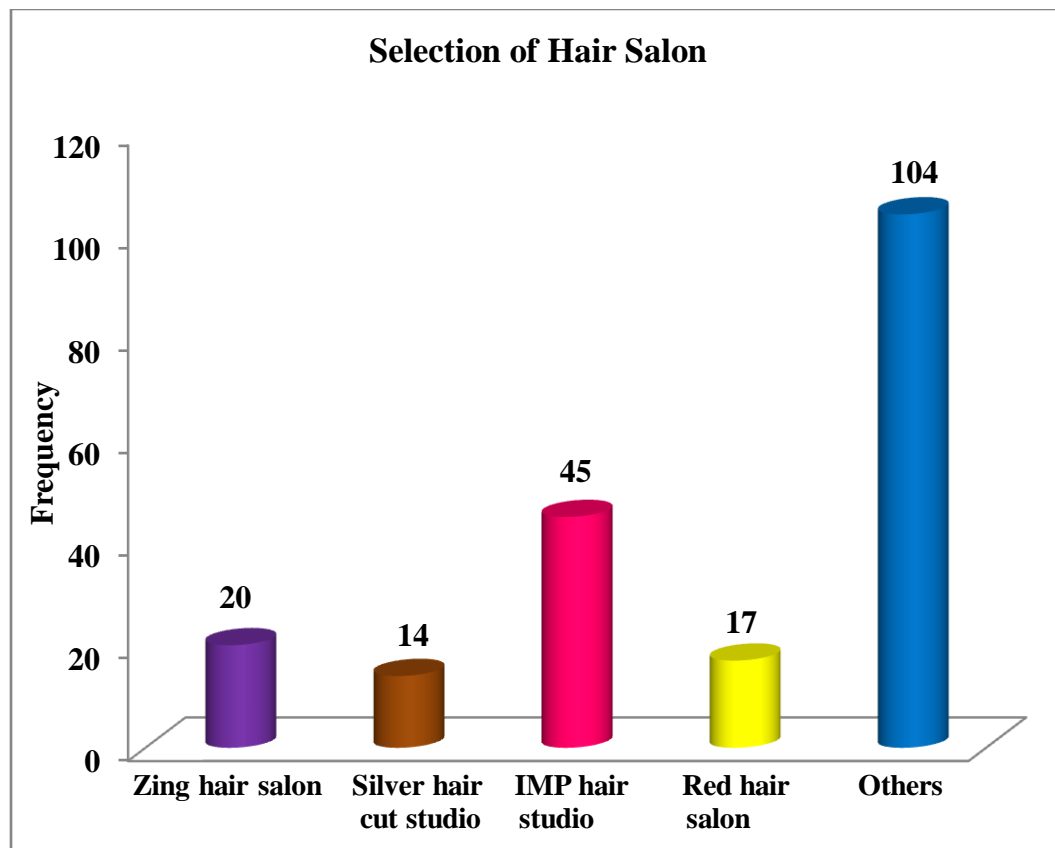
Purchase Frequency

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 time	152	76.0	76.0	76.0
2 times	28	14.0	14.0	90.0
3 times	7	3.5	3.5	93.5
4 times and above	13	6.5	6.5	100.0
Total	200	100.0	100.0	

Purchase Frequency
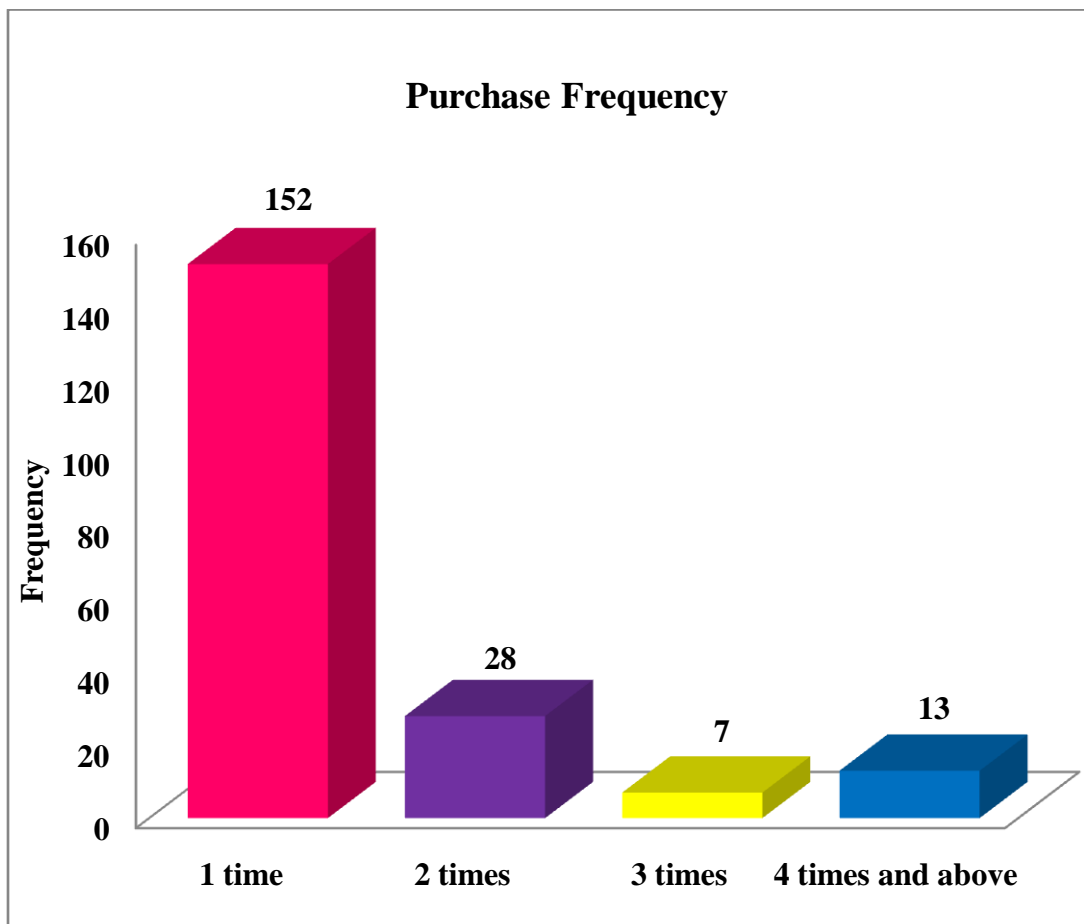
Types of Hair Treatment Service

Hair cut

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	4	2.0	2.0	2.0
	Yes	196	98.0	98.0	100.0
	Total	200	100.0	100.0	

Wash

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	105	52.5	52.5	52.5
	Yes	95	47.5	47.5	100.0
	Total	200	100.0	100.0	

Colour

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	151	75.5	75.5	75.5
	Yes	49	24.5	24.5	100.0
	Total	200	100.0	100.0	

Highlight

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	193	96.5	96.5	96.5
	Yes	7	3.5	3.5	100.0
	Total	200	100.0	100.0	

Perm

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	158	79.0	79.0	79.0
	Yes	42	21.0	21.0	100.0
	Total	200	100.0	100.0	

Others

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	186	93.0	93.0	93.0
	Yes	14	7.0	7.0	100.0
	Total	200	100.0	100.0	

Types of Hair Treatment Service

Hair cut: 196, Wash: 95, Colour: 49, Highlight: 7, Perm: 42, Others: 14
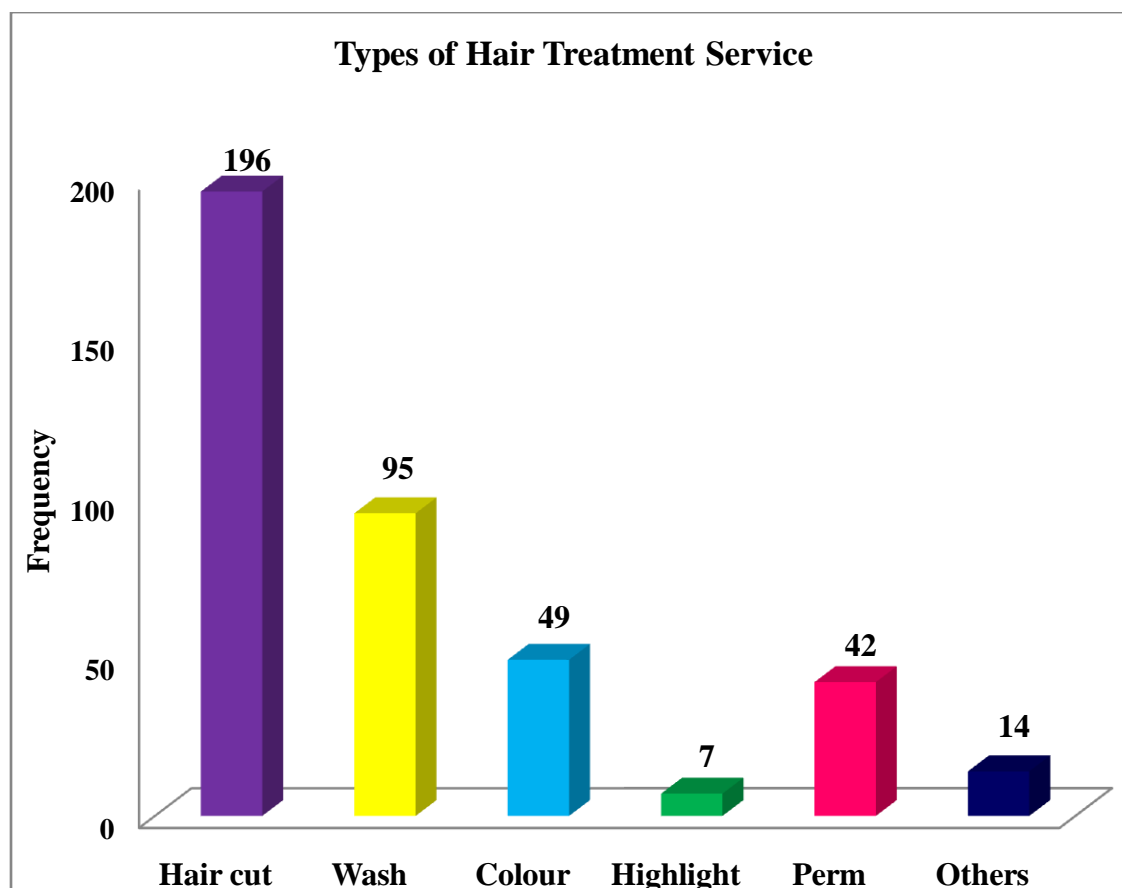
Average Expenses

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid below RM 50	104	52.0	52.0	52.0
RM 50-RM 150	57	28.5	28.5	80.5
RM 151-RM 250	30	15.0	15.0	95.5
RM 251-RM 350	8	4.0	4.0	99.5
RM 351 and above	1	0.5	0.5	100.0
Total	200	100.0	100.0	

Average Expenses
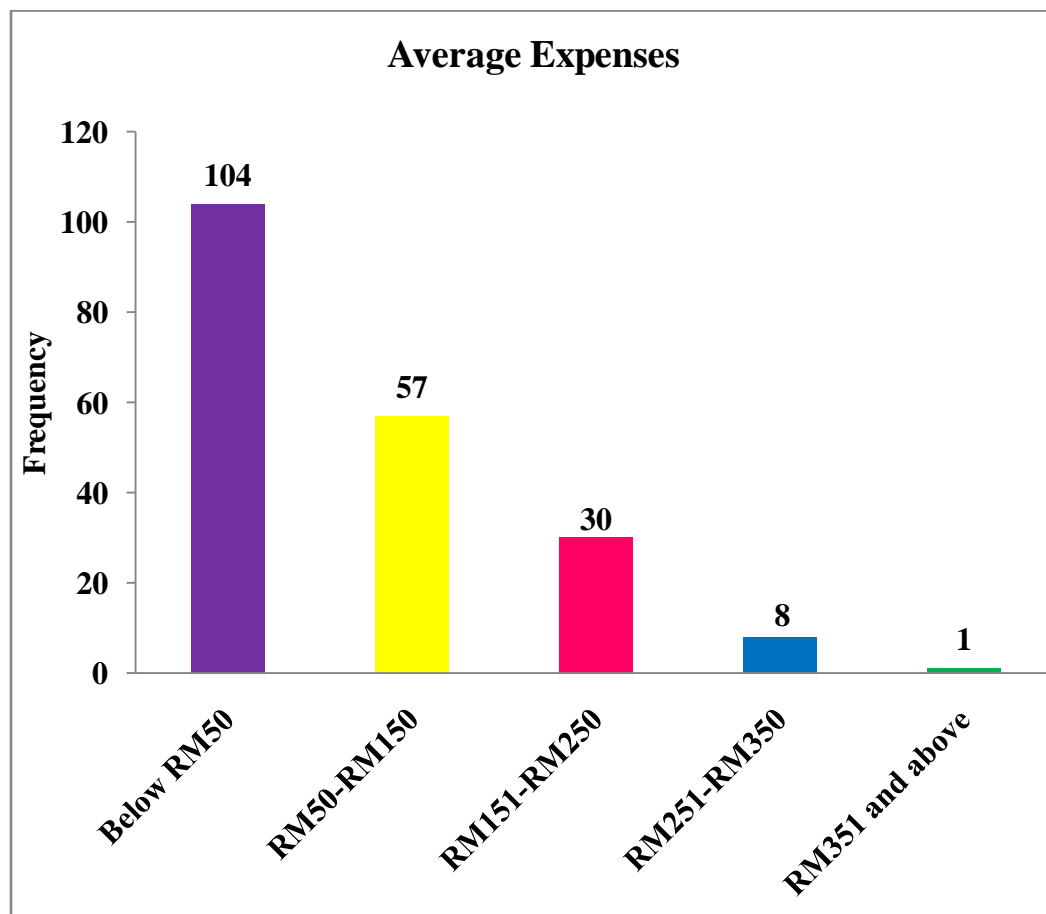
<u>Scale Measurement</u>

Reliability Analysis

Service Quality

		N	%
Cases	Valid	200	100.0
	Excluded[a]	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistic (Service Quality)

Cronbach's Alpha	N of Items
.903	22

Relational Benefits

		N	%
Cases	Valid	200	100.0
	Excluded[a]	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistic (Relational Benefits)

Cronbach's Alpha	N of Items
.898	13

Confidence Benefits

		N	%
Cases	Valid	200	100.0
	Excluded[a]	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistic (Confidence Benefits)

Cronbach's Alpha	N of Items
.798	4

Social Benefits

		N	%
Cases	Valid	200	100.0
	Excluded[a]	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistic (Social Benefits)

Cronbach's Alpha	N of Items
.896	4

Special Treatment Benefits

		N	%
Cases	Valid	200	100.0
	Excluded[a]	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistic (Special Treatment Benefits)

Cronbach's Alpha	N of Items
.923	5

Perceived Value

		N	%
Cases	Valid	200	100.0
	Excluded[a]	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistic (Perceived Value)

Cronbach's Alpha	N of Items
.917	3

Customer Satisfaction

		N	%
Cases	Valid	200	100.0
	Excluded[a]	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statisctic (Customer Satisfaction)

Cronbach's Alpha	N of Items
.881	4

Customer Loyalty

		N	%
Cases	Valid	200	100.0
	Excluded[a]	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistic (Customer Loyalty)

Cronbach's Alpha	N of Items
.740	6

Inferential Analyses

Simple Regression Analysis (Service Quality to Customer Satisfaction)

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	service quality[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: customer satisfaction

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.564[a]	.318	.314	.47818

a. Predictors: (Constant), service quality

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.070	1	21.070	92.147	.000[a]
	Residual	45.274	198	.229		
	Total	66.344	199			

a. Predictors: (Constant), service quality

b. Dependent Variable: customer satisfaction

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.067	.283		3.772	.000
	service quality	.722	.075	.564	9.599	.000

a. Dependent Variable: customer satisfaction

Simple Regression Analysis (Customer Satisfaction to Customer Loyalty)

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	customer satisfaction[a]		.Enter

a. All requested variables entered.

b. Dependent Variable: customer loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.591[a]	.350	.346	.50901

a. Predictors: (Constant), customer satisfaction

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.579	1	27.579	106.444	.000[a]
	Residual	51.301	198	.259		
	Total	78.880	199			

a. Predictors: (Constant), customer satisfaction

b. Dependent Variable: customer loyalty

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.831	.238		3.493	.001
	customer satisfaction	.645	.062	.591	10.317	.000

a. Dependent Variable: customer loyalty

Multiple Regression Analysis (Relational Benefits to Customer Satisfaction)

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	special treatment benefits, confidence benefits, social benefits[a]	.	Enter

a. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.603[a]	.364	.354	.46411

a. Predictors: (Constant), special treatment benefits, confidence benefits, social benefits

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.126	3	8.042	37.336	.000[a]
	Residual	42.218	196	.215		
	Total	66.344	199			

a. Predictors: (Constant), special treatment benefits, confidence benefits, social benefits

b. Dependent Variable: customer satisfaction

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.795	.198		9.057	.000
	confidence benefits	.346	.059	.381	5.894	.000
	social benefits	.195	.044	.315	4.489	.000
	special treatment benefits	.009	.042	.014	.216	.830

a. Dependent Variable: customer satisfaction

Moderator Analysis (Perceived Value)

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	SQPV, service quality[a]	.	Enter

a. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703[a]	.494	.488	.41296

a. Predictors: (Constant), SQPV, service quality

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.747	2	16.374	96.011	.000[a]
	Residual	33.596	197	.171		
	Total	66.344	199			

a. Predictors: (Constant), SQPV, service quality

b. Dependent Variable: customer satisfaction

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.874	.263		7.125	.000
	service quality	.159	.094	.124	1.689	.093
	SQPV	.001	.000	.608	8.275	.000

a. Dependent Variable: customer satisfaction

Mediation Analysis (Service Quality- Customer Satisfaction – Customer Loyalty)

1) Simple regression on the independent variable predicts mediator.

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	service quality[a]		. Enter

a. All requested variables entered.

b. Dependent Variable: customer satisfaction

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.564[a]	.318	.314	.47818

a. Predictors: (Constant), service quality

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.070	1	21.070	92.147	.000[a]
	Residual	45.274	198	.229		
	Total	66.344	199			

a. Predictors: (Constant), service quality

b. Dependent Variable: customer satisfaction

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.067	.283		3.772	.000		
	service quality	.722	.075	.564	9.599	.000	1.000	1.000

a. Dependent Variable: customer satisfaction

2) Multiple regressions on both independent variable and mediator predict dependent variable

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	customer satisfaction, service quality[a]		. Enter

a. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.598[a]	.358	.352	.50694

a. Predictors: (Constant), customer satisfaction, service quality

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.253	2	14.127	54.970	.000[a]
	Residual	50.627	197	.257		
	Total	78.880	199			

a. Predictors: (Constant), customer satisfaction, service quality

b. Dependent Variable: customer loyalty

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.506	.310		1.629	.105		
	service quality	.156	.097	.112	1.620	.107	.682	1.465
	customer satisfaction	.576	.075	.528	7.645	.000	.682	1.465

a. Dependent Variable: customer loyalty

3) Simple regression on the independent variable predicts dependent variable.

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	service quality[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: customer loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.410[a]	.168	.164	.57580

a. Predictors: (Constant), service quality

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.234	1	13.234	39.916	.000[a]
	Residual	65.646	198	.332		
	Total	78.880	199			

a. Predictors: (Constant), service quality

b. Dependent Variable: customer loyalty

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.120	.341		3.290	.001		
	service quality	.572	.091	.410	6.318	.000	1.000	1.000

a. Dependent Variable: customer loyalty

Mediation Analysis (Relational Benefits - Customer Satisfaction – Customer Loyalty)

1) Simple regression on the independent variable predicts mediator

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	relational benefits[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: customer satisfaction

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.526[a]	.277	.273	.49231

a. Predictors: (Constant), relational benefits

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.355	1	18.355	75.734	.000[a]
	Residual	47.988	198	.242		
	Total	66.344	199			

a. Predictors: (Constant), relational benefits

b. Dependent Variable: customer satisfaction

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	2.296	.172		13.338	.000		
	relational benefits	.463	.053	.526	8.703	.000	1.000	1.000

a. Dependent Variable: customer satisfaction

2) Multiple regressions on both independent variable and mediator predict dependent variable.

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	customer satisfaction, relational benefits[a]	.	Enter

a. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.609[a]	.371	.364	.50190

a. Predictors: (Constant), customer satisfaction, relational benefits

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.254	2	14.627	58.065	.000[a]
	Residual	49.626	197	.252		
	Total	78.880	199			

a. Predictors: (Constant), customer satisfaction, relational benefits

b. Dependent Variable: customer loyalty

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.680	.242		2.811	.005		
	relational benefits	.164	.064	.171	2.579	.011	.723	1.382
	customer satisfaction	.546	.072	.501	7.543	.000	.723	1.382

a. Dependent Variable: customer loyalty

3) Simple regression on the independent variable predicts dependent variable.

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	relational benefits[a]		. Enter

a. All requested variables entered.

b. Dependent Variable: customer loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.435[a]	.189	.185	.56834

a. Predictors: (Constant), relational benefits

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.923	1	14.923	46.199	.000[a]
	Residual	63.957	198	.323		
	Total	78.880	199			

a. Predictors: (Constant), relational benefits

b. Dependent Variable: customer loyalty

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.934	.199		9.734	.000		
	relational benefits	.417	.061	.435	6.797	.000	1.000	1.000

a. Dependent Variable: customer loyalty