

Identification of Customer Loyalty Determinants in Service Industry

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Abstract In the context of an increasingly competitive industry, customer loyalty is seen as a key factor in winning company. Forming a loyal customer is an important thing for company management. This article is a literature review of the factors that are the determinants of customer loyalty in the service industry. Through this article, the authors attempt to identify the various factors that are determinants of customer market share and to develop a sustainable competitive advantage. Customer's loyalty is one key to the success in the service industry.

Keywords: customer loyalty, satisfaction, commitment, trust, satisfaction, brand equity, service quality, perceived price, customer perceived value

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1. Introduction

Organizations today face the challenges of a diverse and extraordinary. Therefore organizations must manage the uncertainty of the environment in order to be effective [1]. In the face of competition and limited resources, the marketers shifting their focus from efforts to gain new customers on the efforts to retain existing customers, and of completing the deal "one shot" into securing customers' lifetime value [2,3].

Therefore, in the context of an increasingly competitive industry, customer loyalty is seen as a key factor in winning market share and to develop a sustainable competitive advantage. In the service industry, a typical feature requires an understanding of customer service, satisfying the needs and expectations, create, communicate and deliver customer value, and keeping promises [4].

Loyal customers are believed to be an asset for marketers, because the loyalty expected to persist in the long term. With the loyal customer, business marketers to find and develop new customers will be reduced. Has long been recognized that efforts to get new loyal customer takes effort and cost you a bit [5,6,7,8].

Loyal customers will have an impact on repeat purchases, word of mouth recommendations, and customer resistance. Customer loyalty is the customer's intention to re-use the products offered marketers based on experience and their expectations in the past [9]. Loyalty is also a psychologically deep commitment to buy consistently repeated in the future despite attractive offers from competitors to switch brands. In this context, the

fundamental question is how to create loyal customers, as well as what are the factors that affect customer loyalty? Understanding why or how customer loyalty continues to be one of the issues that are important marketing management services to date [10].

This article is a literature review of the factors that are the determinants of customer loyalty in the service industry. Empirical research on customer loyalty has been a lot done. However until now still not reached a consensus on the key factors that shape the loyalty of customers [11,12,13,14,15] showed that the main factor for the formation of a very complex and dynamic loyalty because customers are constantly changing and evolving over time. Therefore, Knox & Walker [13] suggested that need more research on this. A number of research shows that there are several factors that are antecedents of customer loyalty. In this article the variables that will be studied as a determinant of customer loyalty is the quality of service, price perception, the perception of value, brand equity, customer satisfaction, customer trust and customer commitment.

2. Literature Review

2.1. Service Quality

To achieve customer satisfaction, quality of service is an important determinant to be considered by the service provider. Because of the quality of the received or perceived as customer perception of overall quality or excellence of a product or service that is pleased with the intention expected. Quality of service related to customer

satisfaction. Correspondingly, the Rial et al. [16] stated that the quality of support services is very strong impact on satisfaction with the service provider. Thus, service providers should always be open and always learn to what the customer wants. If this is true then the customer satisfaction will be achieved. Empirical research Ravichandran et al. [17], Dai et al. [18], Shlash & Alhamdani [19], Mohammad & Alhamadani [20], Hu [21], Rahman et al. [22], Shpëtim [23], Zafar et al. [24], Ramseook-Munhurrin [25], as well as Madjid et al. [26] showed that customer loyalty can also be influenced by the quality of service.

2.2. Perceived Price

While the products, distribution, and promotion resulted in the expenditure of resources, the price is one of the elements of the marketing mix that directly affect the inflow of resources. For this reason, the activity is important for managers to organize and manage the price. To manage effective pricing decisions, marketing managers must seek to understand how consumers respond to price changes. For customers, the perceived price, which includes the time, effort and cost of the search, is more meaningful than the actual monetary price of goods and services. Customers usually as a judge in deciding the price and quality of service as well as generating satisfaction or dissatisfaction levels are based on the concept of "equity" [27]. In other words, in the evaluation of the reasonableness of the overall price, customers consider cost of the monetary and non-monetary acquire products or services [28,29,30].

Previously, Fornell, et al. [11] suggested that affects price perceptions of customer satisfaction. Similarly, Voss, et al. [31] suggested that satisfaction affects price perceptions. In addition, other studies also indicate that price is considered to be very important in determining the duration of the provider-customer relationship [32]. Because it can be said that the perception of price is one of the determinants of satisfaction, trust, commitment and customer loyalty [11,31,32].

2.3. Customer Perceived Value

Other factors that affect consumer loyalty is the value received by the consumer in any transactions with service providers. No high-value services by itself but must go through the process of creating value from the consumer. Customer value is a sense of joy and consumer evaluation of the product attributes, attributes of performance, and the consequences arising out of the use of facilities in achieving the goals and intentions of consumers in the situation that connect the product situation and consequences related to that experienced by consumers who are goal-oriented [33].

Values can be seen from a different perspective, from the perspective of normative-marketing strategies and consumer behavior-descriptive perspective. In a normative perspective of marketing strategy, customer value creation is one of the key elements for the success of a company. Meanwhile, from the perspective of consumer behavior descriptive, value is something desirable, useful or important. Therefore, people will be able to achieve some of their

personal value through the possession or consumption of the product [34,35]. In this context, consumers buy products not for the sake of "transaction value" (the value of customers) but for the benefit of products that will satisfy their needs or personal values.

Customer value is a consequence of the subjective evaluation which is the sum of a variety of perceived benefits and costs, taking into account different factors. In other words, the perceived value of customers is the surplus (or difference) between the perceived benefits and costs, which refers to the subjective rate of return for the cost of customer perceived. Therefore, to establish customer loyalty is high, then a company must be able to deliver high customer value as well.

2.4. Brand Equity

Brand equity is a series of brand assets and liabilities associated with a brand name and symbol that add or subtract a given value of a product or service to the company [5]. From this perspective, brand equity is formulated from the standpoint of managerial and corporate strategy, although the main foundation is consumer behavior. According to him, the brand equity can be valuable for the company (company-based brand equity) and the customer (customer-based brand equity). Services brand equity has been recognized as an important marketing construct. To create loyalty, one of which must be owned by the company is to build a strong brand that consumers always faithful [36]. An important reason for managing and developing their brand equity is more brand more meaningful than just products. Product dimensions only describes the attributes to be exchanged and easily imitated by other companies, while brand can explain the specific emotions and relationships with customers as well as the nature of intangible (intangible) that are not easily copied by competitors. The stronger the brand equity of a product, the stronger the appeal in the eyes of the consumer to choose the product motivated. To foster brand loyalty. If consumers believe that a particular brand is physically different from competing brands, the brand image will be attached on an ongoing basis so as to form a loyalty to a particular brand, which in turn will create customer loyalty [37].

Brand equity also affect the attitude and the confidence of consumers in making purchasing decisions, either because of past experiences in using the brand, as well as proximity to the brand and the various characteristics possessed by the brand. Brand equity is empirically also a determining factor of satisfaction, trust, commitment and customer loyalty [38-46].

2.5. Customer Satisfaction

To realize that loyal customers, it is necessary to customer satisfaction. In other words, a satisfied customer will tend to be loyal. Correspondingly, the satisfaction of having a close relationship with the level of loyalty. However, the reality in the market shows that consumers are satisfied it is difficult to be loyal. Some results of empirical research shows that the tendency to make the shift more brands carried by consumers satisfied. This shows that the satisfaction and loyalty do not have a

strong influence linearly to the same degree. That is, consumers are satisfied are not necessarily loyal.

In the context of a relationship, customer satisfaction resulting from a thorough evaluation of the services offered. The satisfaction of having a role in the formation of loyalty as satisfaction will strengthen the positive attitude of consumers who will direct them to a greater likelihood to repurchase the same products or services [47]. According to Verhoef [48] as the emotional nuances of satisfaction is the result of interaction with the company all the time. These emotional states must be maintained and upgraded by the service provider. Customer satisfaction is important for long-term success of the company [49]. Satisfaction is not enough if consumers are not turning back or be loyal.

2.6. Customer Trust

Trust is a desire to maintain the exchange because it is believed [50]). The essence of trust is confidence. Confidence arises because both parties believe that they will be trustworthy, have integrity, consistent, competent, fair, responsible, helpful, and a number of other positive properties. Trust more emphasis on the psychological state of a person to accept what is on the behavior of others, based on trust or positive expectations on him [51]. Meanwhile, Nicholson et al. [52] suggested that trust is a positive expectation on other parties in a risky situation, and trust can serve as a foundation based on any cooperation.

Trust has the basic elements of such trust in a partner or the other, based on the belief that positive expectations (without suspicion), and the relationship to risk between the two parties. Similarly, trust is also a desire to maintain a trusted partner [53]. Therefore, trust is an important factor contributing to the development of relations and will affect customer satisfaction due to the marketing relationship [54].

3. Discussion

3.1. Relationship of Service Quality with Satisfaction, Trust, Commitment and Loyalty

Has long been recognized that the quality of service is an antecedent of the concept of customer satisfaction wider [55,56,57,58], and the relationship between quality of service and loyalty mediated by satisfaction [59,60]. Customer satisfaction is the evaluation of the overall service. This is a reflection of customers in making their purchases earlier. Customer satisfaction on quality services that will have the trust, commitment and loyalty over the service provider, and the products or services offered.

Some findings empirically that shows the relationship between quality of service and satisfaction, trust, commitment and loyalty of which is the result of research conducted by the Hadioetomo [61], Hatane and Wijaya [62], Hamadi [63], Yee & Faziharudean [64], Deng et al. [65], Ravichandran et al. [17], Dai et al. [18], Shlash & Alhamdani [19], Mohammad & Alhamadani [20], Hu [21],

Rahman et al. [22], Shpëtim [23], Zafar et al. [24], Ramseook-Munhurrun [25], Madjid et al. [26], Sarker and Islam [66], Arfaeian & Chaipoopirutana [67], Rasheed & Eternal [68], and Chou [69].

From the description of the theoretical and empirical findings of the above it can be concluded that service quality has a positive relationship with satisfaction, trust, commitment and customer loyalty. Because of it, the propositions can be formulated as follows:

P1a Quality of service has a positive relationship with customer satisfaction

P1b Quality of service has a positive relationship with customer trust

P1c Quality of service has a positive relationship with customer commitment

P1d Quality of service has a positive relationship with customer loyalty.

3.2. Relationship of Price Perception with Satisfaction, Trust, Commitment and Loyalty

Price is an important factor of customer satisfaction, because every time a consumer evaluate the value of a product or service that is acquired, they usually think of the price [28,70,71,72,73]. Zeithaml & Bitner [56] showed that the level of satisfaction is subject to the factors of quality of service, product quality, price, situation, and personal factors. According to Zeithaml [70] prices is something that must be sacrificed to get some kind of product or service from conception cognitive consumers. Typically, the lower the perceived price, the lower the perceived sacrifice. Prices are in accordance with the quality of products or services as well as customer expectations will arouse their desire to believe, committed and loyal to the products or services offered.

Some empirical findings that show the relationship between the perception of price satisfaction, trust, commitment and loyalty among customers is the result of research conducted by Bolton et al. [32], Cronin et al. [28], Sarker and Islam [66], Yeboah et al. [46]. From the description of the theoretical and empirical findings of the above it can be concluded that the perception of the price has a positive relationship with satisfaction, trust, commitment and customer loyalty. So, the propositions can be formulated as follows:

P2a price perception has a positive relationship with customer satisfaction

P2b price perception has a positive relationship with customer trust

P2c price perception has a positive relationship with customer commitment

P2d price perception has a positive relationship with customer loyalty

3.3. Relationship of Value Perceptions with Satisfaction, Trust, Commitment, and Customer Loyalty

Customer satisfaction is a comparison between acceptable performance with expectations, where customer satisfaction depends on the perception of customer value itself

[74]. The higher the value of the attribute received by customers increased, their satisfaction with the service provider will also increase. Therefore it can be said there is a positive and significant relationship between perceived value and customer satisfaction [75,76,77]. Consumer perceived value can build relationships with consumers, the company's credibility, trust, and customer loyalty. Similarly, there is the influence of values, loyalty, and profit. The higher the perceived value the higher the profit earned loyalty and customer [78].

If the customer assessment is good, then the customer will be satisfied, moreover, they will reuse (repeat customer), promoting word of mouth to friends, relatives and acquaintances, and have immunity over competing bids (Griffin, 1995) of the value of outstanding service will create customer loyalty to the company. By creating customer value every day and every moment, will increase loyalty. Therefore, it can be said that the level of customer loyalty is influenced by consumers' perceptions of the value offered by the company [79].

Some empirical findings that show the relationship between perceived value and satisfaction, trust, commitment and loyalty among customers is the result of research conducted by Roig et al. [80], Hatane and Wijaya [62], Anuwichanont & Mechinda [81], Deng et al. [65], Yee & Faziharudean [64], Khan [82], Rudyanto [10], Jumaev et al. [83], Rashed & Eternal [84], as well as Arfeian & Chaipoopirutana [67].

From the description of the theoretical and empirical findings of the above it can be concluded that the perception of value has a positive relationship with satisfaction, trust, commitment and customer loyalty. So, the propositions can be formulated as follows:

P3a perception of value has a positive relationship with customer satisfaction

P3b perception of value has a positive relationship with customer trust

P3c perception of value has a positive relationship with customer commitment

P3d perception of value has a positive relationship with customer loyalty.

3.4. The Relationship of Brand Equity with Satisfaction, Trust, Commitment and Loyalty

A brand that has equity means addressed positively by consumers. A positive attitude will also encourage the formation of loyalty [85,86], which allows the purchase of a recurring basis. Strong brands attract consumers to use brands factor in making purchasing decisions. Strong brand equity will shape customer expectations towards prosuk and services offered. Further evaluation of post-consumption customers will determine their level of satisfaction or dissatisfaction. But many empirical findings show that brand equity has a close relationship with customer satisfaction. Similarly, the experience gained customer satisfaction on consumer products and services that have a strong brand equity, will establish trust and their commitment to products and services.

Some empirical findings that show the relationship between brand equity with satisfaction, trust, commitment and loyalty among customers is the result of research

conducted by Ahmad and Hashim [38], Hu [21], Nam et al. [87], Nemati & Anees [44], Yeboah et al. [46], Dlačić & Kezman [40], Saeednia & Masoumi [41], Nourali et al. [45] and Katigari & Monsef [42].

From the description of the theoretical and empirical findings of the above it can be concluded that brand equity has a positive relationship with customer satisfaction. So, the propositions can be formulated as follows:

P4a Brand equity has positive relationship with customer satisfaction

P4b Brand equity has positive relationship with customer trust

P4c Brand equity has positive relationship with customer commitment

P4d Brand equity has positive relationship with customer loyalty.

3.5. The Relationship of Trust with the Customer Satisfaction, Commitment and Customer Satisfaction

Trust in a brand is formed by a certain period after the consumer feel the satisfaction gained from the advantages and benefits obtained after consuming a product. Consumer confidence in the brand gained after positive emotional closeness of the relationship between companies and consumers. Satisfaction with the service provided is a device that increases the spirit of cooperation. Therefore there is a significant relationship between satisfaction with the commitment on a long-term relationship (Morgan & Hunt, [50]. Bloemer & Odekerken-Schroder [88] states, consumer satisfaction positive effect on their commitments, then the effect on consumer loyalty is. More specifically, Hennig-Thurau & Klee [89], Hennig-Thurau et. al. [90], and Tax & Brown [91] explained that consumers are satisfied will impact directly on commitments arising from within the consumer a high level of satisfaction that will direct consumers to create commitment and influence the emotional bond.

Satisfaction are the most important factors that influence customer loyalty [47,92]. In a long term relationship customers not only expect high quality of the main services but also the added benefit of continuing a relationship. Satisfied and loyal customers an opportunity to gain new customers through word of mouth recommendation. Customer satisfaction has a positive relationship and significant impact on customer loyalty [93]. More and more consumers meet their expectations for purchases or services are used, the higher the likelihood that the consumer will repeat purchases in the formation of the same [92].

Some empirical findings that show the relationship between satisfaction with trust, commitment and loyalty among customers is the result of research conducted by Hatane and Wijaya [62], Akbar & Parvez [94], Roig et al. [80], Anuwichanont & Mechinda [81], Brakus et al. [95], Deng et al. [65], Hamadi [63], Hsu et al. [94], Santouridis & Trivellas [96], Rudyanto [10], Shpëtim [23], Lovblad et al. [97], Zafar et al. [34], Vuuren et al. [98], Hazra [99], Madjid et al. [26], Agyei & Kilika [100], as well as Arfaeian & Chaipoopirutana [67]. From the description of the theoretical and empirical findings of the above it can be concluded that satisfaction has a positive relationship

with trust, commitment and customer loyalty. So, the propositions can be formulated as follows:

P5a Customer satisfaction has a positive relationship with customer trust

P5b Customer satisfaction has a positive relationship with customer commitment

P5c Customer satisfaction has a positive relationship with customer loyalty.

3.6. The Relationship of Trust with Commitment and Customer Loyalty

Consumer confidence in the service providers will increase the value of the relationship with the service provider. Ramsey and Sohi [101] suggests that trust is an important element that affects the quality of a relationship. Therefore, the more confidence as the variable that precedes the commitment [102]. Morgan & Hunt [50] add that high trust will be an effect on decreasing the possibility to transfer to another service provider. Correspondingly, Kurniasari and Ernawati (2012) argued that trust is a fundamental part to the formation of commitments, and commitments have a tendency to fight preferences become a key pioneer for loyalty.

Some findings empirically that shows the relationship between the trust with the commitment and loyalty of which is the result of research conducted by Wang [103], Hatane and Wijaya [62], Anuwichanot & Mechinda [81], Lita [104], Deng et al. [65], Yee & Faziharudean [64], Hsu et al. [94], Kuppelwiesser et al. [105], Rudyanto [10], Lovbland et al. [97], Jumaev et al. [83], Vuuren et al. [98], Shpëtim [23], Amin et al. [106], Madjid et al. [26], Rasheed & Eternal [68], Hazra [99], Arfaeian & Chaipoopirutana [67], and Chou [69]. From the description of the theoretical and empirical findings of the above it can be concluded that the trust customers have a positive relationship with commitment and customer loyalty. So, the propositions can be formulated as follows:

P6atrust have a positive relationship with customer commitment

P6btrust have a positive relationship with customer loyalty

3.7. The relationship of Customer Commitment to Customer Loyalty

Linkages commitment and customer loyalty proposed by Nielsen (1998), that an increased commitment will affect the increased customer loyalty. This is understandable, given the high commitment to make the customer maintain good relations have been established with service providers.

Some empirical findings that show the relationship between customer commitment to customer loyalty among which are the result of research conducted by Roig et al. [80], Lita [104], Marshall [107], Jones et al. [108], Dagger et al. [109], Dai et al. [18], Jumaev et al. [83], Vuuren et al. [98], Madjid et al. [26], Martini [110], Lariviere et al. [111].

From the description of the theoretical and empirical findings of the above it can be concluded that the commitment to the customer has a relationship with

customer loyalty. So, the proposition can be formulated as follows:

P7 customer commitment has a positive relationship with customer loyalty

4. Conclusion

Loyal customer is one key to the success of a service company. Forming a loyal customer is an important thing for company management. Attempts to get a loyal customer has been studied empirically. Through this article, the authors attempt to identify the various factors that are determinants of customer loyalty in the service industry. From the foregoing discussion, it is known that service quality, perceived price, customer perceived value, brand equity, customer satisfaction, customer trust and customer commitment are the primary determinants of customer loyalty in the service industry. This shows that in order to establish customer loyalty, initiated through the provision of quality services, reasonable pricing, create and provide good value for customers, as well as creating a positive brand equity. These efforts will bring satisfaction to the customers in the short term, and will further lead to trust and commitment from them, both for services and companies. Continuously, trust and commitment will establish customer loyalty. Through the loyal customers, the company will get benefit in long term. Therefore, managers need to give more attention to efforts to get a loyal customer.

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