

# **THE INFLUENCE OF SERVICE QUALITY ON CUSTOMER SATISFACTION AND SERVICE (EMPIRICAL STUDY AT CELEBRITY FITNESS JAKARTA)**

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## **ABSTRACT**

The purpose of this study is to investigate technical competence and relational competence as element of service quality (Lagrosen, 2007) contributes in customer satisfaction development. In addition the study aims to investigate the contribution of customer satisfaction to service loyalty which measured by three elements, behavior, attitude, and cognition.. This study use a combination of two research designs; descriptive and causal research design. The empirical tests using a structural equation model to support the research hypotheses. The data is collected from questionnaire, which are distributed at Celebrity Fitness in Jakarta. The research findings show that technical competence and relational competence, as a dimension of service quality has a positive relationship towards customer satisfaction. Findings also show that customer satisfaction has a positive relationship towards service loyalty. The last finding shows service loyalty is known as a multidimension structure with three dimension: behavior, attitude, cognition. This research does not compare other fitness centers. For the further research, the researcher can conduct a research in some fitness centers as a subject. It probably can be found new inventions dealing with customers' attitude towards service quality that has a huge effect to the customer satisfaction and service loyalty. A useful foundation whereby practitioners can appreciate the importance of service quality, developing and maintaining service quality and also useful for managers of fitness companies when designing and managing fitness business.

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This paper presents a framework of service quality, customer satisfaction and service loyalty. This paper fulfills and identifies information and resource needs, and offers practical assistance to academics and practitioners in the field.

**Keywords:** service quality, customer satisfaction, service loyalty

## INTRODUCTION

Fitness centers in Indonesia happened during the economic crisis of 1997 and 1998. It's interesting to note that when the economy was in havoc that was the time when people started to get more interested in fitness. At that time, people were stressed and there was uncertainty in business. What they could control was their bodies, so there was an increase in the demand for fitness centers. This was observed by business players in the health industry, who consequently opened more gyms.

According to The International Health, Racquet and Sports Club Association (IHRSA) data 2007, their assessment of the Indonesian market concentrates on the top 6 cities – this is where the operators are more established. In terms of club numbers, the Indonesian market appears to have enjoyed significant growth with a net gain of 180 clubs or 43% - which is compounded by the faster increase in the number of members (143%). However, it also appears that pricing, which has dropped by an average of \$5 per month, has dampened some of the revenue growth – which could be the result of a change in club mix with an increase in larger format, more ‘mass market’ clubs opening.

Fitness services consist of a wide range of activities like Aerobics, Yoga, Pilates, Strength Training, Cardiovascular Training, Personal Training, with professional trainers and staff to ensure the service is delivered. The Indonesia-based fitness center, Celebrity Fitness is one of the first centers to combine fitness and entertainment. They strive to create a concept where the words “fun” and “fitness” can finally be mentioned in the same breath. World class quality is their top priority, as all members are treated like celebrities by providing a café, vanity room, sauna and steam room. Meanwhile, to facilitate a

sculpted body, Celebrity Fitness offers Rapid Results Training, a certified personal training session providing the most comprehensive health program with a personal touch.

Today, fitness industry in Indonesia is assaulted by the pressures of globalization, competition, and volatile market dynamics. The fitness industry relies on the important of service quality that give impact to customer satisfaction. Highly satisfied customers may not exhibit high repeat patronage due to some situational or environment factors, that is latent loyalty. On the whole, satisfaction is one of the drivers of customer loyalty.

Service loyalty create customer repeat purchase behavior, word of mouth, long period of usage, price tolerance, repeat purchase intention, preference, choice reduction behavior and being the first in mind customers, which are all the measures of service loyalty that strike through intense competition. Therefore, it is crucial to acknowledge the factors that drive service loyalty to the highest level. Many findings in service quality research have shown that perceived quality is a key determinant of customer satisfaction, which in turns generate service loyalty.

While fitness industry growing quickly, there is no concept evidence stated that technical competence and relational competence, as service competence, has a positive influence on customer satisfaction. Furthermore, there is no measurement that showed satisfaction high impact on service loyalty that consists on behavior, attitude and cognition.

The concept of loyalty must be further explored to the service aspect, but in fact, this area is still remained relatively underdeveloped with two obvious loopholes. The first loophole is that there is no consensus on the antecedent of service loyalty. Thus, assessment of service loyalty should be elaborated to include the investigation of the effect of customer satisfaction. The second one is concerning the ambiguous operationalization of service loyalty construct, as a number of service loyalty measured have emerged.

The purpose of this study is to investigate technical competence and relational competence as element of service quality (Lagrosen, 2007)

contributes in customer satisfaction development. In addition the study aims to investigate the contribution of customer satisfaction to service loyalty which measured by three elements, behavior, attitude, and cognition.

## LITERATURE REVIEW

Lehtinen and Lehtinen (1982) defined service quality in terms of physical quality, interactive quality, and corporate (image) quality. Physical quality relates to the tangible aspects of a service. Interactive quality refers to the two-way interaction between a customer and a service provider (or the provider's representative), including both automated and animated interactions. Corporate quality refers to the image attributed to a service provider by its current and potential customers.

With respect to enablers, two direct factors were identified from analysis of the data (Lagrosen, 2007). The direct enablers were as follows:

1. **Technical competence.** This refers to a service provider's ability to provide a required service. This factor also included the range and sophistication of exercises and treatments offered by a fitness center.
2. **Relational competence.** This refers to the ability of the personnel to behave in pleasant manner towards the customers by displaying friendliness, empathy, attention to customer needs, courtesy and helpfulness.

The technical quality identified by Gronroos (1990,2000) correspond to the category of "technical competence". Facilities and equipment influenced this factor, the second quality which is functional quality, resembles the "relational competence" that focused on human aspects than was Gronroos functional quality. This human aspect is important in fitness centers, which entail significant interaction between staff members and customers. Services that are consumed in the leisure time of consumers often involve social support, which means that the communication of the service provider's staff improves the customers' self esteem, creates a sense

of social connection or reduces uncertainty (Adelman, et al., 1994). This makes relational competence especially vital in these activities.

Customer satisfaction is generally described as the full meeting of one's expectations (Oliver, 1980). Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. Customer satisfaction is a major outcome of marketing activity whereby it serves as link between the various stages of consumer buying behavior. For instance, if customers are satisfied with a particular service offering after its use, then they are likely to engage in repeat purchase and try line extensions (East, 1987). Customer Satisfaction is widely recognized as key influence in the formation of customers future purchase intention.

A highly satisfied customers stays loyal longer, buys more as the company introduces new products and upgrades existing products, talks favorably about the company and its products, pays less attention to competing brands and is less sensitive to price, offers products or service ideas to the company, and costs less to serve than new customers because transactions are routine (Kotler, 2003). Dissatisfied customer are likely to switch brands and engage in negative word of mouth advertising. Furthermore, behaviors such as repeat purchase and worth of mouth directly affect the viability and profitability of a firm (Dobholkar et al. 1996).

Good customer satisfaction has an effect on the profitability of nearly every business. For example, when customers perceive good service, each will typically tell nine to ten people. It is estimated that nearly one half of American business is built upon this informal. "word of mouth" communication (Gitomer, 1998; Reck, 1991). Improvement in customer retention by even a few percentage points can increase profits by 25 % or more (Griffin, 1995).

However, a lack of customer satisfaction has an even larger effect on the bottom line. Customers who receive poor service will typically relate their dissatisfaction to between fifteen and twenty others. The cost of gaining a new customer is ten times greater than the costs of keeping a satisfied customer (Gitomer, 1998). In addition, if the service incident is so negative, the negative effects can last years

through repeated recollection and recounting of the negative experience (Gitomer, 1998; Reck, 1991).

Thus, the measurement scale for the customer satisfaction in this research will be validated and adapted from the well-established scale from Taylor and Baker (1994) with items, consist of:

- Compared to the previous experiences, you are happy having service from this company in the most recent experience.
- The services provided by this company do meet your satisfaction.
- You believe that having service from this company is usually a satisfying experience.
- Overall, you believe that you are pleased with this company services.
- Until now, you are satisfied with service delivered by this company.

Service loyalty is the degree to which a customer exhibits repeats purchasing behavior from service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises.

There are three main aspect of service loyalty:

1. **Behavioral** loyalty is measured by repeat patronage, repeat purchasing, or commitment to repurchase (Dick and Basu, 1994; Gremler and Brown, 1996; Oliver, 1999). Behavioral-related outcome (Jones and Taylor, 2007): *Repurchase intention*: Customer's aim to maintain a relationship with a particular service provider and make his or her next purchase in the category from this service provider. *Switching intentions*: Customer's aim to terminate a relationship with a particular service provider and patronize another in the same category. *Exclusive intentions*: Customer's aim to dedicate all of his or her purchases in a category to particular service provider.
2. **Attitudinal** dimensions are termed as a conscious effort to evaluate competing brands and consumers' preferences or intentions to select the brand (Gremler and Brown, 1996). Attitudinal-related outcome (Jones and Taylor, 2007): *Relative*

*attitude*: The appraisal of the service including the strength of that appraisal and the degree of differentiation from alternatives. *Willingness to recommend*:. Consumer willingness to recommend a service provider to other consumers. *Altruism*: Consumer's willingness to assist the service provider or other service consumers in the effective delivery of the service.

3. **Cognitive** loyalty refers to a brand that comes up first in customer's mind and that is more preferable than other alternatives when decide to make a purchase (Dick and Basu, 1994; Oliver, 1999). Cognitive-related outcome (Jones and Taylor, 2007): *Willingness to pay more*: Consumer's indifference to price differences between that of his or her current service provider and others in the same category. *Exclusive consideration*: The extent to which the consumer considers the service provider as his or her only choice when purchasing this type of service. *Identification*: The sense of ownership over the service, affiliation with the service provider, or congruence of values that exists between the service provider and the consumer.

## RESEARCH METHODOLOGY

This research is a systematic investigation into and study of fitness industry in Indonesia and the related factors in order to establish facts and reach accurate conclusions. According to the two dimensional model of Gronroos (1984), service quality consist of: *Technical Quality* corresponds to category of "technical competence" and the second quality is *Functional Quality* resembles the "relational competence" (Lagrosen, 2007). This research attempted to find out relationship of *service quality*, *customer satisfaction* and then measure service loyalty by incorporating behavioral, attitudinal and cognitive attributes.

Sampling design for this research is *probability sampling*. *Probability sampling* is a technique of drawing a sample in which each sampling unit has a known probability of being included in the sample. (Hair, Bush, and Ortinau, 2006, p. 330). In this research, types of *Probability sampling* method use *simple random sampling*. Simple random sampling, a probability sampling procedure that ensures every

sampling unit in target population has a known and equal chance of being selected (Hair, Bush, and Ortinau, 2006, p. 331).

In this research, variables and indicators or measurement are presented as follows:

**Table 1.** Variables and Indicators or Measurement

<b>Variable</b>	<b>Dimension</b>	<b>Indicator</b>
<b>Service Quality</b>	<ul style="list-style-type: none"> <li>• <b>Technical Competence</b></li>   <li>• <b>Relational Competence</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Quality of equipment (QE)</li> <li>▪ Personal trainer (PT)</li> <li>▪ Aerobic class (AC)</li> <li>▪ Changing room (RM)</li>   <li>▪ Friendliness (FR)</li> <li>▪ Empathy (EP)</li> <li>▪ Attention to customer needs (AN)</li> <li>▪ Courtesy (CT)</li> <li>▪ Helpfulness (HF)</li> </ul>
<b>Customer Satisfaction</b>		<ul style="list-style-type: none"> <li>▪ Happy vs. previous experience (HE)</li> <li>▪ Meet customer satisfaction (MCS)</li> <li>▪ Meet usual satisfying experience (MSE)</li> <li>▪ Overall customer is pleased (OC)</li> <li>▪ Customer is satisfied (CS)</li> </ul>
<b>Service Loyalty</b>	<ul style="list-style-type: none"> <li>• <b>Behavior (SLB)</b></li>   <li>• <b>Attitude (SLA)</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Repeat purchase behavior</li> <li>▪ Word of mouth</li> <li>▪ Period of usage</li> </ul>



Variable	Dimension	Indicator
	<ul style="list-style-type: none"> <li>• <b>Cognition (SLC)</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Price Tolerance</li> <li>▪ Repeat purchase intention</li> <li>▪ Preference</li>   <li>▪ Choice Reduction behavior</li> <li>▪ First in mind</li> </ul>

Structural equation modeling is a technique that allows separate relationships for each of set of dependent variables. Structural equation modeling provides the appropriate and most efficient estimation technique for a series of separate multiple regression equations estimated simultaneously. It is characterized by two basic components: the structural model and the measurement model. The structural model is the path model, which relates independent to dependent variables. The measurement model uses several variables (indicators) for a single independent or dependent variable.

The received data will be analysis based on the problem to be observed, available data source, and level of knowledge desired. Therefore, the analysis technique to be used in this observation is descriptive analysis technique, that is theory application and Hypothesis test prove by using Structural Equation Modeling (SEM) on Amos Program.

Hypothesis 1 : Technical competence, as service quality has positive relationship to customer satisfaction.

Hypothesis 2 : Relational competence, as service quality has positive relationship to customer satisfaction.

Hypothesis 3 : Customer satisfaction of the service has positive relationship to service loyalty.

Hypothesis 4 : Service loyalty is best conceived as multidimensional structure with three distinct dimensions: behavior, attitude, cognition.

## DISCUSSION & RESULT

Completing the Measurement Model Test, we perform the Structural Model Test. There are two used steps, Model Correspondence test and Path Coefficient Signification Test.

### **Structural Model Correspondence Test**

The hypothesis correlation of the test constructions on the recommended model is proved with the causal correlation among the constructions. This test is for examining the correspondence of the hypothesis model (the used model) with the empirical data (the collected samples). The examined statistic hypothesis on the Model Correspondence Test is stated below:

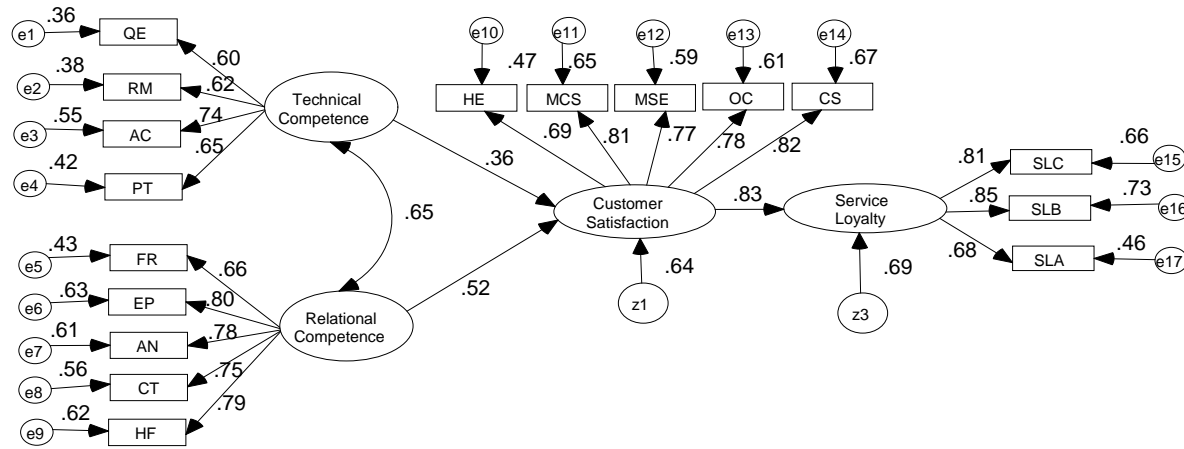
$H_0$  : There is not any difference between the sample covariant matrixes with the estimated population covariant ones.

$H_1$  : There are some differences between the sample covariant matrixes with the estimated population covariant ones.

In this test, we yearn that the zero hypothesis is not declined. In other words, if the zero hypothesis ( $H_0$ ) is accepted, there will be a correspondence between the Theoretical-Based Model Test with the Empirical-Based Data. In SEM analysis, there is not any single statistical test for the hypothesis test. In this observation, we use some Goodness of Fit Index Criteria, such as Absolute Fit Measures and incremental Fit measures. Absolute Fit Measures are used to value the correspondence model totally. In this section, we use Chi Square Statistics, Probability, CMIN/DF, GFI (Goodness of Fit index), and RMR. Meanwhile, Incremental Fit Measure is the measurement used for comparing the produced model with another model or Base Line Model. The used measure is Adjusted Good of Fit Index (AGFI) Statistics.

Final Structural Model – Structure Estimates:

Hypothesis testing  
 Chi-Square =220.969  
 Probability =.000  
 CMIN/DF =1.921  
 GFI =.883  
 AGFI =.845  
 RMSEA =.068



After that, we process model correspondence test demonstrated on the table below:

**Table 2.** After-Modification Properness Test

Index of Fit	Chi-Square	P	CMIN/DF	GFI	AGFI	RMSEA
Value	125.343	0.076	1.205	0.933	0.901	0.032
Result	Good Fit	Good Fit	Good Fit	Good Fit	Good Fit	Good Fit

Based on table, after doing modification, we get the following result:

1. Chi Square becomes 125.343 and probability number (P) is 0.076, fit to the sample, showing that the model is fit because the significance level is the small Chi Square and  $P > 0.05$
2. CMIN/DF= 1.205, showing under 2 recommended fit value.
3. The number of Goodness Fit Index (GFI) is 0.933, showing that the model is fit because the significance level is that  $GFI > 0.90$ .
4. The number of Adjusted Goodness Fit index (AGFI) is 0.901, showing that the model is fit because the significance level is that  $AGFI > 0.90$ .
5. Root mean Squared residual (RMR) is 0.127, showing that the model is not fit yet because it is over 0.05 while the good fit of  $RMR \leq 0.05$ .

Result of regression test shows that, all indicator variables are convergent because they all have over 0.50 loading factor. Therefore, all these indicators will be persisted as latent variable construction indicator.

### **Path Coefficient Signification Test**

The Equation measure of the model above can be seen below:

1. The Equation model measure of latent exogenous variable and latent endogenous variable:
  - a. Relational Competence =  $0.791 EP + 0.810 AN + 0.679 FR + 0.744 CT + 0.783 HF$
  - b. Technical competence =  $0.649 PT + 0.611 QE + 0.745 AC + 0.622 RM$

- c.  $\text{Customer Satisfaction} = 0.828 \text{ CS} + 0.771 \text{ OC} + 0.693 \text{ HE} + 0.743 \text{ MSE} + 0.814 \text{ MCS}$
- d.  $\text{Service Loyalty} = 0.854 \text{ SLB} + 0.675 \text{ SLA} + 0.811 \text{ SLC}$

2. The first model regression equation is:

$$\text{Customer Satisfaction} = 0.514 \text{ Relational Competence} + 0.342 \text{ Technical competence}$$

That means:

- Regression coefficient of Relational Competence is 0.514, showing that every increase of Relational Competence will increase 0.514 Customer Satisfaction.
- Regression coefficient of Technical competence is 0.342, showing that every increase of Technical competence will increase 0.342 Customer Satisfaction.
- Based on the measurement result, the dominant variabel toward the Customer Satisfaction is Relational Competence with 0.514 coefficient value. This number shows that in increasing Customer Satisfaction, what we must give priority on is creating Relational Competence.

3. The second model regression equation is:

$$\text{Service Loyalty} = 0.819 \text{ Customer Satisfaction}$$

That means:

- Customer Satisfaction coefficient is 0.819, showing that every Customer Satisfaction increase will increase 0.819 Service Loyalty.

The hypothesis test reflecting causal relation on the SEM model basically is testing the significance of path coefficient or beta coefficient, with one-way t-test on alpha 5%, so that  $H_0$  is rejected with the condition  $p < 0.05$ . In other words, the observation hypothesis is proved. The result of observation hypothesis describing the influence between each variable can be seen on the table below:

**Table 3.** The Result of The Hypothesis Test

		Estimate	C.R.	P	Result
Customer_Satisfaction	<--- Relational_Competence	.514	5.352	***	Significant
Customer_Satisfaction	<--- Technical_Competence	.342	3.684	***	Significant
Service_Loyalty	<--- Customer_Satisfaction	.819	10.939	***	Significant
SLB	<--- Service_Loyalty	.854	12.784	***	Significant
SLA	<--- Service_Loyalty	.675	9.821	***	Significant
SLC	<--- Service_Loyalty	.811	10.069	***	Significant

**Descriptive of Study:**

The major percentage is male respondents, that are 55 percent or equal with 110 respondents, while the female are 45 percent or equal with 90 respondents. There is no significant difference between female and male as member in Celebrity Fitness. Both of them have a similar intention to maintain their health. In terms of their occupation, 37% students, 25% worked as employers and 6% worked as business leaders. In terms of monthly gym expenditure, 46% of respondents had monthly income ranging of Rp <500.000,-. In terms of membership period, 36% of respondents was member for <6 months, 28 % between 6-12 month and 10% between 25-36 months. Most of the respondents purpose at the gym is lose weight, 35.5% and 29% respondent favorite class is aerobic class.

**Managerial Implication:**

Based on the provided data, *Attention to customers' Needs* (AN) is the most significant indicator in *Relational Competence*, as a part of *Service Quality* in order to boost *Customer Satisfaction*. It occurs because *Attention to customers' Needs* has the highest significance value of the other *Relational Competence* indicators, according to the customers. It is agreed with Lagrosen Theory (2007): *Customer Attention to Customer Needs* as one of the important factor in *Relational Competence*. Therefore, the implication of what Strategy the Managerial of Celebrity Fitness should take is to focus the *Service Quality* to the *Customer Attention to Customer Needs* (AN).

Based on the provided data, *Aerobic Class* (AC) is the most significant indicator in *Technical competence*, as a part of *Service*

*Quality* in order to boost *Customer Satisfaction*. It occurs because the *Aerobic Class (AC)* becomes the most favorite choice of the other *Technical competence* indicators. It is related to theory Lagrosen (2007) : *Technical competence*, this refers to a service provider's ability to provide a required service. This factor also included the range and sophistication of exercises and treatments offered by a fitness center. *Aerobic Class (AC)* is one of the significant factors in *Technical competence*. Therefore, the implication of what strategy the Managerial of Celebrity Fitness should take is to focus the *Service Quality* to the *Aerobic Class (AC)*.

Based on the provided data, *Customer-is-Satisfied (CS)* is the most significant indicator in *Customer Satisfaction*, in order to boost *Service Loyalty*. It occurs because the *Customer-is-Satisfied (CS)* becomes the most favorite choice of the other *Customer Satisfaction* indicators. The implication of what strategy the Managerial of Celebrity Fitness should take is to focus the *Customer Satisfaction* to the *Customer-is-Satisfied (CS)*.

Based on the provided data, *Behavior (SLB)* is the most significant indicator in order to boost *Service Loyalty*. It occurs because the *Behavior (SLB)* becomes the customers' most favorite choice of the other *Service Loyalty* indicators. It is related to theory, *Behavioral loyalty* is measured by repeat patronage, repeat purchasing, or commitment to repurchase (Dick and Basu, 1994; Gremler and Brown, 1996; Oliver, 1999). Lu Ting Pong and Dr Tang Pui Yee (2001) : Repeat Purchase *Behavior*. In fact, consistent repeat is one kind of "Loyalty Prone" *Behavior* (Cunningham, 1956) by showing continuance commitment (Shemwell et al., 1998) on an entity. The implication of what strategy the Managerial of Celebrity Fitness should take is to focus the *Service Loyalty* to the *Behavior*.

The statistic hypothesis tested on significance test of path coefficient is:

**Hypothesis 1: *Technical competence*, as *Service Quality* has positive influence to *Customer Satisfaction***

Based on the result of model structure analysis which tested *Technical competence*, has positive effect of *Customer Satisfaction*, and obtained P score = \*\*\* (<0.000) and regression coefficient is 0.342. Since p score < 0.005 and the regression of coefficient is positive, thus

the result of the test shows that there is a real connection between *Technical competence* and *Customer Satisfaction*, so that Hypothesis 1 is accepted. Therefore, it can be included that *Technical competence* has a positive relationship towards *Customer Satisfaction*. It means that every increase of *Technical competence* will also increase *Customer Satisfaction*.

It is related to Lagrosen Theory (2007) and Zeithmel et,al,1990; Robledo,2001:

- *Technical competence*. This refers to a service provider's ability to provide a required service. This factor also included the range and satisfaction of exercises and treatments offered by a fitness center (Lagrosen, 2007).
- *Customer Satisfaction* stems from the fact that service providers provide service that meets or exceeds customers' expectations. Customer expectation is an important element that might play a role in the next few decades. Another area that has been proposed and needs to be concerned is customer expectation. Many researchers that believe in disconfirmation paradigm are concerned about this area, since customers evaluate *Service Quality* by comparing their perception of the service with their expectation (Zeithaml et al., 1990; Robledo, 2001).

**Hypothesis 2: *Relational Competence*, as *Service Quality* has positive influence to *Customer Satisfaction*.**

Based on the result of Structural Model Analysis which tested *Relational Competence* effect towards *Customer Satisfaction*, it can be obtained p score = \*\*\* (<0.000), and regression coefficient is 0.514. Since p <0.05 and score of regression coefficient is positive, thus the result of test shows there is a positive effect between *Relational Competence* and *Customer Satisfaction*, so that Hypothesis 2 is accepted. Therefore, it can be included that *Relational Competence* has a positive relationship towards *Customer Satisfaction*. It means that every increase of *Relational Competence* will also increase *Customer Satisfaction*. It is based on Adelman's et al., Theory (1994) that states:



Facilities and equipment influenced this factor, the second quality which is functional quality, resembles the “*Relational Competence*” that focused on human aspects than was Gronroos functional quality. This human aspect is important in fitness centres, which entail significant interaction between staff members and customers. Services that are consumed in the leisure time of consumers often involve social support, which means that the communication of the service provider’s staff improves the customers’ self esteem, creates a sense of social connection or reduces uncertainty (Adelman, et al., 1994).

**Hypothesis 3: *Customer Satisfaction* of the service has positive influence to *Service Loyalty*.**

Based on the result of Structural Model Analysis which tested the effect of *Customer Satisfaction* towards *Service Loyalty*, it can be obtained p score = \*\*\* (<0.000), and the Loading Factor is 0.819. Since  $p < 0.05$  and score of regression coefficient is positive, thus the result of test shows there is a positive effect between *Customer Satisfaction* and *Service Loyalty*, so that Hypothesis 3 is accepted. Therefore, it can be included that *Customer Satisfaction* has a positive relationship towards *Service Loyalty*. It means that every increase of *Customer Satisfaction* will also increase *Service Loyalty*. It is related to East (1987) and Kotler (2003) theory, as follows:

- For instance, if customers are satisfied with a particular service offering after its use, then they are likely to engage in repeat purchase and try line extensions (East, 1987).
- A highly satisfied customers stays loyal longer, buys more as the company introduces new products and upgrades existing products, talks favorably about the company and its products, pays less attention to competing brands and is less sensitive to price, offers products or service ideas to the company, and costs less to serve than new customers because transactions are routine (Kotler, 2003).

It is related to the theory that states *customers loyalty* come from *customer’s satisfaction*. High satisfaction will make customer be loyal to the company and will strengthen their purchase to one company so that it will spread a positive thing orally (word of mouth) to others.

**Hypothesis 4: *Service Loyalty* is best conceived as multidimensional structure with three distinct dimensions: *Behavior, Attitude, and Cognition*.**

Factor analysis functions to find out a way to summarize the information in the authentic variable to be a set of new dimension or variety (factor). It is done by defining the structure through data summarization or reduction (Imam Ghozali, 2005). Based on the validity test done at the beginning of this research with *Cronbach Alpha*, all the indicators used are valid and usable for the subsequent analysis. Therefore, the factor analysis is not used in this research because none of the indicators must be reduced or disqualified.

This research uses factor analysis with AMOS program. One of the main benefits of CFA is the capability of valuing construct validity from the recommended measurement theory. Confirmatory analysis is done inter- endogenous and exogenous variables. On the model to be researched there is only one exogenous variable that is *Service Quality* (SQ) represented by *Technical competence* and *Relational Competence* variables. Meanwhile, there are two endogenous variables in this research; those are *Customer Satisfaction* (CS) and *Service Loyalty* (SL).

Based on the result of Structural Model Analysis which tested the effect of third dimension or indicator of *Behavior* (SLB), *Attitude* (SLA), and *Cognition* (SLC) towards *Service Loyalty*, it can be gained p score===\*\*\* (<0.000), and the Loading Factor is positive that is *Behavior* of Regression Coefficient (SLB) as much as 0.854, *Cognition* (SLC) is 0.811 and *Attitude* (SLA) is 0.675. Thus, the result of test shows that the three indicators mentioned are valid and can be a variable in measuring latent variable of *Service Loyalty*, so that Hypothesis 4 is accepted. Therefore, it can be included that *Behavior* (SLB) has the biggest effect since the score of regression coefficient is the highest one, that is 0.854, compared to *Cognition* (SLC), that is 0.811, *Attitude* (SLA), that is 0.675.

The terms usually used in Model SEM research are construct variable (latent variable), and indicator. Meanwhile, *Behavior, Attitude, and Cognition* are called endogenous manifest variable. They are latent variable indicators of *Service Loyalty* which can be observed directly.

It is related to the theory that states customers loyalty come from customers' satisfaction. High satisfaction will make customer be loyal to the company and will strengthen their purchase to one company so that it will spread a positive thing orally (word of mouth) to others. According to Jones and Sasser, 1995, highly satisfied or even delighted customers are more likely to become loyal apostles of a firm, consolidate their buying with one supplier, and spread positive word of mouth. In contrast, dissatisfaction drives customers away and is a key factor in switching behavior.

## CONCLUSION

This research is to figure out the relationship of *Service Quality*, *Customer Satisfaction* and *Service Loyalty*, based on the result of data analysis and discussion that has been discussed in the previous chapter; it can be concluded as follows:

1. *Technical competence* as a dimension of *Service Quality* has a positive relationship towards *Customer Satisfaction*. It can be seen from the result of the analysis that data score that is showed is significant *Technical competence* towards *Customer Satisfaction*. Therefore, every increasing of *Technical competence* will increase *Customer Satisfaction*.
2. *Relational Competence*, as a dimension of *Service Quality* has a positive relationship towards *Customer Satisfaction*. It can be seen from the result of the analysis that data score that is showed is significant *Relational Competence* towards *Customer Satisfaction*. Therefore, every increasing of *Relational Competence* will increase *Customer Satisfaction*.
3. *Customer Satisfaction* has a positive relationship towards *Service Loyalty*. It can be seen from the result of the analysis that the data score that has been showed is significant between *Technical competence* and *Relational Competence* towards *Customer Satisfaction*. Therefore, every increasing of *Customer Satisfaction* will increase *Service Loyalty*.
4. *Service Loyalty* is known as a multidimension structure with three dimension: *Behavior*, *Attitude*, *Cognition*. It can be seen from the result of the analysis that data score that has been showed is significant between *Service Loyalty* with three dimensions: *Behavior*, *Attitude*, and *Cognition*. Therefore, every increasing of

*Behavior, Attitude, and Cognition will increase Service Loyalty.*  
Behaviour (SLB) has a huge effect since it has the most score of regression coefficient than *Cognition (SLC)* dan *Attitude (SLA)*.  
From the result of the data, it can be concluded that a company has given a satisfied *Service Quality* to the customers who has a strong correlation in creating a high *Service Loyalty*.

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