

Impact of Service Quality on Word of Mouth Communication: Mediating Role of Customer Satisfaction

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Abstract

This study determined the influence of service quality on word of mouth communication with customer satisfaction as a mediator in private universities of Peshawar. Data was composed of the students of private universities of Peshawar through convenience sampling technique. Structural Equation Modeling (SEM), Confirmatory Factor Analysis (CFA) conducted to check the model. In the lights of fit indices the proposed model was found fit. Hypotheses were check through path analysis and found the correlation coefficient value of 0.76 significant at $p < 0.01$ demonstrating a strong optimistic influence of service quality on word of mouth communication however the association became stronger when customer satisfaction intervened as the correlation coefficient value increased to 0.89.

Keywords: Servqual, Customer Satisfaction, Word of Mouth Communication, Higher Education

Introduction

There is no suspicion that, Higher education plays an imperative role in enrichment of an individual's eminence of life. The investigation of service quality has got considerable consideration and become a note worthy subject now days. The nature of services is different from tangible products, hence difficult to quantify. Grönroos, (1984) pronounced 2 facets of service quality such as; technical quality and functional quality. Conferring to Parasuraman, Zeithaml, and Berry, (1988) service quality is the belief of customers. Furthermore they elucidated that customers are having hopes from service providers and if professed service quality is meeting or beyond their expectation they would be enchanted and if less than anticipations, it will create disenchantment.

Higher studies in Pakistan are playing a vigorous role in the community development. There are 156 private and public higher education universities and institutions in Pakistan, out of which 87 are public and 69 are private universities and institutions (Higher Education

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Commission Pakistan, 2014). Higher education universities and institutions are typically offering Bachelor, Master, Master of Science (MS) and PhD in various subjects.

In today's challenging environment, service quality and customers' gratification is very essential for company's endurance. Customers' satisfaction is the consequence of service quality; if service quality is conferring to the anticipations of customer, they would be gratified or vice versa (Parasuramen, et al, 1991). Rendering to Cronin and Taylor, (1992) customer satisfaction is founded on the understanding of the customer on a specific service encounter. Quality and customer satisfaction is associated to customer word of mouth, repurchase intentions and loyalty (Kang, Okamoto, and Donovan, 2004; Söderlund and Ohman, 2005). Competition is very threatening among different private universities in Pakistan and specifically in Peshawar. Private sector universities are contesting with each other to subjugate distinct place in the market. It is very vital for universities to advance their quality standards in order to please students, which would be very advantageous in creating encouraging word of mouth.

For service oriented firms word of mouth communication is very imperative. Services are of diverse nature due to which optimistic word of mouth plays a significant role. Additionally customer in most of the cases belief each other rather than company's advertisement campaign. Positive word of mouth is more effective than traditional advertisement (Katz & Lazarsfeld, 1995). Positive word of mouth is very imperative for progress and defensible competitive advantage and is associated to customer gratification (Liang & Wang, 2007).

Propose of the Research:

- To quantify the service quality in private sector higher education universities and institutions of Peshawar, Pakistan
- To ascertain the impression of service quality on Students' word of mouth directly and indirectly through students' satisfaction.

Research Problem

Higher Education advances individual's quality of life. There is a great demand of proficient human resource in various sectors of Pakistan such as, Communication, infrastructure, banking, retail etc. Private Universities are growing in the province hence making the environment very competitive. Nourishing distinct position in such challenging environment is very hard; therefore it is very essential for universities to center on service quality and customer satisfaction and develop optimistic word of mouth. This study will find out how service quality

effects customers' satisfaction which further will affect word of mouth communication.

Literature Review

Service Quality

Service quality is imperative not only for service oriented firms but also for tangible product oriented company. There is a great deal of vagueness found in text on the subject of service quality definition. Tangible products can be appraised through standards but service quality measurement is different according to various authors.

Kotler and Keller (2006), defined service as "activities or benefits that are offered for sale, or that are offered for being related to a particular product". Furthermore "Service is kind of performance that is offered by one party to another and in corporeality is a must part of it". Beer (2003) pronounced them as a complete package which consists of all the activities that are essential for customer consummation. However for Mohamed & Shirley (2009) service quality is a source of competitive advantage for service oriented industry.

Parasuraman, Zeithaml, and Berry (1988) determined five dimensions for the measurement of service quality in various service oriented industries. The dimensions recognized by them are as follows: Tangibility; Includes the physical substantiation of the service. In our case the class rooms, computer labs, common rooms, toilets canteen and the physical appearance of the universities. Reliability; It encompasses how unswervingly organization is providing quality service and how much customer can trust that firm. It is the consistency of private universities regarding service quality and proficient lecturers and how much students can count on university and its faculty members. Responsiveness; It includes how much the staff members are equipped and eager to provide services. It is the faculty members and the administrative staff and their consecration to universities and students. It shows the concern of the management regarding student's complaint, learning process and their best interest at heart Assurance; It refers to the abilities of the service providers. It is the awareness of the faculty members and the ability to implant self-reliance in students regarding service providers. Empathy; It shows how much organization understands customer's necessities. It is the aptitude of teachers to interact with students in order to get the exact requirement and accomplish the need accordingly.

Customer Satisfaction

Quality and customer satisfaction is associated to customer word of mouth, repurchase intentions and loyalty (Kang, Okamoto, and Donovan, 2004; Söderlund & Ohman, 2005). It is very tough and expensive to bring in new customers than to preserve the current customers. Companies are spending more on new customers in shape of promotion, advertisements and sales expenses; hence it takes time to convert new customers into profitable customers (Athanasopoulos, A., Gounaris, S. and Stathakopoulos, V., 2001). Customer satisfaction according to Parasuramen et al., (1991) is based on the service quality and for Cronin and Taylor (1992) it is the customer's experience of the service encounter. Service quality and customer satisfaction share close and unique relationship but are different from each other (Cronin & Taylor, 1992).

Word of Mouth

Word of mouth plays a significant role in spreading of information to others and consider as an unswerving source for decision making. WOM most influential sources are friends and family members, and considered as the most affective form of word of mouth. Hence the consumer decision concerning buying a product or service is greatly prejudiced by WOM.

Conceptual Model



Figure 1: Conceptual Model of the Study

Hypotheses

Based on pertinent research and theoretical model, subsequent are the hypotheses for the current study.

H1: Service quality of Higher Education in Private Universities is unswervingly associated with word of mouth communication.

- H2: Servqual has a significant influence on customers' satisfaction
 H3: Customers' satisfaction and WOM is positively associated
 H4: Service Quality has an optimistic influence on Word of Mouth Communication when customer Satisfaction mediates the association.

Methodology

Quantitative approach used to measure the service quality, customer satisfaction and word of mouth communication. Questionnaire used with slight adjustment for higher studies and circulated among the students of private universities of Peshawar.

Population and Sample Size

The population for the current study is all the students they are enrolled in various modules in private universities of Peshawar. The authors selected convenient sampling technique and disseminated the instrument among 150 students of various private universities out of which 125 questionnaires were collected back from student where 15 were having missing values hence the total error free replies got from the participants were 110 comprising 73% return rate.

Measurement Scale

Service quality measurement scale adopted from parasuraman et al., (1988) modified by Babakus and Mangold, (1992) with 15 questions. Customer satisfaction 4 items scale used from (De Chernatony et al., 2004) with slight alteration and for Word of Mouth 6 items scale used of Harrison Walker, (2001).

Table 1 *Reliability Test and Cronbach's Alpha Score*

ITEMS	Mean	Std. Deviation	Cronbach's Alpha
SERVQUAL			0.889
TANG	2.96	0.913	.832
RELI	2.85	0.951	.831
RESP	2.95	0.885	.832
EMP	2.85	0.919	.847
ASSUR	3.11	0.911	.816
CSAT	2.95	0.846	.829
WOMO	3.08	0.846	.832

Note: Reliability of Individual Dimension has been described

Confirmatory Factor Analysis for Service Quality

Validity of servqual model was confirmed via CFA. After performing the test it was found that all the fit indices were well within the acceptable

zone. Chi square value of 8 with 3 degree of freedom, RMR equal to 0.04 and GFI and CFI close to 1 and RMSEA equal to 0.06 indicates that the model is fit.

Confirmatory Factor Analysis for Customer Satisfaction

Similarly the validity of customers' satisfaction was investigated through CFA. The results found the relevant indices fit by getting the values of Chi square value of 1.65 with 2 degree of freedom, RMR equal to 0.03 and GFI 0.993, CFI= 1 and RMSEA equal to 0.001.

Confirmatory Factor Analysis for Word of Mouth Communication

Likewise the validity of word of mouth communication was test through CFA and found that all the fit indices within threshold value of fit model. Chi square value of 2.08 with 2 degree of freedom, RMR equal to 0.026 and GFI 0.990, CFI= 0.999 and RMSEA equal to 0.019 indicates that the model is fit.

Confirmatory Factor Analysis for Overall Measurement Model

Once the validity of the individual models confirmed the researcher verified the validity of the measurement model and found that all the fit indices within threshold value of fit model. Chi square value of 86.32 with 60 degree of freedom, RMR equal to 0.06 and GFI 0.899, CFI= 0.958 and RMSEA equal to 0.063 indicates that the model is fit.

Confirmatory Factor Analysis for structural Model

Consequently, the validity of the overall structural model was verified via CFA and found that all the fit indices within threshold value of fit model. Chi square value of 110 with 62 degree of freedom, RMR equal to 0.07 and GFI 0.87, CFI= 0.921 and RMSEA equal to 0.072 indicates that the model is fit.

Table 2 Fit Indices for the Models

Model	χ^2	DF	RMSEA	RMR	GFI	CFI
Servqual	8	3	0.06	0.04	0.97	0.91
Customers Satisfaction	1.65	2	0.001	0.03	0.99	1
WOM	2.98	2	0.019	0.02	0.99	0.99
Measurement Model	86.32	60	0.063	0.60	0.899	0.958
Structural Model	110	62	0.072	0.07	0.87	0.921
R Square	For	Endogenous Variables				
Variables			R Square			
Customer Satisfaction			0.885			
WOM			1			

Hypotheses Testing

The assumptions of the current study were tested via path analysis. The first hypothesis was regarding the positive and significant effect of service quality on word of mouth communication. Beta value of 0.76 found significant at $p < 0.01$ confirms the first proposition of the study. Similarly the second hypothesis was tested and found that service quality has a positive effect on customers' satisfaction by getting beta value of 0.36 significant at $p < 0.01$. The customers' satisfaction and word of mouth communication association was examined via path analysis. Result unfolded that customers' satisfaction has a positive and significant influence on WOM communication by getting beta value of 0.89 highly significant at $p < 0.001$. Finally, the intervening effect of customers' satisfaction was examined via path analysis. Result revealed that customers' satisfaction fully mediated the link between service quality and word of mouth communication with beta value in the indirect model of 0.89 significant at $p < 0.01$ (See table no 3)

Table No.3 Result of Hypotheses

Hypotheses	Direct Model (beta)	Indirect Model (Beta)	Results
H1	0.76***	N/A	Supported
H2	0.36***	N/A	Supported
H3	0.89***	N/A	Supported
H4	0.35 (ns)	0.89***	Full Mediation

Conclusion

This study was conducted to spell out the impact of service quality on word of mouth communication with customer satisfaction as a mediator. Structural Equation Modeling (SEM) was conducted to check the model. Confirmatory factor analysis through SEM in AMOS also accompanied and under the lights of fit indices it was found that the anticipated model was fit.

Hypotheses were checked through path analysis first directly and then indirect with customer satisfaction as a mediator. The results show that there is an encouraging impact of service quality on word of mouth communication but outcomes also signposted that with customer satisfaction the relationship was even stronger, hence advocate that service quality impact customer satisfaction which further affect word of mouth communication.

Implication

This study reveals the impact of service quality on customer satisfaction and word of mouth communication. Quality has gained importance for organization and private educational institutes as well. Competition in every industry effect the demand of the product and service, hence creating problems for organization to grow smoothly. In such challenging environment it is very hard for companies to get, preserve and grow their customers. This study outlined the prominence of quality, customer satisfaction and their word of mouth communication. Higher educational institutes are spending enormous amount of money on commercial and promotional activities. One of the important repercussions of this study is that by refining service quality they can please current students, which further talk respectable about the institute and fascinate more to the institute they have selected. It is one of the efficient ways to get new customer and according to Jaff, (2010) word of mouth is 9 time more efficient than traditional advertisement.

Future Research

Service quality is essential for sustainable competitive advantage. Service quality in education is very imperative as the number of private education institutions and universities are mounting which intensifies competition. In order to be successful in such a challenging environment, it is very essential for Universities to uphold high quality educational standards. Servqual model with its reputation still required more empirical evidence in various service oriented industries. This model can be used in health sector and can also be used with other important variables; such as customer loyalty and trust.

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