EDUCATION SERVICE EXPERIENCE: FROM THE ASPECTS OF STUDENTS' SATISFACTION AND LOYALTY.

by

LIEW KOK KEONG

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God is almighty,

You are the most merciful and powerful,

You have given me the strength,

and inspiration throughout the entire course.

God, thank you very much.

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ABSTRAK

Penyelidikan ini mengkaji tentang perhubungan di antara kepuasan para penuntut dan rasa taat setia mereka terhadap khidmat yang diberikan di dalam bidang pendidikan (tinggi). Secara khususnya kajian ini meneliti tentang aspek kognitif dan afektif penuntut dalam rasa puas hati mereka, di samping menentukan sama ada ia boleh menjurus ke arah membentuk kesetiaan terhadap institusi pendidikan tersebut (secara perkhabaran lisan yang positif, perilaku membuat rungutan, perilaku membuat pertukaran dan kesanggupan untuk membayar jumlah wang yang lebih). Dari 329 maklumbalas pelajar kampus utama Universiti Sains Malaysia yang diterima, didapati bahawa hubungan sebagaimana yang disebutkan di atas hanyalah diterima sebahagiannya sahaja. Dari aspek kognitif, "maklumbalas dan penilaian" serta "tanggapan terhadap manfaat khusus "menunjukkan hubungan positif" dan berkait rapat dengan "perkhabaran lisan yang positif" (positive word of mouth). Sebaliknya, "maklumbalas dan penilaian" menunjukkan perkaitan negatif dengan "perilaku membuat pengaduan". "Persekitaran fizikal" dan "maklumbalas dan penilaian" mempunyai hubungan positif dan berkait rapat dengan "kesanggupan untuk membayar lebih", manakala "persekitaran fizikal" pula berkait secara negatif dengan "perilaku membuat pertukaran". Dari aspek afektif pula, "perasaan negatif" berkait rapat secara negatif dengan "perkhabaran lisan yang positif". Kajian ini telah berjaya menunjukkan perhubungan di antara pelbagai pembolehubah atau faktor yang menyumbang kepada kepuasan dan kesetiaan para penuntut. Institusi-institusi pengajian tinggi boleh mempertimbangkan faktor-faktor ini sebagai petunjuk atau pengukur dalam mencari kelebihan untuk menentukan tahap mutu perkhidmatan, agar dapat menepati dan memenuhi keperluan para penuntut dan menjadikan mereka sebagai penuntut yang "setia".

ABSTRACT

This research studies the relationship between student satisfaction and student loyalty within the higher education service. More specifically, it examines the cognitive and affective aspects of students' satisfaction, to see whether the satisfaction will lead to loyalty (in terms of positive word of mouth, complaining behaviour, switching behaviour, and the willingness to pay more). From the 329 responses obtained from students in the main campus of University Sains Malaysia, the study finds that the relationship between student satisfaction and student loyalty was only partially supported. For cognitive dimensions, "feedback and assessment" and "perceived benefits" of each course showed positive and significant relations to "positive word of mouth". But, "feedback and assessment" showed negative relations to "complaining behaviour". "Physical environment", and "feedback and assessment" were found significant and having positive relations to the "willingness to pay more". "Physical environment" showed negative relation to "switching behaviour". For the affective dimensions, "negative emotions" showed negative significant relations to "positive word of mouth". The study has shown the relationship among the variables that contribute to satisfaction and loyalty. Higher educational institutions could consider these factors as indicators or pointers which would offer as an added advantage to providing standards of quality service to satisfy students' needs and make them become "loyal" students.

Chapter 1

INTRODUCTION

1.1 Introduction

Higher education is perceived as extremely important in today's society, and for most people a university education has become the necessary route to good jobs and a good lifestyle. For most school leavers today, just finishing high school alone is not enough, completing higher education means the opening of thousands more opportunities for them.

Economists Miles and Scott (2005) pointed out that in today's business environment, human capital is so important that it drives the long-term sustainable growth of a country. In some country, people are even forced to attend school until a certain age.

In Malaysia, the government is encouraging the people to acquire knowledge by promoting the notion of life-long learning. The amount spent by the government on education is comparable to the amont spent by developed nations. The Malaysian budget for 2006 for example saw the government increased its spending in education where RM 5 billion has been allocated for education and training (Moses, New Straits Times, 1 October 2005).

Our defense minister, YB Dato Sri Najib Tun Razak stated that if Malaysia aspires to be a regional centre of excellence, its people must be knowledgeable. People acquire knowledge through institutions. In order to have excellent educational institutions within a short span of time, Malaysia has to open up the education sector by attracting world class institutions to establish branches here (Education Quarterly, 2004).

As Malaysia is moving towards a trend of globalization of higher education in the private sector, it is important to look into delivering quality services that meet the expectations of students and their parents, and also to the prospective employers of these future graduates (Lee, 1999). Thus, it is important for higher educational institutions to constantly formulate new strategies to ensure that their quality of services is able to compete with the global players in the higher education sector such as Harvard, Berkeley and Oxford. As noted in Education Guide Malaysia (2004), there are several foreign universities which have already set up their campuses in Malaysia like Nottingham (established in September 2000), Monash (established in February 1998) and Curtin (established in February 1999).

1.2 Background of the Study

Since Malaysia achieved its independence, education in Malaysia has undergone tremendous changes and development. The Ministry of Education has transformed the old system into a cohesive national education system, responding to the national aspiration, economic progress and technological developments by transforming its philosophy and focus over the years (Education in Malaysia, 2001).

The objectives of Malaysia's higher education systems can be summarized as, to promote national integration and unity, to meet the high-level manpower requirements of the country, and to build a progressive society, oriented towards modern science and technology (Noran & Ahmad, http://www.mahdzan.com, retrieved on 15 Dec 2005).

“Today over 25% of the 17 to 23 age cohort enters tertiary education and the national target is to increase the numbers entering public and private tertiary education institutions to 60% of that age cohort by the year 2020. The aim is to have

20000 undergraduate students in every public university in 2020" (Education in Malaysia, 2001, pg 111).

In order to contribute to the continuous economic and social development, a university is responsible to produce knowledgeable and capable graduates to meet the human resource needs of organizations in the business, industrial and service sectors including public services (Green, 1994). Thus, delivering quality service has become an important goal for most higher education institutions. Moreover, Malaysia is ambitious to become a regional centre for educational excellence. It is important to look into the areas of deficiency in order to have excellent institutions of higher learning.

Private educational institutions are growing rapidly in Malaysia over the years. The objective of private higher education colleges is to function as alternative avenues for tertiary education for those who preferred to pursue higher education locally or for those who failed to gain admission into local universities.

Besides, the public universities have franchise academic programmes with many private higher educational institutions. In turn, the latter also collaborate with well-known foreign institutions and have attracted the attendance of many international students. Although the private higher education sector is still an emerging market, the higher education service providers have to constantly monitor the quality service provided. In addition, the perceived performance and the expectation of the students are also important factors to look into when formulating strategies.

This study will explore on the student's satisfaction component which has the significant impact on student's loyalty. The focus on this area will provide a useful insight about the perception of students towards service providers of higher educational institutions. This research will utilise USM as a study model.

1.2.1 Perspective of Private and Public University

According to Green (1994) who is the pro vice-chancellor of the University of Central England in Birmingham, teaching must be interpreted broadly, teaching must also be responsive to students needs and the conditions necessary for good teaching must be taken seriously. This means that the environment and surrounding of a university must also be considered. As Datuk Hassan Hashim, Deputy Director-General of Education said " sometimes a college claims that they are good but upon enrolment, students discover that it is at the top floor of a shop-lot with not enough lecturers" (Gomez, The Star, 29 Aug 2001).

At the moment, Malaysia has sixteen public universities, twenty four private universities and five foreign university branch campuses (Education guide Malaysia, 2004). In order to prevent outflow of foreign exchange, the government is encouraging the public universities to set up partnership with private colleges to create more education opportunities locally. Due to the increasing number of franchise programs and number of intake of full time undergraduates in public universities, the lecturer teaching programme has been interrupted because they have to take care of students in their own campus as well as the franchise programmes at private colleges (Simrit, The Star, 07 April 2002).

Over the years, the population of students pursuing higher education has also increased in the public universities (Laporan kajian pengesahan graduan, USM, 2003). "If there is no matching increase in recruitment of teaching staff, there is a danger that the quality of instruction will suffer. Heavier teaching loads also mean reduction in faculty research activities" (Noran & Ahmad, http://www.mahdzan.com, retrieved on 15 Dec 2005).

Among the public universities, Universiti Sains Malaysia (111th) and Universiti Malaya (89th) have been ranked in the list of the top 200 universities in the world (Gomez, The Star, 12 Nov 2004). As our Prime Minister (Datuk Seri Abdullah Ahmad Badawi) also pointed out, Malaysian universities have to be ranked, so as to improve the quality of education in the country and to promote healthy competition among them (Sulong, The Star, 14 Oct 2004).

The number of local private universities in Malaysia has grown over the years. Some of these universities are actually run by government corporations, established by large corporations which are public listed companies, established by local political or established by local branches of foreign universities (Noran & Ahmad, http://www.mahdzan.com, retrieved on 15 Dec 2005).

A comment made by the Malaysian Association of Private Colleges (Tertiary Education Opportunities in Malaysia, 2000), states that the private educational institutions have to be truthful about the facilities and courses they offer and not to mislead the students. There are too many institutions being allowed to be set up in Malaysia, which, due to the increasing competition, have begun to create attractive marketing strategies, for example shorter time to obtain a degree. Some private institutions spend plenty of money in advertising, telling how wonderful their services are but which are less so in reality. The money spent on advertising was mainly intended to raise the students and parents expectations.

Another comment made by Lee (1999), in order to attract more students, private colleges are offering the "3+0" programs, collaborating with Australian and British universities which are selling like hotcakes because a student can save between RM10,000 to RM50,000 in fees by doing the entire degree program locally. These programmes attracted many foreign students from countries such as Indonesia, China, Singapore, Thailand, and Korea, because obtaining an overseas degree is much cheaper in Malaysia than in the West.

The location, facilities and quality of lecturers are among the criteria used by most people when grading the higher educational institutions. Some institutions are charging high fees. However, with inadequate facilities and premises, they are forced to close down by the Education Ministry. Some are unable to survive due to shrinking enrolment of dissatisfied students. In short, service quality is a measure of how well the service level delivered matches customers' expectations. Delivering quality service means conforming to customers' expectations on a consistent basis (Lewis & Booms, 1983).

Lee (1999) has quoted that quite a number of private colleges do not have adequate management structure, library and laboratory facilities, counseling service, and even facing shortage of teaching staff. As a result, first degree holders are employed to teach first degree courses. The reason is this (Zeithaml, 1996), sometimes service quality is more difficult to evaluate than goods quality. This is because service quality perception is a result of comparison of expectation with actual performance. Moreover, it involves the process of service delivery.

Our neighboring countries namely Thailand and Singapore have put in aggressive marketing effort to promote their brand of education (Indramalar, The Star, 23 Feb 2003). Attractive advertising can raise customer expectations but sometimes it only increases customer disappointment. The most important is the quality of service provided by the education institution that captures the hearts and minds of students. Educational institutions cannot control the student perceptions, but can take specific steps to manage their expectations by looking into the service quality. As pointed out by Parasuraman (1998), service quality consists of five dimensions such as reliability, responsiveness, tangibility, empathy and assurance.

Our government plans to make Malaysia a center of excellence in education in the Southeast Asian Region and wants to attract more foreign students (Education quarterly, 2005). Higher institutions therefore have to continuously improve in the quality of service so as to remain competitive not only in the region but also globally. Higher institutions have to constantly improve on their school quality management system. For example, every employee is enjoined to make continuous efforts towards continuous improvement and the staff is delegated to act immediately on any problem which they have identified. The intensity of student satisfaction will influence their loyalty towards the institutions. Thus, the higher the quality service rendered to the students, the more confident the students feel about the institutions. In turn, with a good image projected by the institutions, perception and expectation of the students are being met, hence students will be satisfied and ultimately it will lead to student loyalty.

1.3 Problem statement

Many studies have concluded that there is relationship between customer satisfaction and customer loyalty (Cronin, Brady & Hult, 2000; Yu & Dean, 2001, Taylor & Baker, 1994). However, researchers argued that most of the studies are focused on the cognitive component of satisfaction. Thus, customer satisfaction study should include both cognitive and affective components (Stauss & Neuhaus, 1997; Liljander & Strandvik, 1997). In this study the affective component will be included to examine the relationship between student satisfaction and their loyalty within the education service in Malaysia context.

As Malaysia is moving towards globalization of higher education, quality services provided by the higher educational institutions have become an issue to meet student satisfaction. Thus, study on student satisfaction that will lead to their loyalty is crucial for higher educational institutions.

1.4 Research Objective

The broad objective of this study is to examine the relationship between student satisfaction and student loyalty within the education service. The ability to identify the 'what' variables of satisfaction may lead to student loyalty; especially in a situation where emotional component is present.

In specific, this study attempts to:

(1) Explore the role of cognitive and affective dimensions in student satisfaction (as consumer) of education service.

(2) Explore the relationship between student satisfaction and student loyalty.

1.5 Research Questions

Based on the objectives as mentioned, the following questions are formulated to carry out the research.

(1) Do cognitive and affective dimensions play a role in student satisfaction of education service?

(2) Does student satisfaction lead to student loyalty? In particular;

(a) Does cognitive dimension in student satisfaction leads to loyalty?

(b) Does affective dimension in student satisfaction leads to loyalty?

1.6 Significance of the study

Delivering quality service is considered an essential strategy for success and survival in today's competitive environment for every business. Higher education institutions in Malaysia have to constantly formulate new strategies to ensure that their quality of service produce skillful, innovative, creative and knowledgeable students to contribute to the competitiveness of the Malaysian industry.

Research has shown that attracting new customers costs organizations more than trying to retain the existing ones (Griffin, 1998). Consumer orientation must be emphasized, as it is extremely important for its survival. Developing countries are likely to be the greatest source of future global growth (Engardio, 2001).

From the research finding of this study it is hoped that it will render some insights for the higher education institutions. The analysis will show the relationship among the variables that contribute to satisfaction and loyalty. Both private and public higher education institutions could use these inputs to improve on their existing strategies to gain competitive edge.

1.7 Definitions of Key Terms

The following are the key words and their definitions used throughout this research.

(1) Cognitive dimension: Multidimensional concept used to measure the gaps between expectations and perceptions (Parasuraman et al., 1988).

(2) Affective dimension: Set of emotional responses elicited specifically during consumption experiences (Westbrook & Oliver, 1991).

(3) Loyalty dimension: Likelihood of a customer returning, making business referrals, providing strong word-of-mouth, as well as providing references and publicity (Bowen & Shoemaker, 1998)

(4) Public higher educational institution: Universities financed by the government. Since 1998, the government has introduced corporatisation of public universities. All public universities will be less dependent on public funds (Education in Malaysia, 2005).

(5) Private higher educational institutions: Universities run by government corporations, established by large corporations which are public listed companies, established by local political parties or established by local branches of foreign universities (Noran & Ahmad, http://www.mahdzan.com, retrieved on 15 Dec 2005).

1.8 Organization of Chapters

This research consists of five chapters. Chapter 1 gives an overview of the research and its background study. The problem statement is defined together with the key objectives of this research to be achieved. Chapter 2 presents the literature review which is relating to this research. The content consists of customer satisfaction theory, cognitive and affective component of satisfaction, and customer loyalty theory. The theoretical framework and hypothesis are also formulated in this chapter. Chapter 3 explains the methodology carried out in this research, such as research design, variables and measurement, data collection method, and the definition of statistical analysis. Chapter 4 presents the statistical analysis from the data collected which include profile of respondents, factor analysis, reliability test, descriptive statistics, correlation analysis, multiple regression and summary results of all hypothesis. Finally, chapter 5 conclude with discussions and implications of the results interpreted. Any limitation of this study will be noted and suggestions will be recommended for a similar research in the future.

Chapter 2

LITERATURE REVIEW

2.1 Introduction

According to Kotler (2003), generally satisfaction is the comparison of perceived performance to the buyer's expectation. The buyer is satisfied or highly satisfied if the performance matches or exceeds the expectation. A number of studies have also suggested that there is significant relationship between customer satisfaction and loyalty (Cronin, Brady & Hult, 2000; Yu & Dean, 2001, Taylor & Baker, 1994). Review on customer satisfaction literature found that most of the studies focused on the cognitive component of satisfaction. Researchers argued that customer satisfaction study should include both cognitive and affective components (Stauss & Neuhaus, 1997; Liljander & Strandvik, 1997). As this study is focused on student satisfaction, thus the cognitive component of satisfaction will consist of feedback and assessment, physical environment, interaction and support, administration, learning materials, course structure and content (Yu, 2001). Whereas the affective component (Liljander & Strandvik, 1997) will consist of positive and negative emotions. This chapter reviews the literatures on cognitive and affective components on customer satisfaction and customer loyalty. Based on the literature review, the theoretical framework and hypothesis will be generated.

2.2 Customers Satisfaction

Customer satisfaction refers to customer evaluation on a specific transaction. Customer satisfaction or dissatisfaction arises from the comparison of prior expectation and actual performance, of which the discrepancy found between these are typically modelled as the function of disconfirmation (Oliver 1980).

Satisfaction is an "experience-dependency" construct and service quality alone does not require customer to go through experience. If the scale seeks respondents' assessment of their "perceived service experience", it is essentially measuring satisfaction rather than service quality (Danaher & Haddrell, 1996). Consumers often form satisfaction or dissatisfaction judgements by assessing the exchange relationship with the producers. If the processes of settling conflicts or problems are not appropriate, the customers are likely to be dissatisfied (Garrett & Mevers, 1996).

The “disconfirmation of expectation” model of satisfaction said that consumer satisfaction is the result of comparison between company performance and customer expectation (Oliver, 1980). Disconfirmation models are mainly focused on performance of specific attributes and expectation (Tse & Wilton, 1998). For example, when students enrol in classes, they will find their expectations to be either negatively disconfirmed, confirmed or positively disconfirmed. Students will judge on the discrepancy between what they had expected (expectations) of the class and what was obtained (perceived performance); this concept is referred to as subjective disconfirmation. If the student believes that performance is less than expectations, negative disconfirmation arises; if performance matches expectations, confirmation arises; and if performance exceeds expectations, positive disconfirmation arises (Athiyaman, 1997).

However, Teas (1993) has highlighted that there is some confusion in the literature as to whether the disconfirmed expectations variable is a predictor of perceived service quality or a predictor of consumer (dis)satisfaction. Bitnert too

(1990) argued on whether its relationship to perceived service quality is direct or indirect (Bitner, 1990).

Cronin and Taylor (1992) also pointed out that there were some unresolved issues in the literature concerning the relationship between service quality and consumer satisfaction. They said that perceived service quality leads to consumer satisfaction but Parasuraman et al (1988) concluded that consumer satisfaction leads to perceived service quality. Bitner (1990) suggested that the consumer satisfaction is the assessment relating to specific service transactions, while service quality is a general attitude relating to the service providers' overall excellence or superiority. Perceived service quality could be the evaluation of a number of service encounters. In the case of students, the service encounters could be with the administrative (office) staff, tutors, lecturers, the heads of department, etc.

A customer has expectations on a familiar situation or unfamiliar situation. It is most important to know how such expectations develop, and the relation to the delivery of quality service (Zeithaml et al., 1990). As Teas (1994) has pointed out, expectation can be defined as desires, wants, normative expectations, ideal standards, what the service provider should offer, and what the consumer hopes to receive. In consumer satisfaction literature, expectation is viewed as predictions made by consumers about what is likely to happen in the transaction or exchange. Whereas in the service quality literature, it has mentioned that expectation is viewed as needs and wants of consumers. Consumers will be expecting what kind of service should be offered rather than would be offered (Jennifer, 1998). Expectation is also defined as anticipated or predicted levels of product/ service performance formed by advertising, word of mouth, or from past experiences (Swan & Trawick 1980).

Consumer expectations are based on what they believe will happen or should happen when they consider to purchase the products or services (Boulding et al 1993). Unfulfilled expectations will lead to customers becoming dissatisfied (Garrett & Meyers, 1996). Abdul Wahid (2000), in her study of student evaluation of academic delivery, has used several variables. One includes perceived benefits of the course. In pursuing higher degree courses, employment and salary are specific attributes which have been used. Perceived benefits refer to items that promote further self-development as perceived by the respondents.

There are other factors which can influence the consumer perception of service performance such as tangibility; the physical surroundings where the service transaction takes place, the necessary equipment involved, and so on. Other factors include the service providers need to be responsive, reassuring, empathetic and reliable (Zeithaml et al, 1990). Wakefield and Blodgett (1996) found that facility aesthetics, layout, seating comfort, electronic equipment, and cleanliness also positively influenced repatronage intentions and the desire to stay. It has been noted by Lee (1999) and Sirvanci (1996) most public higher education institutions are subsidized by government, therefore students are not paying the full cost of education. Hence, most students will complete their studies in the institution that they are attending.

According to McElwee and Redman (1993), the key factor which influences consumer perceptions about service performance is reliability. Reliability means consistency in performance and dependability. For example lecturers or tutors who fail to turn up in class or arriving late will project a bad image. Also, preparation of lecture or tutorial material could be devalued by such behaviours. The lecturer should treat students with sensitivity and sympathy, and assistance should be provided when necessary. Even simple listening is appreciated. In the McElwee and Redman (1993) research, they pointed out that due to the growing number of students, it is impossible for the lecturer to take care of every one of them. Hence, it may create negative implications for perceived service performance. As such (Price et al., 1995), providing special attention and taking little extra measures could create a memorable service encounter. The little extras contribute to service satisfaction and also positive feeling. Companies do use extra measure to make up for a service failure, so that the possibility of a relationship would certainly exist. The little extras would also influence emotional responses differently depending on characteristics of the service encounter. Besides, Mutual understanding between the customer and the employee is a major factor influencing customer satisfaction in service encounters (Bitner et al., 1990).

Satisfaction have traditionally been conceptualized and measured as a cognitive disconfirmation in comparison to some standard. Customer evaluation of service quality can be described as a cognitive process where customer considers the goodness/badness of different components of the service delivered, it is either by evaluating the perceived service performance only, or by comparing the service performance with some predetermined standard. Conversely, satisfaction is believed to contain an affective dimension also, without cognitive and affective component customer responses cannot be fully measured (Liljander et. al, 1997).

In conclusion, Liljander and Strandvik (1997) and Oliver (1980), argued that satisfaction should include both cognitive and emotional components. The cognitive component refers to a customer evaluation of the perceived performance in comparison to expectation standards. Whereas for the emotional component, it consists of various emotions such as happiness, surprise and disappointment

(Liljander & Strandvik, 1997; Stauss & Neuhaus, 1997). The cognitive and affective components of satisfaction will be discussed in section 2.2.1 and 2.2.2 in this chapter.

2.2.1 Cognitive Component of Customers Satisfaction

Fornell (1992) defines satisfaction as a general evaluation based on the result of the product perceived after the purchase, which is compared to the expectations prior to the purchase.

According to Jennifer (1998), perceived service quality is a global judgement whereas satisfaction is related to a specific transaction. These two construct are related, and satisfaction over time will lead to perceived good quality service. Service quality dimension or attributes are drivers which contribute to consumer expectation and perceptions of service quality. Knowledge of this dimension or attribute will yield an insight into more effective ways of improving service quality. As Zeithaml (1990) has mentioned that service quality is often conceptualized as the comparison of service expectations with actual performance perceptions. In measuring service quality, SERVQUAL has been widely used. Originally, SERVQUAL consists of ten dimensions (tangibles, reliability, responsiveness, communication, credibility, security, competence, courtesy, understanding and access) but it has been reduced to five dimensions. This model is called a gap model. The idea of this model is to measure the gaps between expectations and perceptions. Service quality is also a multidimensional concept (Parasuraman et al., 1988). Five key dimensions proposed by Parasuraman are as follows:

(1) Tangibles: physical facilities, equipment, appearance of personnel.

(2) Reliability: ability to perform the promised service with dependability and accuracy.

(3) Responsiveness: willingness to help customers, and to provide prompt service.

(4) Assurance: knowing customer wants, and being courteous and able to inspire confidence.

(5) Empathy: caring individual attention.

An important aspect of the underlying theory in constructing the SERVQUAL is that it conceptualize satisfaction as a single item measure of a service (Oliver, 1981). Danaher and Mattsson (1994) argued that there is an overall service encounter evaluation done by the customers and it is not just the interaction with the service provider alone. SERVQUAL has been seen as an effective way to measure satisfaction or dissatisfaction of higher educational experience (Cuthbert, 1996). Hence, in the educational service, the multi-item disconfirmation scale which is similar to SERVQUAL has been used to measure the cognitive component of satisfaction. It contains six groups of educational service attributes: Feedback and assessment, physical environment, interaction and support, administration, learning materials, course structure and content (Yu, 2001).

2.2.2 Affective Component of Customers Satisfaction

According to the satisfaction literature by Wirtz and Bateson (1999), satisfaction is partly cognitive and partly affective (emotional) evaluation of a consumption experience. Separating both the cognitive and affective evaluations are necessary for modeling consumer behavior in service setting. Westbrook and Oliver have noted that (1991), the concept of consumption emotion refers to the set of emotional responses elicited specifically during consumption experiences. Consumption emotions have been conceptualized as distinct categories of emotional experience and expressions, such as joy, anger, fear. Halstead et al. (1994) consider that satisfaction is an affective response, centered on comparing the results of the product with some standards set prior to the purchase, and the measured during or after consumption.

There are two types of emotions, namely positive and negative. Positive emotions include happy, hopeful and positively surprised, while negative emotions include angry, depressed, guilty and humiliated (Liljander & Strandvik 1997). Liljander and Strandvik (1997) also pointed out that positive and negative emotions can exist at the same time because customers have a zone of tolerance in their emotions, where the negative emotions will not affect the positive emotions. For example, Arnould and Price (1993) noted that a consumer has the experience of multiple positive and/or negative emotions in one consumption episode. In their research on the consumer-guide interaction in river rafting services, they found that a consumer who has gone through these high levels of trip satisfaction could simultaneously include extreme positive (i.e. pleasure, happiness) and negative feelings (i.e. sad, regretful).

Researches have argued that the emotion component should be included in customer satisfaction studies (Liljander & Strandvik 1997, Stauss & Neuhaus, 1997). It is because when consumers give their overall satisfaction level, it does not mean consumers experience the same score for emotions and cognition components (Stauss & Neuhaus, 1997). Therefore it is necessary to distinguish these two components. As cited by Oliver et. al (1997), the role of emotion is gaining attention as a central element in service quality management. (Cronin et. al, 2000), There have been some studies of the effects of emotions on satisfaction with service quality. Recent studies suggest that emotion is a fundamental attribute in satisfaction and that customer satisfaction should include a separate emotional component.

In the context of service consumption, customer-perceived emotions may be one of the variables affecting dissatisfaction or satisfaction (Arnould & Price, 1993). Pine and Gilmore (1999) stated that the best relationships with customers are affective and emotional in nature. Companies are not only satisfying certain needs but at the same time also making the customer interactions more pleasurable, hence customers are more inclined to stay loyal even when mistakes take place.

Andreassen (1999) has found that initial negative emotion caused by a service failure results in customer exit behaviour. If the customers are displaying positive emotions during the service encounter, it is expected that they will also form positive perceptions of overall relationship quality. In addition (Stauss & Neuhaus, 1997), people's emotions have an influence on behaviour and people also respond to an event in certain ways to maintain positive emotions and to avoid negative emotions. People who have positive emotions will share their experiences with others or tend to stay with what they are doing. In contrast, negative emotions will result in complaining behaviour or to leave from what they are doing (Bagozzi et al., 1999). Oliver et al. (1997) found that positive emotions led to higher levels of customer satisfaction and increased repurchase intentions. In short, there is a direct relationship between emotions and customer loyalty behaviour (Liljander & Strandvik 1997, Stauss & Neuhaus, 1997).

2.3 Customer Loyalty

According to Dick and Basu (1994) customer loyalty can be defined as the relationship between relative attitude and repeat patronage. As Bloemer and Kasper (1995) have pointed out, the most common assessments of loyalty are behavioural measures expressed over time or repurchase patterns. In Yu (2001) research, the repurchase in education service is referred to consider the same university as the first choice if pursuing further study.

Jacoby and Chesnut (1978) have suggested that customer loyalty is the behavioural outcome of a customer preference for a particular brand from a selection of similar brands over a period of time. Bowen and Shoemaker (1998) have cited that customer loyalty is concerned with the likelihood of a customer returning, making business referrals, providing strong word-of-mouth, as well as providing references and publicity. Lee and Zeiss (1980) also mentioned that customer loyalty involves behavioural and attitudinal approach, of which they argued that there is also a cognitive side to customer loyalty. Therefore, operationalisation of service loyalty would have to consider behavioural, attitudinal and cognitive aspects. These elements are presented in the behavioural intentions battery that was refined by Parasuraman and his co-workers (Zeithaml *et al*., 1996).

The loyalty scale of the behavioural intentions battery, consisting 13 items, have been grouped into five dimensions namely, loyalty to company, propensity to switch, willingness to pay more, external response to problem and internal response to problem (Zeithaml *et al*., 1996). These five dimensions are as follows:

(1) The loyalty dimension contains five items: saying positive things about the company, recommending the company to someone who seeks advice, encouraging friends and relatives to do business with the company, considering the company as the first choice from which to buy services, and doing more business with the company in the next few years.

(2) The willingness to pay more contains two items: continuing to do business with the company even if its prices increase somewhat and paying a higher price than what competitors charge for the benefits currently received from the company.

(3) The propensity to switch contains two items: doing less business with the company in the next few years and taking some business to a competitor that offers better prices.

(4) The external response to problems contains three items: switching to a competitor, complaining to other customers, and complaining to external agencies such as the Better Business Bureau.

(5) The internal response to problem contains one item: complaining to the company's employees if a service problem is experienced (Zeithaml *et al*., 1996).

De Ruyter *et al*. (1998), after using the scale later confirm that it should consist of three dimensions: preference, price indifference and dissatisfaction response. These dimensions were later customized by researcher Yu (2001) into four dimensions which consists of positive word-of-mouth, complaining behaviour, switching behaviour and the willingness to pay more. These four dimensions are as follows.

(1) The positive word-of-mouth contains four items: Say positive things about the course, recommend the course to someone else, encourage friends to apply for the same course, consider the same university as the first choice if pursuing further studies.

(2) The complaining behaviour contains three items: Complain to other students if the individual experiences problems, complain to external agencies if the individual experiences problems, complain to the school staff if the individual experiences problems.

(3) The switching behaviour contains three items: Try to switch to another university if the individual experiences problems, study in another university if it offers a better price, try to study fewer subjects at this university.

(4) The willingness to pay more contains two items: Continue the same course if the price increases, pay a higher price for the benefits currently received.

Loyalty is more common among service customers than among customers of tangible products. Customers who are satisfied with a service when compared to available alternatives portray greater loyalty to that service than dissatisfied customers (Skogland & Siguaw, 2004). Zeithaml et al. (1990) have cited that customers who complain and receive a satisfactory response become more loyal to the supplier than those who have never complained, because they now feel confident that the supplier will resolve any problems which occur. In addition, customer loyalty may act as a barrier to customer switching behaviour (Klemperer, 1987). In the service context, intangible attributes such as reliability and confidence are important to build or maintain loyalty (Dick & Basu, 1994). Researches also show that service quality is more dependent on the development of interpersonal relationship as compared to loyalty with tangible products (Macintosh & Lockshin, 1998). Person-to-person interactions form an essential element in the area of marketing services (Crosby et al., 1990). Relationship consists of several stages in which the post-purchase reactions will determine the next pre-purchase phase. There are other mechanisms, for instance customer makes an overall assessment of the relationship from both the cognitive and emotional components (Muller et al, 1991).

As pointed out by Rust and Zahorik (1993), a dissatisfied customer may still continue their patronage if they expect no better from alternative suppliers. In contrast, a satisfied customer may be willing to patronize alternative suppliers hoping to receive even more satisfying results. It has been realized that customer satisfaction leads to customer retention and other favorable post-consumption behaviour.

Behaviours as such promote the company to others through positive word-of-mouth (Mittal & Kamakura, 2001).

2.4 Theoretical Framework

Based on the literature reviews, several variables have been identified for the construction of the theoretical framework for the study. The independent variable which is student satisfaction consists of two components; cognitive and affective dimensions. The dependent variable is student loyalty. The broad framework is as follows:

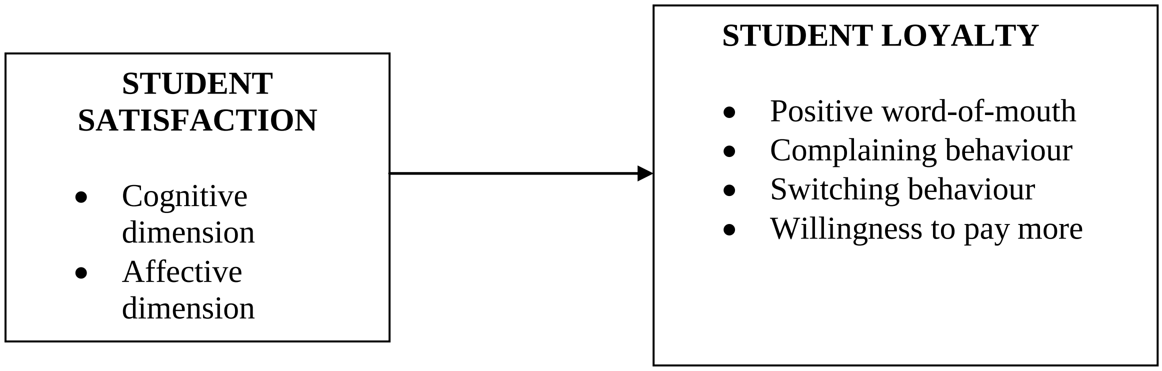

Figure 2.1 Theoretical framework

2.5 Hypothesis Development

Based on the research model the main hypothesis is formulated to test the relationship between student satisfaction and student loyalty. The second group of hypothesis is formed to test the relationship between the cognitive component of student satisfaction and student loyalty. The third group of hypothesis is formed to test the relationship between the affective component of student satisfaction and student loyalty.

2.5.1 Student Satisfaction and Student Loyalty

The main hypothesis is developed to explore the role of cognitive and affective dimensions in student satisfaction. Past studies have suggested that there is significant relationship between customer satisfaction and loyalty (Cronin, Brady & Hult, 2000; Yu & Dean, 2001, Taylor & Baker, 1994). This study is focus on student satisfaction and their loyalty. Hence, the hypothesis is suggested as follow:

H1: There is significant relationship between student satisfaction and student loyalty.

2.5.2 Sub-Hypotheses for Cognitive Dimension to Loyalty Dimension

Sub-hypotheses are formed to test the relationship between the cognitive component of student satisfaction and student loyalty.

H1a: There is significant relationship between cognitive dimension and loyalty dimension.

- *H1a1: There is significant positive relationship between feedback and assessment and positive word-of-mouth.*
- *H1a2: There is significant positive relationship between physical environment and positive word-of-mouth.*
- *H1a3: There is significant positive relationship between interaction and support and positive word-of-mouth.*
- *H1a4: There is significant positive relationship between administration and positive word-of-mouth.*
- *H1a5: There is significant positive relationship between learning materials and positive word-of-mouth.*
- *H1a6: There is significant positive relationship between course structure and content and positive word-of-mouth.*