The effect of service quality on perceived value, brand reputation and loyalty: a study on traveling industry

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Abstract

Nowadays, the living standards of people are improving and they spend more time and money on leisure activities. Of all the activities, traveling is one of the top choices of people. Therefore, it is necessary to study the factors that would influence the choices of people and what will make them loyal. Recently, researchers gained a lot of interest toward the relationships of service quality with brand reputation, perceived value and loyalty. However, there are few researches that concentrate on explaining the effect of service quality toward perceived value, brand reputation and loyalty in the traveling industry. The aim of

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this research is to find out the relationship between service quality, perceived value and loyalty. Their relationships can, then, help formulate a more effective strategy to retain loyal customers. This study adopts visitors participated group travels as subjects and collects 151 valid questionnaires. The Partial Least Squares (PLS) method is applied. Analytical results indicate that service quality has positive effect on perceived value and brand reputation, but not on loyalty.

Keywords and phrases: Service quality, perceived value, brand reputation, loyalty.

1. Introduction

Presently, there are so many companies for customers to purchase from and competitions for these companies are getting fiercer everyday. It is important for companies today to look or ways to obtain the loyalty of their customers. Many researchers pointed out that customer loyalty means companies can sell more products, get more revenue, and increase profit all at the same time [7, 19]. There are a lot of research papers that explore on the improvement of customer loyalty. In these studies, it was usually found that customer satisfaction plays an important role in the increase of customer loyalty [7, 24]. Similarly, brand reputation also plays an important role in driving customers to choose what to purchase [13, 19, 25]. In another research, service quality is proved to have positive effect on customer satisfaction. From that point, a question should be raised. Can service quality positively affect loyalty? Until now, no study can clearly and directly answer that question. Having noted the importance of service quality, brand reputation, and perceived value in relationship with loyalty, this study established a research model with these factors. Then, Partial Least Method was used to estimate the relationship between them. The model was tested using the data from the travel industry of Taiwan. Last, implications and findings were discussed at the last section.

2. Theory and hypotheses

2.1 Service quality

In the service industry, definitions of service quality focus on meeting customers’ needs and requirements, and how well the delivered service