

# EXPERIENCE QUALITY, SATISFACTION, AND LOYALTY FOR HAIR AND BEAUTY SALON

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## ABSTRACT

This study focused on hair and beauty salon consumption and aimed to investigate the relationship between experience quality, satisfaction, and customer loyalty. The research model investigates the relevant relationship among the construct by using Partial Least Square (PLS) method by computational assistance program WarpPLS. The findings of this study are based on the views of 406 respondent completed a survey conducted at various hair and beauty salon in Indonesia including Anata Hair and Beauty salon, Rudi Hadisuwarno, Johny Andrean, Martha Tilaar and other. The result will assist hair and beauty salon managers in developing and implementing a competitive customer experience strategy that can enhance customer satisfaction, customer loyalty, growth, and sustainability.

## Keyword

*Experience quality, satisfaction, loyalty, hair and beauty salon*

## 1. BACKGROUND

The phenomenon of the current society consumption pattern has shifted in conjunction with the education and economy development. Consumption patterns from previously dominated by clothing, food, and shelters (goods-based consumption) turn to entertainment and leisure (leisure-based activities). Indonesia is one of the countries affected by this phenomenon massively [14]. As consumption of entertainment and leisure activities has increased rapidly, leisure activities such as traveling, going to the movies, music concerts, shopping, and going to beauty services has become the lifestyle of Indonesian society today. These consumptions aim to have pleasurable experiences following the expectations and desires of consumers.

According to Soelistyowati [20] this trend can be seen from BPS data that records 5.1% and 6.3% increased of the leisure activities in 2016 and 2017 respectively. One of the growing leisure consumptions today is taking care of body for women by visiting Hair and Beauty hair and beauty salon.

The beauty industry in Indonesia is currently showing an increase, the beauty industry in Indonesia is growing at an average of 12% per year with market value of Rp 33 trillion in 2016 [24] with the view that high growth makes the beauty industry attractive to many people. It is estimated that the beauty industry market will reach RP 46.4

trillion by 2017 [29], therefore, Indonesia is a potential market for the beauty industry. According to Husin [3] it is expected that the beauty industry is capable to become an industry that plays a significant role the Indonesian economy in the future. This is because, Indonesia has a vast domestic market, the availability of human resources, and the abundance of raw materials [25]. One type of business in the beauty industry is a hair and beauty salon. Hair and beauty salon business in Indonesia has increased by 10-15% in 2015 [6] compared to the achievement in the past. This figure shows that hair and beauty salon business is expected to grow continuously. The increase in the number of entrepreneurs in the hair and beauty salon field lead to a tight competition. This intense competition forces the hair and beauty salon player to continue to compete by providing high level experience quality with the aim of enhancing the company's reputation for the competitive advantage. This research focuses on the experience quality provided by hair & beauty salon and discusses more on the relationship between experience quality, customer satisfaction and customer loyalty. This research will provide a hair & beauty salon manager a better understanding of their customer behavior especially the role of customer experience in shaping customer loyalty.

## 2. LITERATURE AND HYPOTHESIS

### 2.1 Experience quality

Service quality now becomes one of the most common research focuses over the years and even now [1]. Models that have been formulated for service quality measures are SERVQUAL. However, the underlying concept of SERVQUAL is the service experience, which is based on functional aspects [12]. Experience quality tends to refer to the overall service rather than attributes based. Experience quality focuses on assessments of the quality of service they received. Perceptions of experience quality are subjective [7] and psychological representation [9].

Experience quality enables the tracking of customer experience and the ultimate things over time, and can act as an important marketing metric [10]. With an in-depth understanding of the perception experience on the quality of services delivered in service companies and designing strategies to satisfy their needs can help company managers become more competitive both nationally and internationally.

In the hair & beauty salon context, service quality refers to service performance of attribute service, while experience quality refers to psychological outcome resulting during the service delivery process. A number of studies [12][17][15][16] indicating that experience quality should be measured based on a multi-dimensional and hierarchical model to measure experiential quality accurately. Meanwhile, [16] develop an experience quality scale with four-factor interaction quality, physical environment quality, outcome quality and effective quality.

### 2.2 Satisfaction

Satisfaction refers to the perceived comparison between previous expectations and performance after consumption. This comparison leads to dissatisfaction when perceived performance is lower than expectation. In service context, satisfaction arises from the consumer's assessment of service provider performance and consumer expectation [28]. Several studies [11] [17] [16] show that experience quality plays a vital role in lifting up the level of satisfaction. However, literature shows little research focusing on the relationship between experience quality and satisfaction in the hair & beauty context.

### 2.3 Loyalty

Customer loyalty is the most crucial end goal for a company to reach the long-term viability and sustainability. Customer loyalty is more than to recommend friends, relatives or other people who have potential in using a product or service by doing free word of mouth [22]. Customer loyalty is the result of having consistently positive emotional experiences. Experience quality and satisfaction have an essential role in influencing loyalty [17]. Increased in experience quality leads to increase in satisfaction. Satisfaction in turn will lead to loyalty [4]. In fact, customer loyalty is one way of building a sustainable competitive advantage. Wu [16] found that satisfaction acts as a mediator in the relationship between experience quality and loyalty. Earlier research also found that experiential quality affected loyalty and satisfaction [18] [19].

### 2.4 Relationship between variables

The relationship among customers' perceptions of experience quality, satisfaction and loyalty have been established by previous studies [13]. Quality and satisfaction all have been shown to be good predictors of loyalty [11].

H1: Experience quality positively influences customer satisfaction

H2: Experience quality positively influences customer loyalty

H3: Satisfaction positively influences customer loyalty

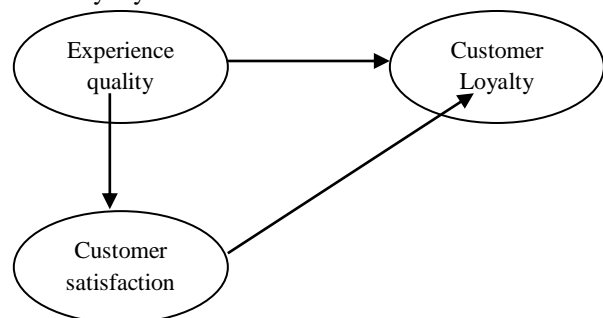


Figure 1. Conceptual Model

## 3. METHODOLOGY

Self-administered questionnaires were used to collect data from 406 respondents. This study focuses on the consumer experience during the service consumption in hair & beauty salons. Questions in the questionnaire are derived from previous studies. The questionnaire was pre-tested based on twenty respondents to ensure the respondent understood each question in each part. The questionnaire consists of four parts. Part 1 to measure experience quality with 14 items. Part 2

deals with the measurement of satisfaction that consist of four items. Part 3 of the questionnaire measurement of loyalty with five items. Finally, part 4 aimed at respondents' profile with four items including age, occupation, monthly income, and hair & beauty salon that they often visit. Apart from the demographic questions, all items start from part 1 to 4 are measured by a 5-point Likert scale type question ranging from 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree.

According to Hair [5] PLS requires sample size between 100-400. As this study use data from 406 respondents, then PLS method for data analysis can be used in this study. This research applied Partial Least Square (PLS) method by computational assistance program Warp PLS 6.0 software to process the data. PLS divided into two-steps: first, measurement model was conducted to confirm the suitability of the proposed scales using validity and reliability. Second, structural model was used to test the relationship between construct.

#### 4. EMPIRICAL RESULT

Questionnaires were distributed by way of email and hair and beauty salon intercept in Bandung during June 2018.

The questionnaires were filled by female customer of hair & beauty salon who agree to give their responses. Due to time limitation, a convenience sampling method was adopted. Female customers who just are finished their service are approached and asked for their willingness to take part in the survey. The respondents contacted via email are regular customers of a certain hair and beauty salon. Total of 406 valid questionnaires were returned to be analyzed.

The major characteristics of the respondents are as follow: 46,80% are aged between 20 and 25 years old. 38,67% respondents are private employees and 30,79% of the sample have a monthly income between Rp. 2.500.001-Rp. 5.000.000. The respondents, who are working often visit hair and beauty salon Johnny Andrean which account for 25,12% of the sample.

##### 4.1 The Measurement model

Testing validity and reliability conducted with a confirmatory factor analysis. The validity test was done by validity convergent and discriminant validity. The measurement convergent validity with observing the loading factor, the significant of th

eitems above 0.5. We can see that all factor loading above 0.5, its means the measurement model has good convergent validity as shown in Table 1.

Table 1 Validity Measurement

Variable	Indicator	Factor Loading	P-Value
<b>Interaction quality</b>	IQ1	0.859	<0.001
	IQ2	0.857	<0.001
	IQ3	0.829	<0.001
	IQ4	0.777	<0.001
<b>Physical Environment Quality</b>	PQ1	0.887	<0.001
	PQ2	0.912	<0.001
	PQ3	0.913	<0.001
<b>Outcome Quality</b>	O1	0.814	<0.001
	O2	0.817	<0.001
	O3	0.684	<0.001
	O4	0.825	<0.001
<b>Affective Quality</b>	AQ1	0.848	<0.001
	AQ2	0.892	<0.001
	AQ3	0.872	<0.001
	AQ4	0.863	<0.001
<b>Customer Satisfaction</b>	SATIS1	0.837	<0.001
	SATIS2	0.764	<0.001
	SATIS3	0.844	<0.001
	SATIS4	0.877	<0.001
<b>Loyalty</b>	LOYAL1	0.856	<0.001
	LOYAL2	0.876	<0.001
	LOYAL3	0.892	<0.001
	LOYAL4	0.838	<0.001
	LOYAL5	0.818	<0.001

Testing discriminant validity is done by comparing the correlation value between variable with AVE square root value. The correlations are on the diagonal. The square root of the AVE should be larger than any correlation involving that latent construct [27]. Table 3 shows the square roots of the AVE in each construct having an AVE value greater than the correlation value between the variables. Thus the discriminant validity value has been met. The result of calculation of discriminant validity can be seen in table 2.

Table 2 Correlation among model variables

	IQ	PQ	OQ	AQ	CS	CL
<b>IQ</b>	0.831					
<b>PQ</b>	0.434	0.904				
<b>OQ</b>	0.678	0.644	0.787			
<b>AQ</b>	0.532	0.577	0.751	0.869		
<b>CS</b>	0.577	0.538	0.656	0.560	0.831	
<b>CL</b>	0.575	0.522	0.671	0.627	0.667	0.857

Assessing validity alone is not sufficient to prove the instrument is adequate [5]. One of the methods used to measure reliability is construct consistency. Measurement the consistency of the construct analysis [1] by comparing three consistency (composite reliability, Cronbach's alpha, and average variance extracted (AVE).

Table 3 Reliability Measurement

Variable	Composite Reliability	Cronbach' Alpha	AVE
Interaction quality	0.899	0.850	0.691
Physical Environment Quality	0.931	0.888	0.817
Outcome Quality	0.866	0.793	0.620
Affective Quality	0.925	0.892	0.755
Customer Satisfaction	0.899	0.850	0.691
Loyalty	0.932	0.909	0.734

As shown in Table 3, the value of composite reliability and Cronbach's alpha value of each item is greater than 0.7 [5], the value of composite reliability ranges from 0.866 to 0.932, and Cronbach's alpha ranges from 0.793 to 0.909, and the average variance extracted (AVE) of all variables range from 0.620 to 0.817 which are above 0.5 indicating excellent reliability. It says that every dimension measurement is consistent and reliable if it is repeated.

#### 4.2 The Structural Model

To test the structural relationship, the estimated structural coefficients provide a basis for testing the proposed hypothesis. This study examines structural models with one exogenous construct (i.e. experience quality) and two endogenous constructs (i.e. satisfaction and loyalty).

Table 4 Hypothesis Test

Hypothesis	Path	Path coefficients	P-Value	Result
H1	EXQ→CS	0.78	<0.001	Significant
H2	EXQ→CL	0.226	<0.001	Significant
H3	CS→CL	0.57	<0.001	Significant

Noted: EXQ: Experience Quality, CS: Customer Satisfaction, CL: Customer Loyalty,  $\beta < 0.05$  (significance level) is accepted

The results are reported in Table 4. The fit of the model is acceptable because all of the hypotheses are acceptable. Experience quality has a significant positive effect on satisfaction (b=0.78, p-

value<0.001), thus H1 is supported. Experience quality also has a significant positive effect on loyalty (b=0.226, p-value<0.001), thus supporting H2. The satisfaction has a significantly positive effect on loyalty (b=0.57, p-value <0.001), supporting H3.

Table 5 shows the measurement results of the effect on each relationship. First, the direct effect of experience quality on satisfaction (0.49) is greater than it is on loyalty (0.162). Second, found a direct effect of satisfaction on the loyalty of 0.57. Third, the indirect effect of experience quality on loyalty mediated by satisfaction is 0.266.

Table 5 Direct, Indirect Effect of relationship

Path	Direct effect	Indirect effect	Total Effect
EXQ→CS	0.49	-	0.49
EXQ→CL	0.162	0.366	0.470
CS→CL	0.57	-	0.57

Noted: EXQ: Experience Quality, CS: Customer Satisfaction, CL: Customer Loyalty

#### 5. DISCUSSION

Customer insight is the first stage to form customer experience [26]. To form the experience quality is to know the desire of consumers. The fulfillment of consumer desire will create satisfaction. In the context of hair and beauty salon, if the result of the service is good, then it will meet the desires and expectations of consumers, but whether the satisfaction that is formed will create loyalty. According to Schmitt [23] expectations and performance are always viewed from the functional aspect and more oriented to the end result so that much measurement of customer satisfaction becomes a lousy predictor of loyalty. The level of satisfaction is not enough in keeping customers loyal, so by increasing the experience of quality is the key to creating the true loyalty [21]. Experience more process-oriented, so the concept of experience quality will be appropriate for hair & beauty salon.

This research was conducted to lead to a better understanding of the role of experience quality in the context of hair & beauty salon. To our best knowledge, this research is a pioneer in applying the concept of experience quality in the context of hair & beauty salon. This study also examined the quality experience dimensions associated with hair & beauty salon, determined customer perceptions about experience quality, and measured the level of experience quality on satisfaction and loyalty. Several studies have correlation between experience



quality, satisfaction and customer loyalty [11][8]. This research revealed that the effect of experience quality is significant positively on satisfaction and loyalty. However, in research conducted by [13] did not see any direct relationship of experience quality to loyalty. In contrast to the results of research conducted by [11] see the direct relationship between service quality and customer loyalty. Based on the results of this study showed that the experience quality has a positive and significant impact on satisfaction, as well as satisfaction has a positive and significant influence on loyalty relevant with research that has been done before [13]. While experience quality with the loyalty that has a significant positive influence, but this result is different from previous studies [11].

This study shows that there is a direct relationship between satisfaction and loyalty in experience quality for satisfaction has an effect of 0.49 or 49%, while loyalty of 0.162 or 16.2%. Next on customer satisfaction at loyalty has a direct influence of 0.57 or 57%. Followed by the influence of experience quality and loyalty mediated by satisfaction has an influence value of 0.266 or 26.6% (see Table 5). Based on these data, consumers are relatively satisfied and loyal due to the quality of experience that has been given by hair & beauty salon well then it will create loyalty and will ultimately increase profits. Gerson [8] says that the relationship between sales, service, satisfaction, and profit is direct. This proves that the more satisfied a customer, the more often the consumer comes to the company, in another, customer will do more frequent revisit so that the company more benefited. Satisfied customer behavior on company performance will convey those feelings to others.

Thus, a number of suggestions can be made for implementation by hair and beauty salon managers. Hair and beauty salon managers are advised to pay attention to the quality of experience in managing their customer experience to maximize positive satisfaction and loyalty. To enhance a good customer experience, frontline staff must be trained in serving customers professionally as well as being acknowledged and respect to every customer who visits the hair and beauty salon. The customer experience should include all activities by engaging the customer in the process of choosing the aroma of creambath, shampoo, and so on. Research produces a measuring tool that can be used to manage hair and beauty salons to assess customer perceptions on a regular basis.

## 6. LIMITATIONS

This study has some limitation, however: first, the sample in this study, deliberately taken from consumers who have finished doing services in some places hair & beauty salon. For future studies should try to examine experience quality in one place hair & beauty salon only. Second, experience quality in this research is measured by four items. Researchers believe that there are other influencing factors for determining hair & beauty perceptions of experience of quality dimension that will surely enhance the healing and competitiveness of hair & beauty salons. Third, this study did not analyze information from demographics sample profiles. In the future studies, it is advisable to include differences from demographics because the reaction of hair & beauty salons to experience quality dimension may have differences in demographic characteristics.

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