

## The effect of service quality on customer loyalty in healthcare sector: Mediating role of patient satisfaction

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### Abstract

Research pertaining to the relationship involving service quality, customer satisfaction, and consumer loyalty in healthcare sector in Indonesia is relatively scarce. This study aims to investigate the relationship between service quality, customer satisfaction, and consumer loyalty in healthcare sector. In this study, the quality of service and customer satisfaction are considered to act as antecedents of consumer loyalty. This study utilizes questionnaires to collect data. The questionnaires were distributed directly to individuals undergoing outpatient treatment at the three hospitals. A total of 114 patients, who were admitted at Harapan Kita Hospital, Permata Hijau Hospital, and Puri Mandiri Hospital were the respondents of the study. The findings confirm that two factors, i.e., service quality and customer satisfaction provide a positive effect on customer loyalty. It is also found that customer satisfaction mediates the effects of service quality on customer loyalty. The findings imply that hospital management should be aware that customer loyalty is a prerequisite condition for the success to compete. For this reason, the hospital management has to reorient their business activities, including increase their service quality level.

**Keywords:** service quality, customer satisfaction, consumer loyalty, Indonesia healthcare sector

### 1. Introduction

Recent years, market structure of both manufacturing and service organizations has undergone many changes, resulting in markets characterized by increasingly fierce competition (Zaim *et al.* 2010) <sup>[19]</sup>. Many experts argue that the strategic goal of business activities is the achievement of customer loyalty. Therefore, building consumer loyalty has emerged as a major challenge of service organizations (Zaim *et al.* 2010) <sup>[19]</sup>. According to Filip and Anghel (2009) <sup>[8]</sup>, customer loyalty consists of two components: psychological and behavioral components. The behavioral component is related to repeat purchase, while psychological component is related to the consumers attitude toward the companys business.

One factor widely cited as determinant of consumer loyalty is quality of service (Zaim *et al.* 2010) <sup>[19]</sup>. A number of studies have been conducted to identify the importance of service quality for organizations. In this perspective, good service quality is generally considered to have a positive effect on service providers including: <sup>[1]</sup> to retain old customers and acquire new ones, <sup>[2]</sup> reduce costs, <sup>[3]</sup> improve corporate image, <sup>[4]</sup> produce word of mouth recommendation which is positive, and <sup>[5]</sup> improves profitability (Lau *et al.* 2013) <sup>[10]</sup>. Furthermore, Lau *et al.* (2013) <sup>[10]</sup> described that as global competition increases, it is important for service organizations to build sustainable competitiveness based on customer loyalty. To that end, service organizations need to implement integrated service quality practices to meet customer needs. Considering many service organizations offer similar products in the market, service providers need to pay more attention to the quality of service to gain a competitive advantage. Service organizations that master service quality are able to gain a competitive advantage in terms of <sup>[1]</sup> customer loyalty,

customer retention, and higher revenues.

The second factor widely proposed to affect consumer loyalty is consumer satisfaction. The literature in general has acknowledged the importance consumer satisfaction for the development of consumer loyalty. Consumer satisfaction can be defined as a consumer feeling after comparing product or service performance with their expectations. Consumer satisfaction also reflects a customers assessment and emotional reactions to the services provided (Murti *et al.* 2013) <sup>[14]</sup>. However, having satisfied consumers is not enough because customer satisfaction should be directed to build customer loyalty: presuming the ultimate goal of measuring customer satisfaction is consumer loyalty.

In recent years, one of the fastest growing industries in service sector is healthcare industry (Zaim *et al.* 2010) <sup>[19]</sup>. The primary goal of healthcare providers is to meet their consumers expectations. In the context of healthcare service, the consumers are patients. Healthcare organisation manage patient expectations to minimize the difference between their expectations and actual experience. Patients seek health to recover from illness and expect to get good service (Astuti and Nagase, 2014) <sup>[3]</sup>. In the healthcare industry, many hospitals provide the same type of service, yet, their quality of service are different (Zaim *et al.* 2010) <sup>[19]</sup>. To achieve service excellence, hospitals must strive to retain their customer profitably.

According to Bloemer *et al.* (1998) <sup>[4]</sup>, research on customer loyalty has focused primarily on product-based loyalty or brand-based loyalty. Research on customer loyalty focusing on service organizations is relatively rare. Several previous studies have reported a high positive relationship between service quality, satisfaction, and loyalty to the product. The

same findings were also reported by previous studies focusing on the banking sector and other service industries. However, Bloemer *et al.* (1998)<sup>[4]</sup> suggests that there are several reasons why research findings about product-based consumer loyalty can not be generalized to consumer loyalty in the service sector. Therefore, further research on customer loyalty in certain service sectors is still required. This study aims to investigate the relationship between service quality, customer satisfaction, and consumer loyalty in healthcare sector. In this study, the quality of service and customer satisfaction are considered to act as antecedents of consumer loyalty. The results of this study would provide more understanding pertaining to the relationship between these three variables.

## 2. Literature review and Hypotheses Development

### 2.1 Quality of Service

In the business literature, perceived quality of service have received much attention by researchers and practitioners; although until now, there has been no universal definition of service quality. Quality of service has been defined in various ways. For example, service quality is defined as the degree of conformity between customer expectations of the service and their perceptions of service performance, or meeting or exceeding customer expectations (Lau *et al.* 2013)<sup>[10]</sup>. Lau *et al.* (2013)<sup>[10]</sup> further list the definition of service quality as follows: <sup>[1]</sup> quality as excellence, <sup>[2]</sup> quality as a value, <sup>[3]</sup> quality is in accordance with the specification, and <sup>[4]</sup> quality as meeting or exceeding customer expectations. In addition, service quality is often referred as a comparison between customer expectations and customer perceptions of actual performance. The customer expectation is related to the customer want: that is what the customer feels should be offered by the service provider. While customer perception refers to customer evaluation of service providers. In this perspective, if customer perceptions of performance meet (or exceed) the customer expectations, it means that service providers provide good quality of services (Arab *et al.* 2012; Zaim *et al.* 2010)<sup>[2, 19]</sup>.

Referring to Zaim *et al.* (2010)<sup>[19]</sup>, service quality dimensions could be classified into two main categories: tangible and intangible factors. Tangible factors refer to real things such as technology, physical facilities, personnel, and communication tools. The intangible factor consists of five sub factors: <sup>[1]</sup> reliability, <sup>[2]</sup> responsiveness, <sup>[3]</sup> assurance, <sup>[4]</sup> courtesy, and <sup>[4]</sup> empathy. Reliability refers to the ability to perform promised services accurately. Responsiveness reflects the willingness to help customers and provide fast service. Warranties reflect employees knowledge and their ability to inspire confidence and confidence. Courtesy refers to employees behavior to customers. Empathy refers to caring, individualized attention of the company to its customers.

Quality of service is critical to the creation of customer satisfaction, repeat purchase, customer retention, and build customer loyalty. In addition, service quality also influences market share and corporate profitability (Zeithaml *et al.* 1996)<sup>[20]</sup>. Quality of service is more complex than quality of product. In the context of product quality, the technical aspects are dominant. Service quality can not be separated from the service offered by the service provider. Service quality measurement is a challenging issue (Malhotra and

Mukherjee, 2004)<sup>[11]</sup>. Parasuraman *et al.* (1988)<sup>[15]</sup> defines service quality as the difference between customer expectations and their perceptions of the services provided. The author developed SERVQUAL instrument to measure quality of service. SERVQUAL is based on the five dimensions: <sup>[1]</sup> tangibles, <sup>[2]</sup> reliability, <sup>[3]</sup> responsiveness, <sup>[4]</sup> assurance, and <sup>[5]</sup> empathy (Malhotra and Mukherjee, 2004)<sup>[11]</sup>.

### 2.2 Customer Satisfaction

The literature in general acknowledged the importance of customer satisfaction for the development of service organization. There are several concepts of customer satisfaction could be found in the literature. For example, customer satisfaction can be defined as a customer feeling after comparing product or service performance they receive with their expectations. To achieve customer satisfaction, organizations must be able to satisfy their customers needs and wants (Kotler, 1991)<sup>[9]</sup>. Customer satisfaction also reflects the customer response, assessment, and emotional reactions to the services provided. Furthermore, customer satisfaction is also could be referenced as customer feeling after they receives the service. In addition, customer satisfaction is a function of product or service performance compared to customer expectations. Customer satisfaction reflects customer attitudes generated from customer expectations compared to the performance that customers receive (Andaleeb, 1998; Murti *et al.* 2013)<sup>[14]</sup>.

Furthermore, literature describes that having satisfied customers is not enough because customer satisfaction should be directed to build customer loyalty (Mattsson, 1994)<sup>[12]</sup>. Many researcher point out that the ultimate goal of measuring customer satisfaction is customer loyalty (Mendoza, 2014)<sup>[13]</sup>. To build customer loyalty, service providers is required to do the following: <sup>[1]</sup> focus on major customers, <sup>[2]</sup> proactively create high levels of customer satisfaction in every interaction, <sup>[3]</sup> anticipate customer needs and respond to them before competitors do it, <sup>[4]</sup> build closer relationships with customers, and <sup>[5]</sup> create value perceptions. Customer satisfaction encourages repeat purchase (Lau *et al.* 2013; Singh, 2006)<sup>[10, 16]</sup>.

Customer satisfaction is a measure of how well customer expectations are met. In order for customer satisfaction to be effective, service providers must be able to convert them into customer loyalty. There is widespread recognition that the ultimate goal of customer satisfaction programs is the creation of customer loyalty. Thus, service providers need to include customer satisfaction while developing customer loyalty programs. Customer satisfaction has a high correlation with some post-purchase phenomena: attitude change, repeat purchase and customer loyalty. Recent research shows a positive relationship between service quality and customer satisfaction (Bowen Chen, 2001; Lau *et al.* 2013)<sup>[5, 10]</sup>.

Customer satisfaction is often regarded as an important determinant of customer loyalty. In this perspective, it is argued that a customer is very likely to be a loyal customer if he/she satisfied with the value provided by the service provider. According to Kotler (1991)<sup>[9]</sup>, customer satisfaction feeling of pleasure or disappointment that emerged after comparing product or service performance they receive to

performance they expected. Deng *et al.* (2010) [6] classifies customer satisfaction into two types: transaction-based satisfaction and overall satisfaction. Transaction-based satisfaction refers to the customers judgments they make after buying or using a certain product or service. Meanwhile, overall satisfaction is concerned with customers judgment pertaining to brands based on their experience.

**2.3 Customer Loyalty**

Consumer loyalty can be defined in different ways. For example, customer loyalty could be referenced as a measure of how likely customers will do a repeat purchase and engage in corporate-customer relationship activities. It should be emphasized that customer loyalty is vulnerable in nature. Although customers are satisfied with the services they receive, they may simply defect to competitor brands if they believe they can get better quality or value elsewhere (Dick and Basu, 1994 [7]; Singh, 2006) [16]. Singh (2006) [16] further describes that customer loyalty is linked to three attitude: [1] customer commitment to transact with a particular product or service provider, [2] repeat buying company products or services, and [3] recommending company products or services to others. It was also stated that customer loyalty is created when the organization are able to create benefits for customers. The authors further claimed that customer loyalty will retain or increase their purchases from the organization. The marketing literature broadly acknowledges that there is a positive relationship between customer loyalty and profitability. Today, many corporate managers seek information on how to build customer loyalty. They believe that building customer loyalty is an effective way to create sustainable competitive advantage. Building customer loyalty has become a major marketing objective of service providers (Singh, 2006 [16]; Tomes *et al.* 1995) [18]. Some previous studies proposed that customer loyalty will continue only as long as customers feel they are receiving better value than they would get from other companies. Some of the benefits that can be gained from customer loyalty are: [1] an increase in purchases of existing products, [2] increasing purchases of other product lines, [3] price increases, [4] decrease in operating costs, [5] positive words from mouth to mouth to refer other customers to your company (Singh, 2006) [16]. To build customer loyalty, organizations must be able to anticipate and meet the needs of their customers. According to Kandampully and Duffy (1999), the development of customer loyalty is strongly influenced by the company ability to anticipate and meet the future needs of customers.

**3. Research Methodology**

**3.1 Research design**

This study was designed to investigate the relationship

involving service quality, patient satisfaction, and patient loyalty. This study also aims to examine whether patient satisfaction mediates the relationship between service quality and patient loyalty to healthcare organizations. This study was conducted at three private hospitals: Harapan Kita Hospital, Permata Hijau Hospital, and Puri Mandiri Hospital. These three hospitals are located in Jakarta province of Indonesia.

**3.2 Sample**

This study utilizes questionnaires to collect data. The questionnaires were distributed directly to individuals undergoing outpatient treatment at the three hospitals. A total of 114 patients, who were admitted at Harapan Kita Hospital (38 patients), Permata Hijau Hospital (42 patients), and Puri Mandiri Hospital (34 patients) were the respondents of the study.

**3.3 Variable measurement**

**Service quality**

Service quality is complex in nature. It comprises of five dimensions: tangibility, empathy, assurance, reliability and responsiveness. For the purpose of this study, the items for five dimensions of service quality were adopted from Sohail (2003) [17]. A total of 15 items was utilized to assess the five dimensions of service quality (Table 1). In the survey, respondents were asked to indicate the extent of their agreement with each of the items on a five-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree).

**Patient satisfaction**

For the purpose of this study, customer satisfaction is referenced as patients feeling after comparing product or service performance they receive with their expectations (Kotler, 2000). A total of three items adopted from Astuti and Nagase (2014) [3] work was utilized to assess customer satisfaction (Table 2). In the survey, respondents were asked to indicate the extent of their agreement with each of the items on a five-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree).

**Patient loyalty**

Referring to Singh (2006) [16], this study refers to customer loyalty as a measure of how likely customers will do a repeat purchase and engage in corporate-customer relationship activities. A total of four items adopted from Astuti and Nagase (2014) [3] work was utilized to measure patient loyalty (Table 3). In the survey, respondents were asked to indicate the extent of their agreement with each of the items on a five-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree).

**Table 1:** Operationalization of service quality

Coding	Items
X11	The hospital should have modern equipment
X12	The hospital should have visually appealing facilities
X13	Doctors and other employees should have a professional appearance
X14	The hospital should have visually appealing material associated with the service
X21	The hospital should provide services as promised
X22	The hospital should maintain error-free records

X31	Doctors and other employees should over prompt services to patients
X32	Doctors and other employees should be willing to help patients
X41	Doctors and other employees should be able to handle patients' problem
X42	Doctors and other employees should be able to instil confidence in patients
X43	Doctors and other employees should be courteous at all times
X44	Doctors and other employees should have the knowledge to answer patients questions
X51	Patients should be given individual attention
X52	Doctors and other employees should convenient consultation
X53	Doctors and other employees should deal with patients in caring fashion

**Table 2:** Operationalization of patient satisfaction

Coding	Items
Y11	I was satisfied with my treatment at the hospital
Y12	The services I received at the hospital met my expectations
Y13	If asked about where to get the best treatment, I would recommend the hospital

**Table 3:** Operationalization of patient loyalty

Coding	Items
Y21	If you find a hospital that offers a variety of high-quality services, you do not switch treatment facilities
Y22	If anyone tried to criticize this hospital, I would try to defend it
Y23	If the hospital advised me to undergo a wellness check to evaluate my progress, I would will return for that

**4. Result and Discussion**

**4.1 Profile of respondents**

Four characteristics of respondents were concerned with this study: age, gender, income per month, and employment status. Table 4 presents the distribution of the sample by these four characteristics. The first characteristic of respondents was concerning age, which was grouped into six categories. The results show that 27.19% of respondents are 42 to 49 years old. This was followed by 22.81% of respondents that are 34 to 41 years old, 15.79% of respondents that are 26 to 33 years old, 14.04% of respondents that are 50 to 57 years old, 12.28% of respondents that are 58 to 65 years old, and 7.89% of respondents that are 18 to 25 years old. The second characteristic of respondents is their gender. As can be seen in Table 4, the results showed that most of respondents engaged in this research are female (57.89%). This is followed by respondents that are male (42.11%).

**Table 4:** Profile of respondents

<i>Age (years)</i>		<i>Frequency</i>	<i>Percentage</i>
18 - 25		9	7,89
26 - 33		18	15,79
34 - 41		26	22,81
42 - 49		31	27,19
50 - 57		16	14,04
58 - 65		14	12,28
<i>Gender</i>		<i>Frequency</i>	<i>Percentage</i>
Male		48	42,11
Female		66	57,89
<i>Income (IDR)</i>		<i>Frequency</i>	<i>Percentage</i>
4 million - 7 million		12	10,53
8 million - 11 million		31	27,19
12 million - 15 million		39	34,21
16 million - 19 million		26	22,81
20 million - 23 million		6	5,26
<i>Employment</i>		<i>Frequency</i>	<i>Percentage</i>
Entrepreneur		15	13,16
Profesionals		27	23,68
Government officer		17	14,91
Private employees		33	28,95
Unemployees		12	10,53

The next characteristic of respondents was concerning income per month. The result presented in Table 4 show that majority of respondents (34.21%) have income IDR 12 – 15 million per

month. This was followed by respondents in which their income is IDR 12 – 15 million per month. This category of respondents covers 38.7% of the 27.19% of the respondents.

The third category consisted 22.81% of respondents that have income IDR 16 – 19 million per month, followed by respondents in which their income is IDR 4 – 7 million per month (10.53%). The last were respondents with income IDR 20 – 23 million per month. It covers 5.26% of the respondents. The last characteristic is concerned with the employment status. Table 4 shows that 28.95% of the respondents consisted of respondents working for private companies. The second category is professionals which constitutes 23.68% of the respondents. The next category is government officers, which covers 14.91% of the total respondents. This is followed by entrepreneur (13.16%) and unemployed who constitutes 10.53% of the total respondents.

**4.2 Instrument validity and reliability**

This study applied the principal component analysis (PCA) to assess instrument validity and calculated Cronbach’s alpha to test its reliability. Table 5 summarized the results of validity and reliability test. As can be seen in Table 5, it was found that factor loadings of  $\geq 0.50$  for all indicators and Cronbach’s alpha of  $\geq 0.70$  for all dimensions. The results confirm the validity and reliability of the instrument.

**Table 5:** The Results of validity and reliability Test

Construct	Item code	Factor loading	Cronbach alpha	
Service quality	X11	0.78	0.87	
	X12	0.76		
	X13	0.72		
	X14	0.84		
	X21	0.62	0.87	
	X22	0.64		
	X31	0.75	0.81	
	X32	0.82		
	X41	0.66	0.79	
	X42	0.76		
	X43	0.73		
	X44	0.83		
	Customer satisfaction	X51	0.74	0.84
		X52	0.78	
Y11		0.78		
Y12		0.84		
Customer loyalty	Y13	0.72	0.85	
	Y21	0.86		
	Y22	0.78		
	Y23	0.71		

**4.3 Descriptive analysis**

As depicted in Table 6, the mean scores of the response related to service quality ranged between 3.44 points and 3.60 points. The mean scores, which were higher than the average value (2.50), indicated that these five dimensions were

regarded as important factors of service quality for supporting customer loyalty. Out of the five dimensions, the responsiveness was perceived as the most important dimension of service quality (mean score = 3.80 points). This means that a greater responsiveness the higher service quality. With respect to customer satisfaction, it was found that the mean scores for items of the customer satisfaction construct ranged from 3.43 points to 3.60 points. The mean scores indicate that all items included in the customer satisfaction construct were acknowledged as important items the service providers need to satisfy to improve their customer loyalty. In this regard, item Y12 (The services I received at the hospital met my expectations) was identified as the most important item of customer loyalty (mean score = 3.60 points). Lastly, this study found that the mean scores of the response related to customer loyalty ranged between 3.44 points and 3.94 points. The mean scores indicate that respondents included in this study achieved a high loyalty in each items of loyalty. The results show that item Y22 (If anyone tried to criticize this hospital, I would try to defend it) is the item that occupy the highest position in the ranking (mean value = 3.94 points).

**Table 6:** The Results of descriptive analysis

Construct	Item code	Mean score	Mean score	
Service quality	X11	3.62	3.65	
	X12	3.81		
	X13	3.56		
	X14	3.61		
	X21	3.75	3.65	
	X22	3.54		
	X31	3.85	3.80	
	X32	3.75		
	X41	3.60	3.78	
	X42	3.86		
	X43	3.83		
	X44	3.84		
	Customer satisfaction	X51	3.40	3.54
		X52	3.70	
Y11		3.43		
Y12		3.60		
Customer loyalty	Y13	3.53	3.70	
	Y21	3.44		
	Y22	3.94		
	Y23	3.71		

**4.4 Test of hypotheses**

Based on the proposed conceptual framework, this study developed a SEM model to represent the simultaneous relationship among service quality, customer satisfaction, and customer loyalty. This study applied the two-stage approach in analyzing the proposed model. The first stage aims to assess

the adequacy of the measurement model using confirmatory factor analysis (CFA) while the second stage aims to assess the proposed hypotheses. This procedure was run by using AMOS 5. The results of CFA confirmed that the model proposed in this study is valid (chi-square = 57.587 GFI = 0.929; TLI=0.990; RMSEA = 0.040). Summarized the results of the structural model test.

The first hypothesis of this study was dealing with the relationship between service quality and customer loyalty. This research hypothesized that service quality would provide a significant and positive effect towards customer loyalty. A Structural Equation Modeling was applied to test the hypothesis. The results indicated that service quality provides a significant and positive effect towards customer loyalty (standardized regression weight = 0.257;  $p < 0.01$ ). Therefore, Hypothesis 1 is supported. The second hypothesis of this study was concerned with the relationship service quality and customer satisfaction. This research hypothesized that service quality would provide a significant and positive effect towards customer satisfaction. A Structural Equation Modeling was applied to test the hypothesis. The results indicated that service quality provides a significant and positive effect towards service quality customer satisfaction (standardized regression weight = 0.25;  $p < 0.01$ ). Therefore, Hypothesis 2 is supported.

The third hypothesis was concerned with the relationship

between customer satisfaction and customer loyalty. This research hypothesized that customer satisfaction would provide a positive and significant effect towards customer loyalty. A Structural Equation Modeling was applied to test the hypothesis. The results confirmed that customer satisfaction was positively and significantly associated with customer loyalty (standardized regression weight = 0.46;  $p < 0.01$ ). Therefore, H3 was supported.

The fourth hypothesis of this study addressed the relationship between service quality and customer loyalty, with the customer satisfaction as mediating variable in the relationship. This study theorized that customer satisfaction mediates the effects of service quality towards customer loyalty to the hospital. This study particularly developed and estimated two separate structural models to test the fourth hypotheses. The first model was intended to examine the direct effects of service quality on customer loyalty (Figure 2). Meanwhile, the second model addressed the indirect effects of service quality on customer loyalty; that is, via customer satisfaction (Figure 3).

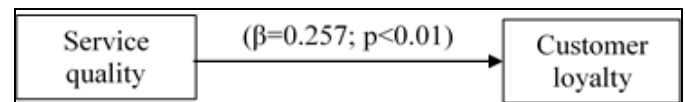


Fig 1: Model 2 (Direct effect of service quality on customer loyalty)

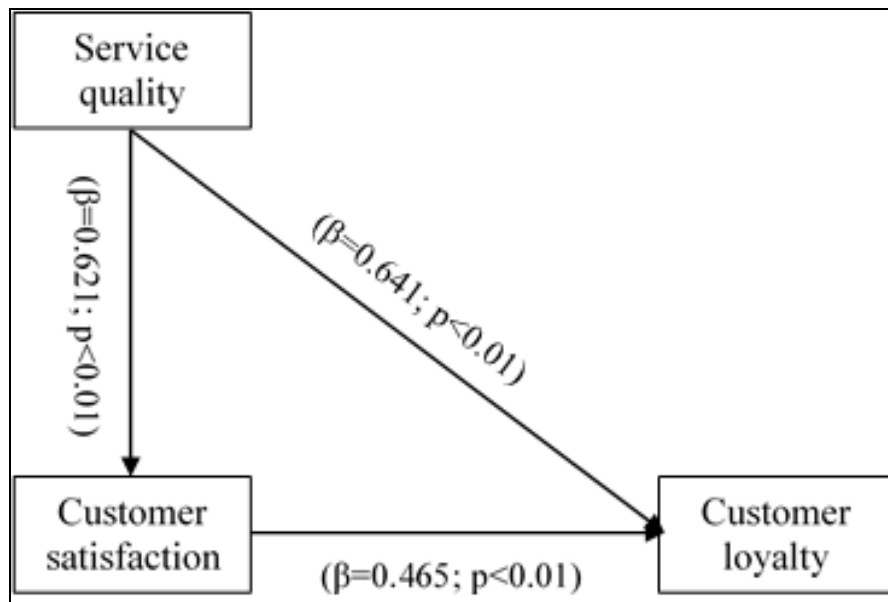


Fig 2: Model 1 (Indirect effect of service quality on customer loyalty)

As can be seen in Figure 1, three insights could be derived. First, service quality directly and positively influences customer loyalty (standardized regression weight = 0.642;  $p < 0.01$ ). Second, service quality directly and positively influences customer satisfaction (standardized regression weight = 0.621;  $p < 0.01$ ). Third, customer satisfaction by itself directly and positively influences customer loyalty (standardized regression weight = 0.465;  $p < 0.01$ ). Meanwhile, as seen in Figure 1, the results of Model 1 provide evidence that service quality positively and significantly influences customer loyalty (standardized regression weight =

0.257;  $p < 0.01$ ). Comparing the results of Models 1 and 2, it is found that the effect of service quality on customer loyalty in Model 1 (standardized regression weight = 0.642) becomes lower in Model 2 (standardized regression weight = 0.257). The results provide evidence that customer satisfaction mediates the effects of service quality on customer loyalty.

### 5. Conclusion

Research pertaining to the relationship among service quality, customer satisfaction, and customer loyalty in healthcare sector is relatively scarce. This study primarily aims to

investigate the relationship involving service quality, customer satisfaction, and customer loyalty in healthcare sector in Indonesia. In particular, this study aims to provide more understanding pertaining to the mediating role of customer satisfaction in the relationship between service quality and customer loyalty. Based on the proposed conceptual framework, this study developed a SEM model to represent the simultaneous relationship among the three variables. The findings of this study confirm that two factors, i.e., service quality and customer satisfaction provide a positive effect on customer loyalty. It is also found that customer satisfaction mediates the effects of service quality on customer loyalty.

The findings provide practical implications as follows. First, the hospital management should be aware that customer loyalty is a prerequisite condition for the success to compete. For this reason, the hospital management has to reorient their business activities, including increase their service quality level. In this sense, five dimensions of service quality should be taken into account: i.e., tangibility, reliability, responsiveness, assurance, and empathy. Furthermore, the hospital management should put a greater emphasize to enhancing their customer satisfaction. Customer satisfaction is found to have a positive impact on the customer loyalty. This research suggests the hospital management to develop and utilize five dimensions of service quality in enhancing their customer satisfaction.

The research has several limitations that could be noted to point to lines for future research. First, this research was conducted by using cross-sectional sample design. Accordingly, the design does not allow in concluding the causality among the variables being investigated. Future studies might utilize the longitudinal design to investigate the causal nature among the variables being investigated. Second, The data for this research was collected from three private hospitals. Future studies might utilize a sample from both public and private hospitals. Lastly, the items included in the service quality construct were mainly adopted from SERVQUAL instrument. In future research, it would be interesting to adopt other model in measuring service quality.

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