

Analysis of the Relationship between Service Quality and Loyalty in Secco Iran Company

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Abstract: Today's competitive market requires every production or service company to try to improve its place among other competitors to be able to survive and maintain its profitability. In addition, it is worth mentioning that competition has escalated in the service market in recent years. The increase in the awareness and knowledge of customers along with the subsequent growth of customers' expectations and demands of service organizations has imposed a serious challenge on such organizations. On the other hand, quality is considered an important and effective factor in the success or failure of organizations of today. Therefore, all organizations, especially service organizations, shall try to improve the quality of their services, because quality is considered a major factor that can bring about strong and powerful competitive advantage to organizations. In this paper, it was tried to study the quality of services of Secco Iran Company from the viewpoint of its customers and to analyze the effect of service quality on customer loyalty. Hence, following a theoretical study of service quality and customer loyalty, SERVQUAL was used to assess service quality, while Bloomer was employed to measure customer loyalty. Results indicated that from the viewpoint of Secco Iran's customers, regarding the four dimensions of service quality (i.e. empathy, reliability, accountability, and tangibility) customer expectations matched the company's performance. In other words, this company has won satisfaction of its customers. Moreover, there was a significant relationship between dimensions of service quality and customer loyalty.

Keywords: service quality, customer loyalty, SERVQUAL, tangible factors, accountability, reliability, empathy

Introduction

A review of evolutions in recent years indicates that services have spread widely and this increasing trend will continue in the future at a higher pace. Industry will become smaller and services will grow bigger. Consequently, managers of production and service institutes in the public, cooperative, and private sectors are gradually realizing that quality of products alone cannot make a distinction between them and their competitors, because the focus of attention has to be shifted from market-oriented to customer-oriented approaches.

Since service companies are constantly searching for unique sources of sustainable competitive advantage, quality is considered a potential option. As companies achieve cost advantage through economy of scale, they can obtain competitive positional advantages by providing quality services. Highly quality-oriented companies grow in terms of their internal culture and external fame such that it is hard for the rivals to imitate them. It should be noted that provision of high-quality services is not an optional competitive advantage to be accepted by an organization to become different from its rivals. Rather, quality of services is currently vital to the survival and profitability of organizations.

Previous research has indicated that "quality costs" may consume between 30 to 50% of sales revenue of service companies. In fact, improvement of service quality has turned into the main strategy of organizations for increasing their competitive advantages [3].

Commercial success in the new global economy depends on the ability to create distinctive product values through quality design and production and through expression of values effectively for customers. In this world, there are always people who can supply a product at a lower price. However, price competition results in lower profits. Therefore, the effective strategy is the one based on preservation of customers by creating quality-based values. On account of the fact that perceived product quality is becoming the most important cause of competition in the world of business, the present business era is called the "Quality Era" [1]. Concern for service quality has several advantages. Firstly, quality of services brings about customer satisfaction as well as increased loyalty and market share. Secondly, service quality is a substantial factor in relationship marketing. Consequently, acquisition of competitive advantage

through service quality calls for an understanding of quality requirements as defined by customers [4]. According to Berry (1989), quality of services is the distinctive factor and the most powerful competitive weapon owned by many of the leading service organizations. In fact, provision of superior services through preservation of high quality is essential for the success of service organizations [9].

2- Conceptual Framework

The similarity and homogeneity of products presented by service firms have turned quality of the services provided to customers into the main factor, which should be analyzed in competitive strategies [5]. Assessment of customer services quality is a notion proposed by Parasuraman. This notion was the outcome of a comparison between customer’s expectation of service quality and customer’s perceived quality of services. Different scales have been used to assess service quality in various service companies. The most well-known scale of this kind is the SERVQUAL scale, which was proposed by Parasuraman et al. [1].

The hidden structure of SERVQUAL is very useful for summarizing service quality in the door and window manufacturing and services sector and is suitable even for partially exclusive structures (such as Secco Iran Company). This instrument equips the managements of these organizations with information on customers’ perception of current qualities. Therefore, it helps managers understand the expectations and needs of their customers. As a

result, SERVQUAL could be employed by the same service provider for different customer services. This scale allows for prioritization on the basis of latest information and reduces the conflict between priorities. In spite of the other approaches to service quality assessment and criticisms of SERVQUAL, it seems that this instrument gives the most comprehensive accessible explanation of issues influencing customers in service quality summarization. Hence, this scale was also used in this research. This scale covers the following four dimensions: tangibility, reliability, accountability, and empathy. It includes a total of 22 components (indices). In the SERVQUAL scale, customers are asked to first rank the components with regard to their expectations of services based on the Likert scale. Afterwards, the same customers are asked to determine their perceptions of the actual performance of the service company in question with regard to the same qualities. If the perceived performance score is lower than the respondent’s expectations, the quality of services is considered to be poor. However, if the perceived performance is higher than the expectations, the service quality is assumed to be high. Parasuraman et al. stated that SERVQUAL is a valid scale for evaluation of service quality in terms of “disconfirmation”. In fact, the main objective of the present research was to measure the gaps caused by customer dissatisfaction. Another goal of this study was to determine the effect of service quality on customer loyalty [1].

Figure (1): SERVQUAL subscales

Option (expectations)	Fully agreed <-----> Fully disagreed
A good window making company is equipped with modern equipment.	3 4 5 6 7 1 2
Option (performance)	Highly important <-----> Highly unimportant
Secco Iran Co. has modern equipment.	3 4 5 6 7 1 2

2-1- Customer Loyalty

Many service companies have developed their customer loyalty plans as a part of activities aimed at development of relations. Customer loyalty is a complex notion. The Oxford dictionary defines loyalty as a state of true allegiance. However, rebuying is usually confused with the aforementioned definition of loyalty. In the field of services, loyalty is broadly defined as “observed behaviors”. Tucker summarizes this definition as follows: “You should pay attention to the person’s thoughts and what circulates in his/her nervous system. The person’s behavior fully represents his/her loyalty to your brand.” Results of the investigation by Jacoby (1971) confirmed the results reported by previous studies, which stressed behavioral results and did not value customers’ thoughts. Loyalty to a brand is simply measured based on outcome qualities. This measurement involves assessment of purchase sequence, the

portion of purchase allocated to a specific brand, and purchase profitability.

However, behavioral scales (such as rebuying) are criticized due to their lack of a conceptual implication of the dynamic process and due to their limited vision (concentration on outcome). For example, the low number of rebuys of a specific service could be the result of various situational factors such as unavailability of providers, etc. Therefore, the loyalty behavior approach cannot provide an inclusive insight into the substantial causes of loyalty. Moreover, repetition may be caused by different market-induced constraints. As a result, loyalty of these customers considerably differs from loyalty of customers, who strongly support a product and are mentally attached to it. Hence, customers’ loyalty was defined as the attitude-based structure. For example, this loyalty manifests in the tendency for recommending provision of services to others.

Finally, in addition to the behavioral and attitude-based approaches, another customer loyalty approach known as the “cognitive approach” was introduced. The operational definition of this approach mainly refers to the first product or service that pops into the person’s mind while making a purchase decision. In their definition of this approach, Ostrowski, et al. (1993) referred to the first product or service selected by the customer from a set of services [5].

2-2- Research Method

The scientific method or the scientific research method is the process of conducting a regular search in an unknown situation. The major steps of the scientific method are as follows.

- 1- Understanding the problem
- 2- Searching for the problem background
- 3- Developing a hypothesis
- 4- Observing and testing the hypothesis
- 5- Approving, rejecting or adjusting the hypothesis (Biabangard, 2005)

In this research, the above process was followed. Therefore, this chapter of the thesis describes the research method, information collection instrument, statistical population, statistical sample, sampling method, validity and reliability of sizes, and statistical data analysis methods used in this research. The statistical population included the legal and natural customers of Secco Iran Company who visited branches of this company in Tehran (1665 participants) and Qazvin (474 participants) cities (a total of 2139).

To determine the sample size, the general Cochran formula (in which p shows the probability of the attribute and q shows the non-existence of the attribute) was used.

$$\text{Cochran formula: } n = \frac{N \cdot t^2 \cdot p \cdot q}{N \cdot d^2 + t^2 \cdot p \cdot q}$$

$$n = \frac{2139 \times (1/96)^2 \times (0/5) \times (0/5)}{2139 \times (0/05)^2 + (1/96)^2 \times (0/5) \times (0/5)} = 325$$

Where,

N= the total statistical population size = 2139

t²= (t-student) when the test significance level is 0.05 = (1.96)²

d²= Estimation of the study parameter = (0.05)² = 0.0025

p¹= probability of attribute (customer loyalty) = (0.5)²

q= probability of non-existence of attribute (lack of customer loyalty) = (0.5)²

To select the sample size, the ratio method was applied to both groups.

Selecting the sample size from the two groups:

The following value was obtained using the ratio method.

$$n = \frac{474}{2139} \times 325 = 72$$

$$n = \frac{1665}{2139} \times 325 = 283$$

For the customers in Tehran, the sample size was calculated to be 283 using the ratio method.

For the customers in Qazvin, the sample size was calculated to be 72 using the ratio method.

It should be stated that samples (customers) were selected randomly. That is to say, the opinions of customers, who were interested in responding, were sought.

2-3- Research Hypotheses

Primary hypothesis1: There seems to be a difference between the existing quality of different services and the quality expected by customers.

Secondary hypothesis 1: It seems there is a difference between the existing reliability and the reliability expected by customers.

Secondary hypothesis 2: It seems there is a difference between the existing accountability and the accountability expected by customers.

Secondary hypothesis 3: It seems there is a difference between the existing empathy and the empathy expected by customers.

Secondary hypothesis 4: It seems there is a difference between the existing validity and the validity expected by customers.

Secondary hypothesis 5: It seems there is a difference between the existing physical dimensions and the physical dimensions expected by customers.

Primary hypothesis 2: There seems to be a relationship between each dimension of functional quality and customer loyalty.

Table (1): Comparing the mean values of the existing situations and expected situations regarding the constituent indices and statements

Constituent indices and statements		Existing situation mean value	Desired situation mean value	Comparison of mean values
Index	Reliability	2.1231	2.2462	0.1231
Constituent statements	Fulfilling commitments to customers	3.9508	3.5877	0.3631
	Keeping precise records and documents of customers	3.5785	4.0092	0.4307
	Trust of customers in company's services and products	3.7415	3.7908	0.0493
	Confidentiality of personal information of customers	3.7754	4.1508	0.3754
	Defining costs and tariffs in advance and clearly	3.8523	4.0738	0.8857
Index	Accountability	2.0431	2.1692	0.1261
Constituent statements	Informing customers of future services	3.6277	3.7477	0.1200
	Providing timely professional assistance to customers	3.8123	3.9908	0.1785
	Responding to the requests of customers in their in-person visits	3.7569	3.7908	0.0339
	Secco Company's customer service is always available to serve customers	3.7046	3.7815	0.0769
	The pioneering role of Secco Company in providing new services to customers	3.6769	3.7292	0.0523
Index	Empathy	2.5200	2.2000	0.3200
Constituent statements	Secco Company's concern for the needs of its customers	3.7200	3.8492	0.1292
	Secco Company's utmost concern for benefits and interests of customers	3.6585	3.7692	0.1107
	Providing services at proper times of the day and night	3.7231	3.8308	0.1077
	Providing timely professional assistance to customers	3.8738	3.9908	0.1170
	Existence of adequate service offices in different parts of the country in relation to the demands	3.6523	3.9877	0.3354
Index	Validity of services	2.3200	2.4246	0.1046
Constituent statements	Availability of modern advanced equipment	3.7415	3.7815	0.0400
	Possession of a valid brand	3.7969	3.7877	0.0092
	After-sales warrants (functional quality, user manual, ...)	3.5877	4.0492	0.4615
	Availability of personnel with advanced and up-to-date skills and knowledge	3.8554	3.6215	0.2339
	Success as compared to other producers of similar products	3.6092	3.8154	0.2062
Index	Physical dimensions and appearance	2.1108	2.3692	0.2584
Constituent statements	Working hours that suit all customers	3.7077	3.9108	0.2031
	Employees with neat and clean appearances (wearing a uniform)	3.6769	4.0800	0.4031
	Treating customers politely with patience	3.7415	3.9538	0.2123
	Availability of user manuals and brochures	3.5477	3.8646	0.3169
	Suitability of the appearance, façade and decoration of officers for service provision	3.6185	4.1754	0.5569

2-5- Correlation Intensity Test

Table (2): The Pearson’s correlation matrix for research variables with regard to the existing situation

Variable name	Customer loyalty	Reliability	Accountability	Empathy	Validity	Physical dimensions
Customer loyalty	1 0.000					
Reliability Sig	0.242 0.000	1 0.000				
Accountability Sig	0.217 0.000	0.494 0.000	1 0.000			
Empathy Sig	0.270 0.000	0.477 0.000	0.484 0.000	1 0.000		
Validity Sig	0.243 0.000	0.448 0.000	0.337 0.000	0.453 0.000	1 0.000	
Physical dimensions Sig	0.080 0.153	0.439 0.000	0.400 0.000	0.340 0.000	0.424 0.000	1 0.000

Results of the Pearson’s correlation coefficient suggest that there is a positive direct correlation (coefficient) between the following groups of variables: customer loyalty with reliability, accountability and empathy; and reliability with accountability, empathy, validity, and physical dimensions. That is to say, with an increase in customer loyalty, the levels of reliability, accountability, empathy, and validity rise.

The correlation coefficient for customer loyalty and reliability is 0.0242, which indicates that these two variables are moderately correlated. In other words, reliability improves with an increase in loyalty.

The correlation coefficient for customer loyalty and accountability is 0.217, which indicates

that these two variables are moderately correlated. That is to say, accountability improves with an increase in customer loyalty.

In sum, it could be stated that among the main research variables the following variable are correlated and mutually interact: customer loyalty with reliability, accountability, empathy, and validity; and reliability with accountability, empathy, validity, and physical dimensions. This finding suggests that the variables (i.e. customer loyalty with reliability, accountability, empathy, and validity) were selected accurately based on the research theoretical fundamentals, and these variables do not demonstrate a mosaic-like relationship (which normally lacks interaction).

Correlation Intensity Test

Table (3): Pearson’s correlation matrix for the research variables with respect to the desirable situation

Variable name	Customer loyalty	Reliability	Accountability	Empathy	Validity	Physical dimensions
Customer loyalty	1 0.000					
Reliability Sig	0.333 0.000	1 0.000				
Accountability Sig	0.410 0.000	0.807 0.000	1 0.000			
Empathy Sig	0.283 0.000	0.732 0.000	0.780 0.000	1 0.000		
Validity Sig	0.290 0.000	0.778 0.000	0.763 0.000	0.769 0.000	1 0.000	
Physical dimensions Sig	0.291 0.000	0.688 0.000	0.741 0.000	0.325 0.000	0.754 0.000	1 0.000

Results of the Pearson’s correlation coefficient indicate that there is a positive direct correlation between the following groups of variables under desirable conditions: customer loyalty with reliability, accountability, empathy, and physical dimensions; reliability with accountability, empathy, validity, and physical dimensions. That is to say, the

reliability, accountability, empathy, validity and physical dimensions grow with an increase in customer loyalty.

The correlation coefficient for customer loyalty and reliability is 0.333, which suggests that the two variables are moderately related. In other words, reliability escalates with an increase in loyalty.

The correlation coefficient for customer loyalty and accountability is 0.410, which implies that the two variables are highly correlated. To put it another way, accountability increases with growth of customer loyalty.

In sum, it could be stated that the main research variables are correlated and mutually interact as follows: customer loyalty with reliability, accountability, empathy, validity, and physical dimensions; and reliability with accountability,

Table (4): General indicators of the regression analysis of the independent variables effect on customer loyalty

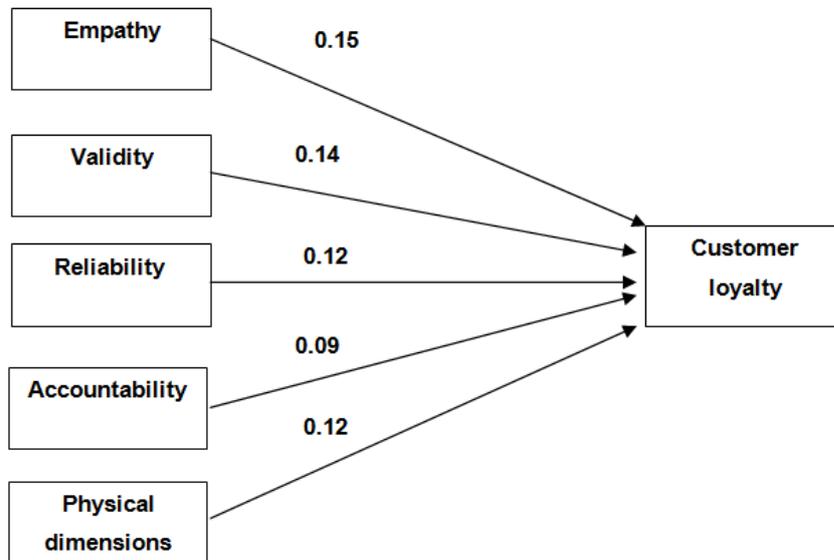
Statistical indicator	Correlation coefficient(R)	R ²	Adjusted R ²	F	Significance level
Regression model 1	0.335	11.2%	9.9%	8.081	0.000

(R)² stands for the estimated customer loyalty variance. In the present research, it was found that 11.2% of the variance (or variations) of customer loyalty was explained by the sum of independent variables.

empathy, validity, and physical dimensions. These findings show that the variables (i.e. customer loyalty with reliability, accountability, empathy, and validity) were selected accurately based on the research theoretical fundamentals. The relationship between the aforementioned variables is not mosaic-like (which usually lacks interactions).

Multivariate Regression Analysis for Identification of Factors Influencing Customer Loyalty

In view of F=8.081 and the resulting significance level (sig=0.000), which is significant at 0.05 (Sig <0.05), it could be concluded that there is a significant relationship between all independent variables and the dependent variable (customer loyalty).



Model (1): Diagram of regression analysis of factors influencing customer loyalty

According to the above diagram, all of the variables (except for the physical dimensions variable) with the specified coefficients have augmentative effects on customer loyalty, and the Beta coefficient of empathy (0.15) implies that with a unit change in the standard deviation of empathy, 15 unit changes occur in customer loyalty. Moreover, since this relationship is positive, the variation is direct and augmentative. The other variables are interpreted in the following.

Hypothesis: It seems there is a significant difference between the existing quality of different services and the quality expected by customers.

The mean values of the existing situation and the expected situation are 92.9877 and 97.1108,

respectively. Since the correlation coefficient for the correlation between the two variables is average, more accurate and precise t-test results could be obtained with two correlated samples at a significance level of below 0.05 (sig=0.00). Considering the t-test value (t=-5.206, sig=0.00), the mean reliability value in the existing condition differs significantly with that of the expected condition at a significance level of 0.99. Therefore, the H0 hypothesis, which claims a lack of difference between the two mean values, is rejected and hypothesis H1 is approved. The difference between the two mean values is 4.12308, which reflects the proximity of the existing levels in Secco Iran Company to the desirable levels.

Sub-Hypothesis 1: It seems there is a difference between the existing reliability and the reliability expected by customers.

The mean reliability values in the existing situation and the expected situation are 18.8985 and 19.6123, respectively. Considering the average correlation coefficient for the correlation between these two variables, more accurate and precise t-test results could be obtained with the two correlated samples at a significance level below 0.05 (sig=0.00). In view of the t-test value ($t=-3.913$ and sig=0.00) the mean reliability values in the current and expected situations differ significantly at the significance level of 0.99. Therefore, hypothesis H₀, which advocates a lack of difference between two mean values, is rejected and hypothesis H₁ is approved in return. The difference between these two mean values is 0.71385, which shows the proximity of the existing reliability level of Secco Iran Company to the desirable level.

Sub-Hypothesis 2: It seems there is a difference between the existing accountability and the accountability expected by customers.

The mean accountability values in the existing situation and the expected situation are 18.5785 and 19.0400, respectively. Considering the low correlation coefficient for the correlation between these two variables, more accurate and precise t-test results could be obtained with the two correlated samples at a significance level below 0.05 (sig=0.00).

In view of the t-test value ($t=-2.118$ and sig=0.035), the mean accountability values in the current and expected situations differ significantly at the significance level of 0.99. Therefore, hypothesis H₀, which advocates a lack of difference between two mean values, is rejected and hypothesis H₁ is approved in return. The difference between these two mean values is 0.46154, which shows the proximity of the existing accountability of Secco Iran Company to the desirable level.

Sub-Hypothesis 3: It seems there is a difference between the existing empathy and the empathy expected by customers.

The mean empathy values in the existing situation and the expected situation are 18.6277 and 19.4277, respectively. Considering the average correlation coefficient for the correlation between these two variables, more accurate and precise t-test results could be obtained with the two correlated samples at a significance level below 0.05 (sig=0.00). In view of the t-test value ($t=-4.123$ and sig=0.00), the mean empathy values in the current and expected situations differ significantly at the significance level of 0.99. Therefore, hypothesis H₀, which advocates a lack of difference between two mean values, is rejected and hypothesis H₁ is approved in return. The difference between these two mean values is 0.8, which shows the proximity of the existing empathy level in Secco Iran Company to the desirable level.

Sub-Hypothesis 4: It seems there is a difference between the existing validity and the validity expected by customers.

The mean validity values in the existing situation and the expected situation are 18.5908 and 19.0554, respectively. Considering the average correlation coefficient for the correlation between these two variables, more accurate and precise t-test results could be obtained with the two correlated samples at a significance level below 0.05 (sig=0.00). In view of the t-test value ($t=-2.121$ and sig=0.00), the mean validity values in the current and expected situations differ significantly at the significance level of 0.99. Therefore, hypothesis H₀, which advocates a lack of difference between two mean values, is rejected and hypothesis H₁ is approved in return. The difference between these two mean values is 0.46462, which shows the proximity of the existing service validity in Secco Iran Company to the desirable level.

Sub-Hypothesis 5: It seems there is a difference between the existing validity and the physical dimensions expected by customers.

The mean physical dimensions values in the existing situation and the expected situation are 18.2923 and 19.9846, respectively. Considering the average correlation coefficient for the correlation between these two variables, more accurate and precise t-test results could be obtained with the two correlated samples at a significance level below 0.05 (sig=0.00).

In view of the t-test value ($t=-7.987$ and sig=0.00), the mean physical dimensions values in the current and expected situations differ significantly at the significance level of 0.99. Therefore, hypothesis H₀, which advocates a lack of difference between two mean values, is rejected and hypothesis H₁ is approved in return. The difference between these two mean values is 1.69231, which shows the proximity of the existing physical dimensions of Secco Iran Company to the desirable dimensions.

Hypothesis 2: There seems to be a relationship between each dimension of functional quality and customer loyalty.

To test the above hypothesis, a multivariate regression analysis was carried out to identify factors influencing customer loyalty. Results of the analysis indicated that 11.2% of the variance (or variations) in customer loyalty is explained by the sum of independent variables.

All of the variables (except for the physical dimensions variable) with the determined coefficients have augmentative effects on customer loyalty, and the Beta coefficient of empathy (0.15) implies that with a unit change in the standard deviation of empathy, 15 unit changes occur in customer loyalty. Moreover, since this relationship is positive, the variation is direct and augmentative.

Therefore, the validity (coefficient=0.14), reliability (coefficient=0.12), accountability (0.09), and physical dimensions (-0.12) variables influence customer loyalty.

Summary Results of Hypothesis Tests

Emphasis on improved quality of services as compared to their quantity and omission of low-quality services: In the light of the investigations and results of this research, the end customers of this company believe that provision of a wide range of services without concern for their quality will not lead to utility and productivity for the company. Hence, the company is recommended to improve the quality of the existing services before planning on any increase in the quantity of its services. The company shall not provide a new service before enhancing the quality of the existing services, because it can harm the company's fame and credibility.

Undoubtedly, with the advancement of human societies as well as social, cultural and economic evolutions, the tastes, needs and demands of people change and their expectations grow. Therefore, services that suit and serve a specific period of time will not be useful in the future as they will fail to meet the expectations. The same trend clearly prevails in our own country. Therefore, since the philosophy of after-sales services is to win customer satisfaction, in order to discover and understand customer expectations and needs and meet those needs properly, similar studies should be carried out in 6-month to 12-month spans to update services in accordance with customer demands.

Conclusion

As we know, an organization's resources are limited. Every organization shall utilize its resources optimally to improve its productivity and to reduce the gap between resources and constraints. Secco Iran Company is not an exception and should stress services with higher priority than other services due to its limitations (including financial, human forces, etc.). This company should also provide the superior services with higher sensitivity and precision than before.

Utilization of company's advantages (e.g. broad activities, branches, capitals, etc.) brings advantages to this company. These advantages are lacked by the rivals and contribute to the optimization of services and competition with the rivals. Moreover, these advantages not only are considered the strengths of the company, but also (according to customer opinions) increase the expectations of customers, who demand more distinctive services. Through proper and accurate identification and definition of these advantages, the company shall make the best use of them to satisfy and please its customers.

In view of the end customers' understanding of the services, the opinions and viewpoints of customers shall be considered and taken into account in the overall review prior to provision of any service. Perhaps a service that is considered vital and critical by the company is found to be unimportant by the end users. Perhaps provision of this service lacks the required desirability and only wastes the company's assets. Therefore, perhaps if the company's resources were used to improve the existing services, those services would be more effective.

Establishment of a proper control system in the company's agencies is necessary for correction and improvement of activities as well as the treatment the end customers receive. Evidently, this control system is only adopted to be able to understand and satisfy the needs of customers more properly, and thus it is not a means of control and punishment.

A more intimate and stronger relationship and empathy with agencies, adoption of measures for meeting the agencies' needs and demands, and application of their viewpoints to the improvement of services are recommended, because the agencies are the first point of contact between the company and end users. In fact, the agencies provide the services to the customers. Hence, understanding their needs and demands can positively influence the services provided to end users and can increase their loyalty to the company.

As a final point, the following considerations shall be taken into account.

- Considerable growth of the penetration rate of services in the country
- Entrepreneurship and increased employment of expert forces for provision of higher quality services
- Provision of new and pioneering added value services in accordance with international standards

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