

THE IMPACT OF SERVICE QUALITY DIMENSIONS TOWARDS CUSTOMERS' SATISFACTION IN TUITION CENTERS

BY

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ABSTRACT

(English)

Quality and customer satisfaction are important agenda for company survival and these two elements are receiving worldwide attention. Service survival and these two elements are receiving worldwide attention. Service industries have begun to recognize that failure to meet quality requirement can have serious consequence that may affect their market share.

This study aims to measure the relationship between service quality and customers' satisfaction in tuition center. The survey also aims to gain more insight into the dimension used by the students in evaluating service quality and identify the influencing factors in decision making.

To answer the research questions, a research model – which was based on SERVQUAL of performance measurement in service quality, was developed. To test the model, data were collected from the students' satisfaction measures quality system via questionnaire. The stratified systematic sampling was used to select respondents for this study.

The finding showed that there is a significant relationship between service quality five dimensions and customers satisfaction. The result also indicated that empathy dimension is the strongest factor that influence the level of customers' satisfaction in tuition centers

Besides the theoretical contribution, the research was made useful suggestions in terms of better guideline in order to facilitate target setting, the tracking of the costs of changing quality targets and the linking of pay to quality performance.

ABSTRAK

(Bahasa Melayu)

Kualiti dan kepuasan pelanggan merupakan agenda yang penting bagi sesebuah organisasi dan kedua - dua element ini telah mendapat perhatian secara global, industries perkhidmatan telah mengesan kegagalan memenuhi kehendak pelanggan akan memberi implikasi yang boleh mengugat kedudukan organisasi tersebut.

Objektif kajian ini adalah untuk mengenal pasti perhubungan di antara kualiti perkhidmatan dan kepuasan pelanggan di Pusat Tuysen. Kajian ini juga bermatlamat untuk mengesan dimensi yang digunakan oleh responden dalam menilai kualiti perkhidmatan dan mengesan factor – factor yang mempengaruhi mereka dalam membuat keputusan.

Untuk menjawab persoalan kajian, satu model yang berlandaskan penilaian presatsi SERVQUAL telah dibentuk. Untuk menguji model ini, data telah dikumpul melalui soal selidik. Systematik sampling telah digunakan untuk memilih responden.

Dapatan kajian menunjukkan terdapat perhubungan yang signifikan di antara kualiti perkhidmatan dan kepuasan pelanggan. Dapatan kajian juga mendedahkan dimensi empati merupakan faktor yang paling mempengaruhi tahap kepuasan pelanggan.

Selain daripada sumbangan secara toeri, kajian ini juga memberi cadangan - cadangan sebagai satu panduan untuk menyusun strategi dari segi mempertingkatkan kualiti dan persembahan untuk menarik kumpulan sasaran.

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DECLARATION

Name : LIM SENG POH

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I hereby declare that this project paper is the result of my own work, except quotations and summarizes which have been duly acknowledged.

Signature :

A handwritten signature in black ink, appearing to be 'LSP', written over a horizontal line.

Date :

1/10/06

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CHAPTER 1

INTRODUCTION

1.1 Background

In Malaysia, an intense premium is placed upon making education increasingly relevant towards meeting challenges of the nation building and global competitiveness as well as improving training, upgrading competency and resilience in human capital so as to keep abreast with technological advance.

Educational reforms have been taking place in a number of countries since the early 1970 (Ginsberg 1991: Lawson, 1992) since its independence, tremendous changes and development have taken place in education. A national system has evolved from fragmented and diversified system of schooling to a highly centralized system. There is an increase in enrolment at all levels and it is the government's policy to ensure all students have a minimum of 11 years of public education. Since 1999, every student from lower secondary (Form 3) has proceeded to upper secondary (Form 4) regardless of examination result.

Another fundamental change in the organization of secondary education is the introduction of the open certificate system in the year 2000. Under this new system all form four students who achieved the minimum proficiency in the PMR have the option to take six core subjects for SPM namely Bahasa Malaysia, English Language, Science, Mathematics, History, Islamic education or Moral. Conversely students can select the subjects they prefer

from one of the 12 subject packages are Science, Arts, Technical and vocational based packages. As at February 1999, information Technology (IT) as a subject was introduced at Form 4 level in certain school.

Education at the post secondary education level is to prepare students for Malaysia higher School Certificate Examination) conducted by the Malaysia Examination Council as well as matriculation examination conducted by MOE. The Sixth Form courses are offered for a duration of two years.

In general, the sixth Form education is designed to meet the entry requirement of all local universities whilst the matriculation courses prepare students to meet specific entry requirements of certain local universities. The STPM uses the open certification system.

Since 1999, it has been compulsory for all STPM and matriculation students who intend to pursue further studies at the public institutions of higher learning to take a new English Language paper. The examination known as the Malaysia University English Test (MUET) aims to enhance the English proficiency of pre-university candidates.

As a matter of fact, Malaysia needs a highly-skilled, techno-savvy, innovative work force in order to compete successfully in the new world market. The education system in Malaysia is more towards examination – oriented and there are four major nationwide examinations, i.e UPSR, PMR, SPM and STPM exist in Malaysia. As significance of each examination

increases, so does the pressure on the students to do well in it. The anxieties are not only felt by the candidates and their immediate family members but there also amplified by the widespread public attention to the examinations.

The "tuition culture" in Malaysia has existed for decades. The mushrooming of the tuition centers implies the great demand. New straits Times Press (Dec 24, 2005) had reported that tuition industry had contributed RM 4 Billion to the Malaysia economy. This injection in the economic sector clearly reflects the potential and future scenario of the industry.

In Malaysia, tuition means supplementary academic coaching, students attend tuition classes on their volition and pay for tutoring service. It is a service operated by the private sector and therefore it is a type of profit oriented education. Tuition can be best described as the shadow education system of Malaysia. It has "shadowy" characteristics because tuition has never been part of the government sanctioned public schooling system, yet it is as widespread as the official one. Tuition is also shadowy in other ways as well. Its existence is solely reliant on the continuation of the schooling system in its current form. The emphasis In the examination in Malaysian education both gives birth to and sustain the tuition industry. The range of the subjects offered in tuition mimics those in schools. Teaching in the tuition centers has geared towards helping students do well in the national

examination. The slightest change in syllabus or examination formats will be met with the swiftest of response by the tuition industry.

In the 1970s, tuition centers are still comparatively few in Malaysia and it is used to be the domain of the rich students, not many students can afford to attend the tuition classes. Now, however, tuition has become an indispensable part of education. It is almost a necessary supplement for all students regardless of their economic standings.

Parents feel good about themselves if they can afford sending their children for the tuition. Some even regard tuition as essential and are more than willing to forego other household expenses to pay tuition fees. Therefore, tuition has become a necessity for many schools on going children. Some of them attend the tuition not because they lag behind in classes or are slow learners, but merely because students today are exploring to an alternate learning source.

Another reason is the high student and teacher ratio in government school. A class size of 40-50 is common today. Teachers cannot give individual attention in a crowded class and the teaching hours are limited. Teachers have to cover the syllabus and it is difficult to give the slow learner extra coaching or arrange remedial classes. When students feel less competent on certain subject, the best alternative is to attend tuition classes. Tuition will help them to build up the confidence.

Moreover, education system in Malaysia is towards examination orientated. Consequently, only students with good result can further their education to universities and institutions of higher learning. Employers also prefer to employ candidates with good results. This reality has driven the parents to fork out hundreds of ringgit for each child for tuition.

Various reasons have been postulated for tuition centers superior efficiency. Since they are accountable to parents who pay their fees, tuition centers may have to exert themselves harder to provide good instruction to pupils. Competition among providers can be good for quality of service. The quality of education is statistically important in determine the productivity of the individuals. The evidence on the link between the quality and productivity indicates that from economic efficiency perspective, quality aspects of education deserve attention.

Much of the research in the economics of education has focused on the economic consequence of the quantity (years) of education and ignored the role of quality. (Geeta Gaandhi 1996)

Malaysia is undergoing enormous social and economic changes. The way of living style has changed more and more women have entered the workforce. This phenomenon directly promotes the tuition industry. The industry becomes more attractive and important because parents do not have much time to coach their children.

The tuition voucher scheme (Skim Baucer Tuisyen, SBT) can be truly described as something unique in Malaysia. On one hand, it is a sincere effort of the government to help financially needy students and on the other hand, the scheme also represents an affirmative nod to the concept of tuition as a whole. The government, in effect, is recognizing tuition as an effective way to improve academic performance.

The tuition voucher scheme (Skim Baucer Tuisyen, SBT) started in early 2004. Under this scheme, primary school pupils from poor families who are academically weak will get extra tutoring after school hours. Only poor pupils in Primary 4, Primary 5 and Primary 6 are eligible. In this first year of its initiation, the scheme targets 500,000 students only. Due to the limited implementation, the beneficiaries are not only be poor financially but also in the academic sense as well. School principals will select the candidates worthy of this aid. These students are then provided with vouchers that will entitle them to extra coaching after school hours. The tuition classes are to be conducted by school teachers using school facilities. Students are tutored in the four main academic subjects of Malay language, English, Mathematics and Science. The government pays teachers who volunteer for the scheme through the vouchers, thus enabling them to earn some extra income.

Nevertheless, this program is not a great threat for the tuition centers. This is due to the format of the tuition session itself. The students are taught in a classroom of their own school, by their own school teachers. These

tuition classes are nothing more but repetitions of a prior classroom experience.

Micheal Porter (1990) had described the five competitive forces that determine the attractiveness of an industry. They are threat of entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers and rivalry among current competitors. By looking at the number of tuition centers mushrooming all over the country, in fact the real pressure for a tuition center is the intensity of rivalry among the existing competitors.

Tuition centers using various techniques such as price competition, promotion and increased customer add value activities to tout the customers. Tuition centers need to vigorously defend its position by enhancing credible strategy to increase its competitive advantages.

The environment that surrounded the organization is becoming more complex and turbulent. Advances in communication, transportation and technology create many changes. Other changes are the result of political or economic activities. Thus the pressure on the organization is mounting, there are several factors that directly influence the buying behavior, such as cultural, social, personal, psychological factors, economic, political and technological.

The scenario for today's life styles is that people are more aware of the importance in education. In addition, most people have small families. The changing of the phenomena has made a shift in paradigm in choosing a

particular tuition center, as more and more parents are looking for high quality tuition center.

In this new economic era, digital networking and communication infrastructure provide a global platform over people to people communication, thus parents now are more aware and educated, they are looking for services quality. Thus tuition center adhere to the educational rigorous standard for quality, safety and educational excellence.

Political stability ensures the future of all the activities and Malaysia has a strong and establishes government, basically the environment is peaceful and suitable for expanding the educational business.

The growth in the number of tuition centers and other forms teaching for children is significant evidence that industry is well developed.

For the perspective of economics, service industries are playing an increasingly important role in the economy of many countries. In today's world of global competition, rendering quality service is a key for the success and many marketers believe that the most powerful competition trend currently shaping the marketing and business strategy is the service quality.

In the service industry, definition of service quality tend to focus on meeting customers' needs and requirements and how well service delivered meets their expectations (Lewis and PBooms,1983) In order to deliver and maintain service quality an organization must first identify the elements that constitute quality and to whom it serves (Gronroos, 1983).

Parasuraman et al (1985) identify over 200 attributes of service quality. The pool of attributes was derived from an extensive series of interviews with customers in four different commercial services. Using factors analysis five main dimension of service quality were identified. They were :

1. Tangibility consists mostly of items that are associated with the physical environment where the service is produced and consumed
2. Reliability concerns items which relate to the service providers' ability to perform dependably and accurately
3. Responsiveness comprises items which are associated with the service employees' willingness to help customers and provide prompt service
4. Assurance is made up of items which describe the knowledge and courtesy of employee and their ability to inspire trust and confidence
5. Empathy is loaded with items which correspond to the caring, individualized attention which service companies give to their customer

1.2 RESEARCH PROBLEMS

Service industries are playing an increasingly important role in the economy of many nations. In today's world of global competition, rendering quality service is a key for success and many experts concur that the most powerful competitive trend currently shaping marketing and business strategy is service quality. Service quality has been linked with increased profitability and it is seen as important tool by providing competitive advantage by

generating repeat sales, positive word of mouth feedback, customer loyalty and competitive product differentiation.

Nowadays, tuition industry is being driven towards commercial competition imposed by economic force resulting from the development of education market and the trend of seeking higher education.

As a result of today's competitive business environment, industries services need to focus on the quality and continuous improvement to win ahead of competition. Better services can mean cost reduction, repeat business, increased market share, increased profit and return on investment (Total Quality management)

In general, service quality promotes customers satisfaction, stimulate intention to return and encourages recommendation. Customer satisfaction increase profitability, market share and return on investment (Hackl and Westlund,2000)

Tuition Centre with good service quality will therefore improve their market share and profitability (Oh and Parks,1997). In the tuition industry, the organization must find ways to make their products and services stand out among others. To achieve this, the marketers must understand their customers' needs and expectation then set out to meet these needs.

For parents, one of the major concerns for sending their children to attend college (tuition) is the cost. Almost every year tuition fees increase.

Students attending tuition classes pay a premium for their education. They will expect higher quality teaching and a promise in the form of helping them to obtain good result in the public examination.

The domain of this study is to examine the relationship between service quality and customers' satisfaction in tuition centers and how the customers can generate positive stories on the level of service in order to get better publicity. Thus, the research questions of this study as follows:

- Q1 : What is the relationship between service quality and customers' satisfaction in tuition centers in terms of tangibility dimension ?
- Q2 : What is the relationship between service quality and customers' satisfaction in tuition centers in terms of assurance dimension ?
- Q3 : What is the relationship between service quality and customers' satisfaction in tuition centers in terms of reliability dimension ?
- Q4 : What is the relationship between service quality and customers' satisfaction in tuition centers in terms of responsiveness dimension ?
- Q5 : What is the relationship between service quality and customers' satisfaction in tuition centers in terms of empathy dimension ?
- Q6 : What is the relationship between pricing and customers' satisfaction in choosing a particular tuition center ?
- Q7 : What is the relationship between marketing communication and customers' satisfaction in choosing a particular tuition center ?
- Q8 : What is the relationship between perception and customers' satisfaction in choosing a particular tuition center ?

Q9 : Which of the variables is the most influencing factors towards customers' satisfaction ?

1.3 Objectives of the study

The focus and purpose of the quality service is to meet and exceed customer requirement. The research objectives are as follow:

1.3.1 General objectives

1. To measure the relationship between the determinants of service quality and customers' satisfaction in tuition centers.
2. To identify the relationship between the influencing factors and customers' satisfaction in choosing a particular tuition center.

1.3.2 Specific objectives

1. To identify the relationship between service quality in terms of tangibility and customers' satisfaction in tuition centers.
2. To determine the relationship between service quality in terms of reliability and customers' satisfaction in tuition center.
3. To assess the relationship between service quality in terms of responsiveness and customers' satisfaction in tuition center.

4. To evaluate the relationship between service quality in terms of assurance and customers' satisfaction in tuition center.
5. To analyze the relationship between service quality in terms of empathy and customers satisfaction in tuition center.
6. To understand the relationship between pricing and customers' satisfaction in choosing a particular Tuition Center.
7. To analyze the relationship between the factor of marketing communication and customers satisfaction in choosing a particular Tuition Center.
8. To assess the relationship between the factor of word of mouth and customers satisfaction in choosing a particular Tuition Center.
9. To find out which of the variables is the most influencing factor in customers' satisfaction

1.3.3 Hypothesis

The relationship between the determinants of service quality and customers satisfaction in tuition centers were examined through the hypothesis

Ho 1 : There is no significant relationship between service quality and customers' satisfaction in tuition centers in terms of tangibility dimension

Ho 2 : There is no significant relationship between service quality and customers' satisfaction in tuition centers in terms of assurance dimension

Ho 3: There is no significant relationship between service quality and customers' satisfaction in tuition centers in terms of reliability dimension

Ho 4 : There is no significant relationship between service quality and customers' satisfaction in tuition centers in terms of responsiveness dimension

Ho 5 : There is no significant relationship between service quality and customers satisfaction in tuition centers in terms of empathy dimension

Ho 6 : There is no significant relationship between fees structure and customers' satisfaction in choosing a particular tuition center.

Ho 7 : There is no significant relationship between marketing communication and customers' satisfaction in choosing a particular tuition center.

Ho 8 : There is no significant relationship between perception and customers satisfaction in choosing a particular tuition center.