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ANALYSING IMPACT OF CUSTOMER ENGAGEMENT ON THE RELATIONSHIP BETWEEN CUSTOMER LOYALTY AND SERVICE QUALITY: A STUDY OF HEALTHCARE SECTOR

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Abstract

The purpose of this study was to investigate the influential factors of customer loyalty in healthcare sector; namely, service quality and customer engagement. This study was based on the survey of super specialty hospital customers in India and KSA. This research deployed purposive sampling and analyzed the data by using covariance-based structural equation modeling. This study examined the impact of customer engagement on the link between service quality and customer loyalty in Indian and Saudi Hospitals, which has been neglected in the previous studies. This study has also examined the relationship between service quality, customer engagement and loyalty as a whole.

Keywords: *Service quality, Customer loyalty, Customer satisfaction and Customer engagement.*

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1. Introduction

One of the building blocks of business success is the customers and therefore, building an excellent relationship with customers and achieving their loyalty, continues to be the basic strategy to success. For that reason, understanding

customer engagement and the quality of customer loyalty, in addition to interacting with the customers to institute a strong relationship, are some of the essential issues for businesses to maintain competitive advantage (Hapsari et al, 2017). One of the important factors in maintaining any service organization, especially

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in the context of health care sector, is customer loyalty (**Dhasan and Aryupong, 2019**). Customer loyalty means the tendency of the customer to be loyal to the service brand he or she experienced and recommend that product to other people. According to **Mohsen et al. (2016)**, loyalty is generated by the organization for the benefit of customers and to increase their purchases. Moreover, customer loyalty is accepted as the best way to success in any organization (**Prentice et al., 2019**). Marketers recognised customer loyalty as vital because of its positive results on long-term success and profitability (**Al-Dmour et al., 2019**). Thus, the development, maintenance, and promotion of customer loyalty remain central to the majority of corporate marketing activities (**Chang et al., 2021**). There is need for further research to consider the quality relationships and customer engagement (**Zaid and Patwayati., 2021**) and its mediation role to reach customer loyalty. The main variables of this study were customer loyalty, customer engagement and service quality. This study seeks to examine the relationship between service quality and customer loyalty and also seeks to observe the relationship of customer engagement with these two variables. In short, this study proposes to study the role of customer engagement on the link between service quality and customer loyalty in Indian and Saudi hospitals.

2. Review of Literature

2.1. Customer Loyalty

Han and Hyun (2018) stated that the loyal customer is a source of sustainable advantage and allows continuous profit and reduction in marketing and promotion cost. It was observed that customer loyalty has some antecedents such as customer engagement and service quality (**Akamavi et al., 2015; Han and Hyun, 2018**). According to **Meesala and Paul (2018)**,

customer loyalty can be measured by utilizing some sub constructs, like intention to buy more products, preferring to buy your product as compared to the competitor's and the willingness to promote marketing by word of mouth.

2.2. Service Quality and Customer Engagement

On the other hand, **Verleye et al. (2013)** asserted that service quality exercised significant influence on customer engagement behavior. There are many studies, which emphasized the relationship between service quality and customer engagement and concluded that quality experience was closely related to service quality. This study found that when a customer experienced good service quality, he wanted to be engaged with the product for a longer period of time.

2.3. Service Quality and Customer Loyalty

Service quality has significant relationship with customer loyalty, as documented by (**Meesala and Paul, 2018; Vera and Trujillo, 2013**). **Mohsen et al. (2016)** examined the link between service quality and customer loyalty in India. Over 150 studies have been conducted, covering different industries in India and found that service quality was a significant antecedent of customer loyalty. **Meesala and Paul (2018)** have also studied the relationship between service quality and customer loyalty, in 48 reputed hospitals and 180 patients and observed that service quality exercised direct and positive impact on customer loyalty. In other words, service quality is a positive antecedent of customer loyalty.

2.4. Customer Engagement and Customer Loyalty

Lee et al. (2018) highlighted that customer engagement also plays a mediating variable for repurchase intention and channel integration quality. It implied that customer engagement is very closely related to customer loyalty (**Al-**

Dmour et al., 2019). Therefore, it was argued that customer engagement should have significant influence on customer loyalty and act as a mediating variable between service quality and customer loyalty.

3. Statement of the Problem

The delivery of high-quality service is the key to success in service industries. In the present era of intense competition, monitoring and improving service quality is highly essential for developing efficiency and business volume (**Banyte and Dovaliene, 2014**). In both manufacturing and service industries, quality improvement is the principal factor, that impacts consumer satisfaction and consumer's purchase intention (**Oliver, 1980**). The hospital industry has become quite competitive in recent times (**Gao and Huang, 2021**). Hence, hospitals are interested in identifying the most critical factors in hospitals and managing them well, for their survival and success in the future. For this purpose, strategic factors need to be identified. Hence, this study tries to analyze the role of customer engagement on the relationship between customer loyalty and service quality of healthcare sector, in India and Saudi Arabia.

4. Need of the Study

Healthcare industry in developing countries has recorded high growth rate in the recent years. This study seeks to identify the most critical factors in hospitals, related to service quality, that will ensure survival and success in the future. There are many previous researches which have also revealed that there are some antecedents of customer loyalty, like customer engagement, customer satisfaction and service quality (**Han and Hyun, 2018; Kamran-Disfani et al., 2017; Meesala and Paul, 2018**). Therefore, present research would be

fruitful to the hospital industries. Further, this study examines the mediating role of customer engagement on the relationship between service quality and customer loyalty.

5. Objectives of the Study

The purpose of this study was to investigate the influential factors of customer loyalty in healthcare sector, namely, service quality and customer engagement. This study will try to reveal the role of customer engagement on the link between service quality and customer loyalty in Indian and Saudi hospitals, which has been neglected in the previous studies. This study has also examined the relationships between service quality, customer engagement and loyalty as a whole.

6. Hypotheses of the Study

H1: Service quality (SQ) is a significant predictor of customer engagement (CE).

H2: Service quality (SQ) is a positive and significant influential factor of Customer Loyalty (CL).

H3: Customer Engagement (CE) has significant and positive impact on customer loyalty (CL).

7. Research Methodology

7.1. Sample Selection

The population for this study was the patients of different healthcare units, based in India and Kingdom of Saudi Arabia (KSA). The data were collected from four metro cities of India and two cities of KSA. The sampling technique, used in this study was convenience sampling. The number of samples, collected for this study, was 231 respondents. Questionnaire of this study consisted of 18 items. According to **Hair et al. (2010)**, the number of samples should be 5-15 times the number of constructs.

Hence the number of samples was more than 200, as SEM techniques required a large sample size (Byrne, 2010).

7.2. Sources of Data

The convenience sampling, employed by this study, followed two criteria for selecting respondents, by following the footsteps of Sekaran and Bougie, 2013. The criteria, for selecting respondents in the study, were:

- 1) Only registered patients were contacted.
- 2) Active patients, getting treatment for the past three months alone, were contacted.

7.3 Period of the Study

The data were collected from 2nd April 2021 to 31st July 2021.

7.4. Tools used in the Study

The study utilized covariance-based Structural Equation Modeling (SEM), by using lisrel 8.80 software for the data analysis (Byrne, 2010). While conducting structural equation modeling, the model was tested for fit initially and the fit indices included goodness-of-fit (GFI), comparative fit index (CFI) and adjusted goodness of fit index (AGFI) (Bentler and Bonett, 1980; Wardiet al., 2018a)

8. Data Analysis

8.1. Measurement Model Development

This study derived constructs, whether independent variables or dependent variables, from well researched previous studies. There were three constructs in this study and they were service quality (SQ), customer engagement (CE) and customer loyalty (CL). The scale for customer loyalty was adapted from Meesala and Paul (2018). The scale of customer engagement, which was taken as a mediating variable, was adapted from Verhagen et al. (2015) and the measurement model of service quality was adapted from Karatepe et al. (2005).

8.2. Measurement Model Assessment

After preliminary testing and ensuring the normality of data, measurement model was assessed by testing reliability and validity, by performing confirmatory factor analysis, to ensure unidimensionality for all the research scales. Construct reliability and validity were assessed by using factor loading values, which were greater than 0.05. Average variance extracted were greater than 0.05 and the Cronbach's Alpha was greater than 0.7 and composite reliability was greater than 0.7 (Hair et al., 2010).

To examine the mediation effect, the SEM based technique of outlining the product of coefficients, involving direct and indirect paths in a model, was adopted (Mustapha et al., 2010). SEM is the method preferred for the mediation analysis.

Following the above approach, the model, with independent variable, mediator and dependent variable was adopted. If the product of coefficients of indirect paths [path from independent to mediator and from mediator to dependent variable i.e. (a*b)] was greater than the coefficient of direct path (c), then indirect effects would be present in the model. The values of CFI, RFI and GFI were 0.97, 0.93 and 0.97 respectively, the value of AGFI was 0.95 and the value of RMSEA was 0.049 (<0.08). It was found that service quality exercised significant direct impact on customer engagement (H1; b= 0.96; **) and therefore, H1 was accepted. However, service quality did not report any significant direct effect on customer loyalty (H2; b= -1.91) and therefore, H2 was not accepted. Finally, customer engagement also significantly affected customer loyalty (H3; b= 2.97; ***) and therefore, H3 was accepted.

9. Findings of the Study

As evident from the results, Service Quality (SQ) did influence customer engagement (CE). In other words, when a customer experienced good service quality, he was engaged with the product, for a longer period of time. The finding was in line with **Verleye et al. (2013)**.

The study also concluded that service quality (SQ) did not influence customer loyalty (CL) and this finding could be attributed to the fact that many organizations were undergoing transformation and they also faced shortage of employees due to ongoing pandemic and lockdowns. This finding did not corroborate the findings of **Meesala and Paul, 2018; Muraliet al., 2016; Vera and Trujillo, 2013**.

The mediating role of customer engagement was not present in this study but there was strong relationship between customer engagement (CE) and (CL) loyalty. In other words, more customer engaged with the product/service, more customer loyalty increased and the actions of the customer did promote the product and this finding also corroborated the study of **Kingshott et al., (2018)**.

10. Suggestions

This study indicated that healthcare sector should employ customer engagement strategies. Marketers should also consider communicating brand-related, news and current hot topics on social media platforms, to encourage consumers to create content. Individuals' concerns about engagement may have been predicted by recent social media trends, that included contributing, consuming, and creating content.

11. Conclusion

As far as literature is concerned, service quality did have positive and significant impact on customer satisfaction. Service quality was also linked to customer loyalty. It also influenced

customer engagement. Finally, it is also believed that customer engagement did have significant and positive effect on customer loyalty. It is also concluded that the level of service quality determined the customer engagement measure and therefore, organizations should work on service quality to engage customers. On the other hand, it is shocking to note that service quality did not influence customer loyalty directly and therefore, it can be inferred that service quality is an antecedent of customer engagement and with more engagement, customer became loyal to the company.

12. Limitations of the Study

This study was a combination of cross-sectional analysis. Accordingly, the results of this study may not be applicable to other countries. Similar studies in longitudinal data settings can be conducted in other countries (e.g. ASEAN countries), which would help generalisation. Some antecedents of customer loyalty have been neglected in this study (e.g. customer value co-creation and customer commitment) and hence, the future study may investigate those factors.

13. Scope for Further Research

This research will give insights for the healthcare managers in decision-making regarding customer loyalty, customer engagement and service quality and there are avenues for future researchers to expand the study to the state-owned hospitals or conduct comparative analysis, comparing private sector healthcare and state sector healthcare.

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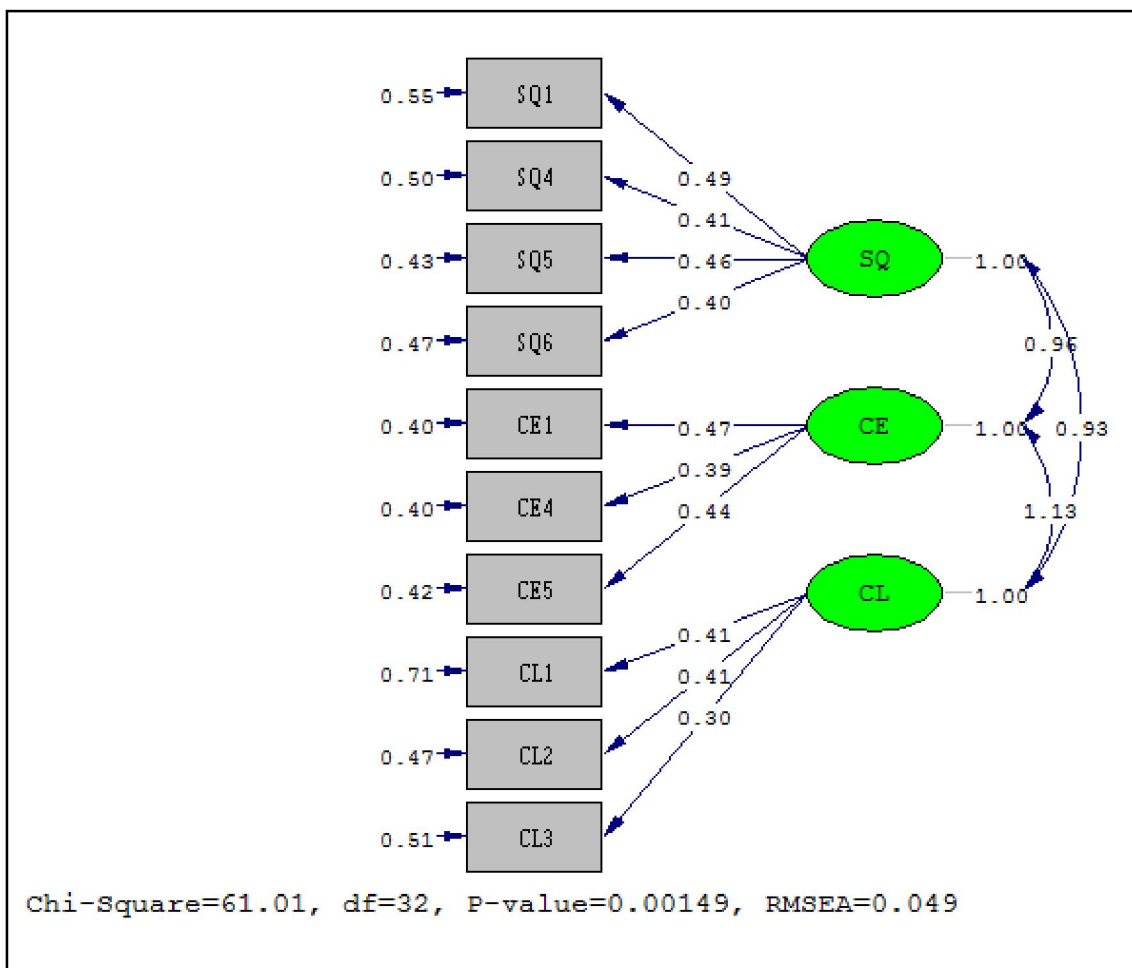
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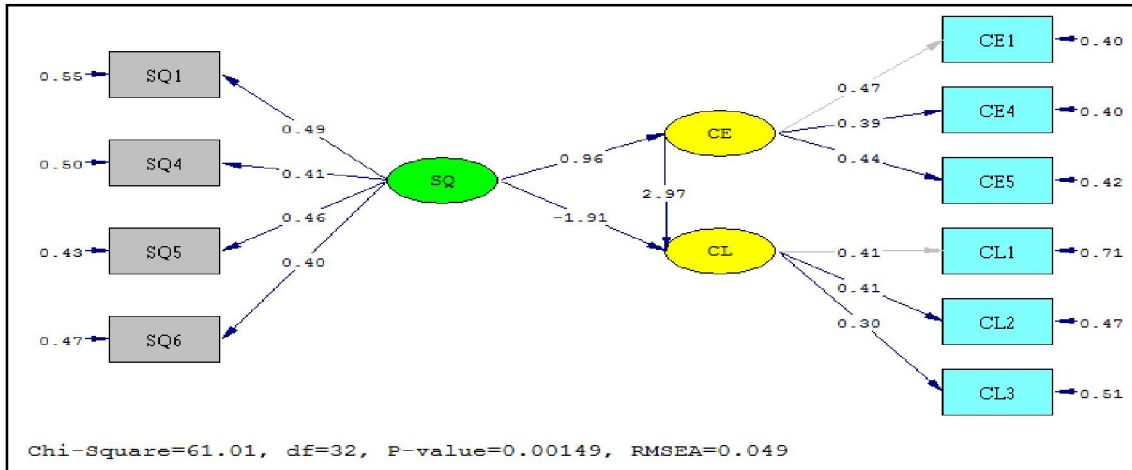
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Figure-1: Results of Confirmatory Factor Analysis for all Research Scales



Source: Primary Data computed using LISREL

Figure-2: Results of Structural Model for Indirect Effects



Source: Primary Data computed using LISREL

Table-1: Results of Fit Indices for the structural model of all research scales

Goodness of Fit Statistics

Degrees of Freedom = 32
Minimum Fit Function Chi-Square = 63.80 (P = 0.00070)
Normal Theory Weighted Least Squares Chi-Square = 61.01 (P = 0.0015)
Estimated Non-centrality Parameter (NCP) = 29.01
90 Percent Confidence Interval for NCP = (10.74 ; 55.09)
Minimum Fit Function Value = 0.17
Population Discrepancy Function Value (F0) = 0.078
90 Percent Confidence Interval for F0 = (0.029 ; 0.15)
Root Mean Square Error of Approximation (RMSEA) = 0.049
90 Percent Confidence Interval for RMSEA = (0.030 ; 0.068)
P-Value for Test of Close Fit (RMSEA < 0.05) = 0.50
Expected Cross-Validation Index (ECVI) = 0.29
90 Percent Confidence Interval for ECVI = (0.24 ; 0.36)
ECVI for Saturated Model = 0.29
ECVI for Independence Model = 3.38
Normed Fit Index (NFI) = 0.95
Non-Normed Fit Index (NNFI) = 0.96
Parsimony Normed Fit Index (PNFI) = 0.67
Comparative Fit Index (CFI) = 0.97
Incremental Fit Index (IFI) = 0.97
Relative Fit Index (RFI) = 0.93
Critical N (CN) = 313.74
Root Mean Square Residual (RMR) = 0.026
Standardized RMR = 0.039
Goodness of Fit Index (GFI) = 0.97
Adjusted Goodness of Fit Index (AGFI) = 0.95
Parsimony Goodness of Fit Index (PGFI) = 0.56

Source: Primary Data computed using LISREL