

# Uncertain Supply Chain Management

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## Obtaining customer satisfaction by managing customer expectation, customer perceived quality and perceived value

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### ABSTRACT

There is a need in the community which is realized by volunteering the community to pay some costs to get the quality education offered, also supported by government regulations that encourage the existence of international schools in each region, as well as the influence of globalization. The existence of these international standard schools using Cambridge or International Baccalaureate curriculum has brought big changes in managing schools as an educational institution. Education management is a necessity for schools today to be able to manage schools that focus on customer desires and satisfaction, without overriding the main values in education. Therefore, Structural Equation Modelling (SEM) is employed to spot the arena of this study; Customer Expectation and Customer Perceived Quality mediated by Customer Perceived Value will affect customer satisfaction. The model is expected to provide the model for education institutions how to manage customer satisfaction in-line with delivering quality education.

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## 1. Introduction

Despite numerous studies that investigate the relationship between customer expectation and customer satisfaction, very few of these studies have examined parents of the student at an educational institution. The existence of international schools has brought big changes in managing schools as educational institutions. Professional education management is becoming a necessity for schools today to be able to manage schools that want to meet customer desires and satisfaction, without compromising. These international schools which most private schools bring the impact of a new competition between them. This competition demands better school performance to get a larger number of students. Customer satisfaction has been considered as a central issue in the quality management literature. Quality cannot be inspected into products or services, the customer satisfaction must be designed into the whole system (Oakland, 2014). Now, more than ever, education institutions have embraced the marketing concept and the idea of the student and parent as the customer, who is involved in the purchase of education programs and services. Today's students and parents search for institutions that will provide them with unique, memorable, and personal educational experiences. Also, he/she is a customer, seeking an educational program that will prepare him/her for a successful career in the future. (Ravindran et al., 2011). Student and parent satisfaction should always be considered by the institutions due to intensive competition among institutions, internationalization spirit, higher expectation of customers towards the educational institution, an increase in the tuition fee, and the classification of education as a marketable service (Ling et al., 2010). Based on the previous explanation, it is important to discuss factors that determine student and parent customer satisfaction. This study concentrates on understanding the customer expectation, Customer Perceived Quality, customer perceived value, and satisfaction towards the services offered by management education institutions.

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## 2. Literature Review

Customer expectations are internal standards used by customers to assess the quality of a service experience. In general, the key to the success of service lies in (1) time, i.e. how long the customer must wait, (2) timeliness, whether a service can be produced as promised, (3) completeness, whether all things have been included in customer requests, (4) courtesy, whether the customer service department greets customers friendly, (5) consistency, whether the service is delivered consistently to all customers, (6) accessibility and convenience, whether the services provided are easy to obtain, (7) accuracy, whether the services provided given right the first time, (8) responsiveness, can the officer be able to help and solve customer problems quickly (Lovelock & Wright, 2005). Expectations can be defined as “predictions made by customers on what probably will occur during an imminent transaction” (Parasuraman et al., 1991). As quoted by (Kamaruddin et al., 2012) Tyron argues expectations as “anticipation of future consequences based on prior experience, current circumstances, or other sources of information.” Customer expectations can be determined by asking questions about how high the level of performance (performance level) is needed to meet customer expectations. The product characteristics expected by the customer can be seen as a progressive hierarchy of three levels, namely: base expectation, specifications and requirements, and pleasure or delight. These three expectations are often also known as implicit expectations, explicit expectations, and hidden expectations (Gaspersz, 2005).

Customer Perceived Quality is defined as the consumers' judgment about an entity's services containing overall excellence or superiority (Snoj et al., 2004). Customers will always compare the expectations they want (expected quality) with the quality they received (actual quality) (Evans, 2005). If the expectations they want are greater than the quality they receive, then it is likely that customers will be disappointed or dissatisfied. Conversely, if the quality they receive exceeds expectations, the customer will be satisfied and even will be very happy (delighted). Customer satisfaction is a measure of the institution's success in carrying out all activities. High customer satisfaction will guarantee the management of the institution to be able to maintain or develop the number of customers in the future. If the customer feels satisfied and happy, he will be happy to make a repeat purchase and tell others about the good experience of the product. A good institution will always promise something that can be delivered or even can deliver better than what the institution promised. Thus, if the customer is satisfied with the product's performance, the customer will make a repeat purchase which will ultimately guarantee the institution's long-term sustainability. Customer satisfaction is positive feelings or negative feelings from customers about the value that has been received as a result of the use of some things that have been given by the institution in a specific use situation or the whole reaction from a series of experiences of using the situation. Customer satisfaction can be interpreted as someone's feelings that were never imagined before for a product or service that is following their expectations. This situation can only be achieved if the institution can provide a product that is produced based on an analysis of current and future customer needs. Thus, companies need to understand the needs and expectations of their customers at this time and anticipate the development of customer expectations and needs in the future. Customer satisfaction is also interpreted as the realization of the response; this is an assessment of the product or service characteristics at a very pleasant or very unpleasant level. Customer satisfaction is a condition where the needs, desires, and expectations of customers can be met through the products consumed.

The value of the customer perceived depends on the benefits offered based on the customer's point of view. This value is completely different from the price of the product. Because inexpensive products can provide high value to customers for their advantages of solving important problems faced by customers quickly and very efficiently. Conversely, expensive products can only provide low value to customers or buyers of these products. The perceived value of the customer involves two basic things, namely the category value and the relative value. The category value is a value that only considers the characteristics of the product without considering the brand attached to the product. While the relative value is the value that compares one product to another product that is categorized the same but has a different brand (Gupta, 2005). The notion of value has several different understandings. As quoted by Buttle & Maklan (2015), Buttle and Groeger (2017) and Zeithaml et al. (1990) said that the meaning of the word value in the eyes of customers contains different meanings. For some customers, value means cheap prices. Some other customers say that value is getting what they want from a product. Another customer said that value is the quality I get for the price paid for a product. Another customer said that value is everything I get for everything I have sacrificed to get it. From the various meanings above, it can be concluded that value is the customer's perception of the balance between the benefits obtained and the sacrifices made to obtain these benefits. Although numerous definitions of perceived value exist, the definition of (Zeithaml et al., 1990) is the most universally accepted definition of perceived value in the literature. Past research conceptualizing perceived value as simply a trade-off between quality and price is believed to be insufficient to explain the gain of competitive advantage (Rintamäki et al., 2006). Thus, some researchers argued that perceived value is more complex; that a multi-dimensional approach of value perceptions should be considered by scholars and managers; and that customer choice is the result of multiple value perceptions (e.g. Petrick, 2004; Petrick & Backman, 2002). Most of the perceived value definitions describe value as perceptions of what customers have received and what they have given which is based on the customer's overall evaluation of the utility of a store, product, and brand image (Zeithaml et al., 1990). Even though some value perception based on the past literature has been identified (i.e., emotional, social as well as functional) it appears that only two of them are more applicable in the study of consumer behavior. The first one is functional motives which refer more to tangible needs such as price, convenience, quality and the second one is non-functional motives which are more related to intangible wants such

as emotional and social needs (Chen & Hu, 2010). In combining the studies of various determinants of the overall students' perceived service quality that has been identified the four independent variables adopted by (Sohail & Shaikh, 2004) and Joseph et al. (2005) are (1) contact personnel; (2) physical facilities of the tertiary institution; (3) access to facilities; and (4) tuition fee. As formulated by Barnes & Byrne (2006), that value is an equation between what customers get on one side and what customers have given to the other side. According to Timm (2001), the perceived value of the customer depends on the intrinsic perspective of the customer which includes the product's capabilities both visually and invisibly, and the customer's extrinsic perspective on the product which includes packaging, warranty, uniqueness, brand credibility, etc.

From the research studies quoted by (Ravindran et al., 2011) it can be deduced that institution's reputation, academic environment, size of the school, specific academic programs, fee structure, student population and social atmosphere, geographical location, and quality of faculty were the overriding factors that affect student and parent decision to enroll in an educational institution. One of the human interaction components includes the contact personnel. Sohail & Shaikh (2004) tested contact personnel as one of the independent variables for the overall students' perceived service quality, which includes courtesy, politeness, and respect shown by the administrators; courtesy, attention, and empathy shown by the teachers; neatness and cleanliness of the teachers; competencies of the teachers to perform their duties properly; and maintenance of records by the administrators.

**Table 1**  
The Framework of Customer Satisfaction

Constructs	Dimensions	Sources
Customer expectation	<ul style="list-style-type: none"> <li>➤ responsiveness</li> <li>➤ reliability</li> <li>➤ empathy</li> <li>➤ assurance</li> <li>➤ tangible</li> </ul>	<ul style="list-style-type: none"> <li>➤ Gupta (2005)</li> <li>➤ Evans (2005)</li> </ul>
Customer perceived quality	<ul style="list-style-type: none"> <li>➤ ability</li> <li>➤ feature</li> <li>➤ output</li> <li>➤ conformance</li> <li>➤ durability</li> <li>➤ serviceability</li> <li>➤ aesthetics</li> </ul>	<ul style="list-style-type: none"> <li>➤ Evans &amp; Lindsay (2005)</li> <li>➤ Schiffman &amp; Kanuk (2004)</li> </ul>
Customer perceived value	<ul style="list-style-type: none"> <li>➤ economic</li> <li>➤ social</li> <li>➤ emotion / psychology</li> <li>➤ Episteme</li> <li>➤ condition</li> </ul>	<ul style="list-style-type: none"> <li>➤ Gupta &amp; Lehmann (2006)</li> <li>➤ Barnes (2007)</li> </ul>
Customer satisfaction	<ul style="list-style-type: none"> <li>➤ happy</li> <li>➤ appreciate</li> <li>➤ believe</li> <li>➤ proud</li> </ul>	<ul style="list-style-type: none"> <li>➤ Woodruff &amp; Gardial (2002)</li> <li>➤ Evans &amp; Lindsay (2005)</li> </ul>

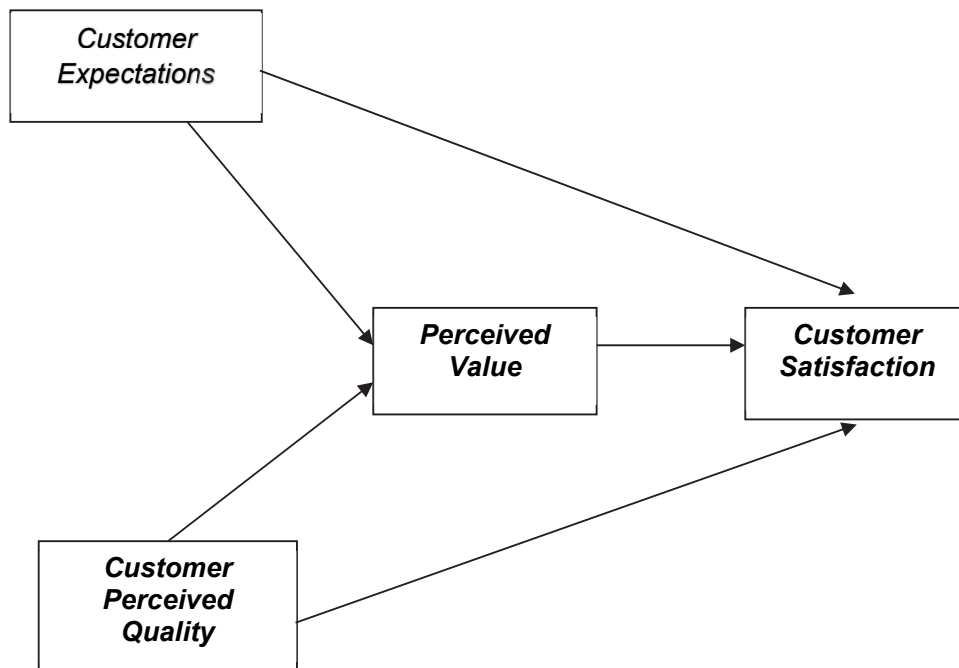
### 3. Methodology

This research uses quantitative methods of data intending to analyze the customer expectation, customer perceived quality, customer perceived value, and customer satisfaction of the International School with the Cambridge curriculum, in Jakarta, Indonesia. The target population of this study is 120 parents of the students as the customer. By using the Structural Equation Model (SEM). Although SEM is an extension of multiple regressions, it relies very heavily on pictures called path diagrams to visualize what is going on. Also, in SEM, we do not talk about "independent" and "dependent" variables. Instead, we talk about exogenous variables and endogenous variables. To avoid confusion, we say that an exogenous variable has paths coming from it and non leading to it. All instruments integrated into the questionnaire were derived from the previous literature exploration. Also, all questions were consulted with a panel of a scholar and industrial experts to assess the validity of items in the questionnaires. The five-point Likert-type scales (1 – strongly disagree; 5 - strongly agree) were applied throughout the questionnaire. The relationship among constructs is depicted in a theoretical framework. The customer satisfaction as an endogenous construct is measured with four dimensions: happy (cs1, cs2, cs7, cs11, cs12), appreciate (cs3, cs4, cs8), believe (cs5, cs9, cs10, cs13), proud (cs6, cs14, cs15) adapted from the work of Woodruff & Gardial (2002) and Evans & Lindsay (2005). In the other hand, the exogenous variable of customer expectation are measured with responsiveness (ce1, ce2, ce3), reliability (ce4, ce5, ce6), empathy (ce7, ce8, ce9), assurance (ce10, ce11), tangible (ce12, ce13) adapted from Gupta & Lehmann, (2006) and Evans (2005). Customer perceived quality are measured with ability (cpq1, cpq2, cpq3), feature (cpq4, cpq5), output (cpq6, cpq7), conformance (cpq8, cpq9), durability (cpq10, cpq11), serviceability (cpq12, cpq13), aesthetics (cpq14, cpq15) adapted from Evans & Lindsay (2005) and Schiffman & Kanuk

(2004). Customer perceived value are measured with economic (cpv1, cpv2, cpv3), social (cpv4, cpv5), emotion / psychology (cpv6, cpv7, cpv8), episteme (cpv9), condition (cpv10, cpv11, cpv12, cpv13) developed from the work of Woodruff & Gardial (2002) and Evans & Lindsay (2005).

Five hypotheses will be tested.

1. Customer expectation is negatively related to customer perceived value.
2. Customer expectation is negatively related to customer satisfaction.
3. Customer perceived quality is positively related to customer perceived value.
4. Customer perceived quality is positively related to customer satisfaction.
5. Customer perceived value is positively related to customer satisfaction.



**Fig. 1.** Theoretical framework

Factors loading is employed to evaluate discriminant validity where only items with factors loading surpass 0.50 will stay in the model (Hair et al., 2014). When all SEM requirements are fulfilled, theory trimming Crockett (2012) is performed by eliminating paths with insignificant coefficients, and this becomes the model for customer satisfaction in an educational institution setting.

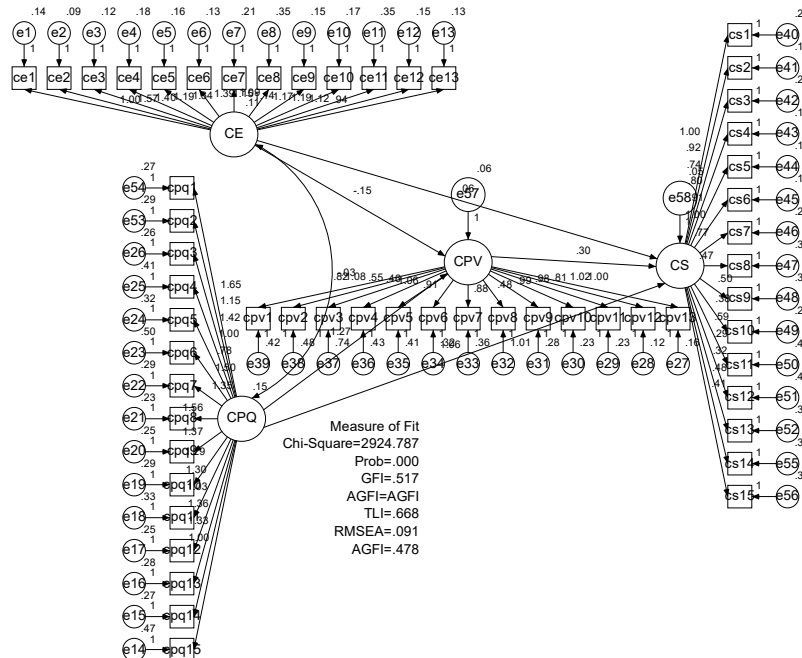
#### 4. Results and Discussion

Measurement model in Table 2 displays that the factors loading generated all exceeded 0.50 denoting that the instrument had satisfactory convergent validity. Structural equation modeling commonly invites arguments on model assessment as no model can indeed meet all the demanded measures (Schumacker & Lomax, 2004). For example, SEM needs a small value for Chi-square statistic ( $\chi^2$ ) and probability (P) smaller than 0.05. Though these statistics are usually conveyed in structural equation modeling results, they are rarely considered and generally unnoticed as researchers prefer other alternative measurements to evaluate the model fit (Robins et al., 2009). The argument is that Chi-square statistic ( $\chi^2$ ) and probability (P) are closely related to sample size that the bigger the sample then, the smaller the Chi-square statistic and the higher the probability. Hu & Bentler (1999) contend that threshold values approaching 0.95 for Tucker-Lewis Index (TLI), 0.90 for Normed Fit Index (NFI), 0.90 for Incremental Fit Index (IFI), 0.06 for Root Mean Square Error of Approximation (RMSEA) may adequately support the assumption of a perfect fit between the suggested model and the data. Other researchers suggested other goodness-of-fit statistics containing CMIN/DF (The Minimum Sample Discrepancy Function) expected  $\leq 2.0$  (Arbuckle & Wothke, 1999); GFI (Goodness-of-Fit Index) approaching 0.90 and AGFI (Adjusted Goodness-of-Fit Index) close to 0.90 or greater (Hair et al., 2014).

**Table 2**  
Loading Factors for Convergent Validity

Construct	Loading Factors	Construct	Loading Factors
ce1 ← Customer Expectation	.669	cpv1 ← Customer Perceived Value	.583
ce2 ← Customer Expectation	.871	cpv2 ← Customer Perceived Value	.661
ce3 ← Customer Expectation	.805	cpv3 ← Customer Perceived Value	.342
ce4 ← Customer Expectation	.690	cpv4 ← Customer Perceived Value	.365
ce5 ← Customer Expectation	.747	cpv5 ← Customer Perceived Value	.682
ce6 ← Customer Expectation	.795	cpv6 ← Customer Perceived Value	.674
ce7 ← Customer Expectation	.621	cpv7 ← Customer Perceived Value	.639
ce8 ← Customer Expectation	.550	cpv8 ← Customer Perceived Value	.261
ce9 ← Customer Expectation	.708	cpv9 ← Customer Perceived Value	.725
ce10 ← Customer Expectation	.695	cpv10 ← Customer Perceived Value	.761
ce11 ← Customer Expectation	.560	cpv11 ← Customer Perceived Value	.690
ce12 ← Customer Expectation	.691	cpv12 ← Customer Perceived Value	.859
ce13 ← Customer Expectation	.660	cpv13 ← Customer Perceived Value	.813
cpq1 ← Customer Perceived Quality	.779	cs1 ← Customer Satisfaction	.803
cpq2 ← Customer Perceived Quality	.637	cs2 ← Customer Satisfaction	.826
cpq3 ← Customer Perceived Quality	.736	cs3 ← Customer Satisfaction	.701
cpq4 ← Customer Perceived Quality	.516	cs4 ← Customer Satisfaction	.762
cpq5 ← Customer Perceived Quality	.472	cs5 ← Customer Satisfaction	.828
cpq6 ← Customer Perceived Quality	.634	cs6 ← Customer Satisfaction	.829
cpq7 ← Customer Perceived Quality	.701	cs7 ← Customer Satisfaction	.709
cpq8 ← Customer Perceived Quality	.787	cs8 ← Customer Satisfaction	.464
cpq9 ← Customer Perceived Quality	.732	cs9 ← Customer Satisfaction	.480
cpq10 ← Customer Perceived Quality	.679	cs10 ← Customer Satisfaction	.419
cpq11 ← Customer Perceived Quality	.661	cs11 ← Customer Satisfaction	.497
cpq12 ← Customer Perceived Quality	.628	cs12 ← Customer Satisfaction	.262
cpq13 ← Customer Perceived Quality	.708	cs13 ← Customer Satisfaction	.333
cpq14 ← Customer Perceived Quality	.705	cs14 ← Customer Satisfaction	.467
cpq15 ← Customer Perceived Quality	.495	cs15 ← Customer Satisfaction	.389

The full model of the research after the specification is observable in Fig. 2. By referring to the  $\chi^2$  test ( $\chi^2 = 2924.787$ ) and probability ( $P = 0.00$ ), this model capture goodness-of-fit of the model. Also, when observed from other measurement, the model indicates an acceptable fitness: CMIN/DF = 1.979 (expected smaller than 2), GFI = 0.517 (lower than 0.90), AGFI = 0.478 (lower than 0.90), CFI = 0.681 (lower than 0.95), TLI = 0.668 (lower than 0.95), RMSEA = 0.09 (in the borderline). From these results, it can be concluded that the various approaches used to produce the conclusion that the resulting model is not the goodness of fit but marginal fit. Based on Hair et al. (2014), at least 1 model approach that passes, it can be said that the model is good.



**Fig. 2.** Full Model

The summary result of structural equation modeling is presented in Table 3. The table indicated that all paths are significant denoting that four hypotheses are accepted and one hypothesis is rejected, as follows;

1. Customer expectation is negatively related to customer perceived value. (-) 0,154 Significant.
2. Customer expectation is negatively related to customer satisfaction. (+) 0.058 not significant.
3. Customer perceived quality is positively related to customer perceived value. (+) 1,268 significant.
4. Customer perceived quality is positively related to customer satisfaction. (+) 1,065 significant.
5. Customer perceived value is positively related to customer satisfaction. (+) 0.301 significant.

**Table 3**  
Summary of Results

Constructs	Estimate	S.E.	C.R.	P	Conclusion
CPV ← CE	-.154	.097	-1.591	.005	Significant
CPV ← CPQ	1.268	.237	5.357	***	Significant
CS ← CPV	.301	.154	1.952	.002	Significant
CS ← CE	.058	.093	.0625	.266	Not Significant
CS ← CPQ	1.065	.286	3.719	***	Significant

Notes: \*\*\* =  $p < 0.00$

The model: *Customer Expectation* → *Customer Perceived Value* → *Customer Satisfaction* generates the direct effect of Customer Expectation → Customer Perceived Value = (-) 0.154, and the direct effect of Customer Perceived Value to Customer Satisfaction is 0.301. This figure brings the total effect of (-)  $0.154 \times 0.301 = (-) 0.046$  indicating that negative 4.6 %. Similarly, the model *Customer Perceive Quality* → *Customer Perceived Value* → *Customer Satisfaction* produces the direct effect of Customer Perceived Quality → Customer Perceived Value = 1.268, and the direct effect of Customer Perceived Value to Customer Satisfaction is 0.301. This figure brings the total effect of  $1.268 \times 0.301 = 0.382$  indicating that 38.2%.

## 5. Conclusion

The findings of this study revealed that customer expectation had a negative influence on customer perceived value (15,4%). But the difference with customer expectation impact to customer satisfaction had positive (5,8%) and no significance. However, the customer expectation is considered low, it needs to remain a concern, efforts should be made to be able to know, fulfill, and hinder expectations as students in school. These customers' expectations can be reflected in various communication-related parties with the school, both written in oral form. Efforts to discuss various information relating to customer expectations need to be done regularly and managed according to their level of importance and urgency. Thus, it can be denied that not all customer expectations must be resolved immediately, but customer expectations need to be continuously monitored. Fulfillment of customer expectations is done with a priority scale, based on existing resources in organizations including school institutions. Therefore, intensive communication needs to be done to provide a clear and directed understanding and information to facilitate compatibility between the school and parties related to students.

The findings showed that customer perceived quality has a positive impact on customer perceived value (126,8%) and customer perceived quality has a positive impact on customer satisfaction (106.5%). With more and more private schools growing in big cities like Jakarta, it will provide wider choices for parents to choose the right school for their children. Rational considerations will be the basis for parents to make decisions in sending their children to school. One of the rational considerations is related to the value they perceive, namely the level of benefits they feel compared to sacrifices such as money, energy, the time they have to spend. On that basis, the most important thing for schools is how from time to time it can increase added value to parents as customers. Based on existing theories, this added value can be done with two approaches, namely: (1) increasing the aspect of benefits perceived by parents, and (2) reducing or minimizing the sacrifices they have to spend.

Increasing benefits can be seen as how their desires are achieved by sending their children to school. The desire to get economically competitive prices compared to other similar schools, social desires such as association in the same economic and social status including the desire to get international relations in the school both interaction with teachers and peers. The ability to speak English is also the desire of parents for their children, including increasing the prestige and pride of parents by seeing the ability of their children who are fluent in English. Formal educational institutions such as schools certainly have the primary mission to improve children's abilities in terms of learning to know, learning to do, learning to be, and learning to live together. In this case, the fundamental demand for schools is to be able to provide increased competency of students in cognitive, affective, and motoric aspects. Therefore, these three things are prerequisites to other benefits that parents can perceive as customers.

The result also showed that hypothesis 1,3,4, and 5 were also supported. Based on the statistical result, there is a partial mediation relationship of customer perceived value between customer expectation and customer perceived quality on customer satisfaction. In other words, it seems that customer perceived value play – to a certain limit - a role in governing the relationship between customer expectation and customer perceived quality toward customer satisfaction.

About the school management function, customer satisfaction needs to be achieved through continuous planning, organizing, and monitoring processes that involve all parties in the school. Satisfaction will only be achieved significantly if all parties take a role in achieving it. Therefore, the role of the principal is central in leading teachers and staff in managing various activities to achieve the intended satisfaction. The principal's involvement in monitoring becomes a need to motivate everyone to carry out their duties. Empowerment to all sections to be able to do their jobs quickly and precisely is an effort that needs to be done continuously by the school. Training and competency improvement both teachers and staff need to be held periodically and monitored properly. By paying attention and trying to achieve customer expectations, and striving to increase added value to customers will increase customer satisfaction both directly and indirectly. This has been proven in this study of each variable to the customer satisfaction variable. So, it can be said that customer satisfaction is a result of the perceived quality and the perceived value by the customer.

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