

# Service Quality Influence on Customer Satisfaction: In the Case of Mongolia Online Trade Sector

Ganbaatar Otgontsetseg, Batkhuyag Sukhbat

Department of Business Administration, Da-Yeh University, Changhua, Taiwan

## ABSTRACT

According to the Communications Regulatory Commission of Mongolia report, in recent years, the number of online trade sectors in Mongolia has increased at a rapid pace. The purpose of the research is to investigate the relationship between service quality and customer satisfaction in the online trade market in Mongolia. The research was attended by a total of 200 participants. Research questions and objectives were set, alongside the hypothesis that was developed and tested. In order to determine the relationship between service quality and customer satisfaction were using descriptive statistical analysis and regression analysis. According to the result shows, online trade sector service quality effect on positive customer satisfaction. Therefore, the e-commerce sector should focus more attention on service quality, because of its effects on customer satisfaction. It is also recommended that the e-commerce sector should welcome suggestions from customers.

**KEYWORDS:** *service quality, customer satisfaction, online trade sector, Mongolia*

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## I. INTRODUCTION

According to the Communications Regulatory Commission of Mongolia report, in recent years, the number of online trade sectors in Mongolia has increased at a rapid pace. The total number of Internet users was 2,430,159 or 80 percent of the total population in 2015. Compared to 2013, the total number of customers tripled, which is likely to affect online trades in Mongolia. 83.51 percent of total Internet users are in Ulaanbaatar, 12.69 percent in provinces and 3.80 percent in the countryside. There are over 100 websites running an e-commerce business in Mongolia, with the exception of official websites. These includes: e-trade websites offer tangible and intangible goods, e-service website offer customer service, e-payment website offer non-cash payments, e-(trade, service and payment) group provides all aforementioned. Some researcher according to the study, the average annual purchase of one customer in Mongolia is equal to 1,476 MNT (1USD = 2460MNT), which is 900 times less than the average purchase of one customer in the world.

## II. LITERATURE REVIEW

Definitions of quality of service can vary from person to person and from situation to situation. Definitions of quality of service differ only in wording but usually involve deciding whether perceived service delivery meets, exceeds or does not meet customer expectations (Cronin and Taylor, 1992; Oliver, 1993; Zeithaml, Berry and Parasuraman, 1993). Service quality is commonly recognized as a vital prerequisite for creating and maintaining fulfilling customer relationships and assessing competitiveness. The previous

study indicates an important indicator of customer satisfaction is the quality of service. (Spreng and Machoy, 1996). Service quality attention can distinguish an organization from other organizations and gain a lasting competitive advantage (Boshoff and Gray, 2004). In fact, when price and other cost factors are kept stable, consumers prefer service quality. (Turban, 2002). The product and service offerings have become a distinct and important aspect (Caruana, 2002).

According to Brady and Robertson (2001), by being an important differentiating factor, service quality helps to create the requisite competitive advantage. In the 1980s, service quality was introduced as the global trend as advertisers realized that only a quality product could guarantee and sustain competitive advantage. (Boshoff and Gray 2004).

Service quality can be defined as a comparison between service expectation and service performance by the consumer, according to Parasuraman et al. (1985). They suggested service quality as a feature of consumer expectations pre-purchase, perceived quality of operation, and perceived value of production. They subsequently suggested, based on their statement in 1985, that service quality is determined by differences between customer expectations of service and their perceptions of service experience.

Parasuraman (1988) describes service quality as the degree and nature of the discrepancy between the perceptions and expectations of the user, or the extent to which a service meets or exceeds the expectations of the customer. A service's quality depends on that service continuously meeting the expectations of consumers (Mevvis and Janiszewski, 2002). Parasuraman, Zeithaml, and Berry (1988, 1990) proposed a service quality model defining the perceived quality of service in five dimensions: tangibility, reliability responsiveness, assurance, and empathy.

**II.I. Customer satisfaction**

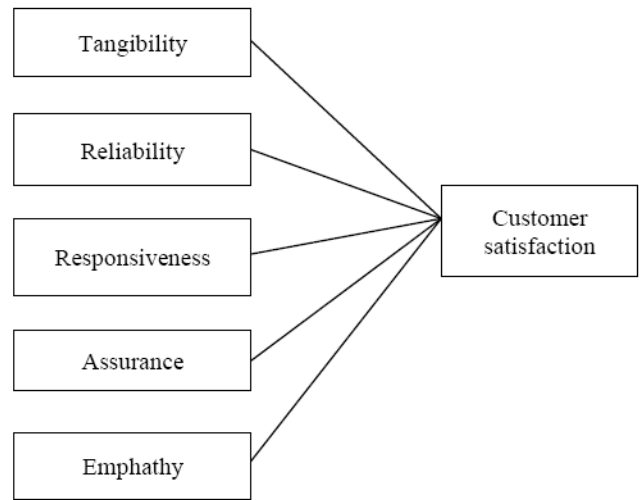
Customer satisfaction is described as the product of a cognitive and affective evaluation in which some level of comparison is contrasted with the quality actually perceived. If the perceived completion is less than expected, customers will be disappointed. On the other hand, if the perceived completion exceeds expectations, customers will be satisfied. Therefore, increased customer satisfaction leads to increased customer repurchase behavior, higher customer retention rate, ultimately drive higher firm profitability.

Satisfaction is regarded to be a short-term emotional state resulting from an intrapersonal contrast of the desires of the customer with the evaluation of a single product or service delivery.(Oliver, 1981; Brady and Robertson, 2001; Lovelock, Patterson and Walker, 2001) conceptualize customer satisfaction as an individual's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. There are generally two general satisfaction conceptualizations, namely transaction-specific satisfaction and cumulative satisfaction (Jones and Suh, 2000; Yi and La, 2004). Transaction-specific satisfaction is a customer's evaluation of their experience and responses to a specific service interaction (Bosh off and Gray, 2004), and cumulative satisfaction applies to the customer's total consumer experience assessment to date (Cook, 2008).

This emotional state of satisfaction "leads to an overall, global attitude about quality [service]" (Dabholkar, 1993), which is based only implicitly on some kind of internal standard of expectation. Because quality is a dynamic construct, furthermore consumption experiences influence and modify the existing quality perception and cause changes in this perception (Thompson & Getty, 1994).

Customer satisfaction depends on the perceived quality of the item according to the preferences of the buyer. If the quality of the commodity is below expectations, the consumer is unhappy. The customer is pleased if the performance meets standards. The customer is highly satisfied or happy if the quality exceeds expectations. (Armstrong & Kotler, 2006).

Following based on literature data, to investigate the relationship between service quality and customer satisfaction in the online trade market in Mongolia. As shown in Figure 1, five main dimensions were chosen as factors that could affect the quality of online trade service.



**Fig.1 Research framework**

- H1: Tangibility has a significant impact on customer satisfaction
- H2: Reliability has a significant impact on customer satisfaction
- H3: Responsiveness has a significant impact on customer satisfaction
- H4: Assurance has a significant impact on customer satisfaction
- H5: Emphathy has a significant impact on customer satisfaction

**III. METHODOLOGY**

In this study, the questionnaire consisted of one part, and they are including: tangibility, reliability responsiveness assurance, and empathy. The questionnaire was developed using a 5-point Likert-type scale based on the validated scales used in the existing literature, consisting of 15 items as follows. The research was attended by a total of 200 participants. Then, was used descriptive analysis reliability and regression analysis to confirm the hypothesis.

**IV. RESULT**

The research was attended by a total of 200 participants. In this research, 20-41 years old respondents. Most customers were female 132(66%) and male 68(34%). According to results analyzed, always 30 years old of customers were used to online trade and e -website. These customers were believe in reliable of online service. (Table.1)

**Table1. Descriptive analysis**

Variable		Frequency	Percent %
Gender	Male	68	34.0
	Female	132	66.0
	Total	200	100.0
Age	41	16	8.0
	40	32	16.0
	30	126	63.0
	20	26	13.0
	Total	200	100.0

**IV.I. Reliability analysis**

This analysis result was used to examine the variables. Five main factors with 15 items were included in table 2. All of the factors Cronbach's value was 0.937. Therefore, this implies that the data collected are highly reliable. (Table 2)

**Table2. Reliability analysis**

Variable Cronbach's alpha coefficient			
Variable	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Tangible	0.534	0.363	0.936
Tangible	0.682	0.552	0.932
Tangible.	0.575	0.395	0.935
Reliability.	0.695	0.571	0.932
Reliability.	0.769	0.687	0.930
Reliability.	0.677	0.545	0.932
Assurance	0.645	0.545	0.933
Assurance	0.763	0.639	0.930
Assurance	0.753	0.652	0.930
Empathy	0.488	0.381	0.939
Empathy	0.718	0.604	0.931
Empathy	0.719	0.636	0.931
Responsivenss	0.691	0.609	0.932
Responsivenss	0.784	0.691	0.929
Responsivenss	0.790	0.667	0.929

**IV.II. Line regression analysis**

Linear regression was used to examine hypothesis. As shown in Table 3, that service quality (H1 ) had a lowly significant predictor of online customer satisfaction ( $\beta = .372$ ). Moreover, shows tangibility explain ( $R^2$ ) 13.8% of the variance in service quality, this means service quality is a low predictor in customer satisfied. As a result, the overall statistical results confirmed that relationship, and therefore hypothesis H1 is unsupported.

However, Hypothesis 2 had a moderator significant predictor of online customer satisfaction. ( $\beta = .581$ ). Besides, showed reliability explains ( $R^2$ ) 33.8% of the variance in service quality, this means service quality is a low predictor in customer satisfied. As a result, the overall statistical results confirmed that relationship, and therefore hypothesis H2 is supported.

Also, hypothesis 3, 4, and 5 had a good significant predictor of online customer satisfaction. ( $\beta = .531, .634, .465$ ). Therefore, showed responsiveness, assurance, and empathy, explains ( $R^2$ ) 28.2%, 40.3 and 21.5% of the variance in service quality, this means service quality is a moderate predictor in online customer satisfied. As a result, hypotheses 3, 4 and 5 are supported which confirmed the positive relationship between service quality and online customer satisfaction.

**Table3. Regression analysis**

Variable	R	R <sup>2</sup>	Beta( $\beta$ )	F Change	t	Sig.	Hypothesis
Tangibility	.372	.138	.372	.31.785	6.869	.000	unsupported
Reliability	.581	.337	.581	.100.642	5.07	.000	Supported.
Responsiveness	.531	.282	.531	.77.638	10.032	.000	Supported
Assurance	.635	.403	.634	.133.847	11.569	.000	Supported
Empathy	.465	.216	.465	.54.668	7.394	.000	Supported
Independent variable : service quality							
Dependent variable: customer satisfaction							

**V. Conclusion**

The general objective of this study is research is to investigate the relationship between service quality and customer satisfaction in the online trade market in Mongolia. The results of this study showed, service quality was a positive effect on the overall online trade consumer. In this study, confirmed that service quality was a positive relationship with online consumers. On the other hand, online product risk is high since customers would not be able to see and evaluate in real. Therefore, it is possible to work towards reducing the level of risk that the Mongolian customers perceive during online trading, thereby expanding the market. Moreover, online shopping websites in Mongolia are not regulated, which could have affected customer satisfaction. The growth rate in the use of online trade website facilities has increased tremendously, especially in the increasing number of internet subscribers.

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