

CHAPTER II

LITERATURE REVIEW

2.1 Theoretical Background

2.1.1 Service Outcome Quality

According to Ali et al., (2021), naming service the term quality is made up of the words service and quality. Quality relates to the application of a user-based approach, whereas service refers to the fundamental components of a service. Additionally, consumers' crucial desire for the presence of higher quality services in a business has increased. (Chen et al., 2019; Osakwe, 2019). To set the company apart and obtain a competitive edge, quality services are necessary. (Mahmoud et al., 2019). Consequently, the value of service to clients is referred to by both service quality and quality (Ali et al., 2021). Additionally, service quality involves meeting client expectations while also attempting to satisfy their needs and wishes. (Nasrulloh et al., 2021).

Service quality is not only conducive to pleasing corporate clients, but also increases customer loyalty (Fernández et al., 2018). Although the quality of products and services can be considered as the benefits that customers get (Fernández et al., 2018). According to Eskiler & Safak (2022), a high impact on quality-of-service outcomes can result from fitness center customers primarily concerned with service outcomes and their dominant needs (such as being healthy, losing weight, and looking fit) are at the forefront. Referring to Frago & Epinoza (2017) in the fitness industry, the customer experience remains a key success factor, and service quality continues to have a strong impact on that experience. Therefore, customers will feel satisfied and loyal if the quality of service provided by the company is in line with expectations, while the opposite is true, as the customer will feel dissatisfied or dissatisfied if the quality of service provided by the company is not in line with their expectations (Makayeza & Chikaze, 2017).

According to Makayeza & Chikazhe (2017), consumer loyalty is significantly and favorably impacted by service quality. Based on earlier research by Eskiler & Safak (2022), the researchers discovered that enhancing the service outcome quality resulted in customers who have positive interactions with employees and other customers becoming devoted patrons. This demonstrates that a significant element in fostering client loyalty and happiness is service quality.

In accordance with Polyakova & Ramchandani (2020), a customer's evaluation of the company's overall superiority or superiority is how a fitness center's service quality is determined. When assessing the level of service at their facility, fitness members place more emphasis on a number of aspects, including the physical environment, the instructors and staff, and the program. The elements of service outcome quality Polyakova & Ramchandani (2020) :

1. The quality of instructors and staff

The most regular and direct service to customers is provided by personal trainers. Personal education programs are being used by more and more clubs as special services to boost competition. Through targeted exercise, these programs draw participants who are looking for pain treatment, better posture, rehabilitation, dietary support, increased fitness, and increased mental capacity. When hiring personal coaches, members can select from a wide variety of personalities, educational philosophies, and professional attributes (Xu et al., 2021). The general staff on the payrolls at fitness clubs consists of the front desk and sales personnel. In today's market, consumers are increasingly more concerned with defending their own interests. In order to avoid repelling or distracting clients from their regular work and fitness routines, personnel should conduct sales promotions (such as phone calls) in an unobtrusive manner (Xu et al., 2021). As a result, gyms might consider offering both new and existing members the same services (such as access to programs and group purchasing).

2. The quality of physical environment

The physical environment is defined by customers as the arrangement of machinery, equipment, and furniture, the distance between pieces of equipment, and the tangible, observable elements that make it easier for customers and employees to use these products to achieve their goals (Sevilmiş et al., 2022). The fitness club's physical environment is of a high enough standard to indicate the presence of specific physical components that will raise a user's preference. This encompasses things like the mood, symbols and signs, and the usefulness and design of the physical space (Firmansyah & Mochklas, 2018).

3. The quality of the program

Group programs were emphasized by Leon-Quismondo et al., (2020) in their study of fitness club managers. They voiced the opinion that the elimination of these programs will undoubtedly have an impact on the long-term viability and financial stability of fitness clubs. Consumer evaluations of program quality, according to Xu et al., (2021), depend on how the curriculum is designed and how services are provided. Consumer interest is drawn to the variety of programs and the uniqueness of program content (Xu et al., 2021). The popularity and efficiency of fitness clubs are thus related to the quality-of-service programs.

2.1.2 Customer-Customer Interaction Quality

Customers are the most significant actors in the company's microenvironment (Kotler, 2017). As a result, managing the firm requires taking consumer interactions into account. According to Choi and Kim (2020), the judgemental assessment of the prominence of focused consumers' interactions with other customers is the definition of customer-customer interaction quality. Additionally, Heinonen et al., (2018) defined customer-customer contact, which is seen as a critical element in delivering a superior customer experience, as the judgmental appraisal of the prominence of focused consumers' interactions with other customers.

Customers frequently engage in conversation with one another when receiving services, whether it is to provide information on the instructions for the service or to help deliver it (Altinaya et al., 2019). According to Zgolli & Zaiem (2017), in a service environment, customers frequently converse with one another to exchange information. For instance, they can seek out another customer's assistance in locating a particular element within the service area or seek counsel or opinion regarding the acceptability of a particular element (Zgolli & Zaiem, 2017). According to Lin et al. (2020), interactions between customers can have a significant impact on both the course of those interactions and the customer experiences (such as emotional sentiments).

Heinonen et al., (2018) concluded that customer-customer interaction plays a crucial role in service by identifying the drivers that motivate customers to interact with others, the types of customer-customer interactions, and the outcome of customer-customer interactions. According to research by Eskiler & Safak (2022), suggests that customers who perceive a high-quality experience due to good customer-customer interaction quality may also be more likely to stick around as a result of the improvement in service outcome quality.

2.1.3 Customer-Employee Interaction Quality

One of the expectations of customers during contacts with service professionals is empathic behavior on the part of the staff (Felleson & Salomonson, 2016). In the context of high-contact service delivery, customer-employee interaction is a dynamic process that typically runs throughout the consumer experience (Huang and Xie, 2017). According to Lafrenière (2019), a client interacts with a business, its goods, and services through a variety of channels and touchpoints. Additionally, consistency across a company's many marketing channels is crucial. Customers may physically interact with an advisor, a salesperson, a delivery person, an installation, a technician, or an agent depending on their route (Lafrenière, 2019).

In order for customers to feel satisfied and make repeat purchases, B2C enterprises must establish positive interactions with them (Handayani et al., 2021). Accordingly, previous research results suggest that service encounters are interactions in which attitudes and need fulfillment dynamically intertwine between the customer and the employee, affecting both parties' satisfaction, and that crucial conditions between the customer and the employee trust (Chinchilla et al., 2019). Consumers who perceive a high-quality experience related to good customer-employee interaction quality may also be more likely to become devoted consumers as a result of the improvement in service outcome quality (Eskiler & Safak, 2022).

2.1.4 Customer Experience

The customer experience is now the top focus for every business. In marketing management, the customer experience is a key component of competitive advantage, particularly for service-oriented businesses (Kushwaha et al., 2021). According to Stein & Ramaseshan (2020), the essence of the customer experience entails everything that transpires during the engagement between the client and the supplier, as well as how the client interprets the exchange while it is taking place. According to Setiawan et al., (2002), customer experience is a response from clients as a result of direct or indirect encounters with a business. According to Fragozo & Epinoza (2017), the customer experience is still a crucial success factor in the fitness industry, and service quality has a significant impact on that experience. Customer experiences are therefore essential to the survival of these fitness club services since they can harm the service's reputation and cause user abandonment, both of which reduce income (Pascual et al., 2023).

Through a great workout experience and customer experience, it is imperative to encourage and grow customer involvement (Eskiler & Safak, 2022). Customers will feel satisfied and loyal if the company's service quality meets their expectations, and vice versa if it doesn't (Makayeza & Chikaze, 2017). According to Setiawan et al. (2021), one of the methods to keep a company's position as the market leader is by winning over customers' hearts and giving them an outstanding

experience with the services offered. According to Stein & Rameshan (2020), there is a high correlation between technology, ambient factors, employee-customer interactions, and service or product engagement touch points and total consumer satisfaction.

Eskiler & Safak (2022) found that clients who perceive a high-quality experience attributed to good service quality may also be more likely to become devoted patrons as a result of the improvement in service outcome quality. According to Stein and Rameshan (2020), positive overall customer experience assessments have a significant beneficial impact on both actual spending and loyalty intentions. There have been many different dimensions, traits, and elements proposed overtime to describe and define the customer experience. In reference to Shin, Cho & Lee (2019) provide four dimensions for the customer experience in banks: (1) usefulness; (2) convenience; (3) employee-customer engagement; and (4) security.

In order to better define, evaluate, and assess the performance consequences of customer experience management in enterprises and to take into account potential moderating factors, research is needed. The authors of Lemon, K. N., and Verhoef (2016) claim, key initial insights regarding customer experience management are as follows:

1. Stronger customer experiences can be facilitated within businesses by having a customer-centric emphasis.
2. In order to offer a positive customer experience, customer experience management involves a multidisciplinary strategy in which many areas (such as IT, marketing, operations, customer service, and human resources) work together.
3. For businesses to create effective customer experience plans, specialized competencies are needed (such as partner network management and customer analytics).

2.1.5 Customer Loyalty

According to Jin et al. (2016), a customer's psychological commitment to a brand is demonstrated through recurring business. Customer loyalty, according to Saulina and Syah (2018), is the dedication of a customer to continually return to the store and make new purchases. Additionally, Yadav and Singh (2018) defined customer loyalty as a more or less psychological feeling of a customer that ties him or her to specific goods, services, or commercial enterprises. It could also be interpreted as a commitment to continually purchasing favored goods or services in the future (Fauzi and Suryani, 2019). Githiri (2018) concurs with this concept, stating that repeat purchases or referrals of goods or service to others are signs of loyal customers. Additionally, once a customer has decided to use a company's product or service, they will suggest it to others and decline to utilize the services of a rival.

According to Fernandes and Pinto (2019), there is a correlation between good customer experience and tolerance, relationship quality, client retention, and word-of-mouth intentions. Further investigation demonstrates that relationship quality is a potent mediating factor between outcomes connected to customers and loyalty. Customer experience has loyalty as one of its main outcome variables (Srivastava and Kaul, 2016). According to Srivastava and Kaul (2016), customer experience can enhance attitudinal and behavioral loyalty to the service provider. The results demonstrate that customer experience quality, customer-customer interaction quality, and customer-employee interaction quality are all related to customer loyalty. These findings demonstrate that enhancing the service outcome quality causes customers who have positive interactions with employees and other customers to become devoted patrons (Eskiler & Safak, 2022).

2.1.6 Fitness Club

Maybe most of us are aware of what a health club is. Again, fitness is a balanced approach to living that encourages people to maintain their physical activity levels and lead healthy lives. Fitness is more varied in this context due to the three main components of exercise, food, and enough rest. Since the 1970s, the fitness industry has developed into a business sector with a network of producers, consumers, goods, services, and practices that prioritize physical exercise (Addolorato et al., 2019). Fitness facilities offer a service that prioritizes experience, claim Eskiler & Safak (2022). The quality of the consumer experience will then be used to further examine this encounter.

According to Pascual et al. (2023), the current fitness market is a very potent and dynamic environment that compels managers to continually train and assess how clients are behaving toward these services. Customers believe that their total experience includes the technical quality of the output as well as the effectiveness of their interactions with service providers and other customers (Eskiler & Safak, 2022). High levels of customer loyalty are what these fitness club services aim to achieve commercially. The future behavior of clients toward the service in terms of loyalty is one of the most crucial factors in the models controlling these fitness club services, according to Pascual et al., (2023). For that reason, customer experiences are important.

Customer experiences are key to the future of these fitness club services, as a negative user experience can damage the reputation of the service and lead to user abandonment, which consequently leads to a decrease in revenue (Pascual et al., 2023). It is crucial to support and increase customer engagement through a positive exercise experience and customer experience (Eskiler & Safak, 2022). This is why it is important for the managers of these fitness clubs to analyze the experience of the service with the results that they obtain, these managers can identify areas for and use them to stimulate different measures that address the concerns of the fitness club services (Pascual et al., 2023). In fact, experiences vary widely across different

service situations. Instead of relying solely on rational models, consumer behavior for fitness services should take hedonistic and emotional of a customer's motivations into account (Pascual et al., 2023). Which allows them to continue offering these fitness club services for as long as possible (Pascual et al., 2023).



2.2 Previous Research

Table 2.1
Summary of Previous Research

Title, Author, Year of Publication	Variables Studied	Research Method Used	Result of the research
Effect of Customer Experience Quality on Loyalty in Fitness Services by (Eskiler & Safak ,2022)	<ul style="list-style-type: none"> ● Service outcome quality ● customer-customer interaction ● customer-employee interaction ● customer loyalty 	The data were analyzed with the IBM SPSS and AMOS 20 programs.	The results demonstrate that customer experience quality, customer-customer interaction quality, and customer-employee interaction quality are all related to customer loyalty. These findings demonstrate that raising the quality of service outcomes encourages clients to stay clients by giving them access to excellent client-employee and client-client interactions.
Best Practices for Fitness Center Business Sustainability: A Qualitative Vision by (Quismondo, Unanue, Burillo ,2020)	<ul style="list-style-type: none"> ● Customer service ● Offered service ● Marketing ● Facilities, ● General terms and condition 	Constant Comparative Method. Afterward, ATLAS.ti v.7.5.4 for Windows was used to organize the gathered information.	The findings showed that the best practices could be separated into five categories: facilities, general terms and conditions, marketing, supplied services, and customer service. Fitness facilities' performance depends on having friendly customer service, the availability of loyalty programs, enough tangible quality, and effective online marketing techniques. Additionally, a reasonable cost and a trip time of no more than 15 minutes should be assured. In addition to the vast quantitative data in the existing literature, this information has significant implications for developing sporting behaviors and getting more people active.
Mediators of the relationship	<ul style="list-style-type: none"> ● Perceived service 	Structural equation	According to the study, loyalty is directly and favorably affected by

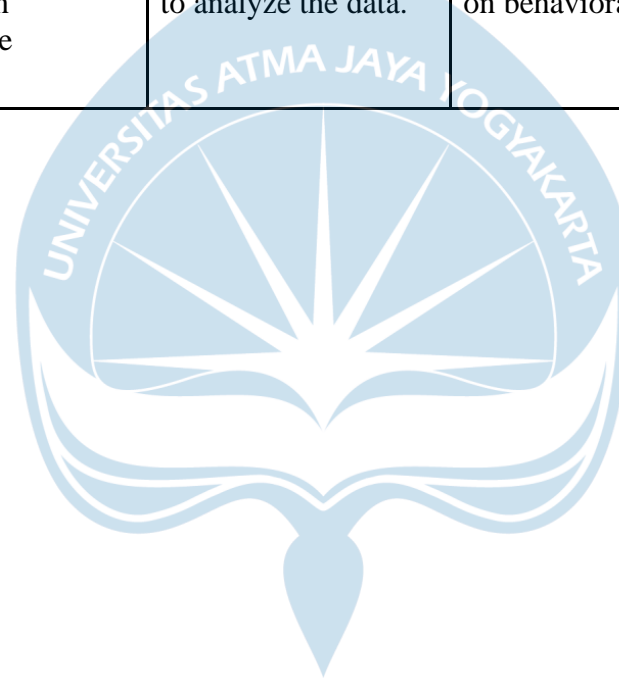
between service quality and customer loyalty: evidence from the banking sector in Zimbabwe by (Makanyeza & Chikazhe, 2017)	<p>quality</p> <ul style="list-style-type: none"> ● Customer satisfaction ● Corporate image ● Customer loyalty 	modeling was done in AMOS to test structural relationships	service quality, customer satisfaction, and business image. Additionally, it was discovered that the impact of service quality on loyalty is mediated by satisfaction and company image.
Relationship quality determinants and outcomes in retail banking services: The role of customer experience by (Fernandes & Pinto, 2019)	<ul style="list-style-type: none"> ● Customer experience ● Relationship quality ● Customer retention ● Word-of-mouth intentions ● Customer tolerance 	Partial Least Squares Structural Equation Modeling (PLS-SEM) using the SmartPLS 3.0 software was employed.	Additionally, our study is the first to evaluate and validate the association between customer experience and relationship quality. Additionally, even when mediating factors are not taken into account, customer experience significantly affects relational outcomes. The strength of the relationship between the customer experience and results related to loyalty is further mediated by relationship quality. Additionally, it was discovered that customers who had a dedicated account manager benefited most from the impact of customer experience on RQ.
The Relationship Between Service Quality, Corporate Image, and Customer Loyalty of Generation Y: An Application of S-O-R Paradigm in the Context of Superstores in Bangladesh (Alam & Noor, 2020)	<ul style="list-style-type: none"> ● Service Quality ● Corporate Image ● Customer Loyalty ● Generation Y 	SPSS Version 23 was applied to detect and phase out incomplete responses, missing values, and outliers of the data, along with analyzing the respondents' demographic profile.	The findings show that both service quality and company image have a positive and considerable impact on Gen Y customers' loyalty to the superstores. The results also show that company image plays an intermediary role in the relationship between service quality and Gen Y customers' loyalty to superstores.
The effects of service	<ul style="list-style-type: none"> ● Service convenience 	The different	In conclusion, we concentrated on the favorable correlation between

<p>convenience and perceived quality on perceived value, satisfaction and loyalty in low-cost fitness centers (Fernández, Ruíz, Gavira, Luisa Colón, Pitts, García, 2018)</p>	<ul style="list-style-type: none"> ● Perceived quality ● Perceived value ● Satisfaction ● Loyalty ● Low-cost fitness centers 	<p>analyses were conducted with the statistical packages SPSS 20.0 and AMOS 20.0.</p>	<p>factors that affect customer loyalty, particularly in low-cost sport businesses. We saw a direct and favorable association between perceived quality and service convenience on perceived value, which supported our assumptions. The perceived importance of client loyalty and happiness in low-cost exercise facilities was also validated. The management of sports and fitness clubs who want to boost member retention and club productivity should consider the implications of these findings.</p>
<p>Exploring the link between customer experience–loyalty–consumer spend (Putu Wuri Handayani, Ariantana, Pinem, 2020)</p>	<ul style="list-style-type: none"> ● Site quality ● Customer satisfaction ● Customer trust ● Confirmation ● Regret ● Repurchase intention 	<p>In this study, the authors used the Partial Least Square (PLS) SEM approach</p>	<p>The findings demonstrated that repurchase intention is directly influenced by customer satisfaction, customer trust, and remorse. Indirect influences on repurchase intent include site quality and confirmation. The business should upgrade the payment and delivery choices on its website, introduce a discussion board, and add customer service elements if it wants to keep its current clients.</p>
<p>The facilitating dynamic of customer-employee satisfaction: contributions from the person-centered approach to service encounters (Chinchilla et al., 2019)</p>	<ul style="list-style-type: none"> ● Customer satisfaction ● Service encounters ● Person-centered approach ● Service experience ● Service attitudes ● Emotions, motivations, and thoughts of the 	<p>A qualitative instrumental case study was developed from 15 cases of different contexts in order to identify common patterns and propose a theoretical model.</p>	<p>The results show that the humanistic branch of psychology's person-centered approach attitudes—empathy, acceptance, and authenticity—enable both the customer and the employee to be satisfied in service encounters. The preconditions of this facilitative dynamic and its specific effects on customer-employee satisfaction were also identified.</p>

	customers regarding the services given		
<p>Assessment of banking service quality perception using the SERVPERF model</p> <p>(Fragoso & Espinoza, 2017)</p>	<ul style="list-style-type: none"> • Mouth-ear communication • Personal needs • Expected services • Perceived service • Service presentation • Quality of service specifications • Management perceptions of customer expectations • Experience • External communication to customers 	<p>The different analyses were conducted with the statistical packages SPSS 20.0 and AMOS 20.0.</p>	<p>The findings show that, generally speaking, customers of both banks have favorable opinions on the quality of their services, which may be related to users' having relatively low expectations given certain socioeconomic criteria.</p>

<p>The customer experience – loyalty link: moderating role of motivation orientation (Stein & Ramaseshan, 2020)</p>	<ul style="list-style-type: none"> ● Touch points ● Customer experience ● Motivation orientation 	<p>Consistent with ESM research, the variables that were measured through the mobile app survey were captured using single-item scales.</p>	<p>The findings indicate that real-time touch point assessments have a considerable impact on overall customer experience and that these impacts differ dramatically depending on whether a person is motivated by utilitarianism or hedonic pleasure. When compared to utilitarian orientation, the effects of technology, atmosphere, employee-customer connection, and service/product interaction touch points are substantially stronger for hedonic orientation.</p>
<p>Exploring the link between customer experience–loyalty–consumer spend (Srivastava & Kaul, 2016)</p>	<ul style="list-style-type: none"> ● Customer experience ● Loyalty ● Behavioural loyalty ● Attitudinal loyalty ● Consumer spend 	<p>This study adopted Structural Equation Modeling (SEM) for data analysis.</p>	<p>It also demonstrates that there are two different factors that influence consumer spending independently and make up customer loyalty. The study also shows how CE influences CS through AI and BL. However, the impact of CE to CS is carried via attitudinal loyalty. When compared to CE to BL, the effect and cognitive pathway were substantially stronger and more significant. The framework successfully merges them while also capturing the journey. The study shows how important the consumer experience is and offers fresh insight into the loyalty framework. Additionally, it will assist professionals in comprehending how to obtain and apply the results of loyalty.</p>
<p>Mediators of the relationship between service quality and customer loyalty: evidence from the banking sector in Zimbabwe (Makanyeza & Chikazhe, 2017)</p>	<ul style="list-style-type: none"> ● Customer loyalty ● Service quality ● Customer satisfaction ● Corporate image 	<p>Structural equation modeling was done in AMOS</p>	<p>According to the study, loyalty is directly and favorably affected by service quality, customer satisfaction, and business image. Additionally, it was discovered that the impact of service quality on loyalty is mediated by satisfaction and company image.</p>

<p>The Moderating Effect of Involvement in the Relationship Between Customer Behavioral Intentions and Its Antecedents (Eskiler & Altunışık, 2021)</p>	<ul style="list-style-type: none"> ● Service quality ● Perceived ● Customer satisfaction ● Repurchase intention 	<p>IBM SPSS 20 and IBM AMOS 20 programs were used to analyze the data.</p>	<p>Our findings demonstrated that consumer groups with low or high levels of involvement in the market differed in their responses to the effects of service quality, perceived value, and customer satisfaction on behavioral intentions.</p>
--	---	--	--



2.3 Hypothesis Development

2.3.1 The effect of service outcome quality towards customer experience quality

According to Eskiler & Safak (2022), a high quality customer experience can be achieved by improving the service outcome quality. Fragoso & Epinoza's (2017) assertion that service quality continues to have a significant impact on customer experience is supported. According to the study Makayeza & Chikaze (2017), consumer loyalty is significantly and favorably impacted by service quality. Therefore, according to the support of previous research above, this research hypothesizes:

H1: Customer experience quality is positively affected by the quality of service.

2.3.2 The effect of customer-customer interactions quality towards customer experience quality

Customers who perceive a high-quality experience are due to excellent customer-customer connection quality (Eskiler & Safak, 2022). According to Heinonen et al.'s (2018) research, which identified the factors that influence customer interaction, the types of customer-customer interactions, and the outcomes of these interactions, supports this conclusion and suggests that customer-customer interaction is crucial to the customer experience. Therefore, according to the support of previous research above, this research hypothesizes:

H2: Customer experience quality is positively influenced by the quality of customer-customer interaction.

2.3.3 The effect of customer-employee interaction quality towards customer experience quality

Customers who perceive a high-quality experience are attributed to excellent customer-employee contact quality (Eskiler & Safak, 2022). According to Chinchilla et al., (2019), customer experience interactions involve the customer and employee's attitudes and needs being met in a dynamic way. This affects both parties' levels of satisfaction, and trust is one of the key factors in these interactions. Therefore, according to the support of previous research above, this research hypothesizes:

H3: Customer experience quality is positively influenced by the quality of customer-customer interaction.

2.3.4 The effect of customer experience quality towards customer loyalty

Customer sacrifice and effort are signs that they are willing to put in a lot of effort and support the company. Previous studies have used repeat or repurchase and recommendation intentions as metrics of customer loyalty (Eskiler & Altunisik, 2021). According to Eskiler & Safak (2022), committed customers attribute their success to a high-quality experience. According to Srivastava and Kaul (2016), customer experience can increase a customer's loyalty to the service provider. According to Fernandes & Pinto (2019), relationship quality is a potent mediating factor between customer experience and loyalty-related results. Therefore, according to the support of previous research above, this research hypothesizes:

H4: Customer loyalty is positively affected by the quality of the customer experience.

2.4. Research Framework

The research framework below consists of 3 variables: service outcome quality, customer-customer interaction quality, and customer-employee interaction quality as the independent variable toward customer experience quality as mediating variable. Finally, customer loyalty acts as the dependent variable. This framework is adapted from Eskiler & Safak (2022) research that showed the effect of service outcome quality, customer-customer interaction, and customer-employee interaction on customer loyalty through customer experience quality. (Figure 2.1).

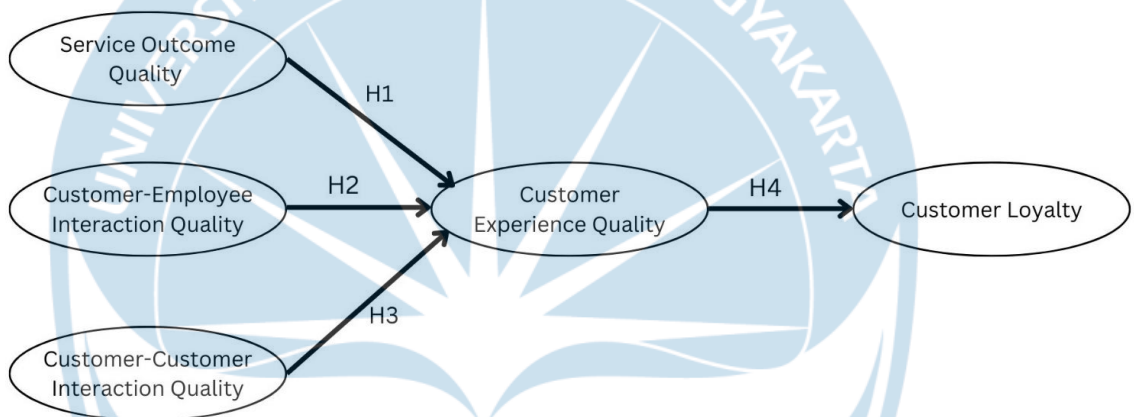


Figure 2.1

Research Framework

Source: Eskiler & Safak (2022)