Impact of Service Quality on Business Sustainability: A Mediation-Moderation Prospective

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Abstract

Current study explores the elaborate relationship between customer service quality, customer retention, relationship marketing, and business sustainability of the banking sector. The basic aim of current research is to discover how customer retention mediates the relationship between customer service quality and business sustainability, while also investigating the moderating influence of relationship marketing. A survey questionnaire research strategy was used in this study along with a simple random sampling of 300 banking sector of South Punjab Pakistan. For data analysis, this research used the p-test based on SPSS. By combining theoretical insights with empirical findings, this study contributes to the expanding literature on customer-centric strategies for sustainable business growth. The implications drawn from this research will equip retail businesses with a more holistic understanding of the dynamics that underpin the nexus between customer service quality, customer retention, relationship marketing, and business sustainability. Ultimately, the findings offer practical insights that can guide retail practitioners in optimizing their strategies to not only enhance service quality and customer retention but also to fortify the foundations of their long-term business viability and success.

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1. Introduction

Sustainable growth occurs when a company implements proactive measures to fulfill the objectives and preferences of its stakeholders while also taking into account the needs of future generations (Bansal & DesJardine, 2019). Many countries' economies depend heavily on the service industry, which will continue to dominate the global economy in the years to come. As a result, over the past roughly three decades, there has been an increase in service quality research (Syapsan, S. 2019). Definitions of service quality have been offered by numerous authors from a range of perspectives, including those of enterprises, consumers, marketers, and so forth. The technical and functional quality of service is "a function of what consumers actually accept," claim Kannan et al. (2020). The knowledge of the personnel, integrative quality, functional quality, the method these services are provided to clients, and product quality, which measures how well the services meet customer expectations, are all types of quality. Customers and service providers typically have face-to-face interactions, which allows businesses the ability to build long-lasting connections with them. Client knowledge is a crucial competitive advantage for a service industry company. According to Baker-Prewitt and Sivadas, having a database of customer names, addresses, and service usage permits targeted advertising and knowledgeable customer support (Wang, Q., Khan, et al 2023). Companies are becoming more and more conscious of how the new, global economy has fundamentally altered everything. Sharp competitors of today have been warned that their priorities must shift due to increased struggle, overfilled markets with slight room for product
differentiation, years of uninterrupted sales growth shadowed by last two decades of crushed sales curves, among other causes (Kannan et al. 2020). Today, many organizations view customer satisfaction programs as instruments they may use to compete in the market.

Businesses commonly invest in measuring customer happiness because they believe that happy consumers will engage in a variety of profitable behaviors and show a long-term commitment to their brand. A few examples of these acts and behaviors include attempting to maintain a solid client relationship, extending the client relationship through cross-selling, and providing suggestions to possible new clients (Koenig, B., Murphy, A. 2020). Effective use of customer measuring and management technology can boost a company’s worth (Wang, Q., Khan, et al 2023).

According to Gronroos (1984), the perception of a correlation between client assumptions and the presentation of administrations determines service quality. Assumptions are defined by specific business introductions, customer feedback after a purchase, and the contrast between client expectations and assumptions (Ferguson, J. M., & Malone, K. M. 1988). The 22 ideas that make up this structure were derived from conversations center staff had with clients about various help programs. Consider how far a client's expectations are from the actual aid received for each quality component or thing to gauge how noticeably different each help characteristic is from the others. This viewpoint was used in earlier research, such as those by van Dat, to describe the quality of the services (Ferguson, et al, 1988). There are five components of administration quality, according to (Ferguson, et al, 1988), which link particular help traits to customer assumptions. Academics frequently focus on service quality since it has an impact on the outcomes of the help cycle, such as devotion, connections, contentment, and trust. The concept of administration quality has recently received more attention since it may increase functional viability and benefit. (Zeithaml, 2000). According to McAlexander et al. in 1994, the development of every company depends on the type of its administrative practices. Consider how far a client's expectations are from the assistance actually received for each quality component or object to gauge how distinctively different help qualities differ from one another. This viewpoint was used in earlier research, such as those by van Dat, to describe the quality of the administration (Ferguson, et al, 1988). In this study, how to examine the connection between service quality and business sustainability and assess how service quality affects business sustainability with the mediating role of customer retention. To accomplish this, we look at what makes companies lose customers, the tactics they use to do it, and what these companies might do to keep them. This study also looks at relationship marketing as a possible mediator between service quality and business sustainability. Relationship marketing refers to how businesses attempt to form close relationships with their clients. In the empirical research on service marketing, the sustainability of businesses is a key subject.

There are the following research objectives in this study.

- To examine the significant relationship between service quality and business sustainability.
- To examine the significant relationship between service quality and Customer retention.
- To examine the significant relationship between Customer retention and business sustainability.
- To examine how customer retention mediates the relationship between service quality and business sustainability.
- To examine how relationship marketing moderate the relationship between service quality.

2. Literature Review

2.1. Business Sustainability

When a business acts proactively to meet the goals and desires of its shareholders while also taking into account the demands of future generations, sustainable growth results. (Bansal & Des Jardine, 2014). In the past, sustainability was defined as the ability to meet social and economic requirements without having a negative impact on the environment. In other words, one of the three main objectives of a sustainable business is to achieve economic, environmental, and social performance (Afzal, S. N. K., & Rafiq, M. 2021: Afzal, C. M., Khan, S. N, 2023). Ndubisi (2007) asserts that the sustainability paradigm places a strong
emphasize on fulfilling organizational objectives as well as individual welfare. Businesses should consider how their activities may influence society, the environment, and employees in order to be sustainable, in addition to achieving shareholder value.

2.2. Customer Service Qualities and Business Sustainability

Prior research suggested that customer happiness was both directly and predictably impacted by the quality of the service (Xia, L. 2023; Rina, A. 2019). Customer service skills and business sustainability are strongly correlated. Through boosting customer happiness, loyalty, and retention, excellent customer service may contribute to a company's long-term success. Customers who are happy with a company are more inclined to buy from them again and refer them to others, which can improve sales and profits (Afzal, S. N. K., & Rafiq, M. 2021). Also, customers are placing more and more value on a sustainable company strategy that considers the effects of its activities on the environment and society. Businesses that place a high priority on sustainability are more likely to draw in and keep clients that care about the environment and social responsibility (Sheikh, Khan, S. N. 2021).

Companies may boost their reputation and brand image, cut expenses, and work more efficiently by putting exceptional customer service and sustainability first. In order to ensure long-term profitability and resilience, organizations should use sustainable business practices to reduce risks and adapt to shifting social and environmental situations (Khan, S. N., Humayon, 2020). In conclusion, a good business plan must consider both exceptional customer service and sustainability. These factors are more likely to help businesses achieve a competitive edge, increase consumer loyalty, and contribute to a more sustainable future.

H1: There is a positive relationship between customer service quality and business sustainability.

2.3. Customer Service Quality and Customer Retention.

For modern administration organizations, the nature of administration is seen as essential to progress. Because of its close-by applied and observational links to customer amusement, administration quality has evolved into the fundamental instrument for marketing and the focal point of most administration showcasing concentrates. Developing client trust and loyalty involves regularly providing high-quality goods and services and exhibiting a dedication to their demands and interests (Maisya, et al. 2019, Farouk, S. 2023). Prioritizing client happiness as a crucial criterion for determining success. Many tactics, including social media interaction, tailored marketing campaigns, and loyalty programmes, can be used to accomplish relationship marketing. Businesses may boost customer retention and lifetime value, as well as enhance their reputation and brand image, by developing close connections with their consumers (Khan & Thair, 2020).

Relationship marketing, in short, is a strategy that emphasizes establishing long-term connections with clients through customization, two-way communication, and a dedication to client happiness. Businesses may have longer-term success and sustainability by putting connection building first.

H2: There is a positive relationship between customer service quality and customer retention.

2.4. Customer Retention and Business Sustainability

When a customer engages with a business for the first time, effective customer retention begins and continues throughout the relationship. Most firms prioritize client retention over consumer acquisition since the cost of doing so is much greater (Farouk, S. 2023. Maisya, et al, 2019). Many studies have demonstrated how important customer retention is to the banking industry (Ranaweera and Prabhu, 2003). Keeping clients is a rather straightforward task. It is more profitable to keep consumers than to find new ones. Consumers must fork up a sizable amount of money in order to "replace" those who are missing. This is because the importance of consumer interest only becomes apparent in the early phases of the business partnership (Ahmad and Buttle, 2002). Longer-term customers often spend more money, and if they are happy with the service, they will help spread the word about the business. Long-term clients require less time and are therefore less susceptible to price changes (Kamboj, S., & Rahman, Z. 2017). These findings imply that management may be able to acquire referral businesses as such acquisitions are frequently both cost-effective and of high quality. Therefore, it is anticipated that a 5% decrease in product failures will result in a two-fold increase in income (Kamboj, S., & Rahman, Z. 2017).
Businesses must put a high priority on communication, personalization, and customer satisfaction in order to retain customers. Businesses may create long-lasting connections that increase customer retention and sustainability by learning about the wants and preferences of their consumers and meeting those needs and preferences with high-quality goods and services.

H3: There is a positive relationship between customer retention and business sustainability.

2.5. Customer Retention as Mediation

Customer retention can indeed act as a mediator between service quality and business sustainability. High service quality is essential for any business (Xia, L. 2023; Kamboj, S., & Rahman, Z. 2017). It refers to how well a company meets or exceeds customer expectations in terms of the products or services they provide (Xia, L. 2023; Ranaweera and Prabhu, 2003). A business that consistently delivers excellent service quality tends to build a positive reputation, attract new customers, and maintain a competitive edge. Business sustainability is the ability of an organization to achieve its goals while operating in a way that preserves the long-term well-being of the business, society, and the environment. It involves maintaining profitability, minimizing negative impacts, and adapting to changes in the market, regulations, and consumer preferences (Ranaweera and Prabhu, 2003). Customer retention describes the capability of a company to retain its enduring customers over a stated period. It involves creating loyalty and fostering ongoing connections with customers, which often translates to duplicate business and word-of-mouth referrals (Khan, S. N et al. 2020). High service quality leads to satisfied customers who are more likely to continue doing business with a company. When customers are satisfied, they are more inclined to become loyal, repeat buyers. This repeat business contributes to a consistent revenue stream, which enhances business sustainability by reducing the need for constant customer acquisition.

H4: Customer retention mediates the positive relationship between service quality and business sustainability.

2.6. Relationship Marketing as Moderator

Relationship marketing is an approach that focuses on building and stating long-term relationships with clients (Yusuf, M., Saiyed, R., & Sahala, J. 2022). It goes beyond transactional interactions to establish emotional connections, trust, and mutual understanding. Relationship marketing emphasizes personalized communication, ongoing engagement, and delivering value beyond the initial purchase. Marketing encourages deeper interactions between the business and its customers (Yusuf, M., Saiyed, R., & Sahala, J. 2022). When a business consistently provides high-quality customer service and engages in personalized communication, customers feel valued and understood. This positive engagement contributes to higher customer satisfaction and, consequently, increases the likelihood of customer retention. Through relationship marketing, businesses can build trust and loyalty with their customers (Khan, S. N. et al, 2020). When customers perceive that a business genuinely cares about their needs and concerns, they are more likely to remain loyal and continue doing business with that company. High-quality customer service forms the foundation of this trust-building process.

H5: Relationship marketing moderates the significant relationship between service quality and customer retention.

3. Research Model
3.1. Research Methodology

Research design: Research design (RD) is defined as a comprehensive approach that scientists adopt to address questions or test hypotheses (Randall et al., 1999). In RD, a method or structure for locating comprehensive answers is used to examine problems and questions. An analyst uses mutually biased (qualitative) and quantitative research means in this endeavor. The expert is assigned with maintaining as a top precedence the highlights in both the subjective and quantitative methods, as well as the combination of the two (mixed) techniques, in the building of study structure (Cherry, 2005). The goal of the descriptive study is to reveal the effect of service quality on the viability of an enterprise. It also includes a mediation and moderation analysis of the Pakistani banking sector. In this study, customer satisfaction was considered as a potential mediator in the association between website quality and purchase intent. To increase the accuracy of the findings and eliminate any potential bias, a survey research design has been used in which respondents responded based on their level of satisfaction.

Population: The banking industry in southern Punjab, Pakistan, was the inquiry's mark demographic. All employees of the banking sector were reviewed for their views either male or female.

3.2. Data and Sample Size

Sample is a portion of the population that has decided to participate in the inquiry; it is a small portion of the whole population. Data was gathered from the personnel of Pakistan's southern Punjab's banking sector in order to analyse the query variable. To acquire data, a sample size of 300 people was used. In the current study, the researcher surveyed numerous banks. The researcher spoke with bank executives and managers before asking them to have their personnel fill out questionnaires. They gave me the go-ahead. Employees of banks in the aforementioned sector of south Punjab were given a total of 300 feedback forms. Out of these 300, the researcher received 250 correctly completed surveys, or 83.33% of the questionnaires issued. All respondents filled out the surveys with a lot of enthusiasm because they found the subject to be quite fascinating.

3.3. Measures of Variables

The suggested scale, known as banking service quality (BSQ), consists of 10 elements that cover six dimensions: efficacy and declaration, retrieve, price, tangibles, services portfolio, and dependability (Howes, J. C. 2000). Relationship marketing is described as organizational tactics and procedures that help a business increase sale and meet consumer requests (Bull, 2003). The ten-item scale used to quantify relationship marketing is based on recommendations made by (Howes, J. C. 2000). A five-point Likert scale was employed, with 1 denoting "strongly disagree" and 5 denoting "strongly agree. The rate at which customers stick with a company over a specific amount of time is referred to as customer retention. According to recommendations made by customer retention is evaluated using a five-item scale. The term "business sustainability" describes conducting business without having an adverse effect on the environment, the local community, or society at large. A five-item measure is used to evaluate the sustainability of a business (Howes, J. C. 2000).

3.4. Analysis

3.4.1. Factor Analysis

To carry out a factor investigation, the example must measure satisfactorily. The examination shows that the example size of 250 is allowed after the 10 multivariate anomalies are taken out. The base example size ought not to be under 50 the information is supposed to be more prominent than 100. Nonetheless, the example size is consequently not a huge concern on the off chance that the stacking factor is more prominent than 0.60. Things with factor stacking greater than 0.50 were held in the review. According to Nayyar (2012), qualities between 0.50 and 0.70 are deemed fair, 0.70-0.8 are considered superb, and values between 0.8 and 0.9 are called spectacular (Nayyar, 2012).

3.4.2. Exploratory Factor Analysis

The External Factor Analysis (EFA) test in SPSS is a statistical tool used to weigh and analyze the external analysis of construct. EFA in SPSS allows variables to analyze large datasets containing numerous variables. By analyzing external factors such as external
circumstances. EFA in SPSS simplifies complex datasets by reducing the number of variables. This simplification makes it easier for variable to understand and analyze the data.

Table 1: Pattern Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEAN(SQ5)</td>
<td>.903</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(SQ4)</td>
<td>.897</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(SQ1)</td>
<td>.845</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(SQ2)</td>
<td>.829</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(SQ3)</td>
<td>.815</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(RM7)</td>
<td>.941</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(RM6)</td>
<td>.938</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(RM8)</td>
<td>.924</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(RM5)</td>
<td>.834</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(CR3)</td>
<td>.891</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(CR4)</td>
<td>.836</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(CR5)</td>
<td>.795</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(BS2)</td>
<td>.942</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEAN(BS3)</td>
<td>.912</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Extraction Method: Principal Component Analysis.*
*Rotation Method: Promax with Kaiser Normalization*. A
a. Rotation converged in 5 iterations.

3.4.3. Reliability Test for the Variables

The meaning of reliability is "how much everything in the scale measures a similar hidden work" (Phyland, Pallant, 2013). It is likewise depicted as the consistency of results while estimating the things of factors over and over. The worth of Cronbach's Alpha for all factors in Table shows research study.

Table 2: Item-Total Statistics

<table>
<thead>
<tr>
<th>Item</th>
<th>Scale Mean</th>
<th>Item Mean if Deleted</th>
<th>Scale Variance</th>
<th>Item Total Variance if Deleted</th>
<th>Item Correlation</th>
<th>Cronbach's Alpha if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>M_SQ</td>
<td>10.9216</td>
<td>2.194</td>
<td>.568</td>
<td>.843</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M_RM</td>
<td>10.5452</td>
<td>2.121</td>
<td>.775</td>
<td>.749</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M_CR</td>
<td>9.9164</td>
<td>2.202</td>
<td>.701</td>
<td>.780</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M_BS</td>
<td>9.8668</td>
<td>2.209</td>
<td>.650</td>
<td>.801</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Hypothesis Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Supported/ not supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>M_CR &lt; --- M_SQ</td>
<td>.449</td>
<td>.048</td>
<td>9.439</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>M_BS &lt; --- M_CR</td>
<td>.629</td>
<td>.059</td>
<td>10.583</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>M_BS &lt; --- M_SQ</td>
<td>.056</td>
<td>.052</td>
<td>9.078</td>
<td>.0021</td>
<td>Supported</td>
</tr>
</tbody>
</table>

- There is a positive relationship between customer service quality and business sustainability (S. E= 0.052, p < .0021),
- There is a positive relationship between customer service quality and customer retention (S. E= 0.048, p < .000),
- There is a positive relationship between customer retention and business sustainability (S. E= 0.059, p < .000)

Table 4: Mediation Analysis

<table>
<thead>
<tr>
<th>Service Quality</th>
<th>B</th>
<th>R²</th>
<th>S.E.</th>
<th>Customer Retention</th>
<th>T Value</th>
<th>L.B.</th>
<th>U.B.</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Effect</td>
<td>.721</td>
<td>.4091</td>
<td>0.059</td>
<td>4.9139</td>
<td>0.0257</td>
<td>0.0487</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Direct Effect</td>
<td>.298</td>
<td>.4091</td>
<td>0.057</td>
<td>9.6832</td>
<td>0.0512</td>
<td>0.0174</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Indirect Effect</td>
<td>.423</td>
<td>.4091</td>
<td>0.048</td>
<td>9.2037</td>
<td>0.0219</td>
<td>0.0410</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

- Total effect of Service Quality on Business Sustainability with inclusion of Customer Retention is positive (S. E= 0.059, p <.000)
- Total effect of Service Quality on Business Sustainability with inclusion of Customer Retention is positive (S. E= 0.059, p <.000)

R squared (R²) is a measure of how well the independent variable(s) in a linear regression model explain the variability of the dependent variable. In SPSS, R² is
automatically generated when you run a linear regression analysis. $R^2$ ranges from 0 to 1, with a greater value demonstrating a valuable fit of the model to the data. For example, an $R^2$ of 0.75 means that 75% of the variant in the dependent variable can be described by the independent variable(s) in the model. In hypothesis testing using linear regression analysis in SPSS, $R^2$ can be used to assess the strength and significance of the relationship between the independent variable(s) and the dependent variable. However, $R^2$ alone does not provide information about the statistical significance of the regression coefficients or the overall significance of the model.

Table 5: Moderation Analysis

<table>
<thead>
<tr>
<th>Relationship Marketing</th>
<th>B</th>
<th>S.E.</th>
<th>L.B.</th>
<th>U.B.</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality</td>
<td>INT Effect</td>
<td>.275</td>
<td>.0106</td>
<td>1.065</td>
<td>1.0485</td>
</tr>
</tbody>
</table>

- The total interaction effect of Relationship Marketing between Service Quality and customer retention (S. E= 0.0106, p <.000).

4. **Discussion**

According to the results, service quality has an effect on customer retention and overall business sustainability. These findings support Fullerton's (2005) study, which discovered that service quality has a big impact on customer retention. The results show that a company's ability to continue operating is significantly impacted by the quality of its services. As a result, a service's quality have an impact on a customer's loyalty (Yusuf, M, 2022) . In order for business owners to maintain their operations, other researchers () have also shown that they must continuously enhance the products and services they provide. The empirical results also confirmed the positive and statistically significant impact of service quality on the long-term viability of businesses. Since it enables businesses to enhance their production processes and delivery of offered goods or services, service quality is an excellent technique for promoting corporate growth and success (Yusuf, M., Saiyed, R., & Sahala, J. 2022). On the other hand, service quality have positive effect on customer retention. similarly, the customer retention has positive impact on business sustainability. The results also indication the customer retention playing the role as mediation between services quality and business sustainability. similarly, relationship marketing also indicating strong the association between service quality and customer retention.

5. **Conclusion**

The study helps in the effort to identify and investigate the crucial factors that improve the banking sector performance in Pakistan. Some of the most important factors that banks should pay close attention to in order to increase profitability and maintain sustained progress are customer retention and business sustainability. For banks to fulfill their clients, they must comprehend and take into regard the influence of the quality of service with its numerous dimensions, including tangibility, empathy, and responsiveness.

**References**


