

## Customer Satisfaction and Loyalty in the Construction Material

### Supply Business in Thailand

## ความพึงพอใจ และความภักดีของลูกค้าในธุรกิจค้าปลีกวัสดุก่อสร้าง ในประเทศไทย

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### ABSTRACT

The research objective is to identify the relationship between customer satisfaction and service loyalty. 261 convenience samplings from the three selected companies in Thailand completed their responses which gained a huge response rate at 87%. Then, data analysis is performed by using a computer by statistical analysis programs.

The research finding is customer satisfaction is positively related to loyalty. The finding from this research will allow the Thai managers to re-explore their services strategy development, specifically in the context of extending customer satisfaction and thereby loyalty. This service strategy development can help in gaining customer satisfaction and loyalty, which is crucial in obtaining and sustaining competitive advantage in an increasingly competitive market place especially in the construction material supply business.

### บทคัดย่อ

วัตถุประสงค์การวิจัยครั้งนี้ เพื่อศึกษาถึงความสัมพันธ์ระหว่างความพึงพอใจและความภักดีของลูกค้า ซึ่งผู้วิจัยได้เก็บรวบรวมกลุ่มตัวอย่างแบบตามสะดวกจำนวน 261 ตัวอย่างจาก 3 บริษัทในประเทศไทยที่ถูกเลือกโดยได้อัตราการตอบกลับสูงถึง 87% หลังจากนั้นนำมาทำการประมวลผลโดยใช้ โปรแกรมสำเร็จรูปเพื่อการวิเคราะห์ทางสถิติ

ผลการวิจัยพบว่า ความพึงพอใจของลูกค้ามีความสัมพันธ์เชิงบวกต่อความภักดี จากการค้นพบในงานวิจัยนี้จะมีส่วนทำให้ผู้บริหารชาวไทยปรับปรุงการพัฒนากิจกรรมบริการ โดยเฉพาะในด้านความพึงพอใจของลูกค้ากับความภักดีของลูกค้า ซึ่งการพัฒนากิจกรรมบริการจะทำให้ได้รับความพึงพอใจจากลูกค้า และ ความภักดีของลูกค้าซึ่งเป็นการเพิ่มการได้เปรียบทางการแข่งขันในธุรกิจค้าปลีกวัสดุก่อสร้างในปัจจุบัน

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## INTRODUCTION

In the past, the focus of research investigating loyalty was on tangible goods (Cunningham, 1956; Day, 1969; Kostecki, 1994 cited in Maloney, 2002). However, there are limited studies that examine service loyalty; for example, Gremler and Brown (1996) extend the loyalty concept to service loyalty by considering intangible products or services. Maloney (2002) argued that obtaining repeated customer purchase is the foundation for businesses.

This study essentially attempts to understand whether customer satisfaction impacts to loyalty in Thailand specifically the construction material supply business. Moreover, there is a lack of research examining loyalty particularly in Thailand. Furthermore in the general marketing literature, the role of customer satisfaction in the loyalty has had limited attention.

## CUSTOMER SATISFACTION

Customer satisfaction is divided into two levels; a transaction-specific assessment and an overall assessment. The transaction-specific assessment is the first level which is based on the attitude level and defines customer satisfaction or emotional reaction (Oliver, 1980, 1981). In contrast, the overall assessment is the second level which is based on the customers' experiences and all encounters with the particular company (Taylor and Baker, 1994). Customer satisfaction is a response or an experience which is related to consumption of services. Each service provides some opportunities to reinforce their commitment to quality or consumer satisfaction. Therefore, overall service satisfaction can be seen as consumer's satisfaction or dissatisfaction based on their experiences in that particular company.

Lovelock, et al., (2001, p. 100-101) describe satisfaction as a consumer's "post purchase evaluation of the overall service experience (process and outcome). It is an affective state in which the consumer's needs, desires and expectations during the course of the service experience have been met or exceeded". Customer satisfaction is an important topic area for this research because of its relationship with customer perceptions, evaluation of performance, value and ultimately outcome behaviors.

The disconfirmation of expectation model is the most dominant model in customer satisfaction research. The model shows that satisfaction is related to the pre-purchase expectations (a factor of previous experience, involvement, marketing and competitors) and perceived performance of the service. Where expectation exceeds performance, the consumer suffers disconfirmation resulting in dissatisfaction. Where performance matches or exceeds expectation, customer satisfaction or delight can be expected. Patterson (2000; cited in Lovelock et al., 2001) show a direct link between performance and satisfaction for a high involvement purchase decision, with customer emphasis placed on post purchase evaluation. This finding has important implications for management when improving performance, indicating that attention to post purchase evaluation of consumers is the most important area to improve satisfaction.

## LOYALTY

Gremler and Brown (1996) used the loyalty concept in the context of intangible products and argue that there are three components that are importance in defining loyalty; purchase, cognition and attitude. Attitude means change in buyers' behaviour in terms of fulfilling their needs or wants (Limsiritong and Reongprasertvit, 2001). Hence, the expression of loyalty can be seen in terms of consumer repeat purchasing behaviour from a service provider (Gremler and Brown, 1996).

Even though, the belief of these authors that customers' repeating purchase behavior may guarantee loyalty or predict customer intention, Maloney (2002) argued that receiving customer repurchase is the ultimate fact for business. The key fundamental to study consumer behavior is why they repeat purchasing product. The probability of customer repurchasing caused from both satisfaction and switching barrier was suggested by Fornell (1992), and supported by Keaveney (1995). He investigated several reasons of customer's switching reason such as services failures or price, etc. As switching barriers are considered as a priority of customer repurchase behavior, or the intention to repurchase good or service, the impression of performance and satisfaction is very important. (Bateson and Hoffman, 1999) It related to customer satisfaction or dissatisfaction which lead to deny or repurchase the product again, therefore loyalty is very essential for repurchasing decision of customers (Maloney, 2002).

## CUSTOMER SATISFACTION AND SERVICE LOYALTY

Though Higgings (1997) objects that the demonstration on the ability of customer satisfaction score to predict such loyalty is inadequate. The recognition of customer loyalty as the ultimate measurement of customer satisfaction is increasing. Fornell (1992) point that the customer satisfaction is in direct effect of customer loyalty, if the satisfaction is high, it increase loyalty for the firm which can lessen chance in losing customers to its competitor. In the same direction, Anderson and Fornell (1994) indicate that loyalty is determined to a large extent by customer satisfaction. Moreover, Anderson and Fornell (1994) emphasize that the failure of the firms to demonstrate the linkage of customer satisfaction and economic performance, may leave behind the focus of customer satisfaction measurement.

In a conceptual paper on loyalty of Dick and Basu (1994), states that most researchers have focused only on the issue related to the measurement of loyalty, while its concept widely applies to a variety of contexts from consumer packaging product to industrial to retail store, Dick and Basu (1994) then introduce an idea of relative attitude in order to provide further understand on theoretical grounding to the loyalty construct.

Dick and Basu (1994) explain the loyalty in the mean of more favorable attitudes towards a brand and repeat support, the low relative attitude with low repurchase implies lack of loyalty, while low relative attitude with high repurchase show the unreliable loyalty. These then indicate the

satisfaction as the priority of relative attitude as customers will only hold favorable attitude towards brand when comparing with others because of satisfaction.

## RESEARCH OBJECTIVE AND HYPOTHESIS

The research objective is *to identify the relationship between customer satisfaction and loyalty.*

In service industries, customer satisfaction and loyalty are influenced by the quality of interactions between customers and the personnel involved in the contact services (Kotler, 1999). Lovelock, Patterson and Walker (2001) chronicle satisfaction as a buyer's post acquire appraisal of the all-inclusive service experience (formula and result). Patterson (2000; cited in Lovelock et al., 2001) showed a direct link between performance and satisfaction for a high involvement purchase decision, with customer emphasis placed on post purchase evaluation. It is essentially argued in this study that the levels of customer satisfaction, founded on the experiences of the customers with the firm, will result in higher levels of loyalty. In other words, as consumers are confident of the company's ability to meet their requirements reliably and efficiently (i.e., satisfaction), they would prefer to buy services from the company (loyalty) and it avoids switching costs for the consumer. Thus; hypothesis is *Customer satisfaction is positively related to loyalty.*

## METHODOLOGY

A quantitative research was conducted for this study. The questionnaire was firstly developed in English. Then, the questionnaire was translated into Thai. To prevent miscommunication, the questionnaires were interpreted into the local language (Ramachandran, 1991). The 30 pre- tested questionnaires were tested to make sure that this instrument was suitable for the objective and the hypothesis. Then, the self-administered mail surveys were sent for obtaining data as the primary mechanism.

It was deemed appropriate that a non-probability sampling techniques (convenience sampling) was used due to the nature of this research. So, the convenience sampling is any customers who interact with the three selected companies.

The names of the construction material suppliers were obtained from a randomly selected sample from a list of firms in the construction industry accessible from publicly available websites. Then the three companies would be contacted to request authorizations to access the customers.

The organizations' authorization is required at this stage. The researcher requested to provide information to the participants' organization about the study. The three organization aided in obtaining a random sample of about 300 respondents after getting approval from the three selected companies. A letter of consent was sent to the organizations to get permission to obtain approval from their customers. Attention was paid throughout to the privacy and confidentiality issues of these respondents.

