THE RELATIONSHIP BETWEEN PERCEIVED SERVICE QUALITY, SWITCHING COSTS, CUSTOMER SATISFACTION AND CUSTOMER LOYALTY: A CASE STUDY OF A COMPANY IN THE ELECTRICAL INDUSTRY, BANGKOK

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ABSTRACT

This study investigates the relationship between perceived service quality, switching costs, customer satisfaction and customer loyalty of a company in the electrical industry. The purpose of customer loyalty relates to increase in the market share. A company, whether it is selling products or offering the services, needs to take customer loyalty into consideration. In this study, the sample included 400 existing customers of the company. The sampling procedure used judgment sampling, quota sampling, and convenience sampling. The data collection was conducted at the four stores of the company. Descriptive statistic was used to provide the mean and percentage of demographic characteristics and other variables of the study. Besides, inferential statistic was used to test the relationship between the variables. Correlation coefficient was employed to measure the strength of association. The result of this study showed positive relationship between perceived service quality, customer satisfaction, switching costs, and customer loyalty.

INTRODUCTION

As evolution of customer loyalty has become the main issue for marketing strategy since it involves benefits from retaining existing customers, customer loyalty is a vital element for every business (Gwinner et al., 1998). According to Reicheld’s (1993), business survival is necessary to gain customer loyalty. It is critical to retain a customer with ultimate loyalty to maximize profits since customer is regarded as organization’s lifeblood without regarding scale and scope of business (Oliver, 1999). Thus, businesses, whether they are engaged in selling product or offering services, find it crucial to have customer loyalty. Businesses which relate to tangible goods will need to have their services evaluated. The example of services for business engaging with tangible goods are delivering, promptly attending to customers’ need, and providing information up to the level required by customers. Perceived service quality is a component of customer satisfaction and that satisfaction is influenced by perception of service quality. Moreover, Ziethaml et al., (2006) mentioned that high level of customer satisfaction will affect strong customer loyalty. In order to build customer loyalty, factors such as service quality and customer satisfaction need to be taken into consideration. Cronin and Taylor (1992) also stated that perceived quality of service attributes is an important factor of customer satisfaction. Additionally, switching costs is considered as significant in terms of customer loyalty as they are the key factors affecting loyalty (Beerli, 2004).

The current paper focused on a company in Thailand’s electrical industry, which is intensely price competitive.

RESEARCH OBJECTIVES

This study aimed to investigate variables which are related to customer loyalty, as customer loyalty is the vital factor for business to retain the customers. The research objectives of the study are: