

## The Influence of Loyalty Program Service Quality On Customer Satisfaction

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### Abstract

The objective of this research was to determine the influence of loyalty program service quality dimensions (program policy, program reward, personalization, tangibility, information usefulness, courteousness / helpfulness, and communication quality) on customer satisfaction of members of the Bangchak Gasohol Club and/or Diesel Club. A total of 120 complete and valid questionnaires were collected from Bangchak service stations in the Bangkok area. Hypotheses were tested using multiple regression analysis. It found that there is a positive influence of loyalty program service quality dimensions on customer satisfaction. In addition, the most significant program service quality dimension that has the highest impact on customer satisfaction is program reward, followed by program policy communication quality, courteousness / helpfulness, information usefulness, tangibility and personalization respectively.

**Keywords:** Loyalty Program Service Quality (LPSQual), Program Policy, Program Reward, Personalization, Tangibility, Information Usefulness, Courteousness / Helpfulness, Communication Quality, Customer Satisfaction

### Introduction

More than ever, businesses are subjected to higher competition and more rapidly change forces. The emergence of new technology has created highly competitive market conditions that had affected on consumer behavior. Customers are now likely to change their buying behavior and switch brands more often (Beckett, Hewer and Howcroft 2000). In the face of increasing competition, companies need to win loyalty of existing customer along with expansion of the customer base. Customer relationship marketing is a defensive marketing strategy that focuses on managing the customer experience by better understanding their needs and purchasing behavior (Baran, Galka, and Strunk, 2008). Several companies invest very heavily in customer loyalty programs. It is reported that members of a loyalty program deliver distinct advantages to a firm such as increased revenues (Bolton et al., 2000 as cited in Omar et al., 2013 and satisfaction (Stauss et al., 2001 as cited in Omar et al., 2013) and loyalty (Noordhoff et al., 2004; Vesel and Zabkar, 2009 as cited in Omar et al., 2013).

Due to high competition and low marketing margin in retail fuel industry (Yoon, 2012), loyalty program was used as a technique to retain loyal customers. The Bangchak Petroleum Public Company Limited (BCP) was set up Bangchak Gasohol Club and Diesel Club to gain ability to develop close relationship with current customers and make efforts to promote their loyalty. This is an attempt to create an emotional bond with customers. BCP is a Thai petroleum company, running business of refining of crude oil from the Middle East, the Far East as well as from the domestic sources and sells its finished products through more than 1,000

service stations throughout the country. The retail network consisted of 489 standard service stations and 578 community service stations with supplementary businesses which consist of sale of consumer products in 'Baichak mart' and 'Lemon Green minimart' stores, car wash and engine-oil changing /maintenance under brand of the Green Series. BCP also runs coffee shop business in brand 'Inthanin coffee'. (The Bangchak Petroleum Public Company Limited, 2012).

Bangchak Gasohol Club is a loyalty program, which was setting up to promote alternative-energy customer base. Members are entitled to a Baht 0.20 per liter of gasohol and Baht 0.20 per 4 liters of Diesel and to the privileges under the Same Price Project. The year 2012 saw the Company further upgrade this privilege through the Value Points Project, under which members collect points not only from gasohol refueling but also from purchases of goods and services of supplementary businesses. Cumulative points are good for discounts for both refueling and supplementary business purchases (The Bangchak Petroleum Public Company Limited, 2012).

### Theoretical Background

#### Service Quality

Parasuraman et al., (1985) point out that service quality is more difficult for the consumer to evaluate that goods quality, perception of service quality result from a comparison of consumer expectations with actual service performance, quality evaluations are not made solely on the outcome of a service but also involve evaluations of the process of service delivery and the customer has fewer tangible cues when purchasing a service than when purchasing goods. He created a conceptual model for a better understanding of the