



A STUDY OF INFLUENCING DETERMINANTS IN CUSTOMER SERVICE
SWITCHING FOR BOOK RENTAL BUSINESS

By

WICHUDA SANSINRUNGSRI

A Thesis Submitted in Partial Fulfillment
of the Requirements for the Degree of

Master of Business Administration

Graduate School of Business
Assumption University
Bangkok Thailand

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Examination Committee :

1. Dr. Tang Zhimin (Advisor)
2. Dr. Ioan Voicu (Co-advisor)
3. Dr. Michael Schemmann (Member)
4. Dr. Somprot Sarakosas (Member)
5. Dr. Chittipa Ngamkroeckjoti (Member)
6. Assoc. Prof. Wirat Sanguanwongwan (MUA Representative)

Examined on : 19 February 2003

Approved for Graduation on :

Graduate School of Business
Assumption University
Bangkok Thailand
February
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ABSTRACT

Customer service switching can have deleterious effect on the profitability and viability of firms in today's marketplace especially for the service retailer receiving low margin return on each service transaction like a book rental business. The purpose of this study is to study the switching behavior in book rental business in a case study of book rental shops around Assumption University (Huamark Campus). Moreover, the objectives also encompass to verify the factors that can be used to classify the switcher and continuer customers as well as to find out the most influential factor that affects the service switching behavior. The predicting factors in discriminating two groups of customers (switcher and continuer customers) compose of book renting rate, shop location, hours of operation, core service, physical evidence and service personnel.

Sample survey technique through the closed-end questionnaire is employed to gather information from a representative sample of the target population. The researcher selected 120 customers of two book rental shops (MOTHER & JEN and BOOK PLUS) near Assumption University. The Discriminant Analysis is used to test the hypotheses and to pursue the research objectives.

The results of the characteristics of the population show that the majority of respondents in this research are female. Most of them are students with bachelor degrees whose from ages are between 16 – 25 years, having an income level between 5,001 – 10,000 baht per month. Sixty – five percent of respondents are switchers while the rest are continuer customers.

The results of the Discriminant analysis show that all six variables (book renting rate, shop location, hours of operation, core service, physical evidence and service personnel) are significant in discriminating the customers into switcher and continuer customers. The research finding also suggests that book rental shop location is the most influential factor affecting switching behavior in the book rental business. On the contrary, hours of operation have the least effect on customer switching behavior.

The results, which are highly significant, provide the researcher with the ability to correctly identify the consumer switching behavior at 90% of the time. An important implication for shop owners is that all of these service switching factors are controllable from a service firm's point of view. This suggests areas in which the shop owners might take action to prevent switching and provide the guidelines to improve management in order to lessen the defective rate in book rental business.

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TABLE OF CONTENTS

	Page No.
Abstract	i
Acknowledgement	iii
Table of Contents	iv
List of Tables & Figures	vi
Chapter 1 – Generalities of the Study	1
1.1 Introduction	1
1.2 Statement of the Problem	6
1.3 Research Objectives	7
1.4 Scope of the Research	7
1.5 Limitations of the Research	8
1.6 Significance of the Study	8
1.7 Definition of Terms	8
Chapter 2 – Review of Literature and Related Studies	11
2.1 Concepts and Theories Related to the Independent Variables	11
2.2 Concepts and Theories Related to the Dependent Variables	25
2.3 Critical Analysis	29
2.4 Empirical Research about Book Rental Business	31
Chapter 3 – Research Frameworks	33
3.1 Theoretical Framework	33
3.2 Conceptual Framework	35
3.3 Research Hypotheses	38
3.4 Operationalization of the Independent and Dependent Variables	40
Chapter 4 – Research Methodology	42
4.1 Method of Research Used	42
4.2 Respondents and Sampling Procedures	43

	Page No.
4.3 Research Instruments/Questionnaire	44
4.4 Collection of Data / Gathering Procedures	46
4.5 Statistical Treatment of Data	46
 Chapter 5 – Presentation of Data and Critical Discussion of Results	 49
5.1 Descriptive Statistics Analysis	49
5.2 Hypothesis Testing	57
5.3 Discussion of the Results	62
 Chapter 6 – Summary Findings, Conclusions and Recommendations	 64
6.1 Summary of Findings	64
6.2 Conclusions	66
6.3 Recommendations	67
 Bibliography	
 List of Appendices	
Appendix A: Customer and Service Provider Interviews	
Appendix B: English and Thai Questionnaires	
Appendix C: Discriminant Analysis Results	

LIST OF TABLES & FIGURES

Page No.

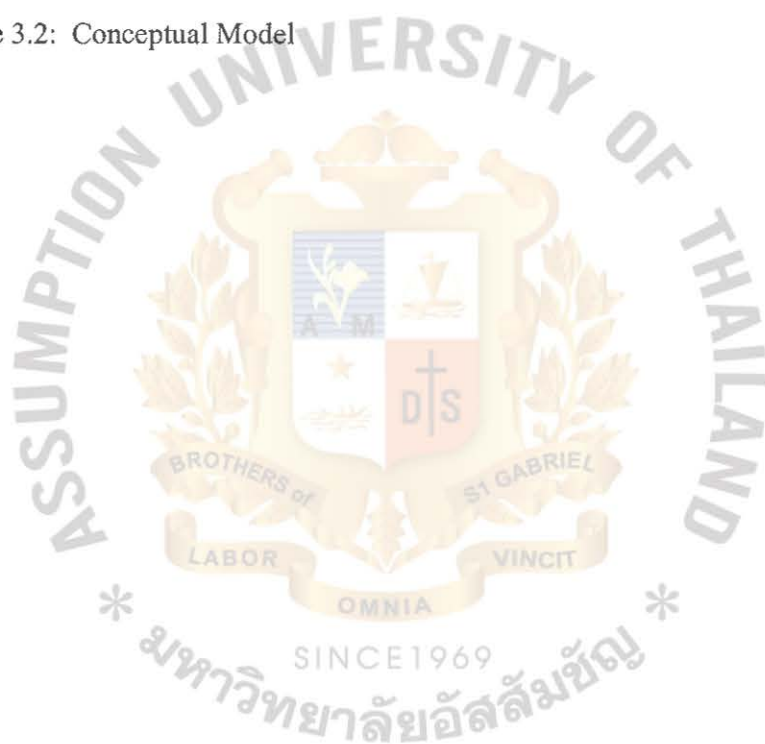
LIST OF TABLES

Table 1.1: Percentage of Average Monthly Expenditure of Household	5
Table 2.1: The Meaning of Price	12
Table 2.2: Research Findings about Independent and Dependent Variables	30
Table 3.1: Operational Components of the Independent and the Dependent Variables	40
Table 4.1: Questionnaire	45
Table 4.2: Statistics Used	47
Table 5.1: Gender	49
Table 5.2: Age	50
Table 5.3: Education Level	50
Table 5.4: Income per Month	51
Table 5.5: Occupation	51
Table 5.6: Switching Experience	52
Table 5.7: Reasons for Switching	52
Table 5.8: Book Renting Rate	53
Table 5.9: Book Rental Shop Location	54
Table 5.10: Hours of Operation	55
Table 5.11: Desired Books availability	55
Table 5.12: Physical Surrounding	56
Table 5.13: Service Personnel	57
Table 5.14: Group Descriptive Statistic	58
Table 5.15: Tests of Equality of Group Means	58
Table 5.16: Standardized Canonical Discriminant Function Coefficients	59

	Page No.
Table 5.17: Eigenvalues	60
Table 5.18: Wilks' Lambda	60
Table 5.19: Classification Results	61
Table 6.1: Summary of Results from Hypothesis Testing	64

LIST OF FIGURES

Figure 2.1: A Model of Service Encounter	25
Figure 3.1: Theoretical Model	34
Figure 3.2: Conceptual Model	36



Chapter 1

Generalities of the study

1.1 Introduction

Understanding services is the key to success in the new deal. The result of increasing competition is customer movement in and out of the service marketplace and leads to the important role of “Customer service switching behavior”.

Customer service switching behavior means that customers continue to use the service category but switch from one service provider to another (Keaveney, 1995). Review of the services literatures reveals a variety of potential reasons that customers might switch service. For example, customer switching has been related to perceptions of quality (Rust and Zahorik, 1993), overall dissatisfaction (Crosby and Stephens, 1987), and service encounter failures (Kelly, Hoffman and Davis, 1993). Customers may also switch to the competitor who provides them more personable, more reliable or provide higher quality (Rust, Zahorik and Keiningham, 1996).

Customer switching behavior can have deleterious effect on the profitability and viability of firms in today’s marketplace. By this, some of the most satisfied and loyal customers might still switch for the reason beyond the control of the firm and at times even beyond the control of the customer himself.

A decrease in customer switching creates benefits on both sides of the income statement in the form of higher revenues and lower costs (Fornell and Wernerfelt, 1987; Zeithaml, 2000). Continuing customers purchase higher volumes and increase their usage of a service even when price increases (Bolton and Lemon, 1999). On the

cost side, selling costs of serving continuing customers are lower and operating efficiencies are higher (Reichheld and Sasser, 1990).

Customer service switching behavior can be particularly damaging for subscription – or membership – based service firms where customers commit to ongoing relationships and services are continuously provided. For each of these service firms that allocate fixed costs across large numbers of customers and depend on receipt of fixed membership or access fees on a continuous basis, customer switching behavior can have a particularly devastating effect on the bottom line (Keaveney and Parthasarathy, 2001).

Book rental business is one of membership – based service retailing firms that receives the low margin each transaction, so, its survival depend on generating a high volume of business. Because of the low investment costs and low level of involvement on the part of customers, and the availability of numerous service firms, firm switching is a viable option for dissatisfied customers. This creates a situation where each transaction is critical (Clow and Beisel, 1995).

The Book rental business in Thailand

Book rental shop is an old business in Thailand. There is no substantial evidence to prove when the first book rental shop in Thailand was established, however, these shops have operated more than 40 years (Pinyo, 1984). Nowadays, the book rental shops have been spread nationwide especially in Bangkok and metropolitans. In addition, according to Thai Farmers Research Center Poll, half of Bangkok citizen gets used to experience in renting books. The market value of this business is at least 600 million Baht per year¹.

The book rental shop is the interest business today, as the start-up investment is not so high (about 150,000 - 500,000 Baht)² and the investor can gain the benefit for the long run. Unlike the old style of book rental shop – the old store in the small side road with the dull atmosphere, the concept of modern book rental shops nowadays is somewhat similar to the video rental shops in terms of the store design, the operation system and the atmosphere.

The system of the book rental shops is the membership system since the shops' owners can get the habitual customers and also the information of customers including their addresses in order to protect the lost books. However, some book rental shops still request the deposit money or identity card of the customer before renting a book. The rental fee, calculated per day, depends on the type of book, for example, the rental fee of cartoon book equal 10 percent of its price. For some kinds of books that have high prices such as novels and magazines, the renting bookshops may set the fixed rent fee or two rates fee – for the old and the new one.

¹ Thai farmers research center poll (7-9 May 1997)

² The operation of book rental business in www.bkrent.com, Retrieved July 16, 2002.

The rationales behind the growth of book rental business are first the price of books at present is quite high; therefore, if the customers do not want to collect them, renting is better than buying. Secondly, some kinds of books like cartoons are issued in series, so renting is more saving. Finally, the increment of educated people also has the positive effect on the book rental business³.

Furthermore, after the economic crisis in 1997 in Thailand, unemployment and inflation had negative consequences on the Thai household income security, purchasing power and general well beings. Most business got the adversely effects and so did the book selling business. As can be seen from table 1.1, the proportion of recreation and reading expenditure of average monthly expenditure gradually reduced from 2.2 percent in year 1996 to 1.7 percent in year 1998. This expenditure stayed at 1.9 percent in year 2001. Because consumers are more careful in spending during recession, they tend to rent books rather than buying them.

³ The Krungthep Turakij web site, Business and General News in Thai language, March 31, 2002

Table 1.1: Percentage of Average Monthly expenditure of household by expenditure group

Expenditure Group	1992	1994	1996	1998	1999	2000	2001
(Value : Baht)	6,529	7,567	9,190	10,389	10,238	9,848	10,025
Total Expenditures	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Food and Beverages	34.8	33.7	32.2	35.1	33.3	32.2	32.5
Alcoholic Beverages ^{1/}	2.7	1.6	2.5	1.5	1.7	2.0	1.9
Tobacco Products	1.7	1.2	1.5	1.2	1.3	1.2	1.1
Apparel and Footwear	6.0	5.4	4.8	3.5	3.9	3.8	3.2
Housing	21.9	21.9	20.3	21.4	22.2	22.2	22.4
Medical Care	3.4	3.5	3.7	2.8	2.7	2.7	2.6
Personal Care	2.5	2.5	2.4	2.3	2.6	2.7	2.7
Transportation and Communications	12.3	14.8	15.4	13.3	13.8	14.9	15.7
Recreation and Reading	2.3	2.2	2.2	1.7	1.7	1.8	1.9
Education	1.5	1.8	1.8	2.3	2.7	2.5	2.5
Miscellaneous	1.1	1.1	1.0	1.2	1.1	0.9	0.9
Non-Consumption Expenditures ^{2/}	9.8	10.3	12.2	13.7	13.0	13.1	12.6

1/ Included alcoholic drinks away from home

2/ Such as taxes, gifts and contributions, insurance premiums, lottery tickets, interest on debts and other similar expenses

Sources: The Household Socio-economic Survey, Economic Statistics Division, Socio-Economic Statistics Branch, Household Income-Expenditure Section, National Statistical office

Although book rental shop is an attractive business today, not every store is successful. The book rental shop is the service retailer whose survival depends on generating a high volume of business owing to the low margin return on each service transaction. Moreover, the competition of this business in some areas is quite high, for example, around Assumption University (Huamark campus); there are two book rental shops – MOTHER & JEN and BOOK PLUS. Therefore, the investor has to consider the customer-switching behavior in order to survive in this business and maintain the profitability.

1.2 Statement of the problem

Although the opportunity for starting the book rental shops open widely in the recession period due to the customers turning from buying books themselves to renting instead, there are many factors affect the success of this business. Understanding the customer need is inadequate, creating and maintaining customer loyalty has become a strategic mandate in a today's service markets. Due to the increasing competition in book rental business, the investor must know the reasons of the customer switching behavior. Recent studies reveal that even the most satisfied and loyalty customers still switch (Keaveney, 1995; Ganesh, Arnold and Reynolds, 2000).

Keaveney's (1995) model is used as a base to develop an initial pool of items, along with items generated from the literature and the interviews of 3 customers of book rental shop and a shop owner. This results in a total of 6 variables being complied in the conceptual model. They are *renting rate, location, hours of operation, core service, physical evidence and service personnel*. Therefore, this research study proposes to answer the following questions:

- Among above 6 variables, which are the determinants of customers' decisions to switch service providers?
- Which one is the most significant factor affecting the consumers' switching behavior in the book rental business?

1.3 Research objectives

This research focuses on the book rental business in order to help the owner of book rental shop understand service switching from the customer's perspective. The purposes of conducting this research study are the following:

- To study the switching behavior in book rental business in a case study of book rental shops around Assumption University (Huamark Campus).
- To verify the factors that can be used to classify the switcher and continuer customers in book rental business.
- To find out the most influential factor that affects the service switching behavior.

1.4 Scope of the research

This research is conducted to investigate the switching behavior of customers who prefer reading books by renting from the book rental shops. However, the research has to concentrate only on the factors that are directly controllable by the service provider and may influence the switching behavior such as pricing, convenience and service encounter. Respondents are the customers of MOTHER & JEN book rental shop and BOOK PLUS shop around Assumption University (Huamark campus). The respondents will be selected randomly at any time and on every day within a particular period, when they are in the stores.

1.5 Limitations of the research

This study has the limitation for applying with another kind of business as it is investigated the factors that affect the switching behavior on the perspective of customers only in the book rental business. The data is collected from the book rental shops around Assumption University (Huamark campus), thus, the result of this study cannot be judged as the situation of book rental business in Thailand. In addition, this study is also limited to the particular time frame, so that the result cannot be generalized for all times.

1.6 Significance of the study

This study provides information about influencing determinants in service switching for the customer group of the book rental service that is one kind of the service retailing. The researcher also intends to find out the most influential factor affecting the switching behavior. The benefit and usefulness of this research are for the book rental shop owners and anyone who endeavors to have his / her own business. They can apply these research findings in the reality and improve their managements in order to prevent customer service switching behavior so that they can be profitable within the short period.

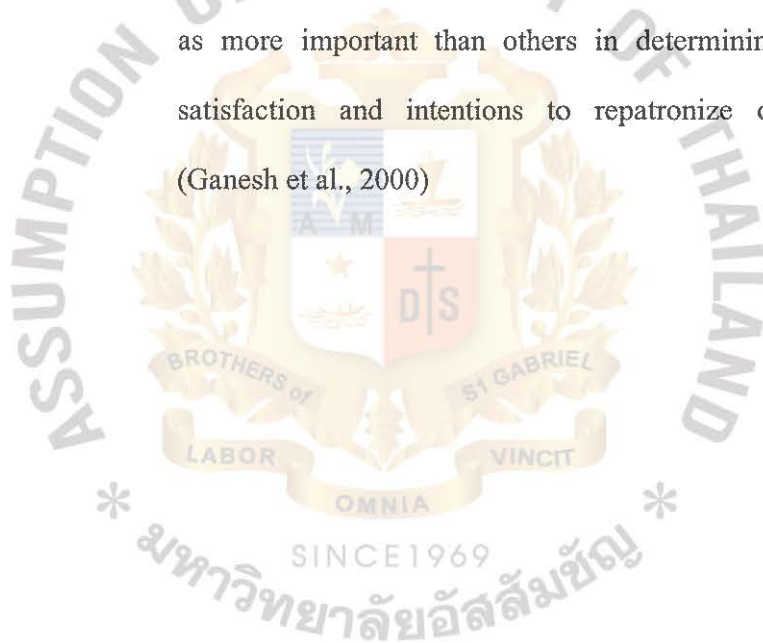
1.7 Definition of terms

Book rental means to pay money for the use of book or books during a particular period.

Book	in this research, book or books refer to <i>both Thai novels and other foreign novels that had been translated into Thai language, cartoon books, pocket books and magazines</i> because they are most required.
Convenience	the outcome of the lack of barriers for the consumers to access the service provider (Smalley, 1999)
Determinant	a thing that decides whether or how something happens (Hornby, 1995)
Internal reference price	is a price (or price scale) in buyers' memories that serve as a basis for judging or comparing the actual prices (Grewal, Monroe, and Krishnan, 1998).
Pricing	setting the right price to gain market competitiveness (Tung, Capella, and Tat, 1997).
Retailing	all the activities involved in selling goods or services directly to final consumer for personal, non-business use. (Kotler, 2000)
Service	is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product (Kotler, 2000).
Service encounter	a period of time during which a consumer directly interacts with a service (Shostack, 1985)

Service switching the action of customer who stopped using the service of one service provider and switched to become the customer of a different service provider (Keaveney, 1995).

Switching behavior is the complex phenomenon influenced by inherent behavioral factors, the competitive scenario and time. It relies on the multidimensional nature of perceptions of service quality and the sets of expectations used by customers, such that some dimensions may be perceived as more important than others in determining overall satisfaction and intentions to repatronize or switch (Ganesh et al., 2000)



Chapter 2

Review of literature and related studies

This chapter consists of three sections reviewing literature relevant in building up a conceptual model of this research. The literature supports the need for both a clear understanding of the independent variables and the switching behavior that could be applicable to a broad range of service retailing. Section 2.1 explains the concepts and theories related to the independent variables – price, convenience, and service encounter. Section 2.2 explains concepts and theories related to switching behavior and the last section reviews the empirical research about the book rental business.

2.1 Concepts and Theories related to the independent variables

2.1.1 Pricing

Price is not really a simple concept. It has many names and can take a multitude of forms. Table 2.1 lists a number of these names of price, indicating what is usually received in return that defines the pricing relationship. Price is the amount of money one must pay to obtain the right to use the product or service (Hawkins, Best and Coney, 2001). In high-level economic society, it is most common to think of price in money terms. However, at a broader level, price can be any thing of value that is exchanged for something else.

From the consumer’s point of view, price is usually defined as what the consumer must give up to purchase a product or service. Research typically views price only in terms of money amount asked or paid for a particular item or service. (Peter and Olson, 1990)

Table 2.1: The meaning of price

Alternative terms	What is given in return
Price.....	Most physical merchandise
Tuition.....	College courses; education
Rent.....	A place to live or the use of equipment for a specific time period
Interest.....	Use of money
Fee.....	Professional services: for lawyers, doctors, consultants
Fare.....	Transportation: air, taxi, bus
Toll.....	Use of road or bridge, or long-distance phone rate
Salary.....	Work of managers
Wage.....	Work of hourly workers
Bribe.....	Illegal actions
Commission.....	Sale effort

Source: Thomas C. Kinnear and Kenneth L. Bernhardt (1983), *Principles of Marketing*, p.561

Price is unquestionably one of the most important marketplace cues. The pervasive influence of price is due, in part, to the fact that the price cue is present in all purchase situations and at a minimum, represents to all consumers the amount of economic outlay that must be sacrificed in order to engage in a given purchase transaction (Lichtenstein, Ridgway and Netemeyer, 1993). Perceived strictly in this way, price represents the amount of money that must be given up, and therefore higher prices negatively affect purchase probabilities. However, several researchers have noted that price is a complex stimulus and many consumers perceive price more

broadly than strictly in its “negative role” as an outlay of economic resources. For example, numerous studies have provided evidence that many consumers use the price cue as a signal to indicate product or service quality. To the degree price is perceived in this “positive role”, higher price positively affect purchase probabilities (Tellis and Gaeth, 1990; Zeithaml, 1988; Dodds, Monroe and Grewal, 1991).

Marketing executives have a special interest in pricing because price is not the only element of the marketing mix that generates revenue; all other elements incur costs. However, price is important for another reason; customers use price as a clue about the product or service. Price can build up the customer’s confidence in the product or service – or lessen it. Price can raise customer expectations (“this is expensive, it had better be good”) or lower them (“you get what you pay for”). Setting the right price is especially important in services because of their intangibility. The invisibility of services makes that which is visible even more important to customers’ purchasing decisions. Price is a visible indicator of a service’s level and quality.

When prices are too low. Services marketers who set their prices too low potentially devalue their service to customers. Just how much expertise and skill support such a low-priced service, the customer wonders. This strategy usually fails because price and value are not the same thing. Value is the total benefit customers receive for the total “cost” they incur. Price is only one component of total cost. For example, a retailer with low prices, but also inattentive or incompetent service personnel and a messy, unclean store may actually be “high-cost” retailer for many customers.

When prices are too high. Just as a price too low can send the wrong clues, so can a price too high. A price customers perceive as “too high” can convey an image of poor value, unconcern for customers, or “rip-off” (Berry and Parasuraman, 1991).

Prices send clues about the service just as the physical environment and communications do. Setting the right price in services is more than a matter of generating money today. It is also a matter of sending the right message about the services. Price is evidence. Clearly price will always be a competitive factor that the service provider need to be much more agile in adapting prices to market conditions (Cox, 1997).

As consumers have become more sophisticated and demanding, it is imperative that service firms must be adapted to this changing environment when setting prices. Price setting can be related more closely to the realities of business complexity such as market competition, cost structure, price / demand sensitivity and unique service characteristics (Tung et al., 1997).

Tung et al. (1997) suggest a multi-step synthetic service pricing approach that is proposed to deal with the complexity of market competitiveness, cost structure, profit goals, price / demand sensitivity and service unique characteristics. To set a proper service price, the provider first needs to identify its competitors and their prices, then, formulate a cost-plus price and the market premium price. This extends on the idea of pricing by reference to competitors and builds on differentiation, availability, reputation, commitment and price sensitivity. In effect pricing starts from the competitors' price and adjusts upwards or downwards to reflect differences in the service provided. After that, the service provider compares the market premium and cost-plus price. If the cost-plus price is above the market premium price, the service

provider faces the need either reduce costs or add value (or both). At this point, a proper service price is established to achieve the market competitiveness.

Diamantopoulos and Mathews (1995) suggest that the price is the most important factor in determining the purchase; a price different can induce customers to switch from their product or service providers. However, for many products (services), consumers may have an implicit price range, and as long as price changes within it, they do not attract the competitors' customers.

Raju, Srinivasan, and Lal (1990) suggest that marketers operationalize a brand's loyalty as the price differential needed to make consumers who prefer that brand to switch to some competing brand. Keaveney (1995) indicates that customers switched services when service prices exceeded internal reference prices. Prices were deemed too high to some internal normative price, too high relative to the value of the services received, too high relative to competitive prices.

Internal reference price: The concept of internal reference price, while operationally elusive, is an important cornerstone for behavioral price research. An internal reference price is defined as a price (or price scale) in buyers' memories that serve as a basis for judging or comparing actual prices. Buyers' internal reference prices adapt to the stimuli prices presented by the service providers. That is buyers either adjust their internal reference price or accept the actual price to make judgements about the product (service) value and the value of the deal (Grewal et al., 1998).

2.1.2 Convenience

Smalley (1999) defines “convenience” as the outcome of the lack of barriers for the consumers to access the service provider. Customer convenience is important in all type of business. Consumers have highly adept at rapidly assessing service provider convenience and make rapid decisions accordingly. Convenience is especially important in attracting repeat customers. It is, therefore, important to have a firm grasp of the various factors that comprise convenience or lack of it. Convenience results from a combination of various factors, for example, location, time of operation, and parking.

Nowadays, speed and convenience of place and time for the customer are becoming important determinants in service delivery strategy. Frequently purchased services that are not easily differentiated from competitors need to be easily accessible from customers' homes or workplaces. There are now a large number of two-income families. Customers are busy with their personal lives and do not have a lot of time to handle such activities as banking and even shopping. They expect suppliers to be available to them when it's convenient for customers, not when it's convenient for suppliers, so they want extended hours and easy access (Lovelock, 2001). Cronin and Taylor (1992) propose the use of items concerning convenience and availability in order to capture customer satisfaction in full. Therefore, convenience is also the dimension of service satisfaction and loyalty (Rust and Zahorik, 1993).

In this research, convenience will be categorized into two sub-variables. They are location and hours of operation.

Location

Cox and Brittain (1996) indicate that where the retail organization chooses to locate can make the difference between success and failure. Additionally, a location that is right for one type of retailer could be totally wrong for another. Having the right location is important in terms of convenience to the customer but it is most important to the retailer because a mistake in the location decision is almost impossible to correct. If a pricing decision is wrong it can be changed, if the merchandise variety is wrong it too can be changed, but once the location is chosen the retailer is stuck with it. The store location decision should be approached bearing in mind three factors – the customer, the general area and the specific site. The target market is the major determinant of the ideal store location. Thus, for example, if the target market is composed of individuals whose primary objective in selecting a store is convenience, then the store must be located conveniently for these customers. The definition of what is convenient may however differ according to customer type and merchandise (service) required.

Choosing the site for a bookshop is of critical importance and the correct choice will have a considerable bearing on the ultimate success of the enterprise. Sompong (1996) suggests that the location can affect the customers' decision to go to the bookstore. Good locations allow ready access, can attract large number of consumers, and can significantly alter consumer shopping and purchasing patterns. As retail outlets with very similar product (service) offerings proliferate, even slight differences in location can have a significant impact on market share and profitability. In addition, store location decisions represent long-term financial commitments (Peter and Olson, 1990).

Hours of Operation

The time necessary to learn about a product or service and to travel purchase it, as well as time spent in a store, can be important costs to the consumer. Most consumers may make the trade-off paying more money to save time. Time savings may result because the stores are located closer to home and thus require less travel time or because less time is required in the store to locate the product or service and wait in line to pay for it (Peter and Olson, 1990).

People are willing to spend only a limited amount of time at the service factory – particularly if it involves just waiting in line – so service must be delivered with acceptable speed. Customers place a value on their time, and sometimes people are willing to pay more for faster service. Increasingly, busy customers expect service to be available at times when it suits them – rather than when it suits the service company. In response, more and more firms are offering extended hours and even going to seven days a week. In general, today's customers are increasingly time sensitive, and speed is often seen as a key element in good service. Service marketers need to understand customers' time constraints and priorities, which may vary from one market segment to another (Lovelock, 2001). For the book rental business, the customers usually are the local people in the communities where the book rental shops are located (Pinyo, 1984). Therefore, the operation time should be convenient to them.

Keaveney (1995) reveals that inconvenient incidents cause customers' switching behavior. Customers switch because of location (the new service provider is closer to them) or hours of operation (the service hours do not suit to them).

2.1.3 Service encounter

Surprenant and Solomon (1987) define the service encounter as “the dynamic interaction between a customer and service provider.” This definition focuses on the interpersonal element of service firm performance. However, Shostack (1985) defines the service encounter somewhat more broadly as “a period of time during which a consumer directly interacts with a service.” This definition encompasses all aspects of the service firm with which the consumer may interact including its personnel, its physical facilities, and other tangible elements. This definition in fact suggests that the service encounter can occur without any human interaction element. In some instances, the entire service experience can be reduced in a single encounter, involving ordering, payment, and execution of service delivery on the spot. In other cases, the customer’s experience comprises a sequence of encounters, an extended process that may be spread out over a period of time, involve a variety of employees, and even take place in different locations (Lovelock, 2001).

However, many researchers state that the purchase of a service is a process that relies in the interaction between the service provider and the customer, and therefore service encounters are considered interpersonally relational in nature (Crosby, Evans, and Cowles, 1990; Ostrom and Iacobucci, 1995).

Walker (1995) suggests that the service encounter’s evaluation of customer can be divided into 3 stages. The *first stage* of the evaluation includes the pleasantness of service provider’s personality, the cleanness of the shop or the temperature of the shop environment. The physical environment may influence consumers prior to consuming the core service because consumers have the difficult time to determine the service quality before purchasing, they look the physical

evidence at hand for verification. The symbolic nature of apparel and appearance play very heavily on both their willingness to try a service and their satisfaction with it (Shostack, 1985). The *second stage* includes the time of delivery service so that the core service is evaluated at this stage. However, the manager should note that peripheral service performance factors like the temperature of the room and uniform do not disappear during the second stage. The *third stage* accounts for post-core-service delivery interaction. Examples of this stage are peripheral performance payment procedures, or the pleasantness of the service provider.

Bitner (1990) found that it was not necessarily the failure of the core service alone that led to dissatisfaction, but it was the employee's response to that failure. Clearly, post-core-service events influence one's overall service encounter evaluation, services are the process. The overall service encounter evaluation is the function of three separate. Only adequate core service delivery cannot ensure customer's satisfaction. Employees' interactions prior to and after core service delivery also influence satisfaction. The final judgement of the overall satisfaction depends on the type of the service offering that influences the weight each stage is given.

From above theories and features, service encounter will be divided into three sub-variables. They are core service, physical evidence, and service personnel.

Core service

Due to service as a process, customers are often involved in service production. The fact of the matter is that, with services, it is sometimes difficult to separate the *service* (e.g. outcome, such as a will, a hamburger, or a finished look of a haircut) from the *delivery* of the service – that is, the process by which the outcome

was obtained. This difficulty increases as the intangibility of the core service increases. Nevertheless, even with highly intangible services, there is a core service that presents consumers with some very real evidence that they can evaluate. Consider these examples:

- ♦ “Fix-it” services: the kind of technical service quality most easily judged is called a fix-it service because what is required is to get a malfunctioning device working again. It is relatively easy to make a judgement about the core fix-it service.
- ♦ Professional services: a professional service is a highfalutin synonym for a fix-it service provided by someone with a degree or license. Doctors, stock brokers, architects, bankers, and professors deliver professional services. They also build things as well as fix things: stock brokers build financial reserves, doctors build health, architects build buildings, and so forth.
- ♦ Entertainment services: movies, video games, books in particular novels, and CDs are all entertainment services. That is, the goal of these forms of products is to provide an experience for the customer, so these products have a high service intangible component.

The core service itself is technically of high quality and has identifiable, tangible quality attributes above and beyond delivery issues. The degree to which the core service is of high technical quality will contribute to, and sometimes be the ultimate determinant of, the total service quality. A business is typically founded to deliver some core service, but what happens is that the business discovers it must bundle that core service with other service characteristics in order to be competitive. Core services have notoriously short lives, as do products. Service bundles have

longer lives because it is difficult for competitors to duplicate the bundles even though they may duplicate the core services themselves (Schneider and Bowen, 1995).

The most critical antecedent for book rental stores is availability of desired books. Popular books are in high demand and even some not-quite-so popular books may not be available when desired by a particular consumer. If this action occurs, it may not affect the evaluation of service quality. If repeated often, however, consumers will generally come to realize that books they desire are not available, thus, the core service failure happens. Their image of the firm will be lowered and their expectation in the future will decrease. Keaveney (1995) indicates that core service failure is the largest category of service switching.

Physical evidence

Because services are essentially intangible processes, customers are frequently searching for surrogates or “cues” to help them determine the firm’s capability (Shostack, 1985). Often the only cues available are the firm physical facility and its employees that customer can experience in a given service encounter. Physical evidence such as environmental design, décor, signage and business cards/stationery that help to establish the firm’s image and influence the customer’s expectations. The element of physical environment such as noise level, temperature, colors, and comfort of furnishing may influence perceived performance in the service encounter (Bitner, 1990).

Peter and Olson (1990) suggest that basic level of physical evidence can be divided into spatial and nonspatial elements. Spatial elements include building, stores,

and interior design of rooms, as well as physical objects of all kinds. Nonspatial elements include factors such as temperature, humidity, illumination and noise level. A number of elements in the physical evidence – such as in-store designs, colors, display, and music – are quite important in designing the retail stores. However, many other elements also affect behavior. The physical evidence can both provoke avoidance behavior – noisy environment and produce customer perceptions and encourage approach behavior – well-design environment (Berry and Parasuraman, 1991). Moreover, when failure occurs in the professional environment, the customer is likely to attribute the cause to something unintentional and relatively temporary, thus, they may blame the firm less (Bitner, 1990). Sompong (1996) presents that decoration and store environment can affect the customers' decision in using the service of bookstores.

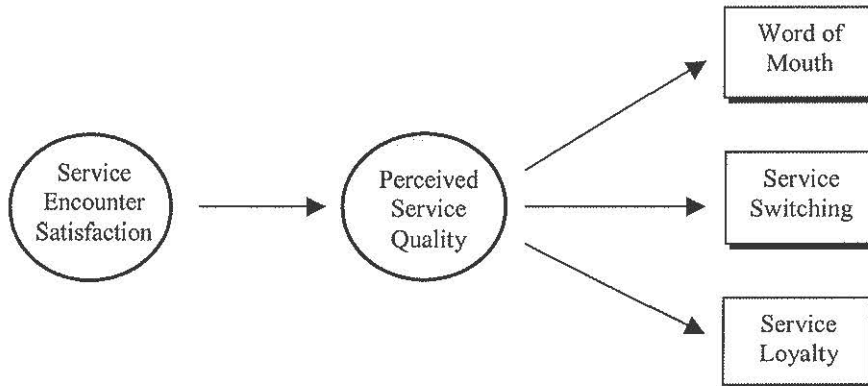
Service personnel

Customer perceptions of contact employees will effect their perceptions of the company and greatly influence customer satisfaction. Interpersonal contact during service delivery is a factor in determining ultimate satisfaction and perceptions of service quality. In other words, service personal appear to be key to service recovery and other related encounters, and because of this, the customer's ultimate satisfaction or dissatisfaction is likely to be couched in terms of how the employees handled the service problem (Ganesh, Arnold and Reynolds, 2000).

Similarly, the attitudes and behavior of service personnel also influence perceived service performance. The employee with the right attitude and the right initiative can exemplify real service and do wonders for the standing of the business.

The customer wants to deal with someone who gives him individual attention. Allowing or indeed encouraging, initiative is particularly important when dealing with customer problems or complaints (Cox, 1997). Bitner (1990) also presents that when things go wrong in a service encounter, employees frequently attempt to soothe disgruntled customer by apologizing, offering to compensate and explaining why the service delivery failure occurred. Being able to put things right, on the spot can completely turn round the dissatisfied client.

Sparks, Bradley and Callan (1997) highlight that the performance role of service providers is particularly critical, as service providers are expected not only to serve the customer but also to solve customers' service related problem. The service provider's ability to respond to a service failure has been shown to influence customer satisfaction and service quality evaluations (Bitner, Boom, and Tetreault, 1990). When service failure occurs, a quick recovery can help to restore customer satisfaction. As a result, the service encounter, and the service provider's behavior within it, become powerful sources of customer satisfaction and dissatisfaction, and also of perceptions of service quality and related outcomes (Buttle and Burton, 2002). Keaveney (1995) points that customers switch service providers when employees are uncaring, impolite, unresponsive and unknowledgeable.

Figure 2.1: A model of Service Encounter

Source: The final part of the model of Service Encounter Evaluation, Bitner (1990), "Evaluating Service Encounters: The Effects of Physical Surroundings and Employee Responses", *Journal of Marketing*, 54 (April), pp. 71

Figure 2.1 demonstrates the effect of service encounter. Bitner (1990) suggests that the service encounter is an input into the more general construct service quality, which in turn leads to later behaviors; word of mouth, service switching and service loyalty.

2.2 Concepts and Theories related to the dependent variables

Switching behavior

Switching behavior can be substituted by various terms such as terminating relationship (Grace and O'Cass, 2000), shifting (Hu and Rau, 1995) and defect (Oliver, 1999). Customer switching behavior can have deleterious effect on the profitability and viability of firms in today's marketplace. By this, some of the most

satisfied and loyal customers might still switch for the reason beyond the control of the firm and at times even beyond the control of the customer.

The switcher can be classified into two types: dissatisfied switchers and satisfied switchers (customers who switch for reasons other than dissatisfaction). Involuntary switching is one reason other than dissatisfaction (Ganesh et al., 2000). Involuntary switching comprises of job relocation, moving out of the previous service area and the previous service provider closed down or was bought out by a different provider. Involuntary switching is out of control of service provider (Buttle and Burton, 2002).

Although satisfaction is an important construct linking the use of the service with choice and has a direct effect on switching behavior (Sambandam and Lord, 1995), it does not universally translate into loyalty (Oliver, 1999). Reasons satisfied customers switch services may include (1) favorable postpurchase evaluation of unchosen alternatives and (2) postpurchase cognitive dissonance (Droge, Halstead and Mackoy, 1997).

There is a general consensus that customer loyalty to service providers is not solely dependent upon their level of satisfaction or dissatisfaction. When service failures occur, the recovery process is likely to have a greater impact on loyalty than the original service failure. Dissatisfaction and customer satiation are major causes of a customer's exit. Meeting or even exceeding customer expectation is not a great predictor of future behavior (Buttle and Burton, 2002). Nevertheless, this loyalty cannot be taken for granted. It will continue only as long as the customer feels that he or she is receiving better value (including superior quality relative to price) than could be obtained by switching to another service provider. If the original firm does

something to disappoint the customer – or if a competitor starts to offer significantly better value – then there is a risk that the customer will switch (Lovelock, 2001).

Oliver (1999) presents the four-stage loyalty model, which has different vulnerabilities, depending on the nature of the consumer's commitment. Consumers can become loyal at each attitudinal phase relating to different elements of the attitude development structure. Specially, consumers are theorized to become loyal in a cognitive sense first, then later in an affective sense, still later in a conative manner, and finally in a behavioral manner, which is described as action inertia. Cognitive loyalty focuses on the brand's performance aspects, affective loyalty is directed toward the brand's likableness, conative loyalty is experienced when the consumer focuses on wanting to rebuy the brand, and action loyalty is commitment to the action of rebuying. Although, these consumers are loyal to the brand or the service offering, they probably tend to switch to competitors through persuasive messages and physical enticement. The easiest form of loyalty to break down is cognitive variety; the most difficult is the action state. The cognitive loyalty is actually 'phantom loyalty', because it is directed at costs and benefits, not the brand. Oliver also points that deteriorating performance of the service provider is the potential switching inducer at all state.

Stewart (1998) suggests that habitual behavior can reduce exit risk. She highlights the key determinants of switching: a perceived decline in service and thus satisfaction, the availability of alternatives, the cost of switching (barriers) and potential for, and potential of, alternative behavior.

Diehl and Gillman (1997) reveal that inducements offered by a competitor are enough to make people change. These inducements are such as quality improvement,

advertisement and additional services. However, customers need some time to perceive a difference in value provided by a firm and its competitors. In addition, it usually takes time for this perception to get translated into switching behavior. Thus, there is a time lag for a change in satisfaction comparing between the existing service provider and the competitor to reflect itself as a change in customer loyalty. Because both of these steps are highly dependent upon the nature of the industry and the firm, the time lag has to be determined specifically for each industry and for each firm (Srinivasan, 1996).

Extrinsic factors such as insufficient coverage, dissatisfaction with services, advice of friends, and physical appearance of the store, are instrumental in terms of choosing and changing providers. Similarly, extrinsically motivated brand switching (caused by price differences, point-of-purchase displays, and change in store environment) can be minimized by constantly monitoring the competitive environment. In some case, however, the impetus for switching lies within the individual through personality traits and a desire for change. Marketers have no control over those decisions, so this type of switching must be accepted as inevitable when doing strategic planning (Ho, O' Donnell and Chen, 1998).

Dick and Lord (1998) indicate that the membership fee has an impact on switching behavior. Once, a membership fee has been paid, consumers probably have little intention of shopping at competing stores, committing themselves (at least in the short term) to the existing service provider. However, the strong resentment toward the service provider results in even its most loyal customer switching.

Switching behavior is due to dissatisfaction with the brand or service and can be minimized by frequently monitoring member satisfaction and by trying to satisfy

dissatisfied members before they have the opportunity to switch. Ganesh et al. (2000) reveal that the customers who switch to a firm because of dissatisfaction with the previous service provider constitute a key customer group that is characterized by a propensity for higher levels of satisfaction with and loyalty toward the new firm.

2.3 Critical analysis

Several published researches have examined the customers' reasons for switching services. These results suggest various reasons for customer switching, however, in some studies, "intentions to switch" is one item in a composite "behavioral intentions" variable, thereby, confounding the contribution of quality or satisfaction uniquely to service switching – for example, the studies of Bitner (1990), Bitner et al. (1990), Clow and Beisel (1995), and Buttle and Burton (2002).

Nevertheless, the study of Keaveney (1995) provides an improvement in understanding service switching more broadly due to the lack of industry specification. The researcher concurs with the research findings of Keaveney and uses her model as a base to develop the conceptual model of service switching in book rental business. In addition, the findings of Clow and Beisel (1995) about the video-rental shop are also used to support the researcher' conceptual model because the operating of video-rental business and book rental business in Bangkok is quite similar. The researcher conceives that the customers of book rental and video-rental stores have the same propose in requiring entertainment experience so that the availability of the desired books and the availability of alternatives should be decisive as the core service in this book rental business.

Although price, convenience and service encounter are the significant factors causing service switching in various industries, some variables may be perceived as more important than others in determining the intention to repatronize or switch in book rental business. Therefore, the researcher constructs the conceptual model to test the reasons in switching for book rental business of customers in Bangkok. Table 2.2 presents the summary of research findings related to service switching.

Table 2.2: Research findings about independent variables and dependent variables

Topic	Research	Research finding
Service switching	Keaveney (1995)	By using critical incident technique, she classified customers' reasons for switching service into eight general categories – pricing, inconvenience, core service failure, service encounter failures, response to service failure, competition, ethical problem, and involuntary switching.
	Diehl and Gillman (1997)	Inducements offered by a competitor were enough to make customers change. These inducements are price different, quality enhancement, advertisements and additional services.
	Ho, O'Donnell and Chen (1998)	By using Logistic regression analysis, they found the significant association between dissatisfaction with the service provider access and the probability of switching in health care business.
	Stewart (1998)	By using the critical incident technique, they found that the key determinants of switching are a perceived decline in service and thus satisfaction, the availability of alternatives, and the cost of switching (barriers).
	Oliver (1999)	Persuasive messages and physical enticements from competitors can enhance the image of alternatives providers while degrading the image of the present brand and service.
	Keaveney and Parthasarathy (2001)	Found the effects of selected attitudinal, behavioral, and demographic characteristics of consumers in discriminating between switchers and continuers of online services.

2.4 Empirical research about book rental business

The book rental business is somewhat similar the bookstore, however, the ownership of the book is not transferred to the customers. Book rental shop is the service retailer that sells service directly to final consumer for personal, and normally non-business use. Service retailing desire three acts from customers: prompt payment from the consumer on completion of the service, repeat purchase in the future, and positive word-of-mouth promotions about the service. If by chance, the customer is dissatisfied with the service outcome, service retailer hopes customer will communicate these feelings to the service personnel, allowing the service firm an opportunity to correct the problem (Clow and Beisel, 1995).

Pinyo (1984) had studied about the operations and services of the renting bookshops in Bangkok. His study was undertaken by interviewing 42 rental bookshops and 420 users or readers. The summarized findings by the descriptive analysis are as follows:

The 42 rental bookshops are operated between 1-5 years. Books for rent consisted of Thai novels, Chinese Kung-Fu fiction, books translated from other languages not Chinese, and short stories. The average size of book renting services' collections was 7,869 volumes. The books' classification was mostly based on authors' names. The average service hours were 12.22 hours per day. Most of book renting services did not place any limit on the rental period. The time of high service was generally in the evening and night with the minimum number of service users 38 persons per day. The most important problem faced by the rental bookshops was the non-recovery of books from the service users (not returned).

The total service users interviewed were 196 males and 224 females. They all came from several occupations. On average, the user were between 21 – 25 years old, of the educational level of higher than M.6 and lower than bachelor degree and most were students. They consisted of local people in the communities where the rental bookshops were located. Most of user walked between 1 – 2 kilometers to make use of services. The average service use frequency was twice a week and more than three times a month. The convenience time for service use was in the evening and night of everyday. Users selected favorite books from the bookshelves themselves. Sex of users was highly related to the kind of literature favored, but their age, level of education and occupation were found irrelevant.

It can be said that Pinyo's research was only one study related to book rental business since year 1984. Nowadays, book rental business spreads rapidly throughout Bangkok and metropolitans, and the operation and the system of book rental store have changed. Thus, the researcher has studied this subject again in current environment in terms of customer switching behavior. The researcher conceives that this research is significant and can be applied in managing the book rental stores.

Chapter 3

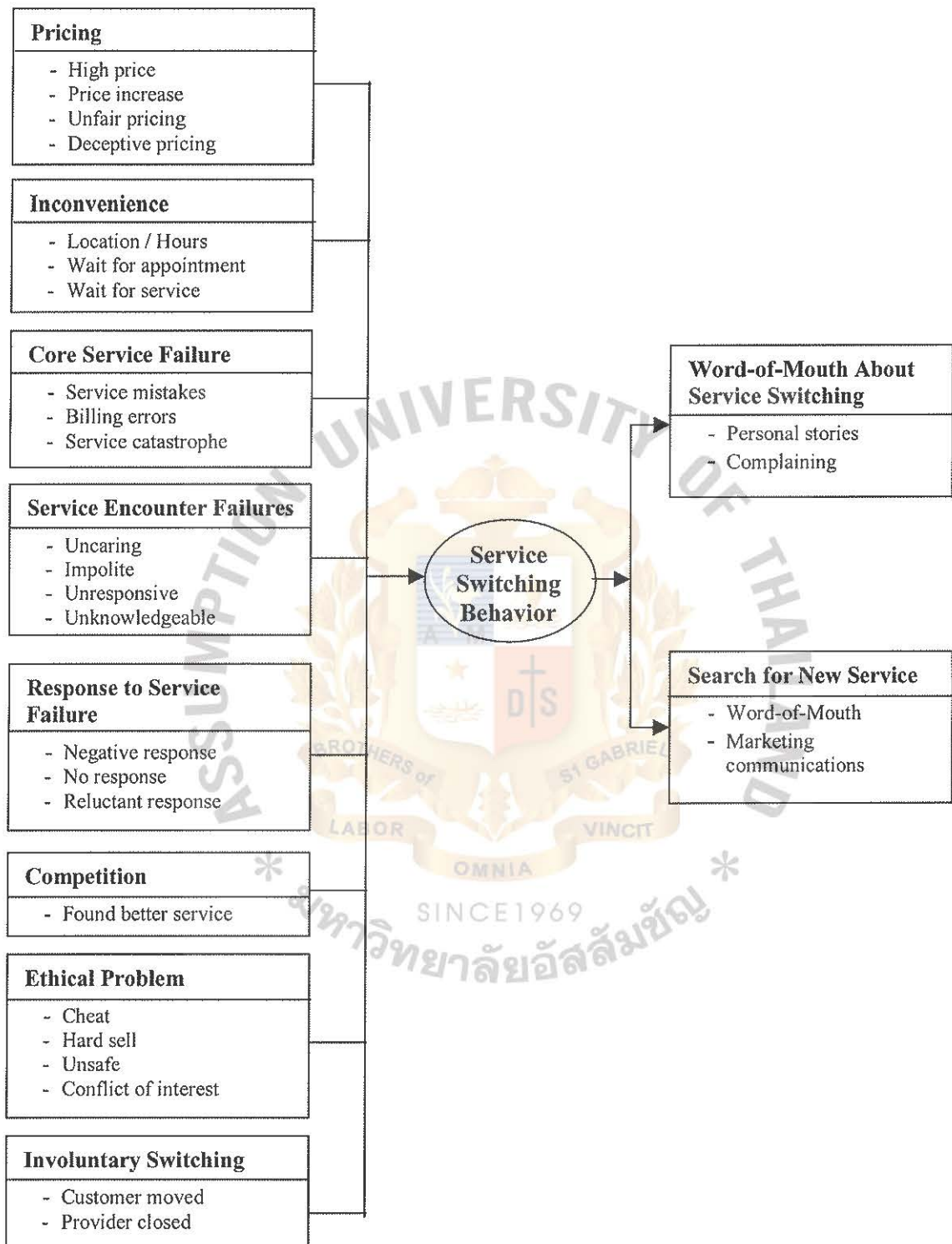
Research Frameworks

This chapter consists of theoretical framework, conceptual framework, research hypothesis, and operationalization of the independent and dependent variables.

3.1 Theoretical Framework

Theoretical framework of this research bases on a customers' service switching behavior model defined by Keaveney (1995). She conducted a study of 500 service customers using a critical incident technique (CIT). She identified over 800 service-firm behaviors that caused customers to switch service provider. These issues were coded into eight general categories: pricing, inconvenience, core service failure, failed service encounter, response to failed service, competition, ethical problems and involuntary switching. All except competition and involuntary switching are directly controllable by the service provider. Forty – five percent of switches were due to failure in only one of these eight areas – the most common being core service failures, pricing and service encounter failures. Keaveney also confirms that even satisfied customers switch service providers the main reasons being convenience, competitor action, price and involuntary switching; customer moved and provider closed. Keaveney's model is shown below.

Figure 3.1: Theoretical model



Source: Keaveney (1995), "Customer Switching Behavior in Service Industries: An Exploratory Study", Journal of Marketing, 59 (April), pp. 76

3.2 Conceptual Framework

Keaveney (1995) is the major researcher in service switching field. Recent studies have shed some light on this topic but have not dealt specially with service retailers whose survival depends on generating a high volume of business owing to the low margin of return on each service transaction (Srinivasan, 1996; Diehl and Gillman, 1997; Ho, O' Donnell and Chen, 1998; Grace and O'cass, 2000). The ground model of consumer switching in service industry of Keaveney's (1995) is used as a base to develop the conceptual model of the service switching in the book rental business. However, the researcher has removed some variables and adapted the model to suit with the book rental business. Moreover, this research focuses only on the determinants influenced the switching behavior that can be controlled by the service provider not the process after the defection.

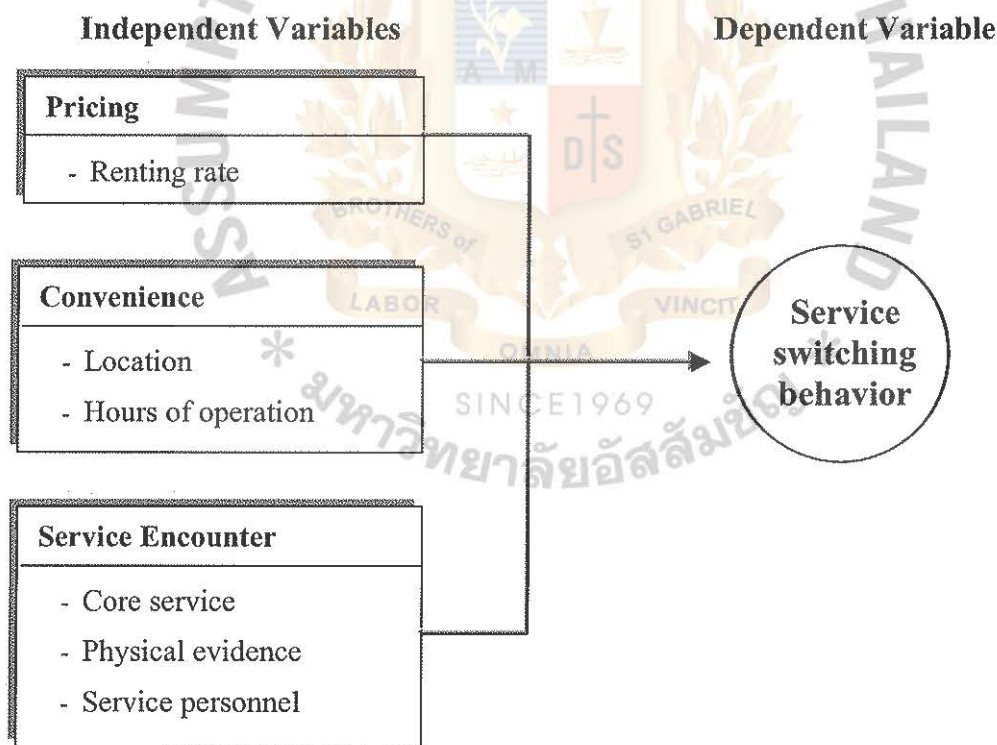
Ethical problem is eliminated from the conceptual model since this variable is not necessary with the book rental business. *Competition* and *involuntary switching* are also removed because they are out of control of the service provider. Further, the researcher combines *core service failure variable*, *service encounter failure variable*, and *response to service failure variable* together under the service encounter failure heading owing to the service encounter definition of Shostack (1985) and the literature of Walker (1995).

Service encounter's definition encompasses all aspects of the service firm with which the consumer may interact including its personnel, its physical facilities, and other tangible elements within a period of time during which a consumer directly interacts with a service. Walker (1995) highlights that consumers have three stages in evaluating the service encounter. The first stage includes the pleasantness of service

provider’s personality, the cleanness of the shop or the temperature of the shop environment. The second stage includes the time of delivery service so that the core service is evaluated at this stage and third stage accounts for post-core-service delivery interaction.

Furthermore, the information collected from three customers and a book rental shop owner indicates that pricing, convenience and service encounter are the factors that they consider to choose and change the book rental shop (see in Appendix A). The conceptual model is shown as follow.

Figure 3.2: Conceptual model



In this research, there are three main independent variables and a dependent variable. Their definitions are as follows:

1. **Pricing** means setting the right price to gain market competitiveness. In the book rental shop, pricing refers to the renting rate. The high renting can cause customer switching.
2. **Convenience** means the outcome of the lack of barriers for the consumers to access the service provider. It comprises of location and hours of operation. If these factors do not suit with the customers, they might switch service provider.
3. **Service encounter** means a period of time during which a consumer directly interacts with a service. This definition encompasses core service, physical evidence and service personnel.
 - As the book rental business is one of the entertainment services, so its core service is to provide an experience and entertainment for the customers. Therefore, the core service of this business is represented by the desired books availability.
 - Physical evidence such as environmental design, décor, noise level, temperature, colors, and comfort of furnishing may influence perceived performance in the service encounter.
 - Service personnel refer to service providers or employees who directly interact with customers. They are particularly critical, as they are expected not only to serve the customer but also to solve customers' service related problem. Customers switch service

providers when employees are uncaring, impolite, unresponsive and unknowledgeable.

4. **Service switching behavior** refers to the customer who stopped using the service of one service provider and switched to become the customer of a different service provider.

3.3 Research Hypothesis

Hypothesis # 1: Testing relationship between Pricing and Service Switching Behavior.

H1.1₀: There is no significant relationship between renting rate and service switching behavior.

H1.1_a: There is a significant relationship between renting rate and service switching behavior.

Hypothesis # 2: Testing relationship between Convenience and Service Switching Behavior.

H2.1₀: There is no significant relationship between location and service switching Behavior.

H2.1_a: There is a significant relationship between location and service switching Behavior.

H2.2₀: There is no significant relationship between hours of operation and service switching behavior.

H2.2_a: There is a significant relationship between hours of operation and service switching behavior.

Hypothesis # 3: Testing relationship between Service Encounter and Service Switching Behavior.

H3.1₀: There is no significant relationship between core service and service switching behavior.

H3.1_a: There is a significant relationship between core service and service switching behavior.

H3.2₀: There is no significant relationship between physical evidence and service switching behavior.

H3.2_a: There is a significant relationship between physical evidence and service switching behavior.

H3.3₀: There is no significant relationship between service personnel and service switching behavior.

H3.3_a: There is a significant relationship between service personnel and service switching behavior.

3.4 Operationalization of the Independent and Dependent Variables

An operational definition is a definition stated in terms of specific testing criteria or operations. That is the definition must specify the characteristics to study and how they are to be observed.

Table 3.1: Operational components of the independent and the dependent variables

Variables	Concept Definition	Operational Components	Type of Scale
Pricing	Setting the right price to gain competitiveness	<ul style="list-style-type: none">• Renting rate	Interval Scale
Convenience	The outcome of the lack of barriers for the consumers to access the service provider	<ul style="list-style-type: none">• Location• Hours of operation	Interval Scale
Service Encounter	A period of time during which a consumer directly interacts with a service	<ul style="list-style-type: none">• Core service• Physical Evidence• Service Personnel	Interval Scale

Variables	Concept Definition	Operational Components	Type of Scale
Service Switching Behavior	The behavior of customers who stopped using the service of one service provider and changed to become the customers of different service provider.	<ul style="list-style-type: none">• Switching• Not switching	Nominal Scale



Chapter 4

Research Methodology

The purpose of this chapter is to provide an overview of the research methodology that is used in this research. The first part is about the method of research used. In the second part, it describes the respondents and sampling procedures. The third and the fourth explain research instruments and data gathering procedures, respectively. Finally, the statistical treatment of data is also demonstrated in the last part.

4.1 Method of Research Used

In order to accomplish this research, the researcher applies the sample survey technique to gather information from a representative sample of target population. The questionnaire is used as the method of data collection based on communication with the representative sample of individuals. A survey technique provides relatively low costs, minimal time and accurate means of assessing information about a population (Zikmund, 2000).

Furthermore, unstructured interview of three customers and a book rental shop owner is also employed in this research. In this interview, the researcher encourages respondents to share as much information as possible about their own experiences in book rental business.

4.2 Respondents and Sampling Procedures

4.2.1 Target population

The target population for this research is any customer (both male and female) who is currently using the book rental service at two book rental shops (MOTHER & JEN and BOOK PLUS) around Assumption University, Huamark campus. The reason why selecting this group of customers to be the target population is because the empirical research reveals that most of customers are students (Pinyo, 1984). Moreover, the researcher can observe that these shops always have customers at any time of their operation.

The respondents of this research are individual customers of book rental shops around Assumption University area. They are selected randomly when they are in the shops at any time and on every day during December 2002 which may be considered a representative period.

4.2.2 Sampling Element and Method

Probability sampling method is used in this research. In probability sampling every element in the population has a known nonzero probability of selection (Zikmund 1994). All probability samples are based on chance selection procedures. This eliminates the bias inherent in the nonprobability sampling procedures because the probability sampling process is random. Randomness refers to a procedure the outcome of which cannot be predicted because it is dependent on chance.

Systematic sampling is used in the selection of the element. The procedure is extremely simple. An initial starting point is selected by a random process, and then every n th number of the list is selected.

The researcher can collect only a business listing rather than a consumer listing. Two book rental shops are MOTHER & JEN and BOOK PLUS. The customers of each shop will be selected randomly as the sampling interval; every 3rd customer might be selected. The researcher will collect data from customers of these two shops from 9 a.m. to 9 p.m. on weekdays and from 3 p.m. to 9 p.m. on weekends.

4.2.3 Sample Size

Sample size is estimated using consideration of recommended procedures for Discriminant Analysis. Discriminant Analysis is sensitive to sample size as well; some experts suggest that 20 observations for each predictor variable are ideal (Hair, Anderson, Tatham and Black, 1995). Since this study has six independent variables, this suggests a sample of about 120 observations.

4.3 Research instruments / Questionnaires

Primary data is collected by self-administered questionnaire that is filled in by the respondents. Form of questions is closed-ended because it helps respondents to make quick decision among several alternatives and also helps the researcher to control possible answers. In addition, to collect relevant data from setting questions makes easily to analyze reply of respondents by minimizing bias.

The questionnaire consists of two parts – consumers' service switching behavior part and personal data part. Ten-point bipolar rating scales ranging from

very poor to excellent are used in the first part in order to analyze the influencing determinants in customer service switching for the book rental business. The respondents are allowed to indicate their service experience of the book rental shops in six aspects – the book renting rate, the shop location, convenience of hours of operation, desired books availability, physical surrounding and service personnel. Multiple-choice is also employed in the questionnaire for the personal data part.

Table 4.1: Questionnaire

Variables	Question Number
Determinants in Consumers' service switching behavior:	
Renting rate	Q3. The book renting rate
Location	Q4. Book rental shop location
Hours of operation	Q5. Convenience of hours of operation
Core service	Q6. Desired books availability
Physical evidence	Q7. Physical evidence
Service personnel	Q8. Service personnel
Service switching behavior	Q1. Do you have an experience in switching the book rental shop?

The reliability of the questionnaire was facilitated via a pilot testing process that was undertaken with 30 book rental customers. The main emphasis of the pilot tests was given on the wording of individual items to assure a common understanding across the respondents. Mistakes were collected and adjusted in terms of wording and

structuring of the sentences, therefore, communication between the researcher and respondents are not bias.

4.4 Collection of Data / Gathering Procedures

To obtain the required information, both primary and secondary data are employed. The secondary data is gathered from textbooks, Internet, theses and other related researches. The information derived about marketing and consumer behavior in the service retailing is used to develop the framework for this study.

Primary data is collected by distributing questionnaires to the customers of book rental shops around the Assumption University (Huamark campus) to test the hypothesis. The personal interview is also conducted among the selected customers to encourage the respondent to talk in-depth about their switching experience. The research surrounds questionnaires on weekdays from 9 a.m. to 9 p.m. and on weekends from 3 p.m. to 9 p.m. The process of questionnaire collection consumes about two weeks in December 2002.

After the required data from questionnaires is collected, it is analyzed and summarized in a readable and easily interpretable form by the Statistical Package for Social Sciences (SPSS) program to ensure accuracy.

4.5 Statistical Treatment of Data

The answer of 120 respondents is analyzed by using SPSS software, which provides research findings based on statistical results such as frequencies, means and Discriminant Analysis.

In descriptive analysis, data is presented in a form of frequency, and percentage for the personal data of respondents.

Discriminant analysis is applied to test the hypothesis and to classify customers, by a set of independent variables, into two categories – switchers and non-switcher. Moreover, this analysis is also used to determine the most important factor used in classify these two groups. To apply Discriminant analysis, the dependent variable is a nominally scaled criterion while the independent variables are interval or ratio scale (Hair et al., 1998). In this research, the six predicting factors are measured by interval scale.

Using Discriminant analysis, the researcher can achieve the research objective through various result tables. First, the Wilks' Lambda table can tell the overall significant whether it is possible to use the predicting variables to predict group membership. The Tests of Equality of Group Means tables can specify which predicting factors can be used to classify the respondent into switcher and non-switcher. Moreover, the Standardized Canonical Discriminant Function Coefficients table indicates the most important of the predicting factors. Finally the Classification Results table can tell the researcher about the quality of the model.

Table 4.2: Statistics used

Hypothesis Number	Concept	Statistics
H1.1	There is no significant relationship between renting rate and service switching behavior.	Discriminant Analysis
H2.1	There is no significant relationship between location and service switching Behavior.	Discriminant Analysis

Hypothesis Number	Concept	Statistics
H2.2	There is no significant relationship between hours of operation and service switching behavior.	Discriminant Analysis
H3.1	There is no significant relationship between core service and service switching behavior.	Discriminant Analysis
H3.2	There is no significant relationship between physical evidence and service switching behavior.	Discriminant Analysis
H3.3	There is no significant relationship between service personnel and service switching behavior.	Discriminant Analysis



Chapter 5

Presentation of data and critical discussion of results

This chapter emphasizes on the analyses of the collected primary data from 120 questionnaires from the target respondents. This chapter is divided into three sections. The first section is the descriptive statistics analysis and the second section is the hypothesis testing. The last section is discussion of the results.

5.1 Descriptive statistics analysis

Descriptive statistics analysis is presented in the form of frequency table that is easy to understand and interpret. This section composes of two parts – profile of sample and the frequency analyses of factors related to consumer service switching.

5.1.1 Profile of sample

Table 5.1: Gender

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	46	38.3	38.3	38.3
	female	74	61.7	61.7	100.0
	Total	120	100.0	100.0	

This research includes 120 respondents comprising of 46 male respondents and 74 female respondents. This signifies that majority respondents are female persons. Table 5.1 shows the gender of respondents in frequency form and in percentage.

Table 5.2: Age

Age		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	16 - 20 years old	58	48.3	48.3	48.3
	21 - 25 years old	46	38.3	38.3	86.7
	26 - 30 years old	14	11.7	11.7	98.3
	31 - 35 years old	2	1.7	1.7	100.0
	Total	120	100.0	100.0	

The age group of the respondents ranges from 16 to 35 years old. From table 5.2, the largest group is the respondents, whose age ranges between 16 – 20 years old, accounting as 48.3% of overall respondents. The age ranging between 21 – 25 years represents the second largest age group (38.3% of respondents). Age between 26 – 30 years is 11.7%, and only 1.7% of the respondents are those with the age between 31 – 35 years old.

Table 5.3: Education level

Education level		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	high school graduate or less	4	3.3	3.3	3.3
	diploma / occupational certification	7	5.8	5.8	9.2
	bachelor degree	81	67.5	67.5	76.7
	master degree or higher	28	23.3	23.3	100.0
	Total	120	100.0	100.0	

Table 5.3 displays the education level of the respondents. The majority composed of 81 respondents or 67.5% who have bachelor degree. Twenty-eight samples or 23.3% of respondents are holding master degree or higher. The rest of respondents are holding qualification that is below bachelor degree.

Table 5.4: Income per month

Income per month		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 5000 baht	38	31.7	31.7	31.7
	5001 - 10000 baht	42	35.0	35.0	66.7
	10001 - 20000 baht	35	29.2	29.2	95.8
	20001 - 30000 baht	5	4.2	4.2	100.0
	Total	120	100.0	100.0	

The income per month of the respondents is not quite different and 95% of respondents have income less than 20,000 Baht per month. As can be seen in table 5.4, forty-two respondents (35% of respondents) who have an income level between 5,001 – 10,000 Baht are the largest group. The income per month of 38 respondents or 31.7% of respondents and 35 respondents or 29.2% of respondents are less than 5,000 Baht and ranging 10,001 to 20,000 Baht, respectively.

Table 5.5: Occupational

Occupation		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	student	99	82.5	82.5	82.5
	business employee	21	17.5	17.5	100.0
	Total	120	100.0	100.0	

Most of respondents in this research are the students, computed as 82.5% of respondents while the 17.5% left are the business employees. The numbers of the occupational group of the respondents are shown in table 5.5.

5.1.2 Frequency analyses of factors related to customer service switching

Table 5.6: Switching experience

Switching experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	switch	78	65.0	65.0	65.0
	not switch	42	35.0	35.0	100.0
	Total	120	100.0	100.0	

The respondents who answered the questionnaires can be divided into two groups – switchers and continuer customers. Seventy-eight customers, accounting as 65% of respondents, are switchers, whereas 42 respondents, accounting as 35%, are continuer customers or not switching customers.

Table 5.7: Reasons for switching

Reasons for switching					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	moved out from the service area	38	31.7	48.7	48.7
	the shop close	2	1.7	2.6	51.3
	found better service	34	28.3	43.6	94.9
	other reasons	4	3.3	5.1	100.0
	Total	78	65.0	100.0	
Missing	System	42	35.0		
Total		120	100.0		

There are several reasons for the customer defection deriving from 78 switcher respondents. As can be seen in table 5.7, the major reason is the customer moving out from the service area, including job relocation and changing the schools (48.7%). The next reason for customer switching is founding better service, computed as 43.6%.

The other reasons, for example, the long distance between the customer house and the book rental shop account as 5.1% and only 2.6% mentions that they changed the shop because the shop closed.

According to the questionnaire, the respondents had to evaluate their book rental shops in terms of the book renting rate, book rental shop location, hours of operation, desired books availability, physical surrounding and service personnel (responsibility, friendliness, and knowledge). By this, if the respondents have switching experience (switchers), they were requested to evaluate the shops that they had most recently stopped using. However, if they are continuer customers, they were requested to evaluate their current book rental shops. The evaluation is made on a 10-point scale, ranging from 1 (very poor) to 10 (excellent).

Table 5.8: Book renting rate

Book renting rate					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2.00	2	1.7	1.7	1.7
	3.00*	2	1.7	1.7	3.3
	4.00	15	12.5	12.5	15.8
	5.00	21	17.5	17.5	33.3
	6.00	17	14.2	14.2	47.5
	7.00	21	17.5	17.5	65.0
	8.00	28	23.3	23.3	88.3
	9.00	8	6.7	6.7	95.0
	10.00	6	5.0	5.0	100.0
	Total	120	100.0	100.0	

As can be seen from table 5.8, the 120 respondents weigh the book renting rate between scale 2 to 10 and the highest frequency is at scale 8 with 23.3% of all

respondents. Most respondents evaluate book renting rate in the medium range (scale 4 to 8). The average scale of book renting rate is at 6.50.

Table 5.9: Book rental shop location

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	1	.8	.8	.8
	3.00	7	5.8	5.8	6.7
	4.00	4	3.3	3.3	10.0
	5.00	18	15.0	15.0	25.0
	6.00	13	10.8	10.8	35.8
	7.00	21	17.5	17.5	53.3
	8.00	20	16.7	16.7	70.0
	9.00	25	20.8	20.8	90.8
	10.00	11	9.2	9.2	100.0
	Total	120	100.0	100.0	

For the book rental shop location, the highest frequency stands at scale 9 with 25 respondents, computed as 20.8%. Ten percent of respondents evaluate the shop location equal or less than scale 4 and 9.2% evaluate at scale 10. The frequency for other scales can be seen from table 5.9. The average evaluation score for book rental shop location is 7.07.

Table 5.10: Hours of operation

Hours of operation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2.00	1	.8	.8	.8
	3.00	4	3.3	3.3	4.2
	4.00	2	1.7	1.7	5.8
	5.00	25	20.8	20.8	26.7
	6.00	17	14.2	14.2	40.8
	7.00	15	12.5	12.5	53.3
	8.00	33	27.5	27.5	80.8
	9.00	21	17.5	17.5	98.3
	10.00	2	1.7	1.7	100.0
	Total	120	100.0	100.0	

The respondents' evaluation about the hours of operation of various book rental shop can be seen from table 5.10. Seventy five percent of respondents weigh this variable between scale 5 to 9, 5.8% evaluate the hours of operation equal or less than scale 4 and only 1.7% weigh at scale 10. However, the highest frequency is at scale 8, accounting as 27.5%. The average scale of 120 respondents is 6.89.

Table 5.11: Desired books availability

Desired books availability					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3.00	5	4.2	4.2	4.2
	4.00	17	14.2	14.2	18.3
	5.00	12	10.0	10.0	28.3
	6.00	13	10.8	10.8	39.2
	7.00	15	12.5	12.5	51.7
	8.00	25	20.8	20.8	72.5
	9.00	21	17.5	17.5	90.0
	10.00	12	10.0	10.0	100.0
	Total	120	100.0	100.0	

Table 5.11 displays the frequency of each scale evaluating the desired books availability of the book rental shop. The frequencies for scale 4 to 10 are not quite different, while the highest frequency stands at scale 8 weighing by 25 respondents, computed as 20.8%. The lowest scale for this factor is 3 evaluating by 4.2% of respondents. The mean scale of this factor is 6.96.

Table 5.12: Physical surrounding

Physical surrounding					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2.00	2	1.7	1.7	1.7
	3.00	17	14.2	14.2	15.8
	4.00	7	5.8	5.8	21.7
	5.00	14	11.7	11.7	33.3
	6.00	9	7.5	7.5	40.8
	7.00	15	12.5	12.5	53.3
	8.00	25	20.8	20.8	74.2
	9.00	17	14.2	14.2	88.3
	10.00	14	11.7	11.7	100.0
	Total	120	100.0	100.0	

The physical surrounding including every thing the customers can see in the book rental shops, for example, the interior design, the furnishing, the book shelves, the colors and noise level in the stores. From table 5.12, the highest frequency scale is 8 and the lowest frequency scale is 2, evaluating by 20.8% and 1.7%, respectively. The average evaluation score for 120 respondents is 6.71.

Table 5.13: Service Personnel

Service personnel					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	2	1.7	1.7	1.7
	2.00	2	1.7	1.7	3.3
	3.00	3	2.5	2.5	5.8
	4.00	15	12.5	12.5	18.3
	5.00	12	10.0	10.0	28.3
	6.00	12	10.0	10.0	38.3
	7.00	19	15.8	15.8	54.2
	8.00	24	20.0	20.0	74.2
	9.00	19	15.8	15.8	90.0
	10.00	12	10.0	10.0	100.0
	Total	120	100.0	100.0	

For the last factor, service personnel, the respondents' evaluations disperse from scale 1 to 10. As can be seen from table 5.13, the highest frequency is scale 8 evaluating by 24 respondents, computed as 20%. Only 5.8% of respondents evaluate the service personnel variable equal or less than scale 3. The average scale is 6.86.

5.2 Hypothesis testing

In this section, the relationship between six independent variables (book renting rate, book rental shop location, hours of operation, desired books availability, physical surrounding and service personnel) and a dependent variable (service switching behavior) is examined by using SPSS program. The multivariate data analysis is employed to find out relationship between independent and dependent variables. The appropriate form of assessing strength of relationship as well as classifying the customers into two groups (switchers and continuer customers) is Discriminant Analysis.

The Discriminant Analysis in this research begins with the assessment of the two-group of customers by examining table 5.14, which shows the group means for each of dependent variables, based on the 120 observations constituting the analysis samples. Besides profiling the two groups, all variables can be also identified with the large difference in the group means. The customers of ‘not switch group’ have higher group means in all variables than the ‘switch group’.

Table 5.14: Group descriptive statistic

Dependent Variables	Group Means for the Independent Variables*						Sample size
	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆	
Switch	5.9487	6.1410	6.2564	6.1667	5.6538	5.9487	78
Not switch	7.5238	8.7857	8.0714	8.4286	8.6667	8.5476	42
Total	6.5000	7.0667	6.8917	6.9583	6.7083	6.8583	120

* x₁ = book renting rate; x₂ = book rental shop location; x₃ = hours of operation; x₄ = desired books availability; x₅ = physical surrounding; x₆ = service personnel

Table 5.15: Tests of equality of group means

Tests of Equality of Group Means					
	Wilks' Lambda	F	df1	df2	Sig.
Book renting rate	.832	23.909	1	118	.000
Book rental shop location	.608	75.987	1	118	.000
Hours of operation	.749	39.649	1	118	.000
Desired books availability	.727	44.410	1	118	.000
Physical surrounding	.624	71.148	1	118	.000
Service personnel	.677	56.339	1	118	.000

Table 5.15 displays the Wilks' lambda and univariate F ratio used to assess the significance between means of the independent variables for the two groups. These tests indicate that all independent variables show significant univariate differences between the two groups (Sig < 0.05). It also means that **all independent variables have significant relationship with the service switching behavior.**

Table 5.16: Standardized canonical discriminant function coefficients

Standardized Canonical Discriminant Function Coefficients	
	Function
	1
Book renting rate	.086
Book rental shop location	.566
Hours of operation	.021
Desired books availability	.300
Physical surrounding	.322
Service personnel	.065

Although all variables have the relationship with the service switching variable, some factors are perceived as more important than others in classifying the customers into two groups (switchers and continuer customers). Table 5.16 shows the relative important of these variables. It signifies that **book rental shop location is the most important factor** affecting the switching behavior in book rental business, followed by physical surrounding, desired book availability, book renting rate, service personnel, and hours of operation, respectively. In other word, the book rental shop location is the determinants that most explains to the service switching toward book rental business.

Table 5.17: Eigenvalues

Eigenvalues				
Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.968 ^a	100.0	100.0	.701

a. First 1 canonical discriminant functions were used in the analysis.

Table 5.17 shows the Eigenvalue and the Canonical Correlation. The Eigenvalue in this research equal 0.968 means high spread of the group means and the Canonical Correlation equal 0.701 means that the association between the discriminant score of the group is high. These signify that the discriminant equation is quite good in classifying customers into two groups (switchers and continuer customers)

Table 5.18: Wilks' Lambda

Wilks' Lambda				
Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.508	77.871	6	.000

Wilks' Lambda in this table is used to test whether the group centroid of the particular function in each group (2 groups: switchers and continuer customers) is equal. If Sig. value is greater than 0.05, it means the group centroid of that particular function in each group is equal and that particular function cannot be used in the analysis. From the above result, **the function can be use since the Sig. Value (0.000) is less than 0.05 and the discriminant function is highly significant.**

Table 5.19: Classification results

Classification Results ^a					
Switching experience			Predicted Group Membership		Total
			switch	not switch	
Original	Count	switch	68	10	78
		not switch	2	40	42
	%	switch	87.2	12.8	100.0
		not switch	4.8	95.2	100.0

a. 90.0% of original grouped cases correctly classified.

To assess the predictive accuracy of the discriminant function can be accomplished by the classification results, shown in table 5.19. The 90% classification accuracy is quite high. The first group, those switching the service providers, constitutes 87.2% correctly classify and the second group, not switching, constitutes 95.2% correctly classify. Therefore, this discriminant function can be used to classify the customers in book rental business.

Hence the above results, it can be concluded that there are significant relationship between six independent variables and a dependent variable. Therefore, the hypotheses testing result are as follows :

- There is significant relationship between book renting rate and service switching behavior.
- There is significant relationship between book rental shop location and service switching Behavior.
- There is significant relationship between hours of operation and service switching behavior.

- There is significant relationship between core service (desired books availability) and service switching behavior.
- There is significant relationship between physical evidence and service switching behavior.
- There is significant relationship between service personnel and service switching behavior.

5.3 Discussion of the results

As the results show the relationships between 6 variables (book renting rate, location, hours of operation, desired book availability, physical surrounding and service personnel) and the customer service switching behavior in book rental business, these results support the empirical research about the switching behavior in service industries. However, the researcher can explain the rationales behind these results in book rental business like the followings:

The shop location, which is the most explains to the service switching toward book rental business, is very important for customers in choosing the shops. They have to consider whether the stores are located conveniently for them. The book rental business requires high volume of business or frequently purchased services that are difficult to differentiated from competitors, so this business need to be easily accessible from customers' homes, workplaces or schools.

The physical surrounding is the factor that attracts customers to try the service and most customers use this factor to determine the firm's capability to serve them. The store decoration, bookshelves display, color and temperature can encourage approach behavior, so that it affect the switching behavior.

The desired book availability is the core service in book rental business which its goal is to provide an experience for the customers. If the shops fail to provide the books customer wanted, their expectations in the future will decrease and this situation results in customers switching to the competitors.

The renting rate is another important factor. The customers turn from buying books to renting instead because of the price factor. If the renting rate per day is too high compared with the book price and / or higher than the other stores, the customers may prefer to switch. However, in this research the renting rate have the low effect because the respondents in this research are the students of private university that have quite good financial status. So, they do not care so much in the renting rate factor.

The service personnel are also one factor that make customers switch. In book rental business, the customers have low involvement with the service personnel, however, if the service personnel are not knowledgeable and not friendly, this makes customers annoy and eventually switch the shop that can provide the better services.

The least influential factor is hours of operation. This is because the hours of operation can be replaced by other factors such as the location convenience in customers' point of views. Moreover, most book rental shops nowadays open seven day a week and extend hours to compete with others and to capture customer satisfaction.

Chapter 6

Summary findings, conclusions and recommendations

This chapter consists of three sections. The first section shows the summary of the major findings based from the problems and hypotheses. The second section is the conclusion, which the important finding will be discussed. The last section contains recommendations and suggestions for future research.

6.1 Summary of findings

From all the six hypotheses which are being tested by the Discriminant Analysis, the results of hypothesis testing at 95% of confidence level in this research is illustrated in table 6.1.

Table 6.1: Summary of result from Hypothesis testing

Hypotheses	Statistics Test	Level of Significance	Canonical Discriminant Coefficiency	Results
H1.1: There is no significant relationship between book renting rate and service switching behavior.	Discriminant Analysis	0.000	0.086	Reject Ho
H2.1: There is no significant relationship between book rental shop location and service switching Behavior.	Discriminant Analysis	0.000	0.566	Reject Ho

Hypotheses	Statistics Test	Level of Significance	Canonical Discriminant Coefficient	Results
H2.2: There is no significant relationship between hours of operation and service switching behavior.	Discriminant Analysis	0.000	0.021	Reject Ho
H3.1: There is no significant relationship between core service (desired books availability) and service switching behavior.	Discriminant Analysis	0.000	0.300	Reject Ho
H3.2: There is no significant relationship between physical evidence and service switching behavior.	Discriminant Analysis	0.000	0.322	Reject Ho
H3.3: There is no significant relationship between service personnel and service switching behavior.	Discriminant Analysis	0.000	0.065	Reject Ho

The research results imply that all of the independent variables are important determinants to the dependent variable, although some variables show weak relationships. This analysis can still pursue research objectives and research problems as the followings:

Research problems of this study are to verify which one of six determinants affecting the switching behavior of book rental customers and which one is the most

influential factor. The results from the analysis show that all determinants (book renting rate, book rental shop location, hours of operation, desired books availability, physical surrounding and service personnel) are used in the customers' decisions to switch the service providers and can be used to classify the switchers and continuer customers in book rental business.

By this, book rental shop location is the most influential factors affecting the service switching behavior representing the highest canonical discriminant coefficient (0.566).

6.2 Conclusions

The majority of respondents in this research are female. Most of them are students with bachelor degree whose ages are between 16 – 25 years old, having an income level between 5,001 – 10,000 baht per month. Sixty – five percent of respondents are switchers while the lefts are continuer customers. The major reason for their switching is moving out from the service area that is one of involuntary switching. The respondents evaluated the predictor variables or independent variables (book renting rate, shop location, hours of operation, core service, physical evidence and service personnel) ranging from 1 (very poor) to 10 (excellent). The findings are that the switchers had significantly lower average evaluation scale on these six variables than the continuer customers. By average, the switchers weighed these variables between scale 5 to 6, which means the medium satisfaction. Whereas, the continuer customers weighed them between scale 7 to 8, which means quite good satisfaction.

Book renting rate, shop location, hours of operation, core service, physical evidence and service personnel are effective in discriminating between switcher and continuer customers. The overall findings supported the general proposition that the switchers perceive predictor variables that are identifiably and significantly different from those of continuer customers. Although there are significant relationships between these six variables and the customer service switching behavior, the research findings suggest that book rental shop location is the most influential factor affecting switching behavior in the book rental business. On the contrary, hours of operation have the least effect on customer switching behavior.

The results, which are highly significant, provide the researcher the ability to correctly identify the consumer switching behavior at 90% of the time. This provides confidence in the development of strategies based on these results, given a high degree of consistency.

The results of this research can be entirely achieved to the research objectives and can be useful for the book rental business. An important implication for the shop owners is that all of these service switching factors are controllable from a service firm's point of view. This suggests areas in which the shop owners might take action to prevent switching and provide the guidelines to improve the management in order to lessen the defective rate in book rental business.

6.3 Recommendations

After having analyzed the results of this research, the researcher would like to provide some recommendations for the book rental shop owners in order to decrease the defection in the business.

❖ Being prepared for the inevitability of involuntary switching

The research findings imply one interest issue that is the involuntary switching which is the major reason for customer switching, accounting as 51.3 % (from table 5.7). In this case, involuntary switching means moving out from the service area. This signifies that customers not only experience dissatisfaction but may actually take action to switch service provider owing to some situations that are not in control of either the shop owners or the customers. From the Discriminant analysis results, most of misclassify cases come from moving out from the service area. This phenomenon can be explained that since the major group of respondents is students, they had transferred from high school to university and even moving out from ABAC area when they graduated. As marketers have no control over those decisions, this type of switching must be accepted as inevitable when doing strategic planning. The shop owners should prepare themselves for losing this group of customers and create strategies to attract new prospects such as free membership in the first month of new semester.

❖ Being careful in finding the shop location for the new investors

It is said of retailing that the location is the most important for shop (Cox and Brittain 1996). Choosing the site for the book rental shop is of critical importance and the correct choice will have the impact on the ultimate success of the enterprise. The significance of the location is also emphasized by the research results that the shop location convenience is the most influential factor affecting switching behaviors. Once the location is chosen, the retailer is stuck with it. Therefore, the new investor must know who are the target group. From these findings, the customers of book rental business are the students whose ages are between 16 – 25 years old, having the

monthly income between 5,001 to 10,000 baht. It implies that the book rental stores should be located near the schools or the universities or any places that the students have to go there.

❖ **Creating the positive attitude on the physical surrounding.**

Physical surroundings is part of service encounter with which customers directly interacts. The customers look physical surrounding at hand for verification on their willingness to try the service. The shop owners should create the positive attitude on the physical surrounding in terms of professional decoration, the cleanliness, the furnishing and the temperature. Such of these aspects will make the store be the pleasure place for customers to visit.

❖ **Frequently updating the books**

It is very important for the book rental shop owners to follow the movement in book industry and update the books in the shops. New books are issued every month. If such a book is already sold in bookstore, it means that there must be this book in book rental shops. The shop owners should also show the famous books or famous authors separately from others books and make them be easily found. The shop owners should inform customers about the new books monthly through the board, or any medium. The book rental shops that are located near the foreign community like Assumption University should offer favorite books in other language such as Mandarin and English in order to expand the target market.

❖ **Improving the management process**

The proposition that customers may switch services for price-related reasons implies a need for careful management of pricing policy. The shop owners should compare their renting rate with their competitors and the rate should not be obviously different.

Customer defections caused by unsatisfactory employee-customer interactions might be reduced by teaching employees to listen to customers, keep customers informed, and create friendliness. Furthermore, encouraging more usage and greater familiarity would lead the customers to form the somewhat more resilient positive attitudes to the firms.

To reduce defection caused by time inconvenience, the shop owners should survey the suitable time and investigate their own customers' reasons for switching services to improve their management and overcome the inducements provided by their competitors. A firm should concentrate in efforts to build loyalty among current customers and attract profitable prospects.

Suggestions for future researches

This study is about discriminating customers of book rental business into two groups (switcher and continuer customers) by six predictors: book renting rate, shop location, hours of operation, desired book availability, physical surrounding and service personnel.

Identification of other relevant variables, such as demographic factors, usage rate, and source of influence, are needed to increase broader understanding. The process after defection is also very interesting as well for marketers in the service industry. Thus, these must be addressed in future research.

Furthermore, future research needs to be conducted using other types of service firms believed to be operating within the low-margin, high-volume service sector (for example, video rental or VCD rental business) to test whether the results can be generalized across firm within this type of industry.



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Appendix A:

Customer and Service Provider Interviews



Customer Interviews

Customer I – female with 25 years old

Interviewer: Is this the first book rental shop that you used the service?

Customer: Yes, it is.

Interviewer: How many books rental shops have you used in this period?

Customer: Only one.

Interviewer: Why did you prefer renting books than buying them?

Customer: I read the renting book for recreation and entertainment purpose. Therefore, I read only once and I don't want to collect the books.

Interviewer: Which factors did you use to consider the book rental shop?

Customer: First, the location is convenient for me and near my home. The service provider is friendly, knowledgeable and can advice me the interesting book. Finally, there must be variety of books.

Interviewer: What factors may influence you to switch the shop?

Customer: If the renting price is too high, the owner doesn't update the books, and there are no new books, I will switch the rental shop.

Customer II – male with 25 years old

Interviewer: Is this the first book rental shop that you used the service?

Customer: No, it is not.

Interviewer: How many books rental shops have you used in this period?

Customer: Only one.

Interviewer: Why did you prefer renting books than buying them?

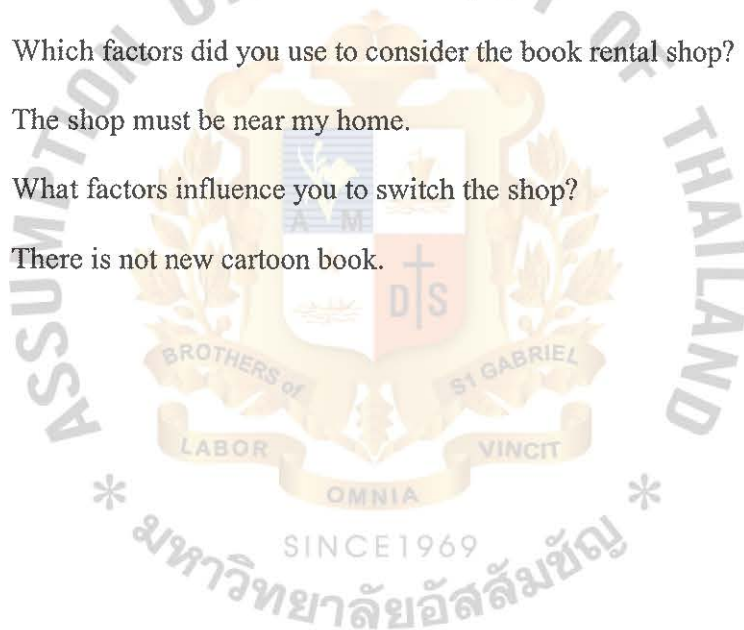
Customer: Because renting books is more saving money than buying them. For example, buying one cartoon book is 30 baht while renting is only 3 baht. Furthermore, I do not have the space to collect the books.

Interviewer: Which factors did you use to consider the book rental shop?

Customer: The shop must be near my home.

Interviewer: What factors influence you to switch the shop?

Customer: There is not new cartoon book.



Customer III – female with 24 years old

Interviewer: Is this the first book rental shop that you used the service?

Customer: No, it is not.

Interviewer: How many books rental shops have you used in this period?

Customer: 2 book rental shops.

Interviewer: Why did you prefer renting books than buying them?

Customer: Because reading books is my hobby and some kind of books – such as novel – are too expensive. So, I prefer renting them.

Interviewer: Which factors did you use to consider the book rental shop?

Customer: The shop location must be convenient to me, for example, near my home or near the university. The shop' decoration and design also have the impact on my decision. Moreover, there must be variety of books.

Interviewer: What factors influence you to switch the shop?

Customer: My last service switching occurs because I resigned the job. However, I will switch the shop, if the provider cannot offer me the desired books for many times or there are the new rental shop that provide better service at the lower renting rate.

Service provider's Interview (Female)

Interviewer: Why did you invest in book rental business rather than the other ones?

Book owner: I invested in book rental business because my friend persuaded me to invest with her. And I think it is my own business and we have authority to control my business that is better than being the company officer.

Interviewer: In your opinion, what makes customers renting books?

Book owner: I like to read books and I think there must be many people like to read books too. You can see that there are varieties of cartoon books, novels and pocket books and the prices are so high. Therefore, some people cannot buy these books and become our customers.

Interviewer: What do you think make customers select your service?

Book owner: I think because word – of – mouth advertising and the shop's location make the customers be my member.

Interviewer: What factors do you think influence customers to switch service provider?

Book owner: In my opinion, the customers will switch service when the shop cannot offer the varieties of books and no new books provide to customers.

Interviewer: What method that can protect the switching behavior?

Book owner: The provider should notice and ask the customers about the type of books they prefer and then update the books frequency. Moreover, the relationship between the service provider and the customers is very important in this service.



Questionnaire

This questionnaire is required in a partial fulfillment of a thesis of an MBA student, Assumption University. This questionnaire is designed to study factors relating to consumers' service switching behavior in book rental businesses in Bangkok. The data will be used only for academic purposes. Thank you for your assistance.

Part 1: Consumers' Service Switching Behavior

Please put (X) in the blank that is provided.

1. Do you have an experience in switching the book rental shop?
(1) Yes (2) No (Skip to question no. 3)
2. Which one is the reason for your switching?
(1) Changed workplace or moved out from the service area
(2) The shop closed (3) Found better service
(4) Dissatisfy with the shop (5) Other reasons

Please put (X) on the items that most reflect your evaluations in book rental shop

- ♦ If you *have switching experience*, please evaluate the shop that you had most recently stopped using.
- ♦ If *do not*, please evaluate your current service provider.

The evaluation is made on a 10-point scale (1 = very poor to 10 = excellent).

3. The book renting rate
1 2 3 4 5 6 7 8 9 10
4. Book rental shop location
1 2 3 4 5 6 7 8 9 10
5. Convenience of hours of operation
1 2 3 4 5 6 7 8 9 10
6. Desired books availability
1 2 3 4 5 6 7 8 9 10
7. Physical evidence (such as store decoration, color and temperature)
1 2 3 4 5 6 7 8 9 10
8. Service personnel (in terms of friendliness, knowledge and responsibility)
1 2 3 4 5 6 7 8 9 10

Part 2: Personal data

Please put (X) in the blank that is provided.

9. Gender

(1) Male

(2) Female

10. Age

(1) Under 15 years old

(2) 16 – 20 years old

(3) 21 – 25 years old

(4) 26 – 30 years old

(5) 31 – 35 years old

(6) More than 36 years old

11. Education level

(1) High school graduate or less

(2) Diploma / Occupational certification

(3) Bachelor degree

(4) Master degree or higher

12. Income per month

(1) Less than 5,000 baht

(2) 5,001 – 10,000 baht

(3) 10,001 – 20,000 baht

(4) 20,001 – 30,000 baht

(5) More than 30,001 baht

13. Occupation

(1) Student

(2) Business owner

(3) Government employee

(4) Business employee

(5) Homemaker or Unemployed

(6) Others

Thank you for your cooperation.

แบบสอบถาม

แบบสอบถามนี้เป็นส่วนหนึ่งในการจัดทำวิทยานิพนธ์ของนักศึกษาปริญญาโท มหาวิทยาลัยอัสสัมชัญ เพื่อศึกษาปัจจัยที่มีผลต่อพฤติกรรมกรรมการเปลี่ยนร้านให้บริการหนังสือเช่าในกรุงเทพมหานคร ทั้งนี้ข้อมูลที่ได้จากแบบสอบถาม จะใช้เพื่อประโยชน์ทางการศึกษาเท่านั้น ขอขอบคุณมากที่ให้ความร่วมมือค่ะ

ส่วนที่ 1: พฤติกรรมการเปลี่ยนการใช้บริการในธุรกิจร้านหนังสือเช่า

โปรดใส่เครื่องหมาย (X) บนคำตอบที่คุณเลือก

- คุณเคยใช้บริการเช่าหนังสือ จากร้านหนังสือเช่าที่อื่นมาก่อน
(1) ใช่ เคยใช้บริการที่อื่นมาก่อน (2) ไม่ใช่ ร้านนี้เป็นร้านแรกที่ใช้บริการ (ข้ามไปทำข้อ 3)
- เหตุใดคุณจึงเลิกใช้บริการของร้านเดิม
(1) ย้ายที่เรียน, ย้ายที่ทำงาน หรือย้ายบ้าน (2) ร้านเดิมปิดกิจการ
(3) พบร้านหนังสือเช่าแห่งใหม่ที่ดีกว่า (4) ไม่พอใจการให้บริการของร้านเดิม
(5) เหตุผลอื่นๆ

โปรดใส่เครื่องหมาย (X) บนคำตอบที่คุณเลือก ตามความคิดของคุณเกี่ยวกับร้านหนังสือเช่า

- ♦ ถ้าคุณเคยใช้บริการร้านอื่นมาก่อน กรุณาพิจารณาคำตอบจากร้านหนังสือเช่าร้านเก่าที่คุณเลิกใช้บริการแล้ว
- ♦ ถ้าคุณไม่เคยใช้บริการร้านอื่นมาก่อน กรุณาพิจารณาคำตอบจากร้านปัจจุบัน

การพิจารณาจะแบ่งเป็น 10 ระดับ โดย 1 = แย่มาก และ 10 = ดีที่สุด

- อัตราค่าเช่าหนังสือ
1 2 3 4 5 6 7 8 9 10
- ทำเลที่ตั้งร้านหนังสือเช่า
1 2 3 4 5 6 7 8 9 10
- วัน และ เวลาที่ร้านเปิดให้บริการ (เวลาเปิด – เวลาปิดร้าน)
1 2 3 4 5 6 7 8 9 10
- มีหนังสือที่ต้องการอ่าน
1 2 3 4 5 6 7 8 9 10
- บรรยากาศและการตกแต่งร้าน
1 2 3 4 5 6 7 8 9 10
- พนักงานที่ให้บริการ
1 2 3 4 5 6 7 8 9 10

ส่วนที่ 2: ข้อมูลส่วนตัว

โปรดใส่เครื่องหมาย (X) บนคำตอบที่คุณเลือก

9. เพศ

(1) ชาย

(2) หญิง

10. อายุ

(1) ต่ำกว่า 15 ปี

(2) 16 – 20 ปี

(3) 21 – 25 ปี

(4) 26 – 30 ปี

(5) 31 – 35 ปี

(6) มากกว่า 36 ปี

11. ระดับการศึกษา

(1) มัธยมศึกษา หรือ ต่ำกว่า

(2) อนุปริญญา หรือ สายอาชีพ

(3) ปริญญาตรี

(4) ปริญญาโท หรือ สูงกว่า

12. รายได้ต่อเดือน

(1) น้อยกว่า 5,000 บาท

(2) 5,001 – 10,000 บาท

(3) 10,001 – 20,000 บาท

(4) 20,001 – 30,000 บาท

(5) มากกว่า 30,001 บาท

13. อาชีพ

(1) นักเรียน, นิสิต, นักศึกษา

(2) เจ้าของกิจการ

(3) ข้าราชการ

(4) พนักงานบริษัท

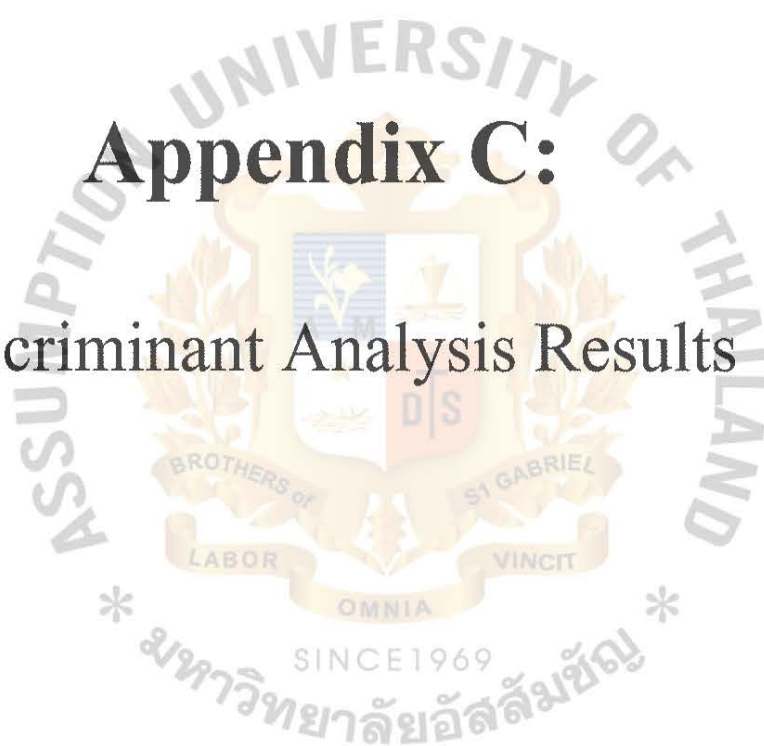
(5) แม่บ้าน, พ่อบ้าน หรือ ว่างงาน

(6) อื่นๆ

ขอขอบคุณมากที่ให้ความร่วมมือ

Appendix C:

Discriminant Analysis Results



Group Statistics

Switching experience		Mean	Std. Deviation	Valid N (listwise)	
				Unweighted	Weighted
switch	Book renting rate	5.9487	1.57824	78	78.000
	Book rental shop location	6.1410	1.85671	78	78.000
	Hours of opearation	6.2564	1.71650	78	78.000
	Desired books availability	6.1667	2.07906	78	78.000
	Physical surrounding	5.6538	2.14311	78	78.000
	Service personnel	5.9487	2.09450	78	78.000
not switch	Book renting rate	7.5238	1.86414	42	42.000
	Book rental shop location	8.7857	.87054	42	42.000
	Hours of opearation	8.0714	.99738	42	42.000
	Desired books availability	8.4286	.96633	42	42.000
	Physical surrounding	8.6667	1.18253	42	42.000
	Service personnel	8.5476	1.08656	42	42.000
Total	Book renting rate	6.5000	1.83797	120	120.000
	Book rental shop location	7.0667	2.02395	120	120.000
	Hours of opearation	6.8917	1.73349	120	120.000
	Desired books availability	6.9583	2.07180	120	120.000
	Physical surrounding	6.7083	2.35288	120	120.000
	Service personnel	6.8583	2.18972	120	120.000

Casewise Statistics

Case Number		Actual Group	Highest Group				
			Predicted Group	P(D>d G=g)		P(G=g D=d)	Squared Mahalanobis Distance to Centroid
				p	df		
Original	1	2	2	.933	1	.906	.007
	2	1	1	.717	1	.794	.131
	3	1	1	.531	1	.967	.392
	4	2	1*	.602	1	.736	.273
	5	2	2	.312	1	.506	1.021
	6	2	2	.445	1	.975	.583
	7	2	2	.543	1	.966	.371
	8	1	1	.689	1	.782	.160
	9	1	1	.050	1	.998	3.857
	10	1	1	.468	1	.648	.526
	11	1	1	.826	1	.927	.048
	12	1	1	.697	1	.785	.151
	13	1	1	.491	1	.665	.474
	14	1	2*	.555	1	.964	.349
	15	1	1	.604	1	.737	.269
	16	1	1	.064	1	.997	3.441
	17	1	1	.459	1	.641	.548
	18	1	2*	.469	1	.648	.525
	19	1	1	.813	1	.833	.056
	20	2	2	.327	1	.522	.959
	21	1	1	.124	1	.995	2.361
	22	2	2	.933	1	.906	.007
	23	1	1	.717	1	.794	.131
	24	1	1	.702	1	.947	.146
	25	2	1*	.388	1	.581	.746
	26	2	2	.312	1	.506	1.021
	27	2	2	.445	1	.975	.583
	28	2	2	.543	1	.966	.371
	29	1	1	.743	1	.806	.108
	30	1	1	.050	1	.998	3.857
	31	2	2	.737	1	.941	.112
	32	1	1	.815	1	.929	.055
	33	1	2*	.992	1	.892	.000
	34	1	1	.213	1	.990	1.550
	35	1	1	.722	1	.944	.126
	36	1	1	.516	1	.682	.422
	37	1	1	.075	1	.997	3.165
	38	1	2*	.499	1	.970	.457
	39	2	2	.700	1	.947	.149
	40	2	2	.834	1	.841	.044
	41	1	2*	.952	1	.902	.004
	42	1	1	.759	1	.938	.094
	43	1	1	.229	1	.990	1.448
	44	1	1	.191	1	.992	1.707
	45	2	2	.668	1	.771	.184
	46	1	1	.841	1	.843	.040
	47	1	1	.530	1	.967	.394
	48	1	1	.981	1	.895	.001

Casewise Statistics

Case Number		Actual Group	Highest Group					Squared Mahalanobis Distance to Centroid
			Predicted Group	P(D>d G=g)		P(G=g D=d)		
				p	df			
Original	49	1	2*	.584	1	.725	.300	
	50	1	1	.467	1	.647	.528	
	51	1	1	.941	1	.904	.006	
	52	1	1	.323	1	.984	.975	
	53	2	2	.466	1	.973	.532	
	54	2	2	.913	1	.910	.012	
	55	1	1	.858	1	.921	.032	
	56	2	2	.833	1	.926	.044	
	57	1	1	.261	1	.988	1.262	
	58	2	2	.587	1	.961	.295	
	59	2	2	.977	1	.896	.001	
	60	2	2	.737	1	.941	.112	
	61	2	2	.594	1	.732	.284	
	62	1	1	.843	1	.924	.039	
	63	1	1	.866	1	.920	.029	
	64	1	1	.548	1	.965	.360	
	65	1	1	.932	1	.906	.007	
	66	1	1	.679	1	.950	.171	
	67	1	1	.300	1	.985	1.073	
	68	1	2*	.499	1	.970	.457	
	69	2	2	.700	1	.947	.149	
	70	2	2	.997	1	.889	.000	
	71	1	2*	.952	1	.902	.004	
	72	1	1	.759	1	.938	.094	
	73	1	1	.229	1	.990	1.448	
	74	1	1	.191	1	.992	1.707	
	75	2	2	.642	1	.758	.216	
	76	1	1	.841	1	.843	.040	
	77	1	1	.530	1	.967	.394	
	78	1	1	.900	1	.913	.016	
	79	1	2*	.584	1	.725	.300	
	80	1	1	.467	1	.647	.528	
	81	1	1	.941	1	.904	.006	
	82	1	1	.323	1	.984	.975	
	83	2	2	.466	1	.973	.532	
	84	2	2	.902	1	.913	.015	
	85	1	1	.858	1	.921	.032	
	86	2	2	.833	1	.926	.044	
	87	1	1	.261	1	.988	1.262	
	88	2	2	.587	1	.961	.295	
	89	2	2	.977	1	.896	.001	
	90	2	2	.737	1	.941	.112	
	91	2	2	.933	1	.906	.007	
	92	1	1	.717	1	.794	.131	
	93	1	1	.531	1	.967	.392	
	94	2	2	.537	1	.697	.380	
	95	2	2	.348	1	.543	.881	
	96	2	2	.445	1	.975	.583	

Casewise Statistics

Case Number		Actual Group	Highest Group				
			Predicted Group	P(D>d G=g)		P(G=g D=d)	Squared Mahalanobis Distance to Centroid
				p	df		
Original	97	2	2	.543	1	.966	.371
	98	1	1	.689	1	.782	.160
	99	1	1	.050	1	.998	3.857
	100	1	1	.468	1	.648	.526
	101	1	1	.468	1	.647	.528
	102	1	1	.697	1	.785	.151
	103	1	1	.326	1	.521	.964
	104	1	2*	.702	1	.947	.146
	105	1	1	.629	1	.751	.233
	106	1	1	.064	1	.997	3.441
	107	1	1	.438	1	.624	.602
	108	1	1	.543	1	.700	.370
	109	1	1	.813	1	.833	.056
	110	2	2	.327	1	.522	.959
	111	1	1	.183	1	.992	1.773
	112	2	2	.933	1	.906	.007
	113	1	1	.717	1	.794	.131
	114	1	1	.531	1	.967	.392
	115	2	2	.887	1	.858	.020
	116	2	2	.402	1	.593	.702
	117	2	2	.445	1	.975	.583
	118	2	2	.543	1	.966	.371
	119	1	1	.689	1	.782	.160
	120	1	1	.050	1	.998	3.857

Casewise Statistics

		Second Highest Group			Discriminant Scores
				Squared Mahalanobis Distance to Centroid	
Case Number	Group	P(G=g D=d)			Function 1
Original 1	1	.094		4.534	1.413
2	2	.206		2.834	-.354
3	2	.033		7.140	-1.342
4	2	.264		2.321	-.194
5	1	.494		1.072	.319
6	1	.025		7.892	2.093
7	1	.034		7.048	1.939
8	2	.218		2.709	-.316
9	2	.002		16.077	-2.680
10	2	.352		1.743	.009
11	2	.073		5.133	-.936
12	2	.215		2.744	-.327
13	2	.335		1.843	-.028
14	1	.036		6.951	1.920
15	2	.263		2.332	-.197
16	2	.003		15.216	-2.571
17	2	.359		1.705	.024
18	1	.352		1.745	.605
19	2	.167		3.275	-.480
20	1	.478		1.137	.350
21	2	.005		12.833	-2.253
22	1	.094		4.534	1.413
23	2	.206		2.834	-.354
24	2	.053		5.896	-1.099
25	2	.419		1.397	.148
26	1	.494		1.072	.319
27	1	.025		7.892	2.093
28	1	.034		7.048	1.939
29	2	.194		2.950	-.388
30	2	.002		16.077	-2.680
31	1	.059		5.669	1.665
32	2	.071		5.198	-.950
33	1	.108		4.228	1.340
34	2	.010		10.829	-1.961
35	2	.056		5.765	-1.071
36	2	.318		1.949	-.066
37	2	.003		14.628	-2.495
38	1	.030		7.406	2.005
39	1	.053		5.912	1.715
40	1	.159		3.373	1.121
41	1	.098		4.436	1.390
42	2	.062		5.537	-1.023
43	2	.010		10.557	-1.919
44	2	.008		11.238	-2.023
45	1	.229		2.615	.901
46	2	.157		3.403	-.515
47	2	.033		7.149	-1.344
48	2	.105		4.283	-.740

Casewise Statistics

		Second Highest Group			Discriminant Scores
				Squared Mahalanobis Distance to Centroid	
Case Number	Group	P(G=g D=d)			Function 1
Original 49	1	.275		2.243	.782
50	2	.353		1.740	.011
51	2	.096		4.495	-.790
52	2	.016		9.200	-1.703
53	1	.027		7.701	2.059
54	1	.090		4.644	1.439
55	2	.079		4.947	-.894
56	1	.074		5.091	1.540
57	2	.012		10.044	-1.840
58	1	.039		6.703	1.873
59	1	.104		4.306	1.359
60	1	.059		5.669	1.665
61	1	.268		2.290	.797
62	2	.076		5.036	-.914
63	2	.080		4.906	-.885
64	2	.035		7.001	-1.316
65	2	.094		4.542	-.801
66	2	.050		6.048	-1.130
67	2	.015		9.497	-1.752
68	1	.030		7.406	2.005
69	1	.053		5.912	1.715
70	1	.111		4.168	1.326
71	1	.098		4.436	1.390
72	2	.062		5.537	-1.023
73	2	.010		10.557	-1.919
74	2	.008		11.238	-2.023
75	1	.242		2.500	.865
76	2	.157		3.403	-.515
77	2	.033		7.149	-1.344
78	2	.087		4.715	-.842
79	1	.275		2.243	.782
80	2	.353		1.740	.011
81	2	.096		4.495	-.790
82	2	.016		9.200	-1.703
83	1	.027		7.701	2.059
84	1	.087		4.706	1.453
85	2	.079		4.947	-.894
86	1	.074		5.091	1.540
87	2	.012		10.044	-1.840
88	1	.039		6.703	1.873
89	1	.104		4.306	1.359
90	1	.059		5.669	1.665
91	1	.094		4.534	1.413
92	2	.206		2.834	-.354
93	2	.033		7.140	-1.342
94	1	.303		2.042	.713
95	1	.457		1.225	.391
96	1	.025		7.892	2.093

Casewise Statistics

		Second Highest Group			Discriminant Scores
				Squared Mahalanobis Distance to Centroid	
Case Number	Group	P(G=g D=d)			Function 1
Original 97	1	.034		7.048	1.939
98	2	.218		2.709	-.316
99	2	.002		16.077	-2.680
100	2	.352		1.743	.009
101	2	.353		1.741	.010
102	2	.215		2.744	-.327
103	2	.479		1.132	.266
104	1	.053		5.896	1.712
105	2	.249		2.442	-.233
106	2	.003		15.216	-2.571
107	2	.376		1.613	.060
108	2	.300		2.067	-.108
109	2	.167		3.275	-.480
110	1	.478		1.137	.350
111	2	.008		11.407	-2.048
112	1	.094		4.534	1.413
113	2	.206		2.834	-.354
114	2	.033		7.140	-1.342
115	1	.142		3.625	1.188
116	1	.407		1.458	.492
117	1	.025		7.892	2.093
118	1	.034		7.048	1.939
119	2	.218		2.709	-.316
120	2	.002		16.077	-2.680

** . Misclassified case

