



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

By
NARUEMIT JAROENSRISOMBOON

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

April
2009

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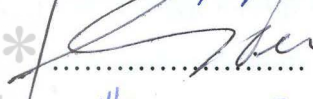
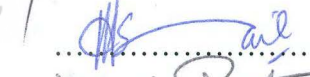
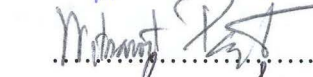
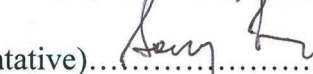
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Abstract

Customer loyalty is necessary for business as it involves marketing strategy as a critical factor that facilitate in retaining the customers. The purpose of customer loyalty relates to increase in the market share. The company, whether it is selling products or offering the services, need to take customer loyalty into consideration. Additionally, Terakit Group is currently facing price war. Also, the customers in this industry have the tendency to switch to other company for better price. Therefore, it is important to survive. This study aims to investigate the relationship between perceived service quality, customer satisfaction, switching costs, and customer loyalty. The findings will be useful for Terakit Group to improve its current service to bring the customer loyalty.

In this study, the sample included 400 existing customers of Terakit Group. The sampling procedure used judgment sampling, quota sampling, and convenience sampling respectively. The data collection was conducted at the four stores of Terakit Group. Descriptive statistic was used to provide the mean and percentage of demographic characteristics and other variables of the study. Besides, inferential statistic was used to test the relationship between the variables. Correlation coefficient was considered to measure the strength of association.

The result of this study showed positive relationship between perceived service quality, customer satisfaction, switching costs, and customer loyalty. Thus, Terakit Group is recommended to consider improvement of service quality as it is the antecedent of customer satisfaction, switching costs, and customer loyalty. Moreover, customer satisfaction should be regarded as it can affect customer loyalty. Switching costs should also be managed as it can keep customers' loyalty to the company.

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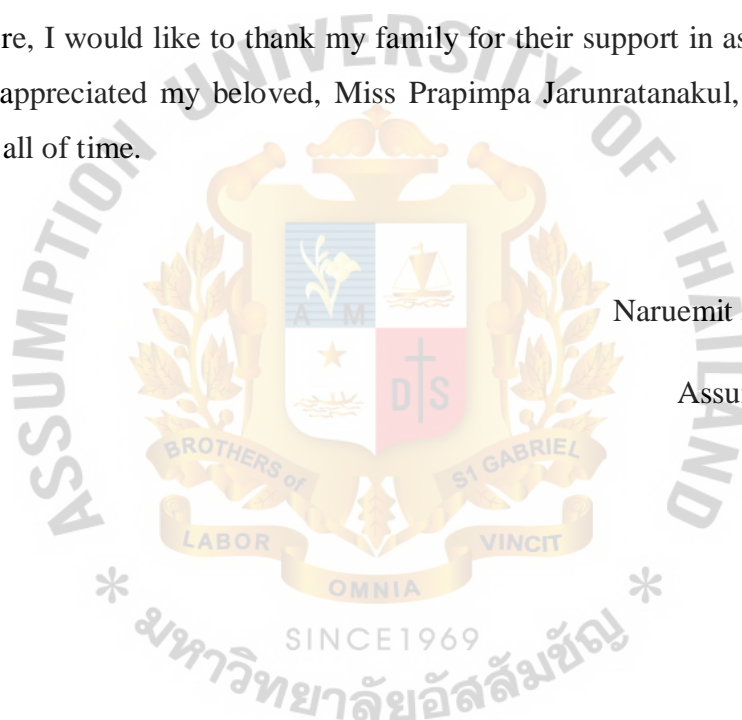


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Chapter 1

Generalities of the Study

1.1 Introduction

Customer loyalty is important for every business. The evolution of customer loyalty has become the main issue for marketing strategy since it involves benefits from retaining existing customers (Gwinner et al., 1998). According to Reicheld's study (1993), the researcher implies that business survival is necessary to have customer loyalty. It is critical to retain a customer with ultimate loyalty to maximize the profit since customer is considered as organization's lifeblood without regarding scale and scope of business (Oliver, 1999). Thus, it is important for business whether they are engaged in selling product or offering services. Business which is playing role relating to tangible goods will need to have their services included. It can take in many forms such as delivering, prompting to customers' need, and providing information up to level required by customers. Perceived service quality is a component of customer satisfaction and that satisfaction is influenced by perception of service quality. Moreover, Ziethaml et al., (2006) mentioned that if customers have a high level of satisfaction, it will affect strong customer loyalty. In order to build customer loyalty, there is a need to include factors such as service quality and customer satisfaction. Customer satisfaction is being important factor by perceived quality of service attributes (Cronin and Taylor, 1992). Additionally, Beerli (2004) stated that switching costs is considered as important with customer loyalty as they are the key factors affecting loyalty.

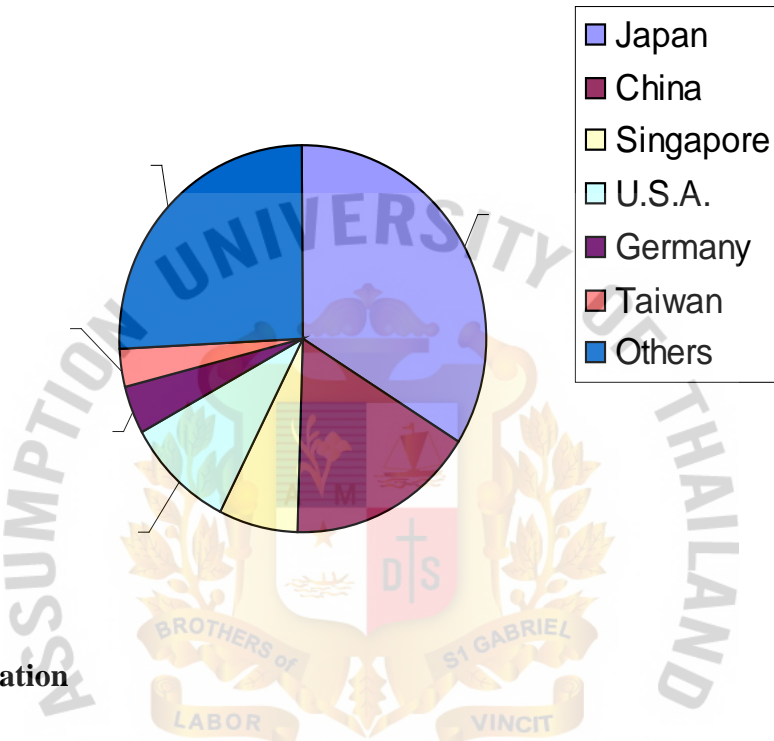
This research study focused on Thai's electrical industry since it is intense in price competition. As mentioned that customer loyalty is important for businesses to survive, this can be the key to the bright future for business in the long run. It is necessary to be competitive by having this loyalty as business's core competency. Loyalty from reaching customer satisfaction by matching service quality will guarantee success for business.

Market Information

Based on 2006, the Figure 1 below showed the market share for each country's electrical components in Thailand. The size of this market accounted for \$3 billion with the growth rate 5% annually. In this market, manufacturers can sell products directly to the end

users, but having a local agent or distributors is highly recommended. There are the challenges that Thai electric power market is not fully deregulated. It might take some time for newcomers to adapt to local needs and understand market and procurement practices. Besides, there are no barriers to entry but competition is high for large procurement projects (Source: <http://www.buyusa.gov/thailand/en/thailandmktprofile.html>, February 2009).

Figure 1.1: Market Share of Each Country’s Product

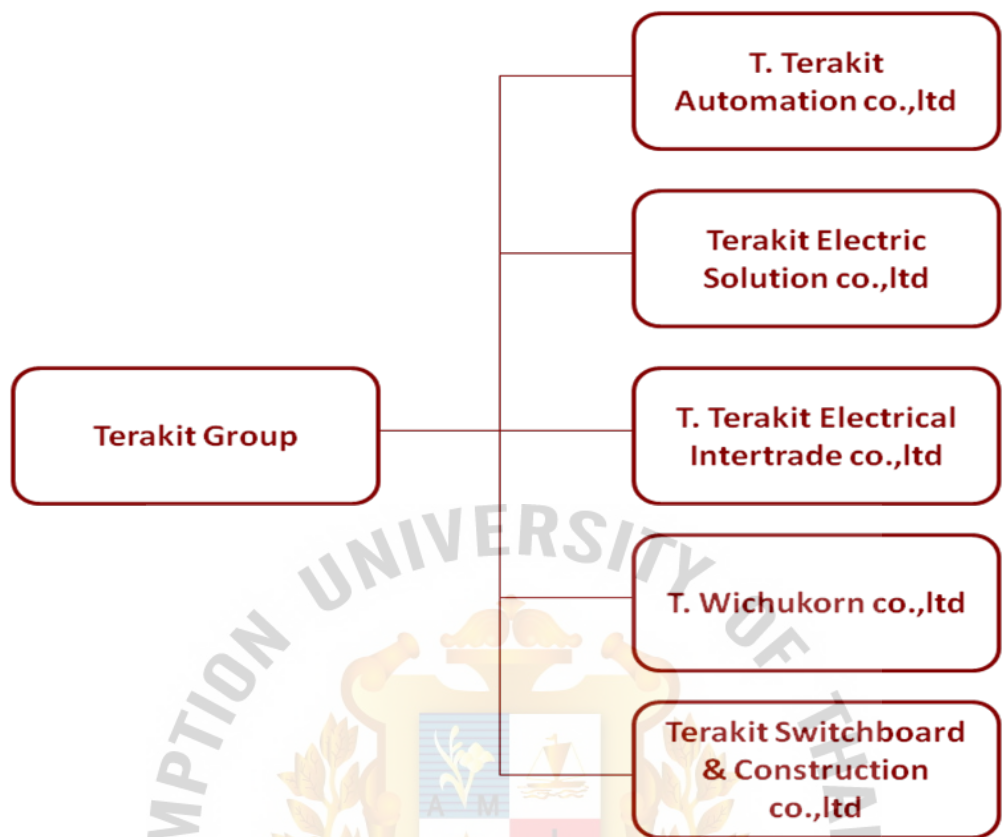


Company Information

Terakit Group is the group of companies distributing electrical components for the purpose of controlling electricity current and unit to industrial and home use. It was established since 1983 and the group comprises four companies with four stores under its umbrella which carry different brands and types of product. The companies of Terakit Group are T.Terakit Electrical Intertrade co.,Ltd., Terakit Electric Solution co.,Ltd, T.Terakit Automation co.,Ltd, and T.Witchukorn co.,Ltd as Figure 1.2 below demonstrated the company structure for Terakit Group. Each company is responsible for serving each type of target market (Source: <http://www.torterakit.com/>, February 2009).

The company focuses in controlling units such as magnetic-switch, circuit breaker, controlled meter, and power meter. The products are well-known as it is top range of brands in the world. They are the products from Asia (Mitsubishi and Fuji Electric) and from Europe and America (Moeller, Entes, Ferraz, and IME).

Figure 1.2: Company Structure of Terakit Group



Terakit Group’s current situation is about price competition. The competitors set lower price and offer higher discount in order to keep up with their business plan for their sales target. If they succeed in reaching the sales target, they will receive annual incentive. Their offering conditions influence Terakit Group to adjust the price which affects Terakit Group’s sale and revenue. Terakit Group has tried to compromise certain issues among its competitors but they refused the agreement to maintain the price and discount. As a consequence, this strategy of pricing to attract the customers decreased the profit to the companies of electrical industry. Therefore, the group has added value to its business, in order to survive, by offering special service to customers such as product training, conducting seminar, and providing consult for wiring electrical system on site. Additionally, Terakit Group has added more product lines to provide various choices for customers as it believes the availability of possible alternative products would attract more customers. The Group has been using loyalty programs to its customers in order to increase its sales revenue for many products. These programs have used through sales promotion, such as point collection and membership program.

The Group is focusing more on service for its customers as better satisfaction can bring more loyalty from customers. This is the reason why the services offered by Terakit Group need to be examined.

Terakit Group has two marketing channels to distribute its product such as its own stores and telemarketing. The total number of Terakit Group's customers is 2,564, according to its database. These include users and resellers. Most of its existing customers, the resellers, will reach the companies and buy the products via telemarketing. Another type of the customers are users comprising technicians, engineers, and contractors who purchase products to be used in their projects. The number of the users in the Bangkok metropolitan area is 647. This study focuses on the users group whose purchase behavior has been to directly contact and buy from shops of Terakit Group. In this market, these users have possibilities to switch to other companies due to price competition. It is necessary to find the solution to resolve this situation by retaining the customers.

The study emphasized on investigating factors that influence customer loyalty. They are perceived service quality, customer satisfaction, switching costs, and customer loyalty. The researcher aimed to examine the effect of these variables toward customer loyalty among customers of Terakit group in the Bangkok metropolitan area.

1.2 Research Objectives

In this study, the researcher investigates the approachable variables which may relate to customer loyalty, as customer loyalty is the vital factor for business to retain the customers. There are some difficulties to find new customers because it requires more effort and resources. The research objectives of the study are:

1. To examine the relationship between customer satisfaction and perceived service quality.
2. To examine the relationship between customer loyalty and perceived service quality.
3. To examine the relationship of switching costs toward perceived service quality.
4. To evaluate the association between customer satisfaction and customer loyalty.

5. To find the relationship between switching costs and customer loyalty.

1.3 Statement of The Problem

Terakit Group has been currently confronting with intense price competition from its competitors. The competitors set lower price and offer higher discount to reach sales target, in order to receive annual incentive. In this industry, the kinds of incentive for distributors are foreign trip and money from the brand they distribute to the market. However, sales target will be adjusted to be higher each year and that stimulates distributors to take more actions to distribute products from their inventories which lead to the price war in the industry. As a consequence, operating profit shrinks as lower margin received.

It is necessary to survive by using possible strategies other than lowering the price to regain profit. Besides, it is important to identify what factors influence customers to be loyal to the company even other competitors offering better price. Thus, this study focuses on the relationships between perceived service quality, switching costs, customer satisfaction, and customer loyalty towards Terakit Group in Bangkok.

Research Questions

1. What is the relationship between customer satisfaction and perceived service quality?
2. What is the relationship between customer loyalty and perceived service quality?
3. What is the relationship between switching costs and perceived service quality?
4. Does the customer satisfaction influence customer loyalty?
5. Does switching costs have the impact on customer loyalty?

1.4 Scope of Research

The research emphasizes on the relationships between perceived service quality, switching costs, customer satisfaction, and customer loyalty of Terakit Group. The study was conducted in the Bangkok metropolitan area. The respondents are existing customers, the users, who purchase the products from stores of Terakit Group. There are four stores of Terakit Group and the researcher collected 100 questionnaires from each store. The researcher collected data from 400 respondents. The respondents included both males and

females in the age ranges from 18 years old or more. The educational levels of these respondents ranged from high school to doctoral level. The dependent variable of this research is customer loyalty and the independent variables are service quality, which consists of five sub-variables: reliability, responsiveness, assurance, empathy, and tangibles; customer satisfaction, and switching costs. The research instrument for collection of data is a questionnaire. The number of items in the questionnaire stands 47 questions. The response choices are measured on a five-point Likert-scale.

1.5 Limitations of Research

There are several limitations which may affect the findings. This study was conducted for Terakit Group in Bangkok only which mean that the result of this study could not be to used or applicable to generalize for other firms in electrical industry located in other provinces. Also, the result of this study was applicable for particular time period affected by Thai economic crisis. In addition, this study lacked heterogeneous population because the results were based on a group of customers who purchased directly from shops of Terakit Group in the Bangkok metropolitan area only. It did not include respondents in other areas. Also, the number of the respondents was 400 out of 647 respondents who were users. This didn't include the resellers who are also the customers of Terakit Group. Therefore, the collected data could not be used to describe another type of customers of Terakit Group, retailers, because it was not applicable. Furthermore, the data was collected during February to March 2009. Additionally, the study did not include other variables which might have some affects to customer loyalty due to time limitation. Besides, the factors that influenced customer loyalty might be changed over time.

1.6 Significance of the Study

This research initially provided information about customers of Terakit Group in Bangkok about their perception of service quality, concern of switching costs, level of satisfaction, and loyalty toward the company. The collected data was useful for the company to improve and develop its services, in order to encourage its customers to stay loyal. In addition, the results would be helpful in turning those who might be a brand switcher to be a loyal customer. The findings provided further benefit to other companies in electrical industry by suggesting them to improve their service other than focus only on lowering the

price. On the other hand, the customers of this industry would be beneficial when they contact the companies as they could provide more satisfactory services.

1.7 Definition of terms

Assurance: Employees' knowledge and courtesy and their ability to inspire trust and confidence (Zeithaml et al., 2006).

Customer Loyalty: The degree to which the customer has exhibited, over recent years, repeat purchase behavior of a particular company service; and the significance of that expenditure in terms of the customer's total outlay on that particular type of service (Hellier, Geursun, Carr, Rikard (2003).

Customer Satisfaction: An emotional post-consumption response that may occur as the result of comparing expected and actual performance (disconfirmation), or it can be an outcome that occurs without comparing expectations (Oliver, 1996).

Empathy: Caring, individualized attention given to customers (Zeithaml et al., 2006).

Perceived Service Quality: The consumer's judgment about the overall excellence or superiority of a service (Zeithaml et al., 1988).

Reliability: Ability to perform the promised service dependably and accurately (Zeithaml et al., 2006).

Responsiveness: Willingness to help customers and provide prompt service (Zeithaml et al., 2006).

Service Quality: There are 22 items, generic service industry instrument which assesses service quality on five dimensions (reliability, assurance, tangibles, empathy and responsiveness) (Parasuraman et al., 1985).

Switching Costs: One-time costs facing the buyer when switching from one supplier's product to another's (Porter, 1998).

Tangibles: Appearance of physical facilities, equipment, personnel, and written materials (Zeithaml et al., 2006).

Chapter 2

Literature Review

This chapter focuses on describing concepts of dependent and independent variables. There are three sections in this study. First, theory is used to explain concept of variables. Next, review of related literatures is included to generate ideas for adapting research framework. Last section is review of previous studies.

2.1 Theory

2.1.1 Customer Loyalty

Struebing (1996) defined loyal customers as those who spend a high percentage of their allotted money on the products and services offered by the company. Higher profits, repeating business, having higher market share, and referring to others will be brought by loyal customers.

Jones and Sasser (1995) mentioned that customers who completely satisfy will be more loyal than customers who are dissatisfied. Declining in loyalty is a result of decline in total satisfaction. Moreover, Bruhn and Grund (2000) supported that firms need to improve their performance to obtain and sustain advantage in the intensely competitive business environment by having their customer satisfied. The reason is customer loyalty is the outcome of customer satisfaction. The companies with higher number of loyal customers gain more profit from increasing the rate of repurchase, greater potential of cross-buying, higher price-willingness, positive recommendation behavior and lower switching tendency. Firm's performance has been impacted powerfully by customer loyalty and many companies considered it as competitive advantage source (Heskett, Sasser, and Schlesinger, 1997). Thus, customer loyalty is a function of satisfaction (Fecikova, 2004) in which loyal customers contribute to company profitability by spending more on company products and services, via repeat purchasing, and by recommending the organization to other consumers (Bowen and Chen, 2001).

According to Schultz and Bailey (2000), loyal customers buy consistently over times, at regular price generally, basically ignoring competitors' pleas and platitudes. One thing is customer satisfaction while another is behavior. From this research, customers who are

satisfied are more likely to remain loyal than customers who are unsatisfied to product or brand. Customers may stay loyal to the company if they feel that they are receiving greater value than they would from the competitors (Bitner and Hubbert, 1994).

Many researchers have focused on customer loyalty in the context of business to customer while it is also important in business to business. Relationship for buyer-seller of organization seems to be that loyal buyer focus on benefits in long-term and take action cooperatively for benefit to both parties than disloyal buyer does. Competitiveness of both partners can be developing while transaction cost reduces (Doney and Cannon, 1997).

Oliver (1999) stated that customer loyalty is overall attachment or deep commitment of a buyer to a product, service, brand, or organization. Additionally, loyal customers build businesses by buying more, paying premium prices, and providing new referrals through positive word of mouth over time (Ganesh et al.2000).

Although there are so many different definitions about customer loyalty, there seems to be two basic approaches – stochastic and deterministic loyalty (Odin et al., 2001). The stochastic approach assumes customer loyalty as a behavior (Ehrenberg, 1988). In this approach it is considered that the preference structure of the customer is reflected in the customer's behavior. Some of the operational measures of this approach are shares of purchase, purchasing frequency, etc. Baloglu (2002) argued that repeat purchase do not necessarily indicate true loyalty. Customers may repeatedly purchase a product or service, or exhibit behavioral loyalty, for reasons other than an attitudinal commitment to the brand or company. According to Cunningham (1961), customer's actual repurchase behavior is customer loyalty. The assumption of this behavioral approach holds that consumer's preference structure is reflected in the consumer's behavior. The strong point of this approach is the customer loyalty's object measurement relatively offered. On the other hand, proper explanation of loyalty's existence is failed to provide properly. Some of the explanation is loyalty is measurable. This approach toward customer loyalty is based on the application of the definition of customer loyalty in service management literature.

On the other hand, Fournier and Yao (1997) assumed the deterministic approach or attitude-based approach assumes customer loyalty as an attitude that customer loyalty is an intention to repurchase. This approach holds that consumer's actual behavior is not sufficient

but it requires proper analysis and description underlying consumer's attitudes or preference structure.

Jacoby and Kyner (1973) mentioned customer loyalty by a set of six necessary and collectively sufficient conditions by integrating two approaches: These conditions express that brand loyalty is biased (i.e., random), behavioral response (i.e., purchase), expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (decision making, evaluative) process. The authors also suggested the definitions of customer loyalty. The first is the view of customer loyalty as an attitude. Individual's overall attachment to a product, service, or organization is created through different feelings which imply individual degree of loyalty (Fornier, 1994). The second is the view of loyalty as a behavior which includes continuity of service purchases from the same supplier, relationship's scale and scope increased, or recommendation action (Yi, 1990).

Benefit for Customers and Firms

Zeithaml, Bitner, and Gremler (2006) stated about the benefit of customer loyalty that it will not benefit only the firm, but also customers. Firms get benefit from having customers stay loyal and customer also benefits from long term associations.

Benefit for Customers – This involve with value the customers get which is the trading-off between the give and the get. Customers tend to stay when they receive more than they give. If firms deliver value consistently from the customer's point of view, the customer will stay loyal because the benefit is clear as an incentive to be in the relationship. The benefit for customers includes confidence benefits, social benefits, and special treatment benefits. Confidence benefits comprise feelings of trust and confidence in the firm which help reducing anxiety and provide comfort for what to expect. Additionally, social benefits relates to developing a sense of familiarity and social relationship to the firm by the customers. This makes it less likely for customers to switch even the competitors' offering are more interesting. Besides, social benefits involves with personal relationship that can be used in developing the business to business context as well as for the end customers to the firm. Finally, special treatment benefits are valued by customers as they are given special deal or

price. However, the special treatment benefits are less important compared to other types of benefits.

Benefits for Firms – There are three benefits as mentioned by Zeithaml, Bitner, and Gremler (2006) which are economic benefits, customer behavior benefits, and human resource management benefits. Economic benefits the firm receives are increasing revenues over time from the customer; which is the fact that customers spent more each year with a particular relationship partner than they did in the preceding period, reducing marketing and administrative costs; which are the cost incurred as start up cost for attracting new customers through spending in advertising and other promotion costs, and the ability to maintain margin without reducing prices as initial cost of attracting new customers can be eliminated. In addition, customer behavior benefit involves the free advertising provided by loyal customer through word of mouth communication. Firms also benefit from customer behavior as the customers voluntarily perform behavior such as reporting messy restaurant to an employee, for example. Moreover, customer behavior that benefit firm can be through friendship or encouragement to other customers by the loyal customers. Customers can also be as mentors and help other customers in understanding the explicitly or implicitly stated rules of conduct. Finally, human resource management benefits can be advantage to the firm as loyal customers engage in contributing the coproduction of service by assisting in the service delivery. Customers who received social benefit can transfer this benefit to an employee of the firm as they interact regularly. Moreover, customers can help retain employees of the company when it has a stable base of satisfied customers.

2.1.2 Customer Satisfaction

Schiffman and Kanuk (2007) mentioned that customer satisfaction is the perception of individual about the product or service performance to expectation of him or her. It is a function of customer expectations. Dissatisfied customers are those having their experience below expectation. The objective of all marketing efforts should be to maximize customer satisfaction.

According to Oliver (1997), customer loyalty and patronage is the result of customer satisfaction from the view of traditional assumption which has been challenged by the information indicating that customers whose level of satisfaction is high may defect or switch

to the brands of competitor. The author suggests later that loyalty may become relatively independent of current customer satisfaction (Oliver, 1999). Furthermore, on the traditional view, satisfied customers have been thought to be less price sensitive, less influenced by competitors, buying additional products and/or services and staying loyal longer (Zineldin, 2000). Jones and Sasser (1995) considered that it is not enough to make merely satisfied customers to be loyal because they have freedom of choices. The totally satisfied customers are those who are the truly loyal.

Dimitriades (2006) mentioned that there is a distinction between customer satisfaction as related to tangible products and service experiences. This distinction is due to the inherent intangibility and perishability of services, as well as the inability to separate production and consumption.

In the B2B context, customer satisfaction is often defined as a positive affect state resulting from the appraisal of all aspects of working relationship of a firm with another firm (Geyskens, Steenkamp, and Kumar, 1999).

Giese and Cote (2000) mentioned that customer is the ultimate user of a product. There are three general components according to their study that constitute customer satisfaction construct. First, customer satisfaction is a summary affective response with various intensities. Second, this is a product choice which the response relates to a particular focus, purchase, and consumption. Finally, the response occurs at a specific time vary by situation but is limited in duration. These three perspectives provided them the framework for a context specific operational definition. Thus customer satisfaction is defined as “A summary affective response of varying intensity, with a time-specific point of determination and limited duration, directed toward focal aspect of product acquisition and/or consumption.”

Dalrymple, Cron, and Decarlo (2001) argued that it is difficult in managing with customer satisfaction as they receive good treatment, they demand even better treatment. Expectations of customer are raised not just by how a firm performs well against competitors, but by the higher standards set in other industries.

Zeithaml, Bitner and Gremler (2006) stated that satisfaction is the evaluation of the customer about a product or service whether a product or service has met the customer's need

and expectation. Customer satisfaction is influenced by specific product or service features, perceptions of product and service quality, and price. However, there are personal factors involved that can affect the satisfaction outcomes such as customer's mood or emotional state and situational factors such as opinions from family member. Thus, what can determine customer satisfaction are product and service features, customer emotions, attribution for service success or failure, perceptions of equity or fairness, and other consumers, family members, and coworkers.

Performance Measurement

Mullins, Walker, and Boyd (2008) mentioned that “as products and services become more alike in an marketplace which is highly competitive already, the ability to satisfy the customer across a variety of activities will become even greater success determinant. Thus, measures relating to satisfaction and preferences of customer are essential as an early warning of impending problems and opportunities.” There are four approaches mentioned to help measuring customer satisfaction. One way can be done through get an understanding and measuring the criteria customers used in evaluating the firm's relationship about the quality. The criteria include the product or service attributes that constitute customer's choice. These attributes can be used as the basis of developing measure of expectation which is the task firm need to discovers whether it meet customers expectation on each individual attributes. The second approach is simply asking the question “How likely is it that you would recommend us to a friend or a colleague?” This approach is a cost saving and can be conducted often enough. The example of company using this technique is GE which added the percentage for the happiest customer (score 9 or 10) and subtract the percentage of those who are unhappy (score of 6 or lower). The net score indicate customer satisfaction level which encourage the branch that score too low to improve by being more customer-friendly. The third approach is Face to Face approach which involves quantitative question and visiting clients in a joint project, for example. The last approach is using CRM or customer relationship management. The data can be used in measuring the lifetime value of the customers.

2.1.3 Switching Costs

According to Zeithaml, Bitner and Gremler (2006), customers develop loyalty to a company as there are cost involved in changing and buying from another company. The costs are real and perceived, monetary and nonmonetary. Costs of switching include time, money, and effort investment, such as cost of setup, searching, learning, and contractual, which challenges the customers to move to another company. Companies might increase switching costs as they considered to makes it difficult for customers to exit relationship (or at least create the perception of difficulty). Besides, many companies specify such costs in the contracts that customers are required to sign. In attracting new customers, firms might lower the switching costs of customers who are not buying from their company. Setup cost can be reduced if firm complete paperwork required from the customers.

Heide and Weiss (1995) stated that switching costs can be defined as cost involved in changing from one supplier to another. The domain, encompassing both monetary expenses and nonmonetary expenses, could include the loss of loyalty benefits as a result of ending the current relationship. Additionally, Frazeir (1983) mentioned that switching costs also reflect a customer's dependence on a supplier, which refers to a customer's need to maintain his or her relationship with a supplier to achieve desired goals.

Gronhaug and Gilly (1991) mentioned that other than having customer satisfaction improved, increasing switching costs is a common strategy advocated to increase customer loyalty as the costs of switching to the alternative suppliers can deter customers from using these suppliers.

2.1.4 Service

Zeithaml, Bitner and Gremler (2006) stated that distinctions between service industries and companies, services as product, customer service, and derived service is need to be made important. People might think of service in terms of customer service for sometimes. However, service can be separated into four groups.

1. Service industries and companies: Industries and companies whose core product is service and are generally categorized in service sector. Marriot International

(lodging) and American Airlines (transportation) are the example under this category.

2. Services as products: Service companies and non-service companies such as manufactures and technology companies sell service products. A wide range of product offered is what valued and paid by customers. The example of companies in this category is IBM and Hewlett-Packard offering consultancy services.
3. Customer service: Service provided to support core product of a company. Generally is offering free to customer and it can be on-site, over the phone, or via Internet. Call center is offered for customer service.
4. Derived service: The derived value from tangible goods is really the service the good provide, not the good itself.

Service as a Business Imperative in Manufacturing and IT

The development of services for marketing and management came from service industries and, as they are evolved and more competitive, manufacturing and technology industries recognize the necessity to provide quality service and revenue-producing services to be competitive globally. Manufacturing and technology industries are such as automobiles, computers, and software. The company in the example like GE, IBM, and Siemens realize the chance to grow and gain profit through services. This is since the rapid change in technologies and higher competition make it difficult to gain strategic advantage from tangible product alone with the demanding customers. They expect not only high quality products and technology, but they also expect high level of customer service and total solutions of service.

2.1.5 Service Quality

According to Zeithaml, Parasuraman, and Berry (1990), services differ from goods in term of how they are produced, consumed, and evaluated. First services are *intangible* since they are objects but they are performances and experiences. Second, services are *heterogeneous* that performance often varies from one producer to the others, one customer to the others, and one day to the other. Third, services are *inseparable* in terms of production

and consumption. Quality in services often occurs at the time of service delivery, basically in an interaction between the customer and service provider.

The judgment of high and low service quality is based on customer's perception of actual service performances. Service quality can be defined as the extent of discrepancy between customer's expectation or desires and their perceptions.

2.1.5.1 Dimensions of Service Quality

Zeithaml, Parasuraman, and Berry (1990) developed the five dimensions of SERVQUAL model derived from the original ten dimensions of service quality for evaluating service quality. The original ten dimensions are as followed

- **Tangibles:** Appearance of physical facilities, equipment, personnel, and communication materials
- **Reliability:** Ability to perform the promised service dependably and accurately
- **Responsiveness:** Willingness to help customers and provide prompt services
- **Competence:** Possession of the required skills and knowledge to perform the service
- **Courtesy:** Politeness, respect, consideration, and friendliness of contact personnel
- **Credibility:** Trustworthiness, believability, honesty of the service provider
- **Security:** Freedom from danger, risk, or doubt
- **Access:** Approachability and ease of contact
- **Communication:** Keeping customers informed in language they can understand and listening to them
- **Understanding the customer:** Making the effort to know customers and their needs

SERVQUAL model consists of five dimensions which are as shown below

- **Tangibles (Representing the Service Physically):** Appearance of physical facilities, equipment, personnel, and communication materials; this dimension demonstrates physically or the service's image that customers, especially new customers, will use to evaluate quality.
- **Reliability (Delivering on Promises):** Ability to perform the promised service dependably and accurately; typically, it means the company deliver the promises about delivery, service provision, problem resolution, and pricing on its premises. The company that can keep its promises will be wanted by customers for doing business, especially promises of core service attributes and service outcome.
- **Responsiveness (Being willing to Help):** Willingness to help customers and provide prompt services; the focus of this dimension is attentiveness and promptness in dealing with requests, questions, complaints, and problems from customers. Length of time in response to customer's assistance, answers to questions, or attention to problem implies how responsiveness is to customer. Besides, this dimension relates to how the service is customized to customer's need and flexibility. Managing the service delivery and request of the customers from their point of view will make it better rather than managing from company's point of view. Additionally, this dimension can be declined if customers wait to access the company via telephone, are put on hold or through complex voice mail system, or face problem in entering the company's websites.
- **Assurance (Inspiring Trust and Confidence):** Knowledge and courtesy of employees and their ability to convey trust and confidence; this dimension is more important for services involving high risk or uncertain feeling in evaluating outcomes perceived by customers. Trust and confidence may be embodied in the person or organization.
- **Empathy (Treating Customers as Individuals):** Caring, individualized attention the firm provided to its customers; the essence is through personalized or customized service for persuading them that they are special and unique and the company understands their needs. In a small service firm, personnel often recognized customer's name and have their relationship built which reflect their

knowledge of customer requirement and preferences. In B2B services, supplier companies are wanted to understand customers’ industries and issues. Although, larger firm owns more resources, the customers perceive the smaller firm in their knowledge about issue and needs of them and being able for offering more customized services.

From 97 items of original ten dimensions to be 22 items of five dimensions, SERVQUAL, the result are of what customers rated as quite important. The correspondence between the original ten and SERVQUAL’s five dimension are exhibited as follows:

Figure 2.1: Correspondences between SERVQUAL Dimension and Original Ten Dimensions for Evaluating Service Quality

Original Ten Dimensions for Evaluating Service Quality	SERVQUAL Dimensions				
	Tangibles	Reliability	Responsiveness	Assurance	Empathy
Tangibles					
Reliability					
Responsiveness					
Competence					
Courtesy					
Credibility					
Security					
Access					
Communication					
Understanding the customers					

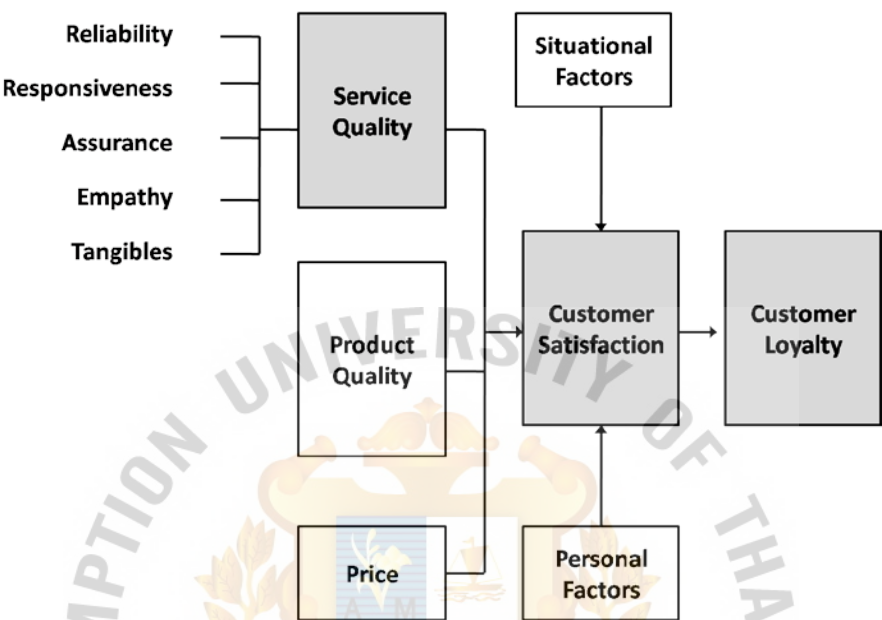
Source: Zeithaml, V.A., Parasuramun A., and Berry, L.L. (1990), “Delivery Quality Service: Balancing Customer Perceptions and Expectation”, 1st edition, p.25

2.1.5.2 Concept of Service Quality

Zeithaml, Bitner, and Gremler (2006) mentioned that the concepts of satisfaction and quality are different in terms of their causes and outcomes. Generally, satisfaction view is a

broader concept while service quality is a focus on dimensions of service. Thus, perceived service quality is a component of customer satisfaction. How perceived quality and customer satisfaction relates is shown in the Figure 2.2 below.

Figure 2.2: Customer Perception of Quality and Customer Satisfaction



Source: Zeithaml, V.A., Bitner, M.J., and Gremler, D.D. (2006), “Services Marketing: Integrating Customer Focus Across The Firm”, 4th International Edition, p.107

Service quality is a focused evaluation that reflects the customer’s perception of the five dimensions while satisfaction is influenced by perception of service quality, product quality, and price as well as situational factors and personal factors.

According to Schiffman and Kanuk (2007), it is more difficult for consumers to evaluate service quality than product quality because of characteristics of services that they are intangible, variable, perishable, and produced and consumed simultaneously. To evaluate, consumers will use cues to evaluate service quality. Marketers try to standardize their services to make it easier to evaluate since quality of service vary from day to day, service employee to service employee. However, that will result in the loss of customization which is valuable to many consumers.

The most widely accepted for evaluating service quality derived from the premise that a consumer’s evaluation of service quality is a function of the magnitude and direction of the

gap between customer's expectation of service and the customer's assessment (perception) of the actual service received. The SERVQUAL scale was designed to measure the gap between expectation and perception of customers about services they received. The scale based on five dimensions which are reliability, responsiveness, assurance, empathy, and tangibles. SERVQUAL dimensions can be grouped into two: the *outcome* dimension focusing on reliability of delivering the core service and the *process* dimension focusing on how the core service is delivered which are employees' responsiveness, assurance, and empathy and the service's tangible aspect.

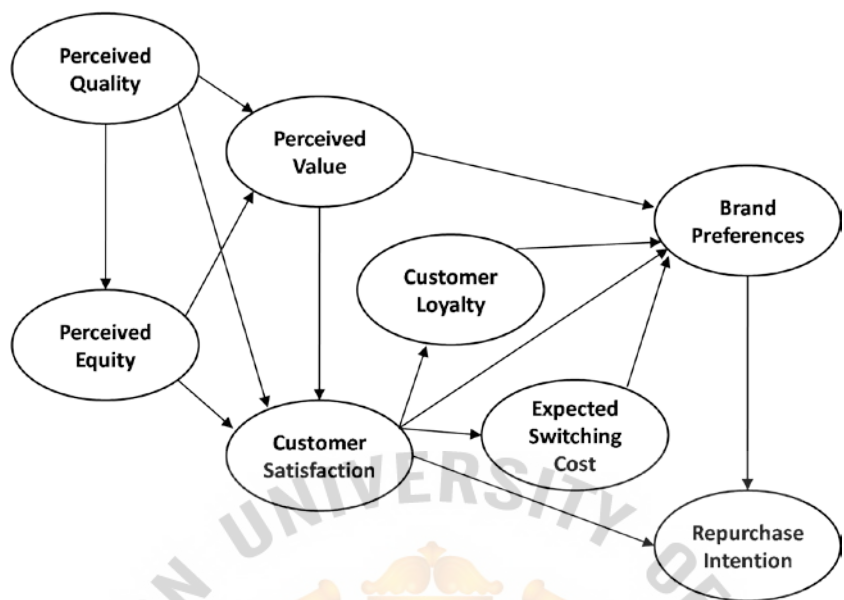
Determinant of whether the consumer remains with the company or defects to a competitors is service quality. If evaluation of service quality is high, intention of customer behavior tend to be favoring the company and they will remain with the company. If evaluation of service quality is low, relationship of customer tend to be weak and the result is they defect to a competitor. Time is another issue to consider for service quality perception since research study discovers that there is a decline in perception of service quality by consumers over time. Perception about tangible dimension of service quality declines the least and that affect buying intention for repeating the service.

2.2 Review of Related Literature

2.2.1 Customer Loyalty and Customer Satisfaction

Hellier, Geursen, Carr, and Rickard (2003) conducted the study "Customer repurchase intention: A general structural equation model" hypothesized that Customer satisfaction has a direct positive effect on customer loyalty of the company. As mentioned in this research paper, customer satisfaction, trust, relationship commitment and continuity can be increased through a series of very positive experience (Bolton, 1998). The finding of this study shows that there is no direct positive effect of customer satisfaction on customer loyalty. However, the result has been in the same way of the more recent research as it is done by (Andreassen and Lindestad, 1998).

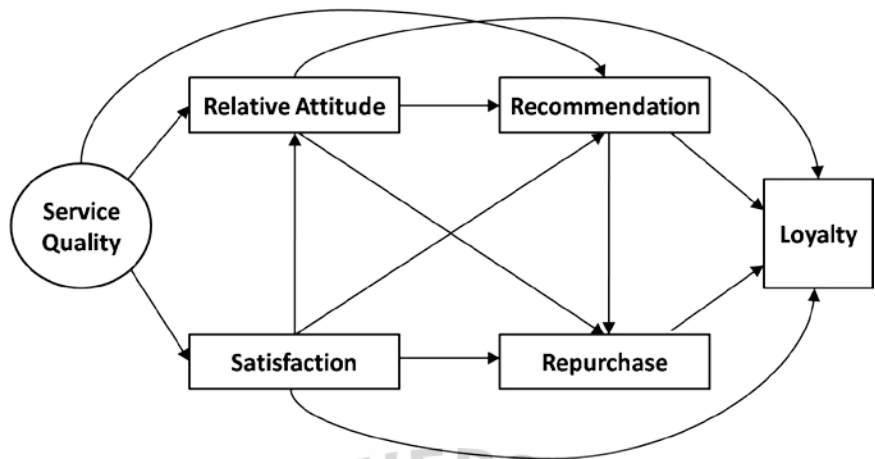
Figure 2.3: Model of the study “Customer Repurchase Intention: A general structural equation model”



Source: Hellier, P.K., Geursen, G.M., Carr, R.A., and Rickard J.A. (2003), “Customer repurchase intention: A general structural equation model”, *European Journal of Marketing*, Vol.37, No.11/12, pp. 1,762-1,800

Siwadas and Beker-Prewitt (2000) studied “An examination of the relationship between service quality, customer satisfaction, and store loyalty” hypothesized that satisfaction has a positive effect on store loyalty. Their objective is to test the relationship between service quality, customer satisfaction, and store loyalty within the concept of a department store context. Their discovery is satisfaction is not found to have a significant direct impact on store loyalty which means satisfaction alone will not always result in loyalty (Jones and Sasser, 1995). However, loyalty will be stimulated by satisfaction to the level that it is a prerequisite for maintaining a favorable relative attitude and for recommending and repurchasing from the store. After the process of recommending to others, the customers tend to be more patronage and loyal to the store.

Figure 2.4.: Model of the study “An examination of the relationship between service quality, customer satisfaction, and store loyalty”



Source: Sivadas, E. and Baker-Pewitt, J.L. (2000) “An examination of the relationship between service quality, customer satisfaction, and store loyalty”, *International Journal of Retail and Distribution Management*, Vol.28. No.2, pp.73-82

2.2.2 Customer Satisfaction and Perceived Service Quality

Hellier, Geursen, Carr, and Rickard (2003) conducted the study “Customer repurchase intention: A general structural equation model” also hypothesized that perceived value of service has a direct positive effect on customer satisfaction. It was found that there is a very strong relationship between perceived value of service and customer satisfaction. Additionally, the finding also added that perceived value is more important than customer satisfaction since it is a factor that influence brand preference both directly and indirectly via satisfaction. Moreover, the result of this study is similar to previous study that the customer expects to receive a benefit greater than the cost. In short, the customer expects to receive value in their purchase of a product or service. The perceived value is altered if the customer experiences more or less than of value than the cost. The customer can be less or more satisfied, which in turn influences subsequent customer value expectations, purchase behavior and overall customer satisfaction (Carr, 1990).

Siwadas and Beker-Prewitt (2000) studied “An examination of the relationship between service quality, customer satisfaction, and store loyalty.” The researchers hypothesized that service quality has a positive effect on satisfaction and the result of their

finding is service quality directly impacts satisfaction. Literature that supports this finding provided that satisfaction is an experience after consumption which compares perceived quality with expected quality, whereas service quality refers to a overall evaluation of a firm's service delivery system (Anderson and Fornell, 1994).

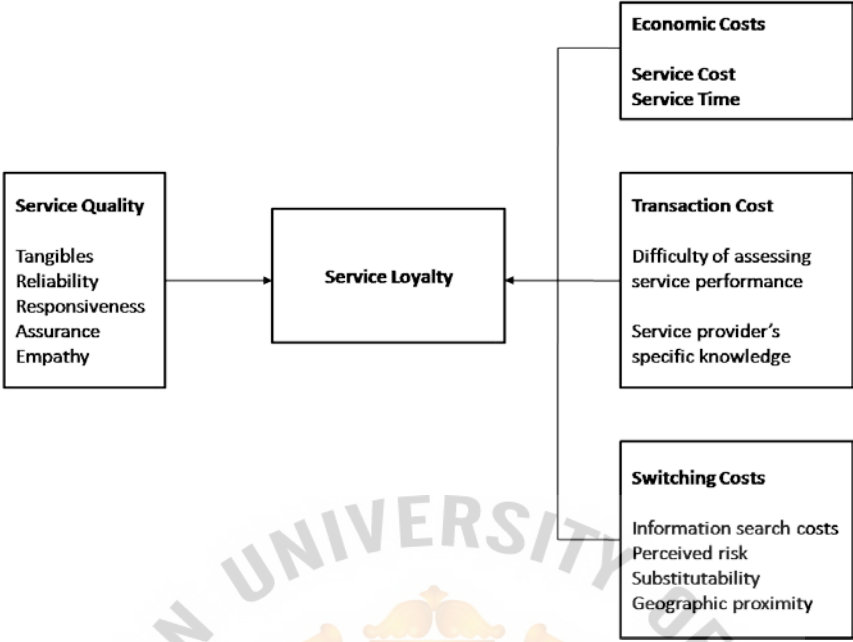
2.2.3 Switching Costs and Customer Loyalty

Lee and Cunningham (2001) conducted the study “A Cost/Benefit Approach to understanding Service Quality”. In this research, the researchers separate switching costs into four factors: Information search cost (INFOCOST), Perceived risk (RISK), substitutability of the service provider (SUBSTITUTE), Geographical proximity to the service provider (PROXIMITY). Thus they hypothesized about switching cost into 4 hypotheses.

The hypotheses are “As the cost of searching information about a substitute increases, service loyalty increases”, “As perceived risk increases in selecting new service provider, service loyalty increases”, “The higher the substitutability of the current service provider, the lower consumers’ intention to repatronize the provider”, and “The less convenient the location of the current service provider, the lower consumers’ intention to repatronize the provider (or the higher consumers’ intention to switch to a new provider).”

The finding of this study is that loyalty increases as perceived risk increases in selecting a new service provider. Moreover, substitutability of current service provider has a significant negative impact on customer loyalty which implies that customers will tend to be lower in repatronization when it is higher in substitutability of the current service provider. Additionally, the lower consumers’ intention to repatronize the provider is when the location of the current service provider is less convenient. This means geographic proximity of current service provider has significant positive influences on service loyalty. Also, the service loyalty increases as the cost of searching information about a substitute increases which implies significant positive influences of information search costs on customer loyalty. However, the finding did not support for as perceived risk increases in selecting new service provider and that implies there is no significant impact of perceived risk on service loyalty.

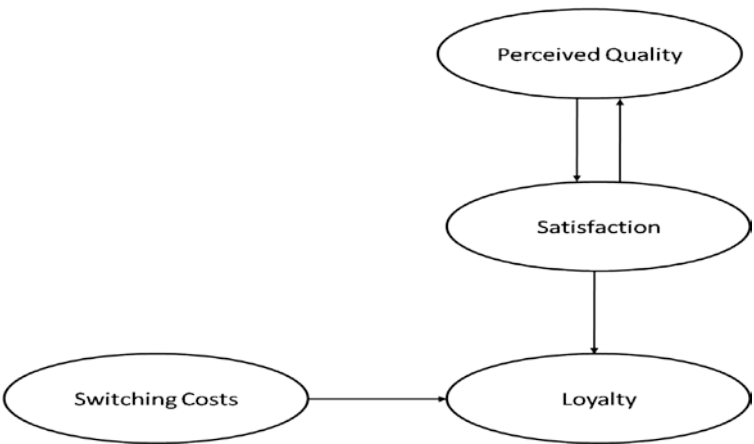
Figure 2.5: Model of the study “A Cost/Benefit Approach to understanding Service Quality”



Source: Lee, M. and Cunningham, L.F. (2001), “A Cost/Benefit Approach to understanding Service Quality”, *Journal of Service Market*, Vol.15, No.2, pp.113-130

In addition to the study of relationship between customer loyalty and switching costs, Beerli, Martin, and Quintana (2004) studied “A model of customer loyalty in the retail banking market” conducted the research to investigate the relationship between perceived quality and satisfaction, satisfaction and loyalty, and switching costs and loyalty. The findings of study are significance for switching costs and satisfaction and loyalty. The greater weight is on satisfaction than switching costs. They found no significant between perceived quality and satisfaction. The conclusion was made that satisfaction is the outcome of the perceived quality and not the vice versa.

Figure 2.6: Model of the Study “A Model of Customer Loyalty in Retail Banking Market”



Source: Beerli, A., Martin, J.D., and Quintana, A. (2004), “A Model of Customer Loyalty in Retail Banking Market”, *European Journal of Marketing*, Vol. 38 No. 1/2, pp. 253-275

2.2.4 Perceived Service Quality and Switching Costs

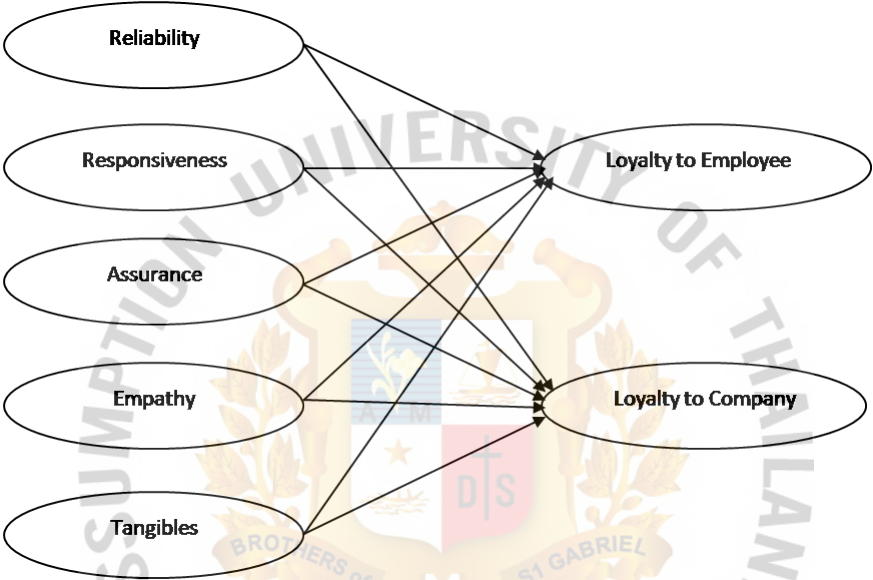
Shin and Kim (2007) studied “Mobile number portability on customer switching behavior: in the case of the Korean mobile market” hypothesized that “Higher level of perceived service is related to lower level of switching” and “Higher level of perceived switching barrier is related to higher level of perceived service”. In their research, switching costs is one of the components of switching barriers. Other components of switching barriers included value-added services, customer support, and opportunity. The data gathered shows that there were more than 2,000 subscribers for mobile phone. The samples were divided into two group; switchers and non-switchers. A survey of 552 was collected and the valid surveys for the study were 490. The result of the study is that service factor is not related to level of switching. Also, higher level of perceived service is not related to switching barriers.

2.2.5 Perceived Service Quality and Customer Loyalty

Lee and Cunningham (2001) studied “A Cost/Benefit Approach to understanding Service Quality” hypothesized that better the perceived service quality, the higher the customers’ intention to repatronize their service provider. The result is service loyalty has a strong impact to service loyalty. Also, Wong and Sohal (2003) studied “Service Quality and Customer Loyalty Perspectives on Two Levels of Retail Relationships” hypothesized that there is a positive relationship between service quality dimensions and customer loyalty to

the company. The result is tangibles dimension is the most significant predictor of customer loyalty. Additionally, reliability, assurance, and empathy are supported for their impacts on customer loyalty but responsiveness has no significant impact to customer loyalty as shown in Figure 2.7.

Figure 2.7: Model of the Study “Service Quality and Customer Loyalty Perspectives on Two Levels of Retail Relationships”



Source: Wong, A. and Sohal, A. (2003), “Service Quality and Customer Loyalty Perspectives on Two Levels of Retail Relationships”, *Journal of Service Marketing*, Vol.17, No.5, pp. 495-513

2.3 Previous Studies

Host and Knie-Andersen (2004), conducted the study “Modeling customer satisfaction in mortgage credit companies”, examined the relationship of service quality and price on customer satisfaction and the affect to customer loyalty and willingness to recommend. The objective of the study was to discover the relationship between service quality and price on customer satisfaction and the effect to customer loyalty and willingness to recommend in the business-to-business context of mortgage credit. The target population is 537 enterprises after removing liquidated company and financial company from database of

Danish enterprises, the largest company in Denmark, whose employee exceeds 300 people. The percentage for pretest is 10% of the population and the use of semi-structural interview was used to get sample size of 145 enterprises that are new to mortgage credit loans. LISREL or structural equation modeling was used in analyzing data. The finding discovered that two out of five dimensions of service quality are significant to customer satisfaction. They are reliability and assurance. Another variable significant to customer satisfaction is price. Customer satisfaction is also significant to loyalty and willingness to recommend and loyalty is significant to willingness to recommend. Then, the model was reduced to examine for significant with the more satisfy result that all are significant. In brief, reliability and assurance of the service quality dimensions and price can determine customer satisfaction. Customer satisfaction is significant to loyalty and willingness to recommend and there is also a significant relationship between loyalty and willingness to recommend.

Aydin and Ozer (2005) studied “The analysis of antecedents of customer loyalty in the Turkish mobile telecommunication market” hypothesized that there is a positive relationship between perceived switching cost and customer loyalty. The objective of the study was to discover the relationships between corporate image, perceived service quality, trust, and customer switching costs and the relationships among these factors in the Turkish GSM sector. Total population was 1,950 mobile phone users in the biggest cities which are Istanbul, Ankara, Izmit and Bursa of Turkey. Sample size was 1,662 GSM subscribers which the number derived after eliminating to examine control questions in the questionnaire form. All measures used a five-point Likert-type response format, with “strongly disagree” to “strongly agree” as the anchors. Confirmatory factor analysis (CFA) was used for establishing the validity of the constructs (Ahire et al., 1996) and reliability analysis was also used. Structural equation modeling (SEM) or LISREL was used to test the hypotheses of the study. The finding was perceived switching cost is positively significant to customer loyalty at 0.01 level of significant. The literature supporting this concept provided that switching costs is a factor that directly influences customers’ sensitivity to price level, and so influences customer loyalty (Jones et al., 2002)

Caruana (2002) studied “the relationship among service loyalty, service quality and customer satisfaction”. Population of the study was Malta’s household. The researcher mailed to 1,000 respondents but the author received back 230 mails back from respondents.

However, the critical number for analysis of LISREL was 200 samples. The number of collected data of his study exceeded the requirement. The questionnaire comprises 37 items. In measuring service loyalty, the study used 12 items and 21 items was measured service quality. The remaining four items were used as a measurement for customer satisfaction. The result was service quality affected service loyalty via customer satisfaction while the direct affects of service quality and service loyalty was not significant.

According to Pateepawanich (2007), the author studied “the relationship between customer satisfaction and customer loyalty: a study of true fitness health club in Bangkok”. The purpose of this study was to investigate the relationships among the five dimensions of service quality, customer satisfaction, and customer loyalty. Target population of this study was members of True fitness health club. The number of sample size was 384 respondents. Moreover, the author collected the data by distributing questionnaire, based on five-point Likert scales, which contained 45 items. The findings supported that there are relationship among these variables.

Vongvet (2007) studied “The relationship between service performance and customer loyalty: a case study of One-Two-Go airline customers”. The objective of this study was studying the relationship between perception of service performance, relative attitude, recommendation, and customer loyalty. Target population for this research was airline passengers who have prior flying experience with One-Two-Go airlines. The sample size was 356 respondents. The data was collected from questionnaire which contained 31 items. All the questions used five-point Likert scales. The result of study showed a significant relationship between perception of service performance, relative attitude, recommendation, and customer loyalty.

Kapil (2005) studied “A Study of Switching Costs to Predict Customer Loyalty on Prepaid Mobile Service: The Advance Info Service (AIS) Experience of Assumption University Students”. The aim of this study explored the relationship between switching costs and customer loyalty. Additionally, switching costs were separated into three categories; informational, contractual, and relational. Target population was Assumption University students. The sample size was 394 respondents. The findings supported that switching costs can predict customer loyalty.

Chapter 3

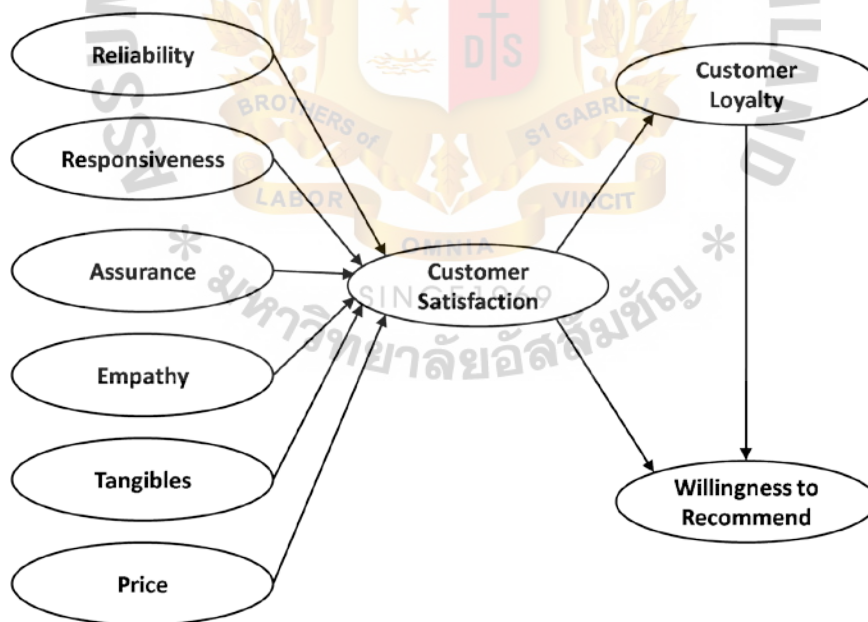
Research Framework

This chapter consists of four parts. First, it starts with theoretical framework, which is a logically developed, described and elaborated network of associations among studied variables. The second part, conceptual framework, is the researcher's own model explaining the independent and dependent variables of the study. The third part, research hypotheses, is the statements specifying the relationship between variables. The last part, operationalization of variables, translates all variables and sub-variables into action.

3.1 Theoretical Framework

This study involves the relationships of perceived service quality, customer satisfaction, and switching costs to customer loyalty. Previous studies that investigated service quality, customer satisfaction, and switching costs showed that these variables had significant impact on customer loyalty.

Figure 3.1: The Model of Customer Satisfaction in Mortgage Credit Companies



Source: Hose, V. and Andersen, M.K. (2004), "Modeling customer satisfaction in mortgage credit companies", *The International Journal of Bank Marketing*, Vol. 22, No. 1, pp. 26-42

According to Hose and Anderson (2004), the researchers mentioned the relationship between service quality dimensions and customer satisfaction. The authors also considered the impact of customer satisfaction toward customer loyalty. This study was conducted in the largest mortgage credit company in Denmark. The findings indicated the significant relationship between service quality in terms of reliability and assurance to customer satisfaction. Customer satisfaction was found to have significant impact toward customer loyalty.

Service Quality Dimensions

According to Parasuramun et al. (1988), service quality is “a global judgment or attitude relating to the overall excellence or superiority of the service”. Additionally, Oliver’s (1980) disconfirmation model was applied to conceptualize a customer’s evaluation of overall service quality as it is a gap between expectation and perception of service performance levels. Moreover, overall service quality performance was proposed to be determined by the measurement scale SERVQUAL that uses five generic dimensions:

- **Tangibles:** The appearance of physical facilities, equipment, personnel, and communications materials
- **Reliability:** The ability to perform the promised service dependably and accurately
- **Responsiveness :** The willingness to help customers and provide prompt service
- **Assurance:** The competence of the system and its credibility in providing a courteous and secure service
- **Empathy:** The approachability, ease of access and effort taken to understand customers’ needs

Price

Cronin and Taylor (1992) stated that the highest quality of services is not necessary condition to be purchased by customers. Services which bring them more satisfaction may

rather be bought. Thus, satisfaction may be influenced by perceived competitiveness of prices and fees while customers' perception of service quality may not actually be affected.

Customer Satisfaction

Cronin and Taylor (1992) defined customer satisfaction as either an overall judgment of satisfaction or given an attribute-specific definition. The latter is based on the assumption that satisfaction is the outcome of service quality.

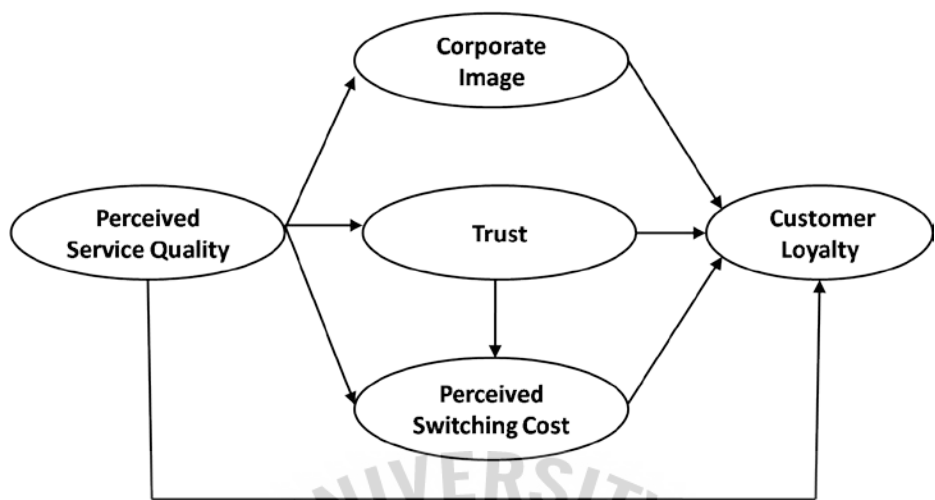
Customer Loyalty

Oliver (1997) defined customer loyalty as “A deeply held commitment to repurchase or repatronize a preferred product/service consistently in the future, thereby causing repetition of same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.”

Willingness to Recommend

Arndt (1968) stated that recommendation is as simply as oral communication to other individual between a communicator's non-commercial perception and a receiver regarding a brand, a product, or a service. Thus, willingness to recommend is the readiness to communicate about a service provider offered by an existing customer who is perceived not to obtain monetary gain from so doing.

Figure 3.2: The Relationship Model among Perceived Service Quality, Corporate Image, Trust, Perceived Switching Cost, and Customer Loyalty



Source: Aydin, S. and Ozer, G. (2005), “The Analysis of Antecedents of Customer Loyalty in the Turkish Mobile Telecommunication Market”, *European Journal of Marketing*, Vol. 39 No. 7/8, pp. 910-925

Aydin and Ozer (2005) tested the relationship between perceived service quality and perceived switching cost in the study. The researcher also studied the impact of perceived switching costs toward customer loyalty. This research was conducted in Turkish mobile telecommunication market. The finding supported that there is a relationship between perceived service quality and perceived switching cost. Additionally, perceived switching costs positively and significantly affect customer loyalty.

Perceived Service Quality

Service quality is “the result of the comparison consumers make between their expectations of a service and their perception of the way the service has been performed (Parasuraman et al. 1988). Cody and Hope (1999) mentioned that the evaluation of service quality is more difficult than the evaluation of product quality. Also, the evaluation may be connected with the service delivery process, along with output.

Corporate Image

Barich and Kotler (1991) defined corporate image as the overall impression made on the minds of the public about a firm. Corporate image is related to the physical and

behavioral attributes of the firm, and the impression of quality communicated by each person interacting with the firm’s clients (Nguyen and Leblanc, 2001). Additionally, Aydin and Ozer (2005) concluded that corporate image is the result of an evaluation process. Although a customer may not have enough information about a firm, information obtained from different sources such as advertisements and word of mouth will influence the process of forming the corporate image.

Trust

Trust occurs when one party believes that the other party’s actions would result in positive outcomes for itself. Consequently, in order to trust a brand, customers should perceive quality as being positive (Anderson and Narus, 1990). It can be concluded that trust plays an important role in affecting loyalty (Gundlach and Murphy, 1993).

Perceived Switching Costs

Shy (2002) stated that markets with switching costs are generally characterized by consumer lock-in, where it is observed that consumers repeatedly purchase the same brand even after competing brands become cheaper. One important consequence of having consumer lock-in is the ability of firms to charge prices above marginal costs. Therefore, switching costs can be described as the sum of economic, psychological and physical cost (Jackson 1985).

Figure 3.3: The Relationship Model among Service Quality, Customer Satisfaction, and Service Loyalty



Source: Caruana, A. (2002), “Service Loyalty: The Effects of Service Quality and Mediating Role of Customer Satisfaction”, *European Journal of Marketing*, Vol.36, No.7/8, pp.811-828

According to Caruana (2002), service quality affects customer satisfaction and service loyalty. The finding was that the mediating role of customer satisfaction is significant for service quality to impact service loyalty. Besides, the researcher discovered that the relationship between service quality and service loyalty was not significant.

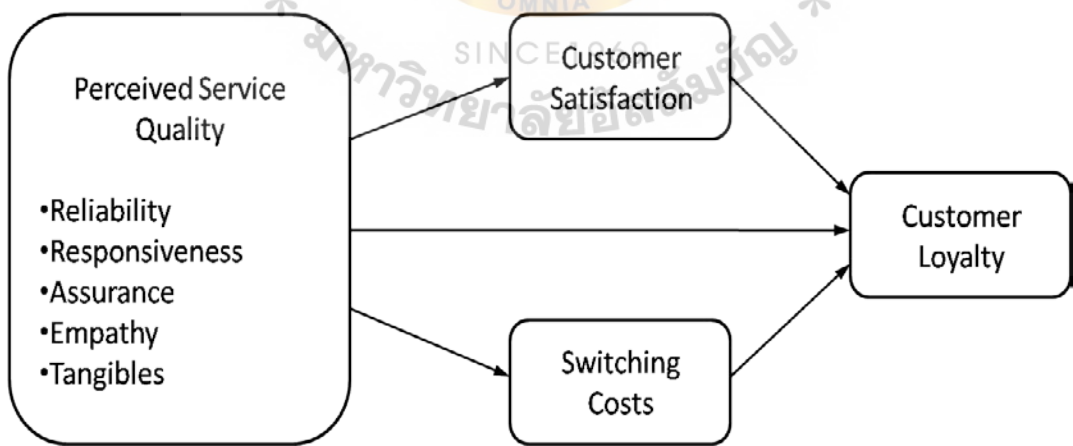
Service Loyalty

Service loyalty is the degree to which a customer exhibits repeat purchase behavior from a service provider possesses a positive attitudinal disposition toward the provider, and considers only using this provider when a need for this service exists (Gremler and Brown 1996).

3.2 Conceptual Framework

In this research, the independent variable is perceived service quality. The dependent variables of this study are customer satisfaction, switching costs, and customer loyalty. The researcher explored the relationship between one independent variable and three dependent variables. Moreover, the researcher investigated the relationships among dependent variables.

Figure 3.4: Conceptual Framework



3.3 Research Hypotheses

According to research objectives of the study, nine hypotheses are identified and generated as follows:

1. H1o: There is no relationship between customer satisfaction and perceived service quality.

H1a: There is a relationship between customer satisfaction and perceived service quality.

2. H2o: There is no relationship between customer loyalty and perceived service quality.

H2a: There is a relationship between customer loyalty and perceived service quality.

3. H3o: There is no relationship between switching costs and perceived service quality.

H3a: There is a relationship between switching costs and perceived service quality.

4. H4o: There is no relationship between customer satisfaction and customer loyalty.

H4a: There is a relationship between customer satisfaction and customer loyalty.

5. H5o: There is no relationship between switching costs and customer loyalty.

H5a: There is a relationship between switching costs and customer loyalty.

3.4 Operationalization of the Variables

Table 3.1: Operationalization of the Demographic variables

Variables	Conceptual Definition	Operationalization	Level of Measurement
Gender	A person's own sense of identification as male or female	-Male -Female	Nominal
Age	The period of time a person has lived. That is the duration of life specific to one person.	-18-20 years old - 21-25 years old - 26-30 years old -30-35 years old -36-40 years old -more than 40 years old	Ordinal
Education	The knowledge or skill level one obtained or developed by a learning process through formal instruction at a school or college. That is the individual's highest education level	-High School -Bachelor Degree -Master Degree -Doctoral degree	Ordinal

Table 3.2: Operationalization of the Independent variables and Dependent variable

Variables	Concept of Definition	Operationalization	Level of Measurement
Assurance	Employees' knowledge and courtesy and their ability to inspire trust and confidence	-The behaviors of employees in the company instills confidence - Feeling safe in your transactions with the company - Employees in the company are consistently courteous -Employees in the company have the knowledge to answer customers the questions	Interval
Customer Satisfaction	Evaluation of a product or service in terms of whether that	- Terakit gave overall satisfaction service - Base on all of your	Interval

	product or service has met the customer's needs and expectation	<p>experience, you were overall satisfied</p> <ul style="list-style-type: none"> - Compared to other shops you have visited, Terakit provided more satisfactory service - In general, I was satisfied 	
Customer Loyalty	The degree to which the customer has exhibited repeat purchase behavior of a particular company service	<ul style="list-style-type: none"> - Seldom consider switching away from Terakit - Really like doing business with Terakit - Terakit is the best to do business with - Try to buy from Terakit every time I need a product - Consider Terakit my primary shop - Believe Terakit is a good company - Encourage relatives and friends to do business with Terakit - Intend to do more business with Terakit - Say positive things about Terakit to others people - Consider Terakit my first choice to buy the products I need - Will continue buying from Terakit - Even if the other shops' price is cheaper, I will go on buying from Terakit 	Interval
Empathy	Caring, individualized attention given to customers	<ul style="list-style-type: none"> - The company gives customers individual attention - The company has the employees who give customers personal attention - The company has the customer best interests at heart - Employees of the company understand customers' specific needs - The company has operating hours that are convenient to all its customers 	Interval

Reliability	Ability to perform the promised service dependably and accurately	<ul style="list-style-type: none"> - When the company promises to do something by a certain time, it does so - When customers have a problem, the company shows a sincere interest in solving it - The company performs the service right the first time - The company provides its service right at the time it promises to do so - The company insists on error-free records 	Interval
Responsiveness	Willingness to help customers and provide prompt service	<ul style="list-style-type: none"> - Employees in the company tell customers exactly when services will be performed - Employees in the company give customers prompted service - Employees in the company are always willing to help customers - Employees in the company are never too busy to respond to customers' requests 	Interval
Switching Costs	Costs, both real and perceived, monetary and nonmonetary, involved in changing to and purchasing from a different firm	<ul style="list-style-type: none"> - Switching to a new operator causes monetary cost - If I switched to a new company, the service offered by the new company might not work as well as expected - To switch to a new operator; I should compare all operators (on account of services, delivery time, billing, etc.) - Even if I have enough information, comparing the operators with each other takes a lot of energy, time and effort 	Interval

Chapter 4

Research Methodology

This chapter consists of six sections which depict the methodology of the study. First, the study explains the research method used. The second section includes respondents and sampling procedure. Third, it comprises research instruments. The fourth section represents the pretest. The fifth section explains the collection of data. Lastly, it is the statistical treatment of the data.

4.1 Methods of Research Used

Zigmund (2003) stated that “the purpose of descriptive research is to describe the characteristics of a population or phenomenon. It also seeks to determine the answers to who, what, when, where, and how questions.” According to this research, the researcher applied descriptive research which was for the purpose of describing characteristic of a population.

This study employed survey technique as Zigmund (2003) mentioned that it is a research technique in which information gathered from a sample of people using a questionnaire. The researcher collected primary data by distributing questionnaires to customers of Terakit Group who are available. The aim is to study the relationships between perceived service quality, customer satisfaction, switching costs, and customer loyalty based on the perception of the respondents.

4.2 Respondents and Sampling Procedures

4.2.1 Target Population

The target population of this research was customer of Terakit Group in the Bangkok metropolitan area who purchased the products from its shops. According to Zikmund (1997), “Target population is the complete group of specific population elements relevant to the research project”. The target population included both males and females who were existing customers of Terakit Group in Bangkok buying the products directly from shops of Terakit Group. The respondents’ age ranged from 18-40 years old to more than 40 years old.

4.2.2 Sample Size

The total customers of Terakit Group in Bangkok who regularly bought the products and received services are 647. The researcher used Taro Yamane Table to estimate the appropriate sample size for the study. As indicated in Table 4.1, it represents the minimum number of the sample size for each range of population. From this table, the number of population fell in the range which was below 800 people and the minimum sample size was 267. This specified at the level of precision or sampling error $\pm 5\%$ and the level of confidence 95%. Hence, the researcher planed to collect the data from 400 respondents as a bigger sample size will be more accurate as mentioned by Zikmund (2003) that “The main reason a large sample size is desirable is that sample size is related to random sampling error. The smaller the sample, the larger the error one can expect in one’s estimates.”

Table 4.1: Taro Yamane showing the sample size for $\pm 3\%$, $\pm 5\%$, $\pm 7\%$, $\pm 10\%$ precision levels where confidence level is 95% and $P=.05$

Size of Population	3%	5%	7%	10%
800	a	267	163	89
900	a	277	166	90
1,000	a	286	169	91
2,000	714	333	185	95
3,000	811	353	191	97
4,000	870	364	194	98
5,000	909	370	196	98
6,000	938	375	197	98
7,000	959	378	198	99
8,000	976	381	199	99

Source: Yamane (1967), “Statistics an Introductory Analysis”, 2nd edition, New York: Harper and Row.

4.2.3 Sampling Procedure

Zikmund (2003) mentioned that sample is a subset, or some part, of a population which allows sampling process to make conclusions regarding the whole population. The purpose of sampling enables researchers to estimate some unknown characteristic of the population. Moreover, Saunders, Lewis, and Thornhill (2000) stated that sampling techniques provide a range method allowing a reduction in the amount of data that the researcher needs to collect by considering only data from a sub-group rather than all possible cases.

According to Table 4.1, the minimum requirement for the range of population under 800 was 267 people. The sample size that the researcher planned to collect the data in this study was 400. They were the customers who bought the products and received the services from shops of Terakit Group. In order to ensure that the respondents were the current customer of Terakit, the researcher took assistance from salespeople of the company to check Terakit Group's database for the customers during the payment process. This helped the researcher in approaching the right target respondents.

In this study, the researcher followed sampling techniques discuss below:

Step 1: Judgment Sampling

The researcher selected this technique on the researcher's judgment to select the sample. The purpose of selection of the samples was based on the judgment of choosing only the current customers of Terakit group. Judgment sample is often called purposive samples because it is expected to serve the research purpose. The sample is selected as it is believed to represent the population. In other words, population elements are purposely selected (Churchill and Iacobucci, 2002). According to Zikmund (2003), judgment sampling is a non-probability technique in which veteran individual chooses the sample from his or her judgment about some appropriate characteristic as it is the requirement of the sample members.

Step2: Quota Sampling

The researcher employed this technique to distribute the questionnaires at selected stores of Terakit Group. The sample size was 400 and the researcher determined to collect from 100 respondents per store as shown in Table 4.2 below:

Table 4.2: Allocation of 400 Respondents by following Quota Sampling Technique

Company (Branch)	Allocated of 400 Respondents
T.Terakit Intertrade co.,Ltd.	100
Terakit Electric Solution co.,Ltd	100
T.Terakit Automation co.,Ltd	100
T.Witchukorn co.,Ltd	100

The researcher aimed to collect the data in the same proportion from the four stores of Terakit Group as stated by Churchill and Iacobucci (2002) that “Quota sample attempt to ensure that the sample is representative by selecting sample elements in such a way that the proportion of the sample elements possesses certain characteristics approximately the same as the proportion of the elements with the characteristic in the population”.

Step 3: Convenience Sampling

The researcher used convenience sampling technique to overcome the obstacle of time and money. The aim of applying this technique was to collect the data from customers of Terakit Group who were available. The number of collected data from customers of Terakit Group was 400. Churchill and Iacobucci (2002) stated that “convenience samples are called accidental samples because those composing the sample enter by accident; they just happen to be where the information for the study is being collected. Additionally, convenience sampling (also called haphazard or accidental sampling) is sampling method for non-probability that obtaining units or people who are most conveniently available. Also, it is for the purpose involving obtaining data quickly and economically (Zikmund, 2003).

4.3 Research Instrument/Questionnaire

In order to collect data, the researcher used a survey method using questionnaire. The purpose of using this survey was to gain the details about customer loyalty of customers of Terakit Group. This questionnaire consisted of five parts. Total number of questions was 47 items.

Part 1: Perceived Service Quality

This section asked the respondents to answer their perception of service quality toward Terakit group. The question of service quality covered five dimensions which are reliability, responsiveness, assurance, empathy, and tangibles. The number of questions was 22 using five- point Likert scales.

Part 2: Switching Costs

This part was designed to measure perception of the customers of Terakit group toward switching costs. Four questions are used to understand their perceptions are 4 items using five-point Likert scales. The respondents were asked to rate their level of agreement for switching costs.

Part 3: Customer Satisfaction

This section required the respondents to rate for their perception about their level of satisfaction. Four questions constitute this section utilizing five-point Likert scales. The purpose of this part was to gain satisfaction level of customers of Terakit group.

Part 4: Customer Loyalty

This part was designed to measure the customers' loyalty to Terakit group. It contains 12 questions using five-point Likert scales. The respondents were asked to rate their level of customer loyalty.

From part 1-4, total number of the questions is 43 items. Five-point Likert scale is used in for service quality, switching costs, customer satisfaction, and customer loyalty. The use of five-point Likert scales is described as follow: Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2 and Strongly Disagree= 1

Part 5: Demographic Profile

This section collected personal information of the respondents. There are five questions which include

- Gender (simple dichotomy question or dichotomous-alternative question; Zikmund (2003) mentioned that “it is a fixed alternative question that requires the respondent to choose one of two alternatives”).)
- Age and Education (determinant-choice question; which is “a type of fixed-alternative question that requires a respondent to choose one (and only one) response from among several possible alternatives” (Zikmund, 2003).)
- Position and Type of business (open-ended question: Zikmund (2003) mentioned that it is “a question that poses some problem and asks the respondent to answer in his or her own words”).)

4.4 Pretest

Churchill and Iacobucci (2002) stated that “pretest is the use of questionnaire on a trial basis in a small pilot study to determine how well the questionnaire works. In addition, pretesting is an established practice for discovering errors in questions, question sequencing instructions, skip directions (Cooper and Schindler, 2001). Furthermore, Vanichbuncha (2001) mentioned that the number of respondents should be at least 25 in conducting a pilot survey. Thus, the researcher used 25 sets of questionnaire for conducting a pretest. The aim is to ensure that the respondents understand all the questions and prevent any ambiguous of the question from leading to misunderstanding and which will result in misinterpretation of the data.

According to Churchill and Iacobucci (2002), “reliability is the similarity of results provided by independent but comparable measures of the same object, trait, or construct.” Additionally, Zigmund (2003) stated that reliability is the degree to which measures are free from error and therefore yield consistent results.” Furthermore, Sekran (2000) considered reliability to get at least 0.6. The result of reliability of this study is shown in Table 4.3 below.

Table 4.3: Reliability Test Results

Part	Reliability
1.Service Quality	0.790
- Reliability	0.655
- Responsiveness	0.668
- Assurance	0.654
- Empathy	0.728
- Tangibles	0.642
2.Switching Costs	0.676
3.Customer satisfaction	0.635
4.Customer Loyalty	0.680

The result for service quality is 0.79 which exceeds 0.6 and that means it is reliable. The five sub-dimensions of service quality are reliable as the Cronbach’s Alpha value exceeds 0.6. Moreover, the results for switching costs, customer satisfaction, and customer loyalty are greater than 0.60 and that means they are reliable to be used for this study.

4.5 Collection of Data

The researcher collected the primary data from 400 respondents at shops of Terakit Group. The time for collection of the data was from 10.00AM – 4.00PM on weekdays. This collection was performed during 25 February – 13 March 2009. In addition, the researcher distributed the questionnaires with the assistance from salespeople. The researcher made ensure that the respondents are existing customers of Terakit Group. The customers were handed over the questionnaire at the time they were waiting for the bill of purchase. Besides, secondary data was collected from articles through accessing online databases, various empirical studies from different journals, many search engines from the Internet, and text books.

4.6 Statistical Treatment of Data

The researcher used the Statistical Package for Social Science (SPSS) to test the hypotheses for both descriptive analysis and inferential analysis. The aim is to analyze the data gathered from the respondents to summarize the result.

Descriptive Analysis

Descriptive statistics are used to describe or summarize information about a population or sample (Zikmund, 2003). According to Pateepawanich (2007), descriptive statistics include frequency, percentage, average mean, and standard deviation.

Inferential Analysis

As mentioned by Zikmund (2003), inferential statistics are used to make inference or judgment about a population on the basis of the sample. It is related to the Pearson Product Moment Correlation using to test the hypotheses (Pateepawanich, 2007). The Pearson Product Moment Correlation (r) is a parametric technique allowing a measure of the strength of association between the two variables. The range of correlation coefficient is from +1.0 to -1.0. Zikmund (2003) stated that if the r value is 1.0, there is a perfect positive linear relationship and if the r value is -1.0, there is a perfect negative linear relationship or a perfect inverse relationship. If r value is 0, there is no correlation. The magnitude of the linear relationship and the direction of the relationship are indicated by correlation coefficient. The details of the value are shown in the Table 4.3. The researcher used the following formula to find the correlation coefficient for two variables X and Y .

$$r_{xy} = r_{yx} = \frac{\sum(X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum(X_i - \bar{X})^2 \sum(Y_i - \bar{Y})^2}}$$

; \bar{X} and \bar{Y} represent the sample means of X and Y ;

Table 4.4: *r* value and the strength of association

Correlation (<i>r</i>)	Interpretation
0	No linear association
1	Perfect positive linear association
0.90 to 0.99	Very high positive correlation
0.70 to 0.89	High positive correlation
0.40 to 0.69	Medium positive correlation
0 to 0.39	Low positive correlation
-1	Perfect negative correlation
0 to -0.39	Low negative correlation
-0.40 to -0.69	Medium negative correlation
-0.70 to -0.89	High negative correlation
-0.90 to -0.99	Very high negative correlation

Source: Hussey, J. and hussy, R. (1997), “*Business Research*”, Macmillan Press Ltd, Basingstoke.

Churchill, Jr. and Iacobucci (2002) mentioned that the concern with the strength of linear relationship between Y and X leads to the notion of correlation coefficient. The two assumptions for correlation model are: First, X is assumed to be a random variable. A sample observation yields both X_i and Y_i . Second, it is assumed that the observation comes from a bivariate normal distribution, which implies that X and Y variables are normally distributed. Besides, there are assumptions of the Pearson correlation coefficient. First, the two variables are assumed to have been measured using interval or ratio scale. Second, the nature of the relationship is linear. Lastly, the variables for analyses come from a bivariate normally distributed population (Hair, Bush, and Ortinau, 2000).

Hypothesis testing of significance

Anderson, Sweeney, and Williams (2007) suggested that “correlation provides a measure of linear association and not necessarily causation. A high correlation between two variables does not mean that changes in one variable will cause change in the other variable. The formula was suggested by Aaker, Kumar, and Day (2001). Also, the authors mentioned that the calculation of correlation coefficient r assumes that the variables, whose relationship is being tested, are metric. If this assumption is not met either partially or completely, it affects the value of r . The test of hypothesis can be performed to check the significance of the relationship between two variables. Thus, the researcher used the test statistic formula for the significance of correlation coefficient as followed.

$$t = r \sqrt{\frac{n-2}{1-r^2}}$$

where the $\alpha = 0.05$ with $n-2$ degree of freedom

The test of hypothesis for correlation coefficient provides the rule to reject the null hypothesis if the t -value is greater than critical value. In other words, the null hypothesis is failed to reject when t -value is less than the critical value (Aaker, Kumar, and Day, 2001). Moreover, Anderson, Sweeney, and Williams (2007) mentioned that α (alpha) is used to denote the level of significance, and common choices for α are .05 and .01. The authors also stated that p -value is a probability ranging from 0 to 1. Small p -value lead to rejection of H_0 whereas large p -values indicate the null hypothesis should not be rejected. H_0 will be rejected if p -value is less than α .

Chapter 5

Presentation of Data and Critical Discussion of Results

This chapter is focused on analyzing the collected data from the questionnaire. A total of 400 questionnaires were distributed to customers of Terakit Group. The analysis of the collected data used SPSS or the Statistical Package for the Social Sciences. There are two parts in this chapter. First part is describing descriptive statistics of the demographic profile. Second part presents inferential analysis.

5.1 Descriptive Analysis for Demographic Factors

The researcher uses descriptive analysis to describe demographic profile and general information of the respondents. Besides, this technique aimed to interpret the data in a way that is easy to understand as Zikmund (2003) mentioned that “descriptive analysis refers to the transformation of raw data into a form that will make them easy to understand and interpret”.

5.1.1 Analysis of Demographic Factors

In this study, the researcher analyzes demographic factors by using frequency and percentage. They are gender, age, education level, position, and type of business. The result is shown in Table 5.1 as follow:

Table 5.1: The Analysis of Demographic Factors by using Frequency and percentage

Variables	Frequency	Percentage
Gender:		
Male	235	58.8
Female	165	41.2
Age:		
18-20 years old	34	8.5
21-25 years old	73	18.2
26-30 years old	112	28.0
31-35 years old	92	23.0
36-40 years old	50	12.5
More than 40 years old	39	9.8

Education:		
High School	130	32.5
Bachelor's degree	237	59.2
Master's Degree	33	8.2
Position:		
Technician	51	12.8
Maintenance	60	15.0
Engineer	127	31.8
Contractor	36	9.0
Purchasing	79	19.8
Store	7	1.8
Sales	23	5.8
Administrative	17	4.2
Type of Business:		
Manufacturing	237	59.2
Trading	148	37.0
Service	15	3.8

From Table 5.1, the male respondents are more than female respondents. Males constitute 58.8% or 235 respondents and females represent 135 which accounted for 41.2% of total respondents.

Age of the respondents is mostly in the range of “26-30 years old” represented by 28% or 112 respondents, the second highest percentage are respondents “31-35 years old” constituting 23% or 92 respondents, followed by “21-25 years old” represented by 18.2% or 73 respondents, “36-40 years old” represented by 12.5% or 50 respondents, “more than 40 years old” represented by 9.8% or 39 respondents, and “19-20 years old” represented by 8.5% or 34 respondents respectively.

The highest percentage for education level of the respondents is “Bachelor degree” represented by 59.2% or 237 respondents, “high school” represented by 32.5% or 130 respondents, and “Master degree” represented by 8.2% or 33 respondents respectively.

The highest percentage of position is “engineer” represented by 31.8% or 127 respondents, “purchasing” represented by 19.8% or 79 respondents, “maintenance” represented by 15% or 60 respondents, “technician” represented by 12.8% or 51 respondents, “contractor” represented by 9% or 36 respondents, “sales” represented by 5.8% or 23 respondents, the “administrative” represented by 4.2% or 17 respondents, “store” represented by 1.8% or 7 respondents respectively.

The highest percentage for type of business is 59.2% for “manufacturing” which accounts for 237 respondents, “trading” has the percentage of 37% or 148 respondents, and the percentage for “service” is 3.8% which accounts for 15 respondents respectively.

5.1.2 Analysis of General Information

Table 5.2: The Analysis of Perceived Service Quality by using Mean and Standard Deviation

Descriptive Statistics			
Service Quality	N	Mean	Std. Deviation
Terakit promises to do something by a certain time	400	3.92	.600
Terakit shows a sincere interest in solving a problems	400	3.86	.581
Terakit performs the service right the first time	400	3.84	.645
Terakit provides its service right at the time it promises	400	3.86	.535
Terakit insists on error-free records	400	3.83	.607
Employees tell you exactly when services will be performed	400	3.84	.508
Employees give you prompted service	400	3.94	.608
Employees are always willing to help you	400	3.93	.607
Employees are never too busy to respond to your requests	400	3.95	.607
The behaviors of employees instills confidence	400	3.88	.680
You feel safe in transactions	400	3.83	.603
Employees are consistently courteous with you	400	4.02	.658
Employees have the knowledge to answer your questions	400	4.00	.699
Terakit gives you individual attention	400	3.79	.516
Terakit has the employees who give you personal attention	400	3.96	.589
Terakit has your best interests at heart	400	3.90	.654
Employees understand your specific needs	400	3.86	.574
Terakit has convenient operating hours	400	3.95	.530
Terakit has modern looking shop	400	3.85	.740
Terakit's facilities are visually appealing	400	3.93	.625
Terakit's employees are neat appearing	400	3.88	.569
Materials associated with the service are visually appealing	400	3.98	.669
MeanSERVQUAL	400	3.8988	.26916
Valid N (listwise)	400		

From Table 5.2, The highest mean score for service quality is from the question “Employees are consistently courteous with you” with the score 4.02, the second highest mean score is from the question “Employees have the knowledge to answer your questions” with the score 4.00, and the third highest mean score is from the question “Terakit has the employees who give you personal attention” with the score 3.96. However, the lowest mean score, 3.79, is from the question “Terakit gives you individual attention”. The overall mean of service quality is 3.89 which mean the customers perceived service quality of Terakit group in the moderate to satisfactory level.

Table 5.3: The Analysis of Reliability by using Mean and Standard Deviation

Descriptive Statistics			
Reliability	N	Mean	Std. Deviation
Terakit promises to do something by a certain time	400	3.92	.600
Terakit shows a sincere interest in solving a problems	400	3.86	.581
Terakit performs the service right the first time	400	3.84	.645
Terakit provides its service right at the time it promises	400	3.86	.535
Terakit insists on error-free records	400	3.83	.607
MeanRELI	400	3.8610	.38111
Valid N (listwise)	400		

From the Table 5.3, the highest mean for reliability was from the item “Terakit promises to do something by a certain time” with the score 3.92, while the mean score 3.86 is from the items “Terakit shows a sincere interest in solving a problems” and “Terakit provides its service right at the time it promises”, and the mean score 3.84 is from the item “Terakit performs the service right the first time” respectively. However, the lowest mean score, 3.83, is from the item “Terakit insists on error-free records”. The overall mean for reliability is 3.86 which mean customers rate reliability of services of Terakit Group as neutral to satisfactory.

Table 5.4: The Analysis of Responsiveness by using Mean and Standard Deviation

Descriptive Statistics			
Responsiveness	N	Mean	Std. Deviation
Employees tell you exactly when services will be performed	400	3.84	.508
Employees give you prompted service	400	3.94	.608
Employees are always willing to help you	400	3.93	.607
Employees are never too busy to respond to your requests	400	3.95	.607
MeanRESP	400	3.9125	.42276
Valid N (listwise)	400		

Table 5.4 illustrates that the highest mean for reliability is from the item “Employees are never too busy to respond to your requests” with the score 3.95, while the second highest mean score is from the item “Employees give you prompted service” with the score 3.94, and the third highest mean score is from the item “Employees are always willing to help you” with the score 3.93. However, the lowest mean score, 3.84, is from the item “Employees tell you exactly when services will be performed”. The overall mean for responsiveness is 3.91 which imply level of customer toward Terakit Group’s responsiveness of service as moderate to satisfactory.

Table 5.5: The Analysis of Assurance by using Mean and Standard Deviation

Descriptive Statistics			
Assurance	N	Mean	Std. Deviation
The behaviors of employees instills confidence	400	3.88	.680
You feel safe in transactions	400	3.83	.603
Employees are consistently courteous with you	400	4.02	.658
Employees have the knowledge to answer your questions	400	4.00	.699
MeanASSU	400	3.9319	.46851
Valid N (listwise)	400		

Table 5.5 shows that the highest mean for assurance, 4.02, is from the item “Employees are consistently courteous with you”, while the second highest mean score, 4.00

is from the item “Employees have the knowledge to answer your questions”, and the third highest mean score, 3.88, is from the item “The behaviors of employees instills confidence”. However, the lowest mean score, 3.83, is from the item “You feel safe in transactions”. The overall mean for assurance is 3.93 which imply that customers of Terakit Group perceive assurance as moderate to satisfactory.

Table 5.6: The Analysis of Empathy by using Mean and Standard Deviation

Descriptive Statistics			
Empathy	N	Mean	Std. Deviation
Terakit gives you individual attention	400	3.79	.516
Terakit has the employees who give you personal attention	400	3.96	.589
Terakit has your best interests at heart	400	3.90	.654
Employees understand your specific needs	400	3.86	.574
Terakit has convenient operating hours	400	3.95	.530
MeanEMPA	400	3.8905	.36803
Valid N (listwise)	400		

Table 5.6 illustrates that the highest mean score for assurance, 3.96, is from the item “Terakit has the employees who give you personal attention”, the mean score 3.95 is from the item “Terakit has convenient operating hours”, the mean score 3.90 is from the item “Terakit has your best interests at heart”, the mean score 3.86 is from the item “Employees understand your specific needs” respectively. However, the lowest mean score, 3.79, is from the item “Terakit gives you individual attention”. The overall mean for empathy is 3.89 which mean that customers of Terakit Group perceive empathy as moderate to satisfactory.

Table 5.7: The Analysis of Tangibles by using Mean and Standard Deviation

Descriptive Statistics			
Tangibles	N	Mean	Std. Deviation
Terakit has modern looking shop	400	3.85	.740
Terakit's facilities are visually appealing	400	3.93	.625
Terakit's employees are neat appearing	400	3.88	.569
Materials associated with the service are visually appealing	400	3.98	.669
MeanTANG	400	3.9094	.45788
Valid N (listwise)	400		

Table 5.7 illustrates that the highest mean score for tangibles, 3.98, is from the item “Materials associated with the service are visually appealing”, while the second highest mean score, 3.93 is from the item “Terakit's facilities are visually appealing”, and the third highest mean score, 3.88, is from the item “Terakit's employees are neat appearing”. However, the lowest mean score, 3.85, is from the item “Terakit has modern looking shop”. The overall mean for tangibles is 3.89 which mean that customers of Terakit Group perceive empathy as moderate to satisfactory.

Table 5.8: The Analysis of Switching Costs by using Mean and Standard Deviation

Descriptive Statistics			
Switching Costs	N	Mean	Std. Deviation
Switching to a new shops causes monetary cost	400	3.90	.738
The service offered by the new shop might not well if switching	400	3.97	.667
To switch to a new shop, I should compare all shops	400	3.92	.589
Comparing the shops takes a lot of energy, time, and effort	400	4.03	.675
MeanSC	400	3.9544	.48306
Valid N (listwise)	400		

From the Table 5.8, the highest mean score for switching costs, 4.03, is from the item “Comparing the shops takes a lot of energy, time, and effort”, the mean score 3.97 is from the item “The service offered by the new shop might not well if switching”, and the mean score

3.92 is from the item “To switch to a new shop, I should compare all shops”, and the mean score 3.90 is from the item “Switching to a new shops causes monetary cost” respectively. The overall mean of switching costs is 3.95 which imply that the customers of Terakit Group perceive switching costs as moderate to strongly agree.

Table 5.9: The Analysis of Customer Satisfaction by using Mean and Standard Deviation

Descriptive Statistics			
Customer Satisfaction	N	Mean	Std. Deviation
Terakit gave overall satisfaction service	400	4.02	.577
Base on all of your experience, you were overall satisfied	400	4.00	.562
Terakit provided more satisfactory service comparing to others	400	3.85	.587
In general, I was satisfied	400	4.06	.655
MeanCS	400	3.9819	.40495
Valid N (listwise)	400		

Table 5.9 illustrates the highest mean score for customer satisfaction, 4.06, is from the item “In general, I was satisfied”, while the mean score 4.02 is from the item “Terakit gave overall satisfaction service”, and the mean score, 4.00, is from the item “Base on all of your experience, you were overall satisfied”, and the mean score, 3.85, is from the item “Terakit provided more satisfactory service compared to others” respectively. The overall mean of customer satisfaction is 3.98 which imply the customers of Terakit group level of agreement are moderate to strongly agree.

Table 5.10: The Analysis of Customer Loyalty by using Mean and Standard Deviation

Descriptive Statistics			
Customer Loyalty	N	Mean	Std. Deviation
I seldom consider switching away	400	3.76	.652
I really like doing business with Terakit	400	3.74	.807
Terakit is the best to do business with	400	3.75	.621
I try to buy from Terakit every time I need a product	400	3.83	.645
I consider Terakit my primary shop	400	3.92	.605
I believe Terakit is a good company	400	3.95	.675
I encourage relatives and friends to do business with Terakit	400	3.81	.656
I intend to do more business with Terakit	400	3.80	.636
I say positive things about Terakit to others people	400	3.88	.610
I consider Terakit my first choice to buy the products I need	400	4.01	.737
I will continue buying from Terakit	400	3.97	.702
Even if the other shops' price is cheaper, I will go on buying from Terakit	400	3.90	.745
MeanCL	400	3.8596	.41703
Valid N (listwise)	400		

Table 5.10 illustrates the highest mean for customer loyalty, 4.01, is from the item “I consider Terakit my first choice to buy the products I need”, while the second highest mean score, 3.97, is from the item “I will continue buying from Terakit”, and the mean score, 3.95, is from the item “I believe Terakit is a good company”. However, the lowest the mean score, 3.74, is from the item “I really like doing business with Terakit” respectively. The mean of customer loyalty is 3.98 which imply that the customers of Terakit group level of agreement are moderate to strongly agree.

5.2 Hypotheses Testing

In this study, the researcher uses Pearson Correlation to test all hypotheses. The purpose is to measure the correlation between perceived service quality, switching costs, customer satisfaction, and customer loyalty. Besides, the aim is to identify linear relationship between these variables.

Hypothesis 1:

H1o: There is no relationship between customer satisfaction and perceived service quality.

H1a: There is a relationship between customer satisfaction and perceived service quality.

Table 5.11: The Analysis of Relationship between Customer Satisfaction and Perceived Service Quality by using Pearson product Moment Correlation Coefficient (Bivariate)

Correlations			
		SERVQUAL	CS
SERVQUAL	Pearson Correlation	1.000	.248**
	Sig. (2-tailed)		.000
	N	400.000	400
CS	Pearson Correlation	.248**	1.000
	Sig. (2-tailed)	.000	
	N	400	400.000

** . Correlation is significant at the 0.01 level (2-tailed).

The analysis of Pearson correlation in Table 5.11 indicates that the significance is equal 0.000 which is less than 0.01 ($0.000 < 0.01$). It means that the null hypothesis was rejected. Then, there is a relationship between customer satisfaction and perceived service quality at the 0.01 level of significance.

Coefficient of correlation value 0.248 means that there is weak positive relationship between customer satisfaction and perceived service quality or the two variables move in the same direction. The implication of the result is that if perceived service quality increases, customer tends to be more satisfied.

Hypothesis 2:

H2o: There is no relationship between customer loyalty and perceived service quality.

H2a: There is a relationship between customer loyalty and perceived service quality.

Table 5.12: The Analysis of Relationship between Customer Loyalty and Perceived Service Quality by using Pearson product Moment Correlation Coefficient (Bivariate)

Correlations			
		SERVQUAL	CL
SERVQUAL	Pearson Correlation	1.000	.584**
	Sig. (2-tailed)		.000
	N	400.000	400
CL	Pearson Correlation	.584**	1.000
	Sig. (2-tailed)	.000	
	N	400	400.000

** . Correlation is significant at the 0.01 level (2-tailed).

The analysis of Pearson correlation in Table 5.12 indicates that the significance is equal 0.000 which is less than 0.01 ($0.000 < 0.01$). It means that the null hypothesis was rejected. Then, there is a relationship between customer loyalty and perceived service quality at the 0.01 level of significance.

Coefficient of correlation value 0.584 means that there is moderate positive relationship between customer loyalty and perceived service quality or the two variables move in the same direction. The implication of the result is that if perceived service quality increases, customer tends to be more loyal.

Hypothesis 3:

H3o: There is no relationship between switching costs and perceived service quality.

H3a: There is a relationship between switching costs and perceived service quality.

Table 5.13: The Analysis of Relationship between Switching Costs and Perceived Service Quality by using Pearson product Moment Correlation Coefficient (Bivariate)

Correlations			
		SERVQUAL	SC
SERVQUAL	Pearson Correlation	1.000	.532**
	Sig. (2-tailed)		.000
	N	400.000	400
SC	Pearson Correlation	.532**	1.000
	Sig. (2-tailed)	.000	
	N	400	400.000

** . Correlation is significant at the 0.01 level (2-tailed).

The analysis of Pearson correlation in Table 5.13 indicates that the significance is equal 0.000 which is less than 0.01 ($0.000 < 0.01$). It means that the null hypothesis was rejected. Then, there is a relationship between switching costs and perceived service quality at the 0.01 level of significance.

Coefficient of correlation value 0.532 means that there is moderate positive relationship between switching costs and perceived service quality or the two variables move in the same direction. The implication of the result is that if perceived service quality increases, switching costs for customers tend to be higher.

Hypothesis 4:

H4o: There is no relationship between customer satisfaction and customer loyalty.

H4a: There is a relationship between customer satisfaction and customer loyalty.

Table 5.14: The Analysis of Relationship between Customer Satisfaction and Customer loyalty by using Pearson product Moment Correlation Coefficient (Bivariate)

Correlations			
		CS	CL
CS	Pearson Correlation	1.000	.364**
	Sig. (2-tailed)		.000
	N	400.000	400
CL	Pearson Correlation	.364**	1.000
	Sig. (2-tailed)	.000	
	N	400	400.000

** . Correlation is significant at the 0.01 level (2-tailed).

The analysis of Pearson correlation in Table 5.14 indicates that the significance is equal 0.000 which is less than 0.01 ($0.000 < 0.01$). It means that the null hypothesis was rejected. Then, there is a relationship between customer satisfaction and customer loyalty at the 0.01 level of significance.

Coefficient of correlation value 0.364 means that there is weak positive relationship between customer satisfaction and customer loyalty or the two variables move in the same direction. The implication of the result is that if customers' level of satisfaction is higher, loyalty will be increased.

Hypothesis 5:

H5o: There is no relationship between switching costs and customer loyalty.

H5a: There is a relationship between switching costs and customer loyalty.

Table 5.15: The Analysis of Relationship between Switching Costs and Customer loyalty by using Pearson product Moment Correlation Coefficient (Bivariate)

Correlations			
		SC	CL
SC	Pearson Correlation	1.000	.382**
	Sig. (2-tailed)		.000
	N	400.000	400
CL	Pearson Correlation	.382**	1.000
	Sig. (2-tailed)	.000	
	N	400	400.000

** . Correlation is significant at the 0.01 level (2-tailed).

The analysis of Pearson correlation in Table 5.15 indicates that the significance is equal 0.000 which is less than 0.01 ($0.000 < 0.01$). It means that the null hypothesis was rejected. Then, there is a relationship between switching costs and customer loyalty at the 0.01 level of significance.

Coefficient of correlation value 0.364 means that there is weak positive relationship between switching costs and customer loyalty or two variables move in the same direction. The implication of the result is that if customers' switching costs are higher, loyalty will be increased.

Table 5.16: Summary of Hypotheses Testing Results

Hypothesis	Level of Significant	Correlation Coefficient	Result
H1o: There is no relationship between customer satisfaction and perceived service quality.	0.000	0.248**	Reject H _o
H2o: There is no relationship customer loyalty and between perceived service quality.	0.000	0.584**	Reject H _o
H3o: There is no relationship between switching costs and perceived service quality.	0.000	0.532**	Reject H _o
H4o: There is no relationship between customer satisfaction and customer loyalty.	0.000	0.364**	Reject H _o
H5o: There is no relationship between switching costs and customer loyalty.	0.000	0.382**	Reject H _o

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Chapter 6

Summary, Conclusion, and Recommendations

This chapter presents the summary, discussion and implication, conclusion, recommendations, and further study. All of the information provided is based on the finding of the study. There are five parts. First, it is the summary of findings about research questions and hypotheses. The second part provides the discussion and implications of the study by referring to other's research findings. The third part is the conclusion. The fourth part suggests the recommendations as a result of the findings. Finally, suggestions for further study are provided.

6.1 Summary of Findings

This section provides the summary of the finding in two parts: Demographic factors and the result of hypotheses testing.

6.1.1 Summary of Demographic Factors

The finding of this study shows the majority of demographic factor and the summarized data is based on 400 respondents. Majority of gender in this study are males which accounted for 58.8% or 235 respondents. Most of the respondents are in the age level of "26-30 years old" which accounted for 28% or 112 respondents. Besides, the majority of the respondents, 59.2%, level of education are bachelor's degree. Most of the respondents are "engineer" represented by 31.8% or 127 respondents. Moreover, majority of the respondents (59.2% or 237 respondents) are working in manufacturing business.

6.1.2 Summary of the Hypotheses Testing Results

This study investigates the relationship between perceived service quality, switching costs, customer satisfaction, and customer loyalty of Terakit group's customers in Bangkok. The summary of the findings are as follow:

Hypothesis one testing concluded that there is a relationship between customer satisfaction and perceived service quality of Terakit Group's customers in Bangkok. The correlation coefficient was 0.248 which indicated a weak positive relationship.

Hypothesis two testing concluded that there is a relationship between customer loyalty and perceived service quality. The correlation coefficient was 0.584 which indicated a moderate positive relationship.

Hypothesis three testing concluded that there is a relationship between switching costs and perceived service quality. The correlation coefficient was 0.532 which indicated a moderate positive relationship.

Hypothesis four testing concluded that there is a relationship between customer satisfaction and customer loyalty. The correlation coefficient was 0.364 which indicated a weak positive relationship.

Hypothesis five testing concluded that there is a relationship between switching costs and customer loyalty. The correlation coefficient was 0.382 which indicated a weak positive relationship.

6.2 Discussion and Implications

From the finding of this study, perceived service quality has the relationship with customer satisfaction, customer loyalty, and switching costs.

Parasuramun et al. (1988) defined service quality as the degree of discrepancy between customers' normative of expectations for the service and their perceptions of the service performance. Therefore, perceived service quality was described as the differences in degree and direction of perception and expectation.

From the findings, the researcher found that the hypothesis one result indicated a significant relationship between customer satisfaction and perceived service quality. This finding is similar to the study "Customer Repurchase Intention: A General Structural Equation Model" by Hellier, Geursen, Carr, and Rickard (2003). The researchers found the relationship between perceived quality and customer satisfaction. Therefore, the implication is the customer satisfaction will derive when the customers perceived the quality of service.

Satisfaction is an experience about the post consumption that compares between perceived and expected quality, while service quality is regarded as an overall evaluation of a firm's service delivery system (Anderson and Fornell, 1994). Bolton and Drew (1994) stated

that customer satisfaction is based on pre-existing attitudes about service quality”. Also, Anderson et al. (1994) suggested that improved service quality will result in a satisfied customer.

The result of Hypothesis two indicated a significant relationship between customer loyalty and perceived service quality. The finding is supported as it obtained similar result to the study “A Cost/Benefit Approach to understanding Service Quality” by Lee and Cunningham (2001). The researchers explored there is a significant relationship between service quality and service loyalty. Moreover, the result implied the strategy for the company to increase customer loyalty by providing good quality of service based on the five dimensions. The better it is for the service quality, the more it is for the customer loyalty.

Bloemer et al. (1998) considered that there is a positive relationship between service quality and repurchase intention, recommendation, and resistance to better alternatives. All these factors are behavioral intentions which lead to customer loyalty. Thus, it is proposed that service quality has a positive effect on customer loyalty. Besides, service quality enhances customers’ inclination to buy again, to buy more, to buy other services, to become less price-sensitive and to tell others about their favorable experiences (Venetis and Ghauri, 2000). Therefore, service quality is an antecedent of service loyalty (Lee and Cunningham, 2001).

The findings of Hypothesis three indicated a significant relationship between switching costs and perceived service quality. The finding is supported as it is similar to result obtained in the study “The Analysis of Antecedents of Customer Loyalty in the Turkish Mobile Telecommunication Market” by Aydin and Ozer (2005). The researchers discovered the impact of perceived service quality on perceived switching costs. Thus, it is similar to the researcher’s finding. The result implies that the better service quality will increase customers’ switching costs. The logic may be involved with some involvement of the customer for service quality of the company. If switching to the new service provider occurs, customers may not receive the good treatment as the existing provider offer to them.

Switching cost is the sum of economic, psychological and physical costs (Jackson, 1985). Aydin and Ozer (2005) proposed that switching cost can be seen as a cost that deters customers from demanding a rival firm’s brand. Lee and Cunningham (2001) mentioned that

switching costs is anticipated to incur in the future while the costs that occur presently are economic and transaction costs. Also, service loyalty is based on past experience and future anticipations. Thus, the researchers suggested that switching costs are the determinant of service loyalty or it is the antecedents of service loyalty.

Hypothesis four of this study found that there is a significant relationship between customer satisfaction and customer loyalty. Besides, Caruana (2002) who studied “Service Loyalty: The Effects of Service Quality and Mediating Role of Customer Satisfaction” explored that service loyalty can affect customer satisfaction. Thus, this result implied the similar finding to the researcher’s study. The implication is that the more the customer satisfied, they will be more loyal to the company. Thus, the company needs to manage with customer satisfaction very well in order to make the customers loyal to its organization. Also, the provision of better satisfaction provided can turn the customers to be loyal.

High customer satisfaction will result in increased loyalty for the firm and customers will be less prone to overtures from competition (Fornell, 1992). Several studies have shown a positive association between customer satisfaction and intention to repurchase from the supplier who was responsible for the initial level of satisfaction (Soderlund, 1998). Many studies, particularly in a customer satisfaction context, have dealt with attitudinal loyalty and not behavioral loyalty as stated by Hose and Knie-Andersen (2004). In addition, the researchers indicated the result that customer satisfaction makes impact on customer loyalty.

This study discovered that there is a relationship between switching costs and customer loyalty in hypothesis five. It can be summarized to have the same result which supports the hypothesis five finding of this study. Moreover, Beerli, Martin, and Quintana (2004) who studied “A Model of Customer Loyalty in Retail Banking Market” found a significant impact of switching cost on customer loyalty. The relationship between switching costs and customer loyalty provides the implication that the firm can keep loyal customer by increasing switching costs high. When there is a high switching cost, the customers will be more reluctant to switch to the rival’s firms of the company.

Brand loyalty increases considerably when switching costs and customer satisfaction converge, although a competitor will find it more difficult to capture a customer of a rival

brand when the customer's loyalty is based on satisfaction than when it is based on switching costs (Wernerfelt, 1991).

6.3 Conclusion

The purpose of this study was to investigate the relationship between perceived service quality, customer satisfaction, switching costs, and customer loyalty of customers of Terakit Group in Bangkok. The 400 respondents were existing customers of Terakit group. The researcher selected judgment sampling technique as to get the right respondents of the study. Then, quota sampling technique was used to allocate 100 respondents (out of 400 respondents) each to 4 stores of Terakit Group. Lastly, convenient sampling was used to distribute the questionnaire to those who are available to respond to the material handed in. There are five hypotheses of this research. All of the hypotheses were tested by using SPSS program. In order to investigate the relationship between variables, Pearson Correlation Coefficient was employed. The results show that perceived service quality has a positive relationship between customer satisfaction, switching costs, and customer loyalty. Besides, there were relationships between switching costs and customer loyalty, and customer satisfaction and customer loyalty. Moreover, the linear relationship between the variables move in the same direction, it implied that an increase in one variable would lead to increase in other. Thus, if Terakit Group improves its service quality, their customers will be more satisfied and loyal. Also, when its service quality improved, switching costs tends to be higher for the customer. As a consequence, when switching costs is high or customers are more satisfied, they will be more loyal to Terakit Group. It can be concluded that Terakit Group can increase its customer loyalty by considering service quality, customer satisfaction, and switching costs. The well-management of these variables can make its customers to be more loyal.

6.4 Recommendations

From the findings of this study, customer loyalty can be affected by perceived service quality, switching costs, and customer satisfaction. Also, perceived service quality can impact on switching costs and customer satisfaction. Thus, Terakit group should focus on improving these variables. Terakit Group should focus on service quality as it can lead to customer satisfaction and customer loyalty as Beerli, Martin, and Quintana (2004) suggested that

perceived quality is a consequence of satisfaction. Also, satisfaction and switching costs can be regarded as loyalty antecedents. Five dimensions of service quality should be considered as important to influence these consequences. The assurance dimension should be maintained as it shows highest mean among other dimensions of service quality. However, the empathy should be improved as the finding indicated the lowest mean compared to other dimensions. Terakit Group is advised to improve by providing the employees to offer the services. Besides, the researchers suggested that service quality influences the likelihood of recommending the store to others. Furthermore, service quality and satisfaction, influence the likelihood of recommending a department store; and consumers who are more likely to recommend a department store also tend to be more loyal to that store. Moreover, service quality can affect loyalty as Lee and Cunningham (2001) suggests that customer's loyalty is determined by his or her perception of service quality. Terakit Group needs to consider importance of service quality in order to have customer satisfaction and loyalty toward its company. Additionally, Aydin and Ozer (2005) stated that "perceived service quality affects perceived switching costs both directly and indirectly. Also, as Beerli, Martin, and Quintana (2004) mentioned that switching costs can be regarded as loyalty antecedents. Thus, if Terakit Group improves its service quality, switching costs for the customers tend to be higher. Therefore, Terakit Group should improve its service quality to ensure customer satisfaction and customer loyalty. The improvement can be implemented by training its employees to offer better service to the customers while improving its tangibles dimension as Berry and Parasuraman (1991) suggested that poor service quality causes from the wrong people to perform the service.

The result of this study showed that switching cost can affect customer loyalty. Aydin and Ozer (2005) mentioned that perceived switching costs should be taken into consideration in developing strategies for developing customer loyalty. Thus, Terakit group is recommended to focus on switching costs as well. The strategy should be through differentiation as the researchers suggested that differentiation will increase perceived switching cost. Besides, Beerli, Martin, and Quintana (2004) suggested other recommended strategy that Terakit Group should follow in managing with switching cost. Establishing preferred customer programs can also contribute to increase in customer satisfaction. The loyalty programs are offered to the company's loyal customers. As the company employ this

program, customers will continue their by relationship they built with the company by purchasing the product or receiving the services.

As the findings found that customer satisfaction impacts on customer loyalty, it implies the importance of customer satisfaction that Terakit Group needs to consider. From previous studies, it is acknowledged that many customers do not tell the service provider if they are unsatisfied with the treatment they receive. Instead they might spread bad publicity about the service provider and/or choose to switch to another company (Naumann and Giel, 1995). In addition, Hose and Knie-Andersen (2004) suggested that customer recovery programs must be implemented to take action on low customer satisfaction and/or attitudinal customer loyalty scores that might indicate early warnings of customers' intention to switch and articulate bad word of mouth about the institute. Thus, Terakit Group should concern on applying recovery program to detect the unsatisfied customers who do not speak out. The purpose is to prevent customers to decline in their loyalty.

6.5 Further Study

This study focused on the affect of service quality toward customer satisfaction only. It should concern more on other variables such as price or product quality so as to clearer understanding about on how to provide better satisfaction to the customers. Additionally, it should add more variables that can impact on customer loyalty. There should be trust, repurchase, or other costs involved in doing business with the company. Therefore, other costs, rather than switching costs should be included. In addition, the study of switching costs needs to be probed in more details. Perceived risk, informational search cost, or substitutability should be considered as the sub-variables in investigating switching costs.

The study was confined to Bangkok area only. The further research should emphasis on including others areas. This would benefit for comparing means different or having the less bias result. Additionally, the company can learn more about perception of customers in other areas in order to provide better services.

The study should include other group of customer, such as the resellers, as they are also one type of the customers. The further study should take this into consideration as each type of respondents will be varied in their perception toward the same topic.

APPENDIX A: Questionnaire (English)



Questionnaire

This questionnaire is designed to collect information to investigate about service quality, switching cost, customer satisfaction, customer commitment, and customer loyalty of Terakit group. This survey is a fulfillment of Master Level Thesis of MBA day program for Assumption University, Bangkok.

Part 1: Perceived Service Quality Level, Switching costs, Customer satisfaction, Customer loyalty

The following set of statements relate to your perception of Terakit company. Each statement shows the extent of your perception for Terakit group. Please mark ✓ on the level of service you received.

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree
- 5 = Strongly Agree

Reliability		1	2	3	4	5
1	When the Terakit Group promises to do something by a certain time, it does so					
2	When you have a problem, Terakit Group shows a sincere interest in solving it					
3	Terakit Group performs the service right the first time					
4	Terakit Group provides its service right at the time it promises to do so					
5	Terakit Group insists on error-free records					
Responsiveness		1	2	3	4	5
6	Employees of Terakit Group tell you exactly when services will be performed					
7	Employees of Terakit Group give you prompted service					
8	Employees of Terakit Group are always willing to help you					
9	Employees of Terakit Group are never too busy to respond to your requests					
Assurance		1	2	3	4	5
10	The behaviors of Terakit Group's employees instills confidence in you					
11	You feel safe in your transactions with Terakit Group					

12	Employees of Terakit Group are consistently courteous with you					
13	Employees of Terakit Group have the knowledge to answer your questions					
Empathy		1	2	3	4	5
14	Terakit Group gives you individual attention					
15	Terakit Group has the employees who give you personal attention					
16	Terakit Group has your best interests at heart					
17	Employees of Terakit Group understand your specific needs					
18	Terakit Group has operating hours that are convenient to all its customers					
Tangibles		1	2	3	4	5
19	Terakit Group has modern looking shop					
20	Terakit Group's facilities are visually appealing (ex.customer's seat)					
21	Terakit Group's employees are neat appearing					
22	Materials associated with the service are visually appealing at Terakit Group (ex. product catalog or information counter)					

Part 2: Switching costs

1 = Strongly Disagree 2 = Disagree 3 = Neutral
4 = Agree 5 = Strongly Agree

Switching Costs		1	2	3	4	5
23	Switching to a new shops causes monetary cost					
24	If I switched to a new shop, the service offered by the new shop might not work as well as expected					
25	To switch to a new shop, I should compare all shops (on postsales service or technical assistance, etc.)					
26	Even if I have enough information, comparing the shops with each other takes a lot of energy, time, and effort					

Part 3: Customer Satisfaction

1 = Strongly Disagree 2 = Disagree 3 = Neutral
4 = Agree 5 = Strongly Agree

Customer Satisfaction		1	2	3	4	5
27	Terakit Group gave overall satisfaction service					
28	Base on all of my experience, I was overall satisfied					
29	Compared to other shops I have visited, Terakit Group provided more satisfactory service					
30	In general, I was satisfied					

Part 4: Customer loyalty

1 = Strongly Disagree 2 = Disagree 3 = Neutral
4 = Agree 5 = Strongly Agree

Customer Loyalty		1	2	3	4	5
31	I seldom consider switching away from Terakit Group					
32	I really like doing business with Terakit Group					
33	Terakit Group is the best to do business with					
34	I try to buy from Terakit Group every time I need a product					
35	I consider Terakit Group my primary shop					
36	I believe Terakit Group is a good company					
37	I encourage relatives and friends to do business with Terakit Group					
38	I intend to do more business with Terakit Group					
39	I say positive things about Terakit Group to others people					
40	I consider Terakit Group my first choice to buy the products I need					
41	I will continue buying from Terakit Group					

42	Even if the other shops' price is cheaper, I will go on buying from Terakit Group					
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Other Suggestion: _____

Part 5: Demographic Profile

1

Gender

_____ Male

_____ Female

2

Age

_____ 18-20 years old

_____ 21-25 years old

_____ 26-30 years old

_____ 31-35 years old

_____ 36-40 years old

_____ more than 40 years old

3

Education

_____ High school

_____ Bachelor's degree

_____ Master's degree

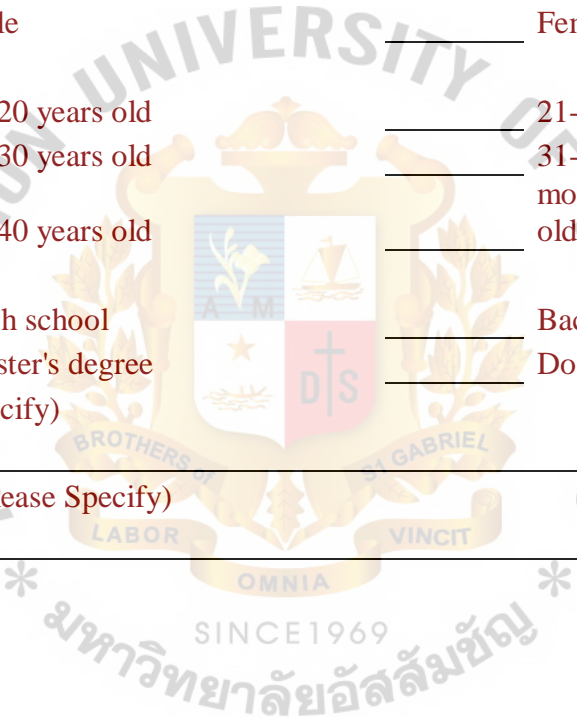
_____ Doctoral's degree

4

Position (Please Specify)

5

Type of business (Please Specify)



APPENDIX B: Questionnaire (Thai)



แบบสอบถาม

แบบสอบถามนี้ได้ถูกจัดทำขึ้นเพื่อการค้นคว้าเกี่ยวกับ คุณภาพของบริการ, ต้นทุนในการเปลี่ยนสินค้า, ความพึงพอใจของลูกค้า และความภักดีของลูกค้าของ ซีริกิจ กรุ๊ป การสำรวจนี้เป็นส่วนหนึ่งของการทำวิทยานิพนธ์ของโครงการบริหารธุรกิจ มหาวิทยาลัยอัสสัมชัญ

ส่วนที่ 1: ระดับคุณภาพของบริการ, มูลค่าของการเปลี่ยน, ความพึงพอใจของลูกค้า, ความภักดีของลูกค้า

ข้อความเหล่านี้เกี่ยวกับการรับรู้ของคุณต่อบริษัท ซีริกิจ แต่ละข้อความแสดงถึงระดับของการรับรู้ของคุณต่อบริษัท ซีริกิจ กรุณาทำเครื่องหมาย ✓ ตามการรับรู้ของคุณ

- 1 = ไม่เห็นด้วยเป็นอย่างยิ่ง
- 2 = ไม่เห็นด้วย
- 3 = ปานกลาง
- 4 = เห็นด้วย
- 5 = เห็นด้วยเป็นอย่างยิ่ง

ความน่าเชื่อถือ		1	2	3	4	5
1	ซีริกิจกรุ๊ปสามารถทำได้ตามที่รับปากว่าจะทำบางอย่างได้ในเวลาที่กำหนด (เช่น จัดหาชิ้นส่วนที่ต้องการได้)					
2	ซีริกิจกรุ๊ปได้แสดงความจริงใจในการช่วยเหลือเมื่อคุณมีปัญหา (เช่น ส่งพนักงานเพื่อเข้าพบและแก้ปัญหา)					
3	ซีริกิจกรุ๊ปได้ให้บริการที่ถูกต้องแม่นยำตั้งแต่แรก (เช่น จัดหาชิ้นส่วนที่ต้องการได้ถูกต้อง)					
4	ซีริกิจกรุ๊ปได้ให้บริการตรงตามเวลาที่รับปากไว้ (เช่น บริการจัดส่งสินค้าได้ในเวลาที่กำหนด)					
5	ซีริกิจกรุ๊ปได้ให้บริการโดยปราศจากข้อผิดพลาด (เช่น ไม่เคยคิดราคาสินค้าผิด หรือจัดสินค้าผิดรุ่น)					
การตอบสนอง		1	2	3	4	5
6	พนักงานของซีริกิจกรุ๊ปบอกคุณตามจริงเรื่องเวลาที่จะให้บริการ (เช่น พนักงานบอกเวลาที่แน่นอนที่สินค้าจะส่งถึง)					
7	พนักงานของซีริกิจกรุ๊ปให้บริการทันทีที่ท่านต้องการ (เช่น พนักงานจัดหาสินค้าได้ทันทีเมื่อท่านมีความประสงค์)					

8	พนักงานของซีริกิจกรุ๊ปเต็มใจที่จะช่วยเหลือคุณเสมอ (เช่น พนักงานไม่เคยแสดงท่าทีเบื่อหน่ายในการให้บริการ)					
9	พนักงานของซีริกิจกรุ๊ปพร้อมที่จะตอบสนองความต้องการของคุณ (เช่น พนักงานไม่เคยยุ่งเกินไปที่จะทำตามความประสงค์ของท่าน)					
ด้านความแม่นยำ		1	2	3	4	5
10	พฤติกรรมของพนักงานซีริกิจกรุ๊ปได้สร้างความมั่นใจแก่คุณ(เช่น พนักงานมีความรู้ที่จะตอบสนองความต้องการของท่าน)					
11	คุณรู้สึกปลอดภัยในการติดต่อค้าขายกับทางซีริกิจกรุ๊ป (เช่น บริษัทได้ทำให้มั่นใจว่า จะมีการจัดส่งสินค้าที่แน่นอน)					
12	พนักงานของซีริกิจกรุ๊ปสุภาพต่อคุณเสมอมา (เช่น พนักงานแสดงกิริยาสุภาพต่อท่าน ไม่เปลี่ยนแปลงจากเริ่มรับบริการ)					
13	พนักงานของซีริกิจกรุ๊ปมีความรู้ที่จะตอบคำถามต่างๆของคุณได้ (เช่น พนักงานมีความรู้ที่จะตอบเรื่องรุ่นสินค้าที่ interchangeable)					
ด้านความเห็นอกเห็นใจ		1	2	3	4	5
14	ซีริกิจกรุ๊ปให้ความสนใจแก่คุณ (เช่น บริษัทจัดพนักงานเพื่อดูแลท่านโดยเฉพาะ)					
15	ซีริกิจกรุ๊ปมีพนักงานที่ให้ความสนใจแก่คุณ (เช่น พนักงานจํารายละเอียดเกี่ยวกับท่านได้)					
16	ซีริกิจกรุ๊ปมีความใส่ใจแก่คุณจากใจ (เช่น บริษัทเข้าใจและจดจําส่งถึงสิ่งที่ต้องการ)					
16	พนักงานของซีริกิจกรุ๊ปเข้าใจถึงความต้องการของคุณ (เช่น พนักงานสามารถจัดหาสินค้าที่ท่านต้องการ เพื่อจุดประสงค์ต่างๆของท่าน)					
18	ซีริกิจกรุ๊ปมีเวลาเปิดทำการที่สะดวกต่อลูกค้าทั้งหมด (เช่น บริษัทมีเวลาเปิดให้บริการเหมาะแก่ท่าน)					
ด้านวัตถุ		1	2	3	4	5
19	ทางซีริกิจกรุ๊ปมีร้านค้าที่ดูทันสมัย (เช่น การตกแต่งร้านค้าของบริษัทมีสไตล์ที่ทันสมัย)					

20	สิ่งอำนวยความสะดวกของธุรกิจรูปแบบ (เช่น ที่นั่งรับรองลูกค้าเป็นที่เด่นชัด)					
21	พนักงานของธุรกิจมีการแต่งกายที่สุภาพเรียบร้อย (เช่น ชุดที่พนักงานสวมใส่มีความสุภาพและดูน่าเชื่อถือ)					
22	อุปกรณ์ที่เกี่ยวข้องกับการให้บริการเป็นที่เห็นได้ชัดเจน (เช่น แกดตาสื่อสินค้า เคาน์เตอร์ประชาสัมพันธ์)					

ส่วนที่ 2: มูลค่าของการเปลี่ยน

1 = ไม่เห็นด้วยเป็นอย่างยิ่ง

2 = ไม่เห็นด้วย

3 = ปานกลาง

4 = เห็นด้วย

5 = เห็นด้วยเป็นอย่างยิ่ง

ต้นทุนในการเปลี่ยนสินค้า		1	2	3	4	5
23	การเปลี่ยนไปซื้อยี่ห้อใหม่จะทำให้เกิดต้นทุนด้านการเงินเพิ่มขึ้น (เช่น ไม่ได้ส่วนลดหรือเครดิตเท่าเดิม)					
24	การบริการจากร้านค้าใหม่อาจไม่ดีเท่าที่คาดหวังไว้					
25	ในการเปลี่ยนไปซื้อยี่ห้อใหม่ ฉันจะคำนึงในเรื่องต่างๆ(เช่น บริการหลังการขาย หรือ การสนับสนุนทางเทคนิค)					
26	การเปรียบเทียบร้านค้าใหม่กับธุรกิจจะทำให้ต้องใช้ความพยายามและเวลามาก แม้ว่าจะมีข้อมูลเปรียบเทียบที่เยอะ					

ส่วนที่ 3: ความพึงพอใจของลูกค้า

1 = ไม่เห็นด้วยเป็นอย่างยิ่ง

2 = ไม่เห็นด้วย

3 = ปานกลาง

4 = เห็นด้วย

5 = เห็นด้วยเป็นอย่างยิ่ง

ความพึงพอใจของลูกค้า		1	2	3	4	5
27	การบริการของธุรกิจรูปแบบโดยรวมเป็นที่น่าพอใจ (เช่น เมื่อรวมการบริการต้อนรับและการจัดหาสินค้าเข้าด้วยกัน)					
28	จากประสบการณ์ของคุณ คุณพอใจกับบริการของธุรกิจรูปแบบ					
29	ธุรกิจรูปแบบได้ให้บริการที่ดีกว่า เมื่อเปรียบเทียบกับร้านค้าอื่น					

30	โดยทั่วไป ฉันพอใจในบริการของธุรกิจรูปแบบ (เช่นบริการจัดหาสินค้าและจัดส่งสินค้า)					
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ส่วนที่ 4: ความภักดีของลูกค้า


- 1 = ไม่เห็นด้วยเป็นอย่างยิ่ง
- 2 = ไม่เห็นด้วย
- 3 = ปานกลาง
- 4 = เห็นด้วย
- 5 = เห็นด้วยเป็นอย่างยิ่ง

ความภักดีของลูกค้า		1	2	3	4	5
31	ฉันแทบจะไม่คำนึงถึงเรื่องการเปลี่ยนไปซื้อร้านอื่น					
32	ฉันชอบการติดต่อซื้อสินค้ากับธุรกิจรูปแบบมาก					
33	ธุรกิจรูปแบบเป็นบริษัทที่ดีที่สุดในการติดต่อซื้อสินค้า					
34	ทุกครั้งที่ฉันต้องการสินค้า ฉันพยายามที่จะซื้อจากธุรกิจรูปแบบ					
35	ฉันคิดว่าธุรกิจรูปแบบเป็นร้านประจำของฉัน					
36	ฉันเชื่อว่าธุรกิจรูปแบบเป็นบริษัทที่ดี					
37	ฉันสนับสนุนคนรู้จักของฉันให้ซื้อสินค้ากับธุรกิจรูปแบบ					
38	ฉันตั้งใจที่จะซื้อสินค้ากับธุรกิจรูปแบบมากขึ้น					
39	ฉันพูดถึงธุรกิจรูปแบบในด้านบวกเสมอแก่คนอื่นๆ					
40	ฉันนึกถึงธุรกิจรูปแบบเป็นที่แรกเพื่อที่จะซื้อสินค้าที่ต้องการ					
41	ฉันจะซื้อสินค้ากับทางธุรกิจรูปแบบต่อไป					
42	ฉันจะซื้อสินค้ากับทางธุรกิจรูปแบบ แม้ว่าราคาของร้านค้าอื่นถูกกว่า					

ข้อเสนอแนะอื่นๆ: _____

ส่วนที่ 5: ข้อมูลผู้ตอบแบบสอบถาม

1 เพศ		
	ชาย	หญิง
2 อายุ		
	18-20 ปี	21-25 ปี
	26-30 ปี	31-35 ปี
	36-40 ปี	มากกว่า 40 ปี
3 ระดับการศึกษา		
	มัธยมหรือเทียบเท่า	ปริญญาตรี
	ปริญญาโท	ปริญญาเอก
4 ตำแหน่งงาน (โปรดระบุ)		
5 ชนิดของธุรกิจ (โปรดระบุ)		



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