

Sustaining Customers' Loyalty: A Survey of a Coating Resins Manufacturer

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This paper examines factors that can give impact to customer loyalty. Service and product quality are emphasized in this study. The quantitative survey type of research design was employed. Regression analysis has been used to measure the impact of customer satisfaction factors on customers' loyalty. This is a case study on a manufacturing that produce and sell coating resin to plastic component manufacturers. The results of this research show that there is a positive relationship among the dimension of product quality and service quality with customer satisfaction and customer loyalty. Service quality also found to have bigger influence over customer loyalty compare to product quality.

Keywords: Service quality, product quality, customer satisfaction, customer loyalty, performance.

Introduction

Many of the organization today are focusing on customer satisfaction, loyalty and retention. A key motivation for the growing emphasis on customer satisfaction is that highly satisfied customers can lead to a stronger competitive position resulting in higher market share and profit^{1,2}. According to Hoyer and MacInnis, satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight³. Customer satisfaction is also generally assumed to be a significant determinant of repeat sales, positive word-of-mouth, and customer loyalty. As a result, there is increasing attention among academics and business practitioners to customer satisfaction as a corporate goal⁴. According to Andreassen and Lindestad, customer loyalty expresses an intended behavior related to the service or the company⁵. The increased profit from loyalty comes from reduced marketing costs, increased sales and reduced operational costs⁶. Loyal customers are less likely to switch and they make more purchases than similar non-loyal customers. Loyalty has been defined as "a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future"⁶.

In this study, an organization that embarked in coating resin business is chosen as research focus. Study on customers' satisfaction and loyalty in this type of industry is rare. Therefore, the outcome of this

research can help business owners particularly in this industry to prosper, thus improve their business competitiveness.

Previous Studies on the Relationship between Customer Satisfaction on Customer Loyalty

Nam *et al.* investigate the mediating effects of consumer satisfaction on the relationship between consumer-based brand equity and brand loyalty⁷. They found that consumer satisfaction partially mediates the effects of staff behavior, ideal self congruence and brand identification on brand loyalty. The effects of physical quality and lifestyle-congruence on brand loyalty are fully mediated by consumer satisfaction. Brodie *et al.*, on the other hand found that there is a direct influence of all the aspects of the brand on customer's perceptions of value. In addition, brand image, company image and employee trust have a mediated influence on customer value through customer's perceptions of service quality, however, brand does not have a direct influence on customer loyalty but rather its influence is mediated through customer value².

Deng *et al* examine the determinants of customer satisfaction and loyalty⁸. The findings confirm that trust, perceived service quality, perceived customer value, including functional value and emotional value, contribute to generating customer satisfaction. Deng *et al* also found that trust; customer satisfaction and switching cost will directly enhance customer loyalty. The perceived service quality is found to have the greatest effect on customer satisfaction. Trust and

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perceived value are also important determinants of customer satisfaction. Additionally, this study finds that age, gender, and usage time have moderating effects⁸.

In the research of Liu, Guo, and Lee, a model that investigates the effects of relationship quality and switching barriers on customer loyalty is tested in the context of mobile telecommunication services. This research used survey response from 311 mobile phone users in Taiwan. The findings show that both relational qualities, including satisfaction and trust, and switching barriers have significant effects on customer loyalty. In terms of antecedents, it is found that playfulness and service quality impact satisfaction while service quality and intimacy affect trust⁹.

Research of Nam *et al* was aimed to investigate the mediating effects of consumer satisfaction on the relationship between consumer-based brand equity and brand loyalty in the hotel and restaurant industry. The data were collected from British nationals through a personally administered questionnaire in the UK. A total of 378 people responded to this survey. The findings of the study suggest that consumer satisfaction partially mediates the effects of staff behavior, ideal self-congruence and brand identification on brand loyalty. The effects of physical quality and lifestyle-congruence on brand loyalty are fully mediated by consumer satisfaction⁷.

Naik, Gantasala and Prabhakar uses SERVQUAL to analyze the gap between perceptions and expectations of the customers, concerning with the service at retail units in the South Indian state of Andhra Pradesh. Customer satisfaction level is assessed for the services offered at select retail units in the city of Hyderabad. The research methodology was carried out in a cross sectional survey to 369 respondents. Result of research showed that services offered by retail units have positive impact and are significant in building customer satisfaction. Findings of this empirical research reiterate the point of view that Service Quality dimensions are crucial for customer satisfaction in retailing¹⁰.

In the research of Shankar, Smith and Rangaswamy, they propose a conceptual framework and develop hypotheses about the effects of the online media on customer satisfaction and loyalty and on the relationship between satisfaction and loyalty. They found that loyalty and satisfaction have a reciprocal relationship such that each positively reinforces the other, and this relationship between overall satisfaction and loyalty is further strengthened¹¹.

Research Methodology

Research Design

This study investigates the effect of customer satisfaction on customer loyalty at a manufacturing facility that produces and sells coating resin to plastic component manufacturers. The quantitative study applies a survey type of research design. The survey method using a structured questionnaire was utilized to obtain primary data from the participants. The data was analyzed using Statistical Package for Social Sciences Version 18 (SPSS 18) and present descriptive statistics and Pearson correlation analysis. A multiple regression analysis was used to measure the contribution of customer satisfaction factors on customers' loyalty.

Research Sample and Data Collection

The actual name of the organization is withheld for confidentiality. The company (thereafter referred as "ABC") is involved in coating resin business and serves 24 existing customer in Malaysia market including 4 distributor agent and 20 customers (end user). Full sample size was selected due to size of population is small and full response from all customer provide better result.

Results

Table 1 show that the regression analysis summary of customer loyalty by product quality and service quality. The table of linear regression of model summary provides the R and R square value. The R value is 0.756, which represents the simple correlation, therefore, indicates a high degree of correlation. The R square value indicates how much of the dependent variable, customer loyalty can be explained by the independent variable, both product quality and service quality. In this case, it means that 57.2% for the customer loyalty can be explained by variance in both product quality and service quality.

Table 2 shows that the regression analysis summary of customer loyalty by product quality. The R value is 0.510, which represents medium degree of correlation. The R square value indicates 26.0% for

Table 1—Regression Model Summary: Customer Loyalty by Product Quality and Service Quality

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.756 ^a	.572	.532	.20523

a. Predictors: (Constant), Service Quality, Product Quality

the customer loyalty can be explained by variance of product quality. Table 2 also shows the coefficients of customer loyalty by product quality. Results of coefficients provide information on each predictor variable. The product quality did not contribute significantly to the customer loyalty. However, reliability and performance of product quality had higher contributes with standardized coefficients beta of 0.389 and 0.251. It follow by features of product quality had the lowest significant with standardized coefficients beta of 0.076. Meanwhile, the durability and perceived quality had negative relationship with the customer loyalty. This perceived quality had the lowest significant to the customer loyalty which the standardized coefficients beta was -0.029 and follow by the durability of product quality with the standardized coefficients beta was -0.030 .

Table 3 shows that the regression analysis summary of customer loyalty by service quality. The R value is 0.837, which represents high degree of correlation. The R square value means that 70.1% of the customer loyalty can be explained by the independent variable of service quality. Table 3 also shows the coefficients of customer loyalty by service quality. The knowledgeable of service quality

contributes the highest significant to the model with the standardized coefficients beta of 0.336 and follow by empathy and reliability with the standardized coefficients beta of 0.327 and 0.317. The lowest significant was complaint handling with standardized coefficients beta of -0.002 .

Discussion

This study applies regression analysis and found that there is a positive relationship between customer satisfaction and customer loyalty for customers of Company ABC. This result is supported by the studies done by Liu *et al* that customer satisfactions have positive effects on customer loyalty⁹. This finding is also similar to research of Deng *et al* who found that trust, customer satisfaction and switching cost will directly enhance customer loyalty. Deng *et al* also stressed that perceived service quality have the greatest effect on customer satisfaction⁸. This findings suggested that service quality influence overall customer satisfaction judgments and customer loyalty in Company ABC. The research of this result have supported by the previous findings of Liu *et al* that service quality is an important factor of customer satisfaction because wherever customer acquired

Table 2—Regression Analysis: Customer Loyalty by Product Quality

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.050	1.883		1.089	.291
Performance	.210	.190	.251	1.103	.284
Features	.055	.155	.076	.355	.727
Reliability	.206	.135	.389	1.532	.143
Durability	-.020	.179	-.030	-1.109	.914
Perceived Quality	-.026	.210	-.029	-1.124	.903

a. Dependent Variable: Customer Loyalty. R: 0.510, R Sq: 0.260

Table 3—Regression Analysis: Customer Loyalty by Service Quality

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.487	.819		.594	.561
Tangibility	.139	.145	.148	.957	.354
Reliability	.220	.182	.317	1.211	.245
Responsiveness	.063	.118	.105	.537	.599
Assurance	.169	.129	.209	1.308	.210
Empathy	.217	.157	.327	1.381	.188
Knowledgeable	.222	.117	.336	1.893	.078
Product Related Information	-.146	.189	-.158	-1.775	.451
Complaint Handling	-.001	.129	-.002	-0.008	.994

a. Dependent Variable: Customer Loyalty. R: 0.837, R Sq: 0.701

product or services, they usually will evaluate the value of the product quality and service quality⁹.

In this research, the researcher found that service quality has influenced of 70.1% on the customer loyalty. This is much higher compare to the influence of product quality of only 26% on customer loyalty. This result is supported by studies done by the research of Naik, Gantasala and Prabhakar. Their result shows that the service quality has influenced of 45.84% on the customer satisfaction, while the remaining 54.16% is influenced by other factors¹⁰. This findings support the fact that service quality has bigger influence on the customer satisfaction and further influence the customer loyalty in Company ABC.

Loyalty and satisfaction have a reciprocal relationship such that each positively reinforces the other, and the relationship is further strengthened in services industries¹¹. Service quality can develop customer satisfaction which ultimately retains valued customers. Customer satisfaction does not guarantee repurchase on the part of the customers but still it plays very important part in ensuring customer loyalty and retention¹².

Conclusion

The results of this research show that there is a positive and meaningful relation among the dimension of product quality and service quality with customer satisfaction and customer loyalty. In terms of product quality, the results show that performance and reliability contribute most to customer loyalty. In terms of service quality, the results show that reliability, empathy and knowledgeable contribute most to customer loyalty. This study serves as

stimulus for future research in the similar or other industries.

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