

FACTORS AFFECTING CUSTOMER LOYALTY AND WORD-OF-MOUTH: A CASE STUDY OF BNB RUBBER CO., LTD., THAILAND.

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ABSTRACT

The purpose of this research was to study the influence of service quality on customer decision making. In addition, this research examined the impact of customer decision making on customer loyalty and word-of-mouth. The samples were consisting of 400 customers of BNB Rubber Company Limited, Sakon Nakhon Province, Thailand. Data was conducted through the use of questionnaires and analyze the hypothesis by using Simple Linear Regression Analysis. The results showed that 3 dimensions of service quality (reliability, assurance and empathy) influenced customer decision making with the statistical significance at 0.05. On the other hand, 2 dimensions of service quality; tangible and responsiveness, did not. Furthermore, the findings revealed that customer decision making impacted customer loyalty and word-of-mouth with the statistical significance at 0.05. The research contributions were discussed and guidelines for further research were provided.

Keywords : Service Quality, Decision Making, Loyalty, Word-of-Mouth

INTRODUCTION

Background

Currently, there are many rubbers manufactures or companies in Sakon Nakhon Province. That increases market competitive, each company searches for marketing strategies to attract customers into using their services. Moreover, the customers' impression with service quality is the way to present business service quality, however, that depends on customers' recognition. To be more competitiveness, the business has to improve the service quality and make something difference. The service quality concept is accepted in widely, it was investigated by famous researcher Parasuraman, Zeithaml and Berry [3] and his work influences in service quality. BNB Rubber Co., Ltd., is a company that buy cup lump from farmer and dealer. The cup lump is transformed to be crape rubber by craping machine with five rolling. In this process, water is used to clean rubber between craping process. According to the cup lump is cheap and there is a lot of contaminated. The farmer takes 5 to 10 days for rubber tapping to get cup lump Thongamphai, Peeradet [17], then take the cup lump to sell for the dealer, rubber cooperative, or rubber purchaser. These buyers are in the competitive market with BNB Rubber Co., Ltd., The reason that the farmer has power to choose the buyer with their decision based on the service quality and purchasing price. While the price refers to the price of Rubber Authority of Thailand by Academic information about rubber [10]. Conversely, the service quality depends on the business strategies that could be managed. The good service quality influences on customers' decision where to sell their rubber, the customer considers the general information and the acceptance conclusion Tongbuangam [4]. That good service business would be a choice for the customer to make a decision and also influence on the loyalty that brings back the customer to repurchase. The Business have to

continue relationship with their customers as a family for customers' attractive then they are going to be a loyal customer. Once the customer is impressed with the good service quality, they are hardly to change their mind to have a risk when they go to other brand, finally, they are going to repurchase and recommend to friends Kaewwiset [9]. The recommendation or word-of-mouth is a marketing communication which is one factor that effects on customers' decision of their objective. That is one of BNB Rubber Co., Ltd.'s marketing strategies. The word-of-mouth is the passing of information from person to person using oral communication about the business' service. Furthermore, the best service for customers as the service quality concept is the reason to recommend the business to customers' friends Uimanachai [11].

The researcher had surveyed BNB Rubber Co., Ltd.'s customers and study on the service quality of the employees which are influenced factor on the customers' loyalty and word-of-mouth. The results of the study would be benefits to develop the BNB Rubber Co., Ltd.'s employee in the future.

OBJECTIVES

- 1) To investigate the quality service of BNB Rubber Co., Ltd.'s employee that influences on customers' decision,
- 2) To investigate the decision that influences on BNB Rubber Co., Ltd.'s customer loyalty, and
- 3) To investigate the decision that influences on BNB Rubber Co., Ltd.'s customer word-of-mouth.

LITERATURE AND REVIEW

Service Quality

Service quality generally refers to ability of business to response the customers' need. The quality of service is the most importance to make a business difference. The customers' satisfied when they buy goods or services is likely capable of meeting customer expectations of that service Sanutsak [12]. Other ways, the quality of service is abstract, not having a physical or concrete existence. The service is a transaction, the benefits of service are held to be demonstrated by the buyer's willingness to make the exchange. The service provider must deliver the service at the time of service consumption in that time or as soon as possible. Therefore, the service quality is way to success in the competitive market, especially the business that has the same products or services or the same location. That is the reason for business to have high service quality to be the obviously business. That difference of business in service quality would grow up the number of customers. The service quality is on time, accurate, reasonable, and steady. Moreover, the customer list for ready to use, sufficient of employee, and mind service are the good service Konkham [6]. To measure the quality of service, the researcher referred to the concept of Parasuramam, Ziethaml and Berry [2] as bellowed:

- 1) Tangibles represents an appearance of physical service for example: facilities, equipment, personnel, and communication materials to ready for service. The service work cannot estimate number of customer and it is abstract, so that has to build an image and response immediately.
- 2) Reliability represents ability to perform the promised service dependably and accurately. That includes on time work, correctly, satisfied, steady, ready to service, and can count on.
- 3) Responsiveness Willingness to help customers and provide prompt service.

4) Assurance Knowledge and courtesy of employees and their ability to convey trust and confidence.

5) Empathy represents caring, individualized attention the firm provides its customers, without bias, trying to realize customer needs, easily access, and always keeping customers' feeling in mind. For example, the one stop service for time saving, kindly and suitable reception, and having good personal employee.

Decision Making

Decision means the act or process of deciding after thinking about several possibilities to reach the objective of organization. The decision making is very important and relate to management in every step i.e. organization planning, recruitment, coordination, and control by Still [14]. In the same way, a manager has to make a decision purposely chosen from a set of alternatives to achieve organization goals base on organization information, personal behavior, and the organization behaviors Wipatapan [8].

Loyalty

Loyalty means as attitudinal implies that loyalty is a state of mind to behave something. If they have positive, preferential attitude toward the service or goods, then they are willing to repurchase and supporting to buy service in the future Mohsen [16]. Similarly, customer loyalty is a customer's willingness to buy from or work with a brand again and again, and it is the result of a positive customer experience, customer satisfaction, and the value of the products or services the customer gets from the transaction. The repurchasing does not mean only the loyalty because the repurchasing might effect of many factors i.e. location that close to customer's home or office, the customer has familiar with, or lower price, and relative or impression with the brand in the pass Saetang [13].

Word of Mouth

Word-of-mouth is the natural behaviors of human according to human is social animal and has to communicate to each other. With currently technology, the communication is not only oral communication but it happens via many channels. The word-of-mouth is informal communication, that happens according to customers' experience and satisfied then they recommend that products or service to another Rattaphongpakorn [15]. The communication could be separated into 3 types: 1) supporting communication, 2) expertise communication, and 3) social communication for example, neighborhoods, friends, and family member. However, the personal also has influence on that information or recommendation Erawan [5].

CONCEPTUAL MODEL AND HYPOTHESES

From the literature review that explains research concept, the factors affecting on customers' loyalty and word-of-mouth in case of BNB Rubber Co., Ltd., The conceptual model was analyzed base on the literature reviews, including the role of researcher about the correlation analysis. The hypothesis was set as following:

H1: Quality service has influence on customers' decision of BNB Rubber Co., Ltd.

H1.1: Tangible of quality service has influence on customers' decision of BNB Rubber Co., Ltd.

H1.2: Reliability of quality service has influence on customers' decision of BNB Rubber Co., Ltd.

H1.3: Responsiveness of quality service has influence on customers' decision of BNB Rubber Co., Ltd.

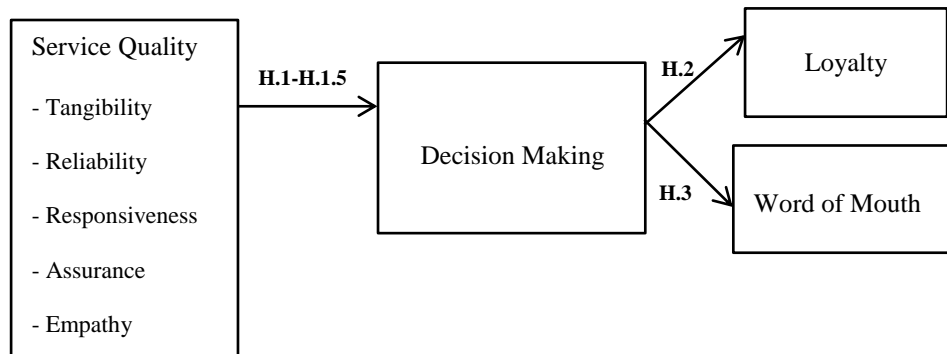
H1.4: Assurance of quality service has influence on customers' decision of BNB Rubber Co., Ltd.

H1.5: Empathy of quality service has influence on customers' decision of BNB Rubber Co., Ltd.

H2: Customers' decision has influence on customers' loyalty of BNB Rubber Co., Ltd.

H3: Customers' decision has influence on customers' word-of-mouth of BNB Rubber Co., Ltd.

Figure 1
Research Conceptual Model



RESEARCH METHODOLOGY

Sample Selection and Data Collection

Sample selection based on personal factors to examine factors affecting on customers' loyalty and word-of-mouth, in case of BNB Rubber Co., Ltd., The study has surveyed 400 customers of BNB Rubber Co., Ltd., by purposive sampling of Yamane [1]. The questionnaire is a tool to collect the data via 5 point-Likert scale. Then, the data was analyzed and evaluated score as interval scale.

Method

The simple linear regression analysis was used to analyze correlation, quality service, customers' decision, customers' loyalty and word-of-mouth, in case of BNB Rubber Co., Ltd., The correlation analysis and multiple linear regression were used to analyze the collected data from the questionnaires for the measure of internal consistency by Cronbach's alpha. The reliability of measurement must have Cronbach's alpha more than 0.7 as shows in Table 1.

Table 1
Cronbach's Alpha Coefficient of Variables

Items	Cronbach's Alpha
Service Quality	
Tangible	0.769
Reliability	0.902
Responsiveness	0.844
Assurance	0.859
Empathy	0.749
Decision Making	0.887
Loyalty	0.874
word of mouth	0.866

RESULTS

The Descriptive Statistics

1. To define the sample by gender, 55.8% are male and 44.2% are female. About 39.5% age between 45 to 54 years old and 39.3% are farmers.

2. The factors affecting on customers of BNB Rubber Co., Ltd., first the service quality has a mean of 4.28 and a standard deviation of 0.73, that presents the customers have strongly agree to select this company according to service quality. The tangible of services has a mean of 4.77. The maximum standard deviation is 0.95 stand for responsiveness. In overall, the customers' decision has a mean of 4.44 and a standard deviation of 0.65 that shows the customers agree to do business with the company according to the decision. When focus on customers' loyalty of BNB Rubber Co., Ltd., there is a mean of 4.44 and a standard deviation of 0.65. This implies the customers strongly agree with the loyalty. For the word-of-mouth has a mean of 4.38 and a standard deviation of 0.66 that also there is strongly agreement from customer.

Hypothesis Testing

To study the factors affecting customers' loyalty and word-of-mouth of BNB Rubber Co.,Ltd., the researcher set the service quality as the independent variable with five components: 1) tangible, 2) reliability, 3) responsiveness, 4) assurance, and 5) empathy. The moderator variable is customers' decision and the dependent variables are loyalty and word-of-mouth. The abbreviations are defined as bellowed:

SQ	Represent	Service Quality
TAN	Represent	Tangible
RELIA	Represent	Reliability
RESP	Represent	Responsiveness
ASSUR	Represent	Assurance
EMPA	Represent	Empathy
DM	Represent	Decision Making
SL	Represent	Loyalty
WM	Represent	Word of Mouth

Table 2
Correlation Analysis between independent variables

Variables	TAN	RALIA	RESP	ASSUR	EMPA
Mean	4.28	4.51	3.91	4.55	3.82
S.D	0.64	0.73	0.83	0.59	0.85
TAN	1				
RELIA	0.592**	1			
RESP	0.313**	0.557**	1		
ASSUR	0.751**	0.259**	0.215**	1	
EMPA	0.545**	0.443**	0.302**	0.155**	1

* P<0.05, ** P<0.01

Table 2 shows the results of correlation analysis that explains the covariate as theory of Hair et al [7], that covariance must be less than 0.80, in case that is more than 0.80 the variables might be multicollinearity. The results show the maximum value at 0.751 which is less than 0.80 so there is no multicollinearity. The variables can be analyzed by the simple regression analysis.

Table 3
Research Results from Hypotheses Testing

Independent variables	Beta	t	Sig
TAN	-0.014	-0.238	0.812
RELIA	0.107	1.972	0.049
RESP	-0.082	-1.237	0.217
ASSUR	0.346	6.776	0.000
EMPA	0.304	4.616	0.000

P<0.05

The result from simple regression analysis shows as (Table) 3. Two independent variables of service quality including tangible and responsiveness, both does not effect on customers' decision of BNB Rubber Co., Ltd., with a significance level. Although, the significance variables which effects on customers' decision are reliability, assurance, and empathy.

H1: Quality service has influence on customers' decision of BNB Rubber Co., Ltd.

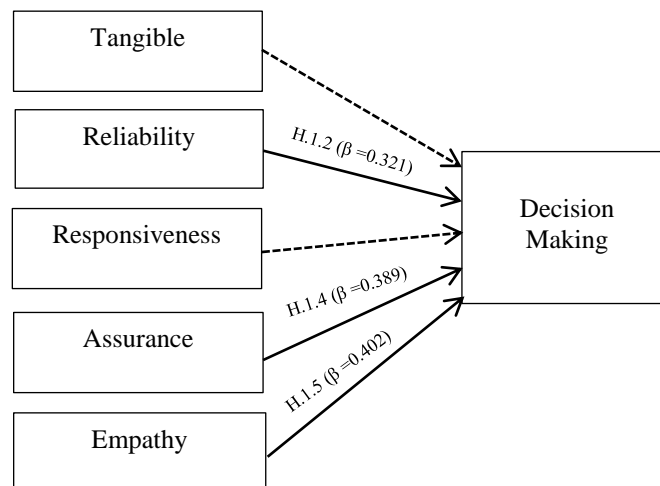


Figure 2 The results of simple regression analysis show that the reliability has positive impact on the decision with a statistical significance ($\beta=0.321$, $t=5.842$, $p<0.05$). While the assurance has positive effect on the decision making with a statistical significance ($\beta=0.389$, $t=9.907$, $p<0.05$) and the empathy has positive effect on the decision with a statistical significance ($\beta=0.402$, $t=7.725$, $p<0.05$). That concludes H1 is accepted some variables.

H2: Customers' decision has influence on customers' loyalty of BNB Rubber Co., Ltd.

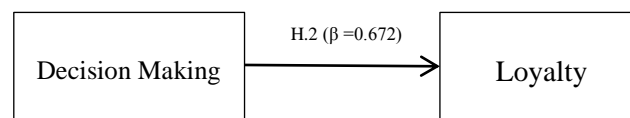


Figure 3 The simple regression analysis found that customers' decision has positive impact on loyalty with a statistical significance ($\beta=0.672$, $t=14.365$, $p<0.05$), the results support H2.

H3: Customers' decision has influence on customers' word-of-mouth of BNB Rubber Co., Ltd.

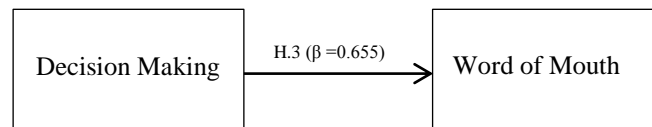
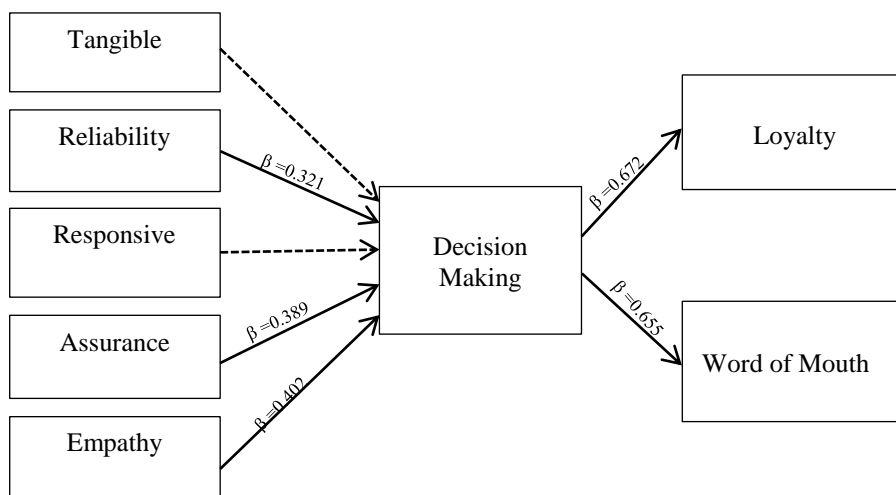


Figure 4 The simple regression analysis presents that customers' decision has positive impact on word-of-mouth with a statistical significance ($\beta=0.655$, $t=14.365$, $p<0.05$), the results support H3.

Figure 5

Results of regression analysis



CONCLUSIONS

The findings of this research indicated that service quality dimensions in terms of tangibles, responsiveness did not influence decision of customers in BNB Rubber Co., Ltd. However, service quality dimensions influencing customer decision included reliability, assurance, and empathy. Furthermore, the results showed that customer decision influenced customer loyalty and word-of-mouth. The service provided by knowledgeable and capable employees could enhance reliability and word-of-mouth, resulting in greater number of customers and repurchases. The findings would be beneficial as the guidelines to efficiently develop the competitiveness and enhance the organization's understandings about its customers' behaviors and needs. In addition, the results could be practically applied to develop effective service strategies that meet the target as well as used as the guidelines for entrepreneurs' business operation regarding planning to achieve novel models of competitiveness. However, since several other factors may influence customer loyalty and word-of-mouth, resulting customer choice for BNB Rubber Co., Ltd. such as satisfaction and motivation, further studies should focus on these factors to confirm and extend the results of this research.

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