CUSTOMER PERCEIVED VALUE, SATISFACTION, AND BEHAVIORAL INTENTIONS IN THE LOGISTICS INDUSTRY: A CASE STUDY OF ABC EXPRESS WORLDWIDE (THAILAND) CO., LTD.

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Abstract

Today, customer satisfaction is a key driver of many favorable intentions and behaviors linked to increased profits, lower operating expenditures, and business success, making it the focal point of business operations. To achieve high level of customer satisfaction, perceived value has been introduced as a mean of creating a competitive edge over the competitors by incorporating customers’ needs and wants into strategic practices. The objectives of this research were to identify the key value dimensions consisting of service quality, price and time & effort that act as the significant antecedents of customer satisfaction, and also to trace the resulting consequences of satisfaction in the forms of intentions to repurchase and to engage in positive referrals towards the firm as reflections for customer retention and new business acquisition.

The research samples were 403 medium-sized customers of ABC Co., Ltd. from total population of 2,818 customers. A self-administered questionnaire was used as a mean for data collection. The data was gathered via phone interviews and emails during January 15, 2012 to February 29, 2012. SPSS was applied to analyze the relationships among the hypothesized variables.

The findings suggested four dimensions of service quality (availability, reliability, completeness, and professionalism) and monetary price to be significant predictors of customer satisfaction. In addition, the significant influences of customer satisfaction on repurchase intention and word-of-mouth have been confirmed. The research results have provided implications for service providers to understand and deliver the right value to the customers, and then become successful as existing customers could be retained and new business opportunities could be attracted.

Keywords: Customer Perceived Value, Behavioral Intentions, Service Quality, Customer Satisfaction
INTRODUCTION

Globalization has integrated the world and economies together. Nowadays, interactions across countries’ borders have become more common. An increased trend in worldwide transactions could be traced by the average world trade growth rate of 5% during 1991-2011 (World Trade Organization, 2012). In certain ways, these transactions involve the movements of documents and parcels worldwide that require support from logistics services, especially for air transportation that offers the best transit time and high reliability despite highest cost (Coyle et al., 2003).

As competition become increasingly intense, the key is to achieve high levels of customer satisfaction indicated as the direct antecedent of many business favorable outcomes (e.g., Oliver, 1980; Anderson and Sullivan, 1993; Ravald and Gronroos, 1996). Delivering superior value has been introduced as a critical driver in achieving a unique competitive advantage (Woodruff, 1997) by incorporating customers’ needs and wants into strategic practices, rather than blindly delivering superior services that are not “valued” by the customers. As a result, companies have devoted their time and efforts towards creating high value perceptions. To form satisfaction, both positive (service quality) and negative (price and time&effort) dimensions of value should be included to trace the overall impacts. To evaluate the roles of customer satisfaction on business performance, customers’ intentions to repurchase the service with the company and to provide positive word-of-mouth towards the services, have been applied to reflect the opportunities for firms to retain the existing customers, as well as to attract new business opportunities that will further support its long-term growth.

As a result, this study aims at identifying the effects of both positive and negative value dimensions (availability, responsiveness, reliability, completeness, professionalism, price, time & effort) on customer satisfaction, and also examining the influences of satisfaction on behavioral intentions (repurchase/word-of-mouth).

LITERATURE REVIEW

The literature reviewed the related variables as the antecedents and consequences of customer satisfaction, which include value dimensions and customers’ behavioral intentions.

Perceived Value

The concept of customer perceived value has become the focus of business strategies due to its recognized role as the source of competitive advantage, and business success (Ravald and Gronroos, 1996; Patterson and Spreng, 1997; Woodruff, 1997). According to Zeithaml (1988), perceived value has been identified as “the consumer’s overall assessment of the utility of service based on perceptions of what is received and what is given”, implying that value contains both positive (benefits) and negative (sacrifices) dimensions in overall service evaluation. According to market efficiency, value could be maximized by increasing perceived benefits, reducing perceived sacrifices, or the combination of both (Wikstrom and Normann, 1994).

Perceived benefits, identified as “what consumers think the service can provide to them” (Keller,
Customer Satisfaction

Nowadays, customer satisfaction has become a primary goal for the business as it was found to be the source of many favorable business outcomes (Reichheld and Sasser, 1990; Ravald and Gronroos, 1996).

Customer satisfaction has been defined as "the individual's feeling of pleasure or disappointment resulting from the comparison between perceived performance and expectations" (Oliver, 1981; Kotler, 2000). According to Jiang and Rosenbloom (2005), customer satisfaction could occur at the specific period of time at service encounter (transaction-specific satisfaction), or could be accumulative over time through service experience (cumulative satisfaction). Hence, companies need to create, maintain and enhance customer satisfaction throughout business relationship. In addition, the competitive environment requires that the customers must be highly satisfied as the gap between satisfied and completely satisfied customers can actually swallow a business (Jones and Sasser, 1995).

Behavioral Intentions

Behavioral intentions have been identified as the customer's stated likelihood to engage in a particular behavior (Oliver, 1997). It could be assumed that the behaviors towards a particular object can be approximated by an intention to perform that behavior (Fishbein and Ajzen, 1975). Although many factors could limit its impact on actual behaviors (Rust et al., 1995); positive intentions towards the business are highly preferred.

Repurchase intention is defined as "the individual's judgment about buying again a designated service from the same company, taking into account his or her current situation" (Lacey and Morgan, 2007), could be a reflection of customer retention that sets up a base of customers who buy more frequently, in greater volume, and are more prone to try wider ranges of offerings (Reichheld and Sasser, 1990).

Word-of-mouth communication (WOM), defined as "oral, person-to-person or group communication between a receiver and a communicator, whom the receiver perceives as non-commercial, regarding the service" (Arndt, 1967), has been indicated as the most
important source of consumer information (Derbaix and Vanhamme, 2003), and more credible than marketer-sourced promotions (Day 1971; Herr et al., 1991). It could attract new business opportunities, especially in service industry where intangibility characteristic makes pre-purchase experience impossible, and customers could mainly base their purchase decisions on recommendations from all available sources (Berry, 1980; Mangold, 1987; Murray, 1991).

Satisfied customers are likely to continue their relationship as there are costs associated in dealing with new ones. As suggested by Jones and Sasser (1995), totally satisfied customers can be six times more likely to repurchase than merely satisfied ones. Also, companies could gain positive word-of-mouth as satisfied customers normally possess higher intentions to recommend (Zeithaml et al., 1996). This could also prevent negative word-of-mouth from unsatisfied customers who are very likely to share their dissatisfaction (Lambert and Burdulodolu, 2000). The significant impacts of customer satisfaction on repurchase and word-of-mouth intentions have been supported in many studies (e.g. Reichheld and Sasser, 1990; Anderson and Sullivan, 1993; Boulding et al., 1993; Reichheld, 1996; Patterson and Spreng, 1997). As a result, the last two hypotheses could be simulated;

H4 There is a significant positive relationship between customer satisfaction and repurchase intention.

H5 There is a significant positive relationship between customer satisfaction and word-of-mouth.

**RESEARCH FRAMEWORK**

According to Woodruff (1997), perceived value represents customers’ cognition about relational exchanges with the suppliers, while customer satisfaction reflects customers’ overall feelings derived from the evaluation of perceived value. On this basis, a casual relationship has been defined (Anderson and Mittal, 2000) where value is first created then translated into satisfaction (Eggert and Ulaga, 2002).

It is a common phenomenon that services and price actually determine the level of satisfaction among any other measures (Turel et al., 2006). Thus, including both elements should give a clear view of how customer satisfaction could be reached. Service quality has been solely applied under benefit dimensions of value, whereas price and time&effort have been adopted under perceived sacrifice components. This has led to the development of the first three hypotheses;

H1 There are significant positive relationships between customer satisfaction and dimensions of service quality: (a) availability, (b) responsiveness, (c) reliability, (d) completeness, and (e) professionalism.

H2 There is a significant negative relationship between customer satisfaction and price.

H3 There is a significant negative relationship between customer satisfaction and time&effort.

**METHODOLOGY**

A self-administered questionnaire consisting of 35 question items was used as the means of data collection. The questions adopted from previous studies have been divided into 4 sections, namely perceived benefits (Li et al., 2006), perceived sacrifices (Lee and Cunningham, 2001; Lin et al., 2005; Kleijnen et al., 2007; Broekhuizen and Huijing, 2009), customer satisfaction (McDougall and Levesque, 2000; Hume and Mort, 2008), and behavioral intentions (Lin et al., 2005). All items were measured on five-point Likert scales ranging from 1 = “Strongly Disagree” to 5 = “Strongly Agree”.

The target population was medium-sized customers of ABC Express (Thailand) Co., Ltd., considered as a productive segment as they take up certain amount of total revenue portion, while being served through only standard service offerings. The lists of the population were readily available, so the systematic sampling method was applied. The lists of target population were sorted in alphabetic order to avoid the population bias (Barreiro and Albandoz, 2001). The first element was selected on a random basis within the sample interval, and the subsequent elements were 66
chosen using a fixed interval. The customers were first contacted via telephone to inform them about the research and those who agreed to participate in the study could choose to complete the questionnaires on the call or via an email subjected to a three-day response period.

SPSS was proposed as the means of data processing for both descriptive and inferential analysis. Simple and multiple regression models were applied to test the hypothesized relationships among the variables to finalize on the research results.

**FINDINGS**

From a total of 403 completed questionnaires, the result found that majority of the respondents had been using ABC’s service for more than 3 years (76%).

The first three hypotheses traced whether the dimensions of value were related to customer satisfaction. Based on the results, Hypothesis H1a has been partially supported as not all service quality dimensions were significantly positively related to customer satisfaction i.e. Hypothesis H1a was supported with significant beta value of 0.213 (p = 0.000) from availability, Hypothesis H1b was not supported as the influence from responsiveness was found insignificant, Hypothesis H1c was supported with the significant beta value of 0.136 (p = 0.000) from reliability, Hypothesis H1d has been partially support as completeness showed significant influence with unexpected negative beta value of -0.234 (p = 0.001), and H1e were supported for availability with significant beta value of 0.661 (p = 0.000). For perceived sacrifices, Hypothesis H2 has been supported as the data showed significant negative beta value from price of -0.330 (p = 0.000). However, Hypothesis H3 was not supported since the influence from time&effort was found insignificant. The coefficient of determinant for customer satisfaction was 0.703. (Table 1)

The last two hypotheses aimed at providing linkages between customer satisfaction and customers’ intentions to repurchase and spread positive word-of-mouth about the company. Customer satisfaction was found to have a significant positive influence on repurchase intention (b = 0.845, p = 0.000). As a result, Hypothesis H4 was supported. The coefficient of determinant of repurchase intention was 0.714. Further, the regression coefficient of customer satisfaction on word-of-mouth intention was 0.474 (p = 0.000), suggesting significant positive casual relation among the variables. Hence, hypothesis H5 has also been supported. The coefficient of determinant on word-of-mouth intention was 0.374. Finally, the empirically supported model is presented in Figure II.

![Figure II: Empirically Supported Model](image)

**SUMMARY AND DISCUSSION**

To achieve a high level of customer satisfaction, the important roles of value have been stressed. Among all benefit dimensions, availability, reliability, and professionalism have shown their significant positive impacts on customer satisfaction. Surprisingly, negative
influence was found from completeness, which is in contrast to many studies (e.g. Wang and Shieh, 2006; Ramdhani et al., 2011). As a result, this subject deserves further investigation. Under perceived sacrifices, both price and time&effort have shown the opposite directions to service quality. However, only price was statistically significant. This has given support to Lapiere (2000) who stated that price acts as the strongest predictor under the sacrifice component.

Responsiveness and time&effort were found to be invalid predictors of satisfaction. One possible reason may be because they were considered as threshold service attributes where extra performance is not valued (Kano et al., 1984), so they were not considered as part of service evaluation.

Overall, we notice that the benefits gained have been placed at a higher significant level over the sacrifice components, notified by the highest beta value from professionalism. This has aligned with many researchers (e.g. Cronin et al., 2000; Yen et al., 2007; Olaru et al., 2008).

Further, previous literature has indicated customer satisfaction as the focal point for business due to its identified influences on many favorable business outcomes. This research has found customers’ intentions to repurchase and to spread positive word-of-mouth towards the company to be positively impacted by customer satisfaction. Among the two intentions, greater impact was found on repurchase, which has been consistent with many researches (e.g. Olaru et al., 2008; Tohidinia and Haghighi, 2011). As a result, if the company can successfully satisfy its customers, it would be able to retain the existing customers and secure continuous revenue inflows, and also to attract new business opportunities through positive referrals to further support its growth.

MANAGERIAL IMPLICATION

The research findings have provided managerial implications for business players. Firstly and most importantly, firms should intensely increase customer awareness in every possible aspect as they hold the future of the companies. The key is to ensure that the service offerings are “valued” by the customers. Moreover, not all service dimensions are equally valued. The results have highlighted that service providers should focus and prioritize on ensuring professional service provided, lowering monetary cost in acquiring the service, offering available customers’ contact channels, and providing consistent operating performance at all times.

Next, it is vital for firms to be proactive and flexible to survive in the diverse customers and market conditions. Since not all customers equally contribute to company’s success, companies should adapt to those key customers. Moreover, due to contrasting impacts between positive and negative dimensions of value, companies may play around the figures, yet overall customer satisfaction could still be reached.

Lastly, firms could benefit from customer retention and new business attractions if they are able to meet customer satisfaction. The point to note is that positive intentions are being preferred, but following up on actual behaviors are also a fruitful practice to clean up any possible barriers along the way, so that the business becomes successful.

LIMITATIONS AND FUTURE RESEARCH

Within service context, value perceptions are not expected to hold in all conditions. The current study has been limited to certain areas i.e. premium logistics market, middle-sized customer segment, and B2B business context. The differences in the nature of markets do open channels for further investigation in other scopes. For example, small or larged-sized customer segment, B2C business context, or he service sector.

Further, as the ability of customer satisfaction to explain word-of-mouth intention was found considerably low ($R^2 = .374$), further study may be required in an attempt to identify the key antecedent of customers’ intentions to engage in word-of-mouth communication regarding the services to effectively exploit new market opportunities.

References


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