

# Exploration of Suspected Relationships between Customer Satisfaction, Customer Loyalty and Customer repurchase behaviour

*Benjawan Leechoen<sup>1</sup>, Rojanasak Chomvilailuk<sup>2</sup>*

lookpla\_talent@hotmail.com

**Abstract-**With respect to traditional models projecting positive relationship between customer satisfaction and customer repurchase behavior, there have been a gigantic number of empirical studies supporting this conceptual relationship. There, however, have been a lot of investigations postulating the weakened relationship and insignificant associations. Some research presents the mediating roles of customer loyalty in the rapport. Meanwhile, some research suspects the mediating roles of the customer loyalty. Furthermore, recent literature specifically displays the effect of the preference of communication channel on customer satisfaction and result in the customer purchase retention. Unfair exchange induces non-satisfaction of customer. Interestingly, previous research finds the variety-seeking trait of customers negatively affecting on customer repurchases. Conclusively, the previous research shows various effects of the various independent, mediating, and moderating variables deviated from the conventional relationship.

This research, therefore, aims to examine what and why the new significant and modified independent variables, mediating constructs, and the moderating conditions support and reject the traditional models. Original contributions are the findings of the aforementioned constructs predicting and developing the nontraditional models by exploration research approach conducted through observation and face-to-face interview in the Thailand's automobile context.

<sup>1</sup> Ms. Leechoen is a doctoral student in the School of Business, University of the Thai Chamber of Commerce. She is in the processes of dissertation proposal development and defense. Please contact Ms. Leechoen as the paper correspondent. Her Email: lookpla\_talent@hotmail.com

<sup>2</sup> Dr. Chomvilailuk holds a PhD from Charles Sturt University, Australia, and is a lecturer in the School of Business at the University of the Thai Chamber of

Commerce. He has published his research in international journal in strategic management and marketing. His research focus is strategic marketing, consumer behavior and psychology. Email: rojanasak\_cho@utcc.ac.th

**Keywords-** customer satisfaction, customer repurchase, customer retention, multichannel communication, unfair exchange, variety-seeking trait

## I. INTRODUCTION

Customer repurchase is an important aspect in marketing and business management. A number of studies find the positive relationships between customer repurchase and firm's competitive advantage [2, 9]. Previous research generally examines the determinant factors of repurchase behavior and finds the major roles of customer satisfaction and loyalty [18]. In particular, prior studies indicate the impact of satisfaction and loyalty on increasing repurchase rate [19].

However, academics and practitioners have found diverse results in terms of the explanation and prediction power of satisfactions and loyalty on repurchase response [19,17]. Specifically, the current research has exhaustively reviewed and found various degree of the association between customer satisfactions and repurchase from strong to zero effects [19]. For example, Reichheld [8] postulates that from 85-90% of satisfied customers with the selected brand in automobile market, only 40% purchase the same brand again. That is, it can be inferred that when customer is satisfied with the product, he/she will come back to buy the same product again. However, some cases show that the satisfied customer does not buy the product with respect to his/her previous purchasing and satisfying experiences. In other words, a high satisfaction of customer does not automatically guarantee a customer response.

Moreover, Szymanski and Henard [5] confirm the hypothesis of the mediating roles for customer

loyalty in the relationship between customer satisfaction and customer repurchase. Yet, Agustin and Singh [2], argue and prove that loyalty cannot completely predict the customer response, especially for the condition of satisfied customer's loyalty to multiple brands. Furthermore, Olsen [17] indicates that these relationships vary by industries, and various factors. That is, the traditional association of customer satisfaction, loyalty, and repurchases still needs concentrated and specific examination for obtaining a high explaining and predicting power models [4].

This research, therefore, aims to fill the aforementioned gaps by reviewing literature and conducting exploratory research by in-depth interview. In particular, with respect to the preliminary review of literature, the current study finds three relevant constructs; brand trust, communication channel preference, and variety seeking that may affect the relationships of satisfaction, loyalty and repurchase. Thus, these constructs are investigated in details for the context of automobile product in Thailand. Specifically, the research question of this study is what factor (s) enhances the efficacy of customer satisfaction and loyalty on repurchase behavior. With this research problem, it can be expected for the benefit of this study that there is a development of the traditional model. According to this advanced model, the current research expects to have higher power of explanation and prediction model. Specifically, this study, by the exploratory research, finds other variables involved in the conventional association such as product design, perceived brand position, word of mouth, worthiness, switching barriers, product involvement, customer characteristics and perceived added value. Furthermore, practitioners in automobile business particularly in Thailand may use the information from this research preliminarily to make decision what should do to improve the customer satisfaction, loyalty and result in high repurchase.

## **Literature Review**

### II. CUSTOMER REPURCHASE

Customer retention behavior, especially for repurchase, boosts a firm's profitability and long-term performance [11]. Practically, for example, Reichheld and Sasser [7] find banks which can reduce defections just 5% can generate 85% higher profits. Previous research defines the repurchase's definition as a behavior of customer in buying the same product or service at least one more time [10]. Similarly, Cronin, Brandy and Hult [12] indicate that repurchase is the likelihood of using a service provider again in the future. With respect to the above definitions, this research accounts the customer

repurchase as the buying one more time in the future for both product or service and retailer.

### III. CUSTOMER SATISFACTION

Satisfaction is defined as an overall post-purchase consumption evaluation resulted from a comparison between prior expectations and actual product and service performance in terms of cognitive and affective product/service components [16]. The traditional conceptual framework indicates that customer satisfaction can positively increase firm's customer loyalty, business reputation, customer repurchase, and marketing cost reduction [18].

Satisfaction can be both a transaction-specific and cumulative types [18]. The former is concerned the customer response to the most recent transactional experienced with an organization. The latter is satisfaction with multiple components such as product, quality, price, brand name, salesperson trustworthiness, knowledge, after sales service [19]. This current research scopes the satisfaction components as the two aforementioned aspects.

#### Customer Loyalty

Previous studies indicate that loyal customers are willing to (1) purchase more frequently; (2) spend money on trying new products or services; (3) recommend products and services to others; and (4) give companies sincere suggestions [e.g.,19]. Thus, customer loyalty enhances the firm's success and profitability, and repurchases.

### IV. BRAND TRUST

Brand trust is referred to the customer's want will promisingly be served by that brand. Specifically, this study defines brand trust as "a feeling of security held by the consumer in his/her interaction with the brand, based on the perceptions of the brand's reliability, and responsibility for the interests and welfare of the consumer[6].

Zboja and Voorhees [13] indicate that brand trust is superior to customer's satisfaction through the functional performance of the product and its attributes. Moreover, brand trust is recognized as a positive antecedent of repurchase behavior [13]. Therefore, the relationship between customer satisfaction and repurchase in this research can be explained through brand trust working as a mediating variable in the conventional model.

### V. COMMUNICATION CHANNEL PREFERENCE

People prefer receiving messages in different ways [1]. A question happened is that "Which is the best communication channel for inducing customers to purchase and repurchase?" Moreover, previous studies find the effect of communication channel

preferences on purchase decision process, and result in an increasing repurchase [1]. That is, this research proposes that communication channel preference is a mediating factor of the association between customer satisfactions and repurchase

## VI. Variety-Seeking Behavior

Variety-seeking behavior is defined as one switching from previous choice to new ones [3]. Specifically, variety-seeking tendency is the propensity of individuals to seek diversity in their choices of goods or services over time by which customers' repurchase behavior can be affected [15]. However, the motivation theory convinces that variety-seeking behavior is a condition of customer profile. Thus, this behavioral construct can be moderating variable in the relationships between satisfactions and repurchase, and also between loyalty and repurchase.

In summary, this current research proposes to modify the traditional associations of customer satisfaction, loyalty, and repurchase by adding the mediating variables; brand trust and communication channel preference, and the moderating variable; variety-seeking behavior.

## VII. RESEARCH METHODOLOGY

This research conducts an exploratory research in February 2012 by pursuing in-depth interview with 12 automobile users who are in the age range of 25-55 years old and in the working group. These twelve samples are enough for the exploratory study in terms of providing a preliminary insight about the research issues and relevant consumer behaviors [14]. Research population is set as 6 age groups: 25-30, 31-35, 36-40, 41-45, 46-50 and 51-55. The sampling method is a systematic approach to choose the sample of automobile users by random process [20] with every 2 prospectus showing up at the sampling location, coffee shop. The sampling data compose of 7 males and 5 females of automobile users. The male group is distributed in the ages of 26, 28, 33, 36, 37, 53 and 55 years old. Meanwhile, the female group is in the ages of 31, 43, 45, 49 and 50 years old.

The researchers occupy scanning questions of "Do you use your personal car?", "Have you ever used other cars before the current one?", and "Do you take part in making decision to buy both cars?" If the interviewee's backgrounds are consistent with the scanning profiles, the researchers will conduct the specific in-depth interview with respect to the research question. Each informant is interviewed with the semi-structured questions in open-ended format on average of 25 minutes. Content analysis, and

preliminary validity and reliability of quality approach are applied for this survey [14].

## VIII. RESULTS

This research finds various emerging variables modifying the conventional relationships between customer satisfaction and repurchase behaviors and between customer loyalty and customer repurchase. For the former association, the current research finds the mediating variables supporting the previous research; brand trust and communication channel preference. Furthermore, there are two more emerged mediating variables from the in-depth interview composing of worthiness and switching barriers. The moderating variables consist of product involvement, customer characteristics, and variety-seeking behavior. For the relationship between loyalty and repurchase, the perceived added value comes to play as mediating variable. Furthermore, this research finds four variables; product design, word of mouth, perceived brand position, and perceived fairness exchange by which these variables may affect the customer satisfaction.

## IX. CONCLUSIONS

With respect to the research findings, this current research can modify the conventional model of customer satisfaction, loyalty and repurchase. The two conceptual constructs proposed by the researchers from pervious research; brand trust and communication channel preference, are supported by the in-depth interviews. In addition, academics are required to conduct empirical tests for the two more emerged mediating variables, worthiness and switching barriers. Moreover, hypothesis tests of the moderating roles of variety-seeking behavior, product involvement, and characteristics of customer in the traditional model are necessary. Also, perceived added value mediating between loyalty and repurchase should be focused for the empirical survey. Practitioners can use these exploratory findings as the concerns of marketing strategy development for increasing repurchase rate. Furthermore, to increase customer satisfaction, marketers should be aware of product design, word of mouth, perceived brand position, and perceived fairness exchange.

## REFERENCES

- [1] A. Godfrey, K. Seiders, and G.B. Voss, "Enough Is Enough! The Fine Line in Executing Multichannel Relational Communication," *Journal of Marketing*, 75, pp.94-109, July. 2011.
- [2] C. Agustin, and J. Singh, "Curvilinear Effects of Consumer Loyalty Determinants in Relational Exchanges," *Journal of Marketing Research*, 42, pp.96-108, Feb. 2005.

- [3] C. Benne, J.M. Mugica, and M.J. Yague, "The Effect of Variety-Seeking on Customer Retention in Service," *Journal of Retailing and Consumer Services*, 8, pp.335-345, 2001.
- [4] C. Wen, V.R. Prybutok, and C. Xu, "An Integrated Model for Customer Online Repurchase Intention," *Journal of Computer Information Systems*, 52(1), pp.14-23, 2011.
- [5] D. M. Szymanski, and D. H. Henard, "Customer Satisfaction: A Meta-Analysis of the Empirical Evidence," *Journal of the Academy of Marketing Science*, 29(1), 16, 2001.
- [6] E. Delgado-Ballester, and J. L. Munuera-Alemán, "Brand Trust in the Context of Consumer Loyalty," *European Journal of Marketing*, 35(11/12), pp.1238–1258, 2001.
- [7] F.F. Reichheld, and Jr. Sasser, W.E. "Zero defections. Quality comes to services," *Harvard Business Review*, 68(5), pp.105-111, 1990.
- [8] F.F. Reichheld, and K. Aspinwall, "Building High-Loyalty Business System," *Journal of Retail Banking*, 15(4), pp.21-30, 1993
- [9] G. Balabanis, N. Reynolds, and A. Simintiras, "Bases of e-store loyalty: Perceived switching barriers and satisfaction," *Journal of Business Research*, 59(2), pp. 214-224, 2006.
- [10] G. B. Voss, A. Godfrey, and K. Seiders, "How Complementarity and Substitution Alter the Customer Satisfaction–Repurchase Link," *Journal of Marketing*, (74), pp.111–127, 2010.
- [11] I. Qureshi, Y. Fang, E. Ramsey, P. McCole, P., Ibbotson, and D. Compeau, "Understanding Online Customer Repurchasing Intention and the Mediating Role of Trust – An Empirical Investigation in Two Developed Countries" *European Journal of Information Systems* (18), pp.205 – 222, 2009.
- [12] J.J. Cronin, M.K. Brandy, and G.T.M. Hult, "Assessing the effects of quality, value, and customer behavioral intentions in service environments," *Journal of Retailing*, 76(2), pp.193-218, 2000.
- [13] J. J. Zboja, and C. M. Voorhees, "The Impact of Brand Trust and Satisfaction on Retailer Repurchase Intentions," *Journal of Services Marketing*, 20(5), pp.381– 390, 2006.
- [14] J.W. Creswell, *Qualitative inquiry and research design: Choosing among five approaches* (2nd ed.), Thousand Oaks, CA: Sage, 2007.
- [15] Kwon, Kyoung-Naa, and Jain, Dipti "Multichannel Shopping Through Nontraditional Retail Formats: Variety-Seeking Behavior with Hedonic and Utilitarian Motivations," *Journal of Marketing Channels*, 16, pp.149-168, 2009.
- [16] R.L. Oliver, *Satisfaction: A Behavioral Perspective on the Consumer*. New York: McGraw Hill, 1997.
- [17] S. O. Olsen, "Repurchase loyalty: The role of involvement and satisfaction," *Psychology & Marketing*, 24(4), pp.315-341, 2007.
- [18] S.Y. Lam, V. Shankar, M. K. Erramilli, and B. Murthy, "Customer Value, Satisfaction, Loyalty, and Switching Costs: An Illustration From a Business-to-Business Service Context," *Journal of the Academy of Marketing Science*, 32( 3), pp.293-311, 2004.
- [19] V. Mittal, and W. A. Kamakura, "Satisfaction, Repurchase Intent, and Repurchase Behavior: Investigating the Moderating Effect of Customer Characteristics," *Journal of Marketing Research*, 38, pp. 131–42, Feb. 2001.
- [20] W.G. Zikmund, *Business research methods* (7 th ed.). Mason, Ohio USA: Thompson - South-Western, 2003.