

To cite this article: Tuangporn Pinudom, Dr. Siwaporn Kunnapapdeelert, Passarin Phalitnonkiat and Ms. Suthasinee Jayankura Na Ayuaddhya (2022). The Factors Affecting Customer Loyalty of the Ride Hailing Industry in Thailand. International Journal of Education, Business and Economics Research (IJEBER) 2 (3): 56-70

## THE FACTORS AFFECTING CUSTOMER LOYALTY OF THE RIDE HAILING INDUSTRY IN THAILAND

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### ABSTRACT

Identifying and creating customer loyalty is essential for business success. Understanding the customer loyalty requires understanding value for the customers. The study of customer value is more significant for several researches. However, many factors can affect customer value. This research explores the relationship of product quality, product innovation, customer relationship management, service value, supplier relationship management, and brand image, and their impacts on customer value and customer loyalty in the ride hailing industry in Thailand. The Exploratory Factor Analysis (EFA) was applied to the preliminary analysis of the variables. Confirmatory Factory Analysis (CFA) conducted in AMOS revealed the relationship of 6 variables and their impacts on customer value and customer loyalty. The research result shows that the service value has the most positive impact to the customer value compared with other variables. Brand image is the variable that has least positive effect on the customer value.

**KEYWORDS:** customer loyalty, customer value, product value, service value, brand value, ride-hailing service.

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Published Online: May 2022

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### 1. INTRODUCTION

Ride hailing industry is one of the fast growing industries in several countries, including Thailand. The passengers can hail a vehicle by using online platforms. It is one of the most comfortable means of transportation, as it provides door-to-door services. Increasing trend of on-demand transportation services, employment opportunities, and lower rate of car ownership are the important factors driving the growth of ride-hailing service in several countries.

According to Kandampully et al. (2015), customer loyalty is considered as long-term asset. Normally, the business companies have two objectives of customer loyalty programs. One is to increase sales revenues by raising purchase or usage levels of customers and / or increase the range of products bought. A second aim is more defensive, by building a closer relationship between the brand and current customers. This will support to maintain the current customer base (Uncle, Dowling, and Hammond, 2003).

In order to gain more customer loyalty, various factors affected to build customer loyalty are important to study. One of the important factors to build customer loyalty is customer value. Customer value is the estimation of the products overall capacity of the products to satisfy customer needs. This will affect to the customer tending to purchase products they feel are worth the cost needed to obtain such product. Normally, consumers tend to know exactly what they want to purchase (Singh, 2011).

In order to drive the customer value and customer loyalty to the brand, several factors that affect to the customer value are examined. This paper aims to examine the relationship of each variable, including product quality, product innovation, customer relationship management, service value, supplier relationship management, and brand image to customer value in the ride hailing industry in Thailand. The relationship of the customer value and customer loyalty in the ride hailing industry in Thailand will be also studied.

## **2. LITERATURE REVIEW**

### **Customer loyalty**

Customer loyalty is defined as something that consumers may exhibit to brands, services, stores, product categories (Uncles, Dowling, and Hammond, 2002). Many researchers studied about customer loyalty. The customer loyalty can be in the form of a consistently favorable set of stated beliefs towards the brand purchased. These customers' attitudes may be measured by asking how much people say they like the brand, feel committed to it, will recommend it to others, and have positive beliefs and feelings about brands (Dick and Basu, 1994). Customer's loyalty is considered as receiving a great marketing attention (Wu and Ai, 2016). Customer's loyalty is also regarded as a long-term asset for organization. (Kandampully et al., 2015). Having loyal customers for an organization is a required choice for various companies based on its important role in creating sustainable competitive advantages (Wu and Ai, 2016).

### **Customer Value**

Customer value is the estimation of the products to satisfy the customer needs. Today's consumers are much more educated and informed due to the power of the internet. As such, they will tend to purchase products they feel are worth the cost needed to obtain such product. Sustaining customers is possible by giving customer high satisfaction. Today's most successful companies aim for total customer satisfaction (Singh, 2011). According to Gale (1994), customer value is considered as market perceived quality adjusted for the relative price of your product. It is the customer's opinion of the products (or services) as compared to the competitors. In addition, customer value is also

considered as perceived value that is a customer's overall assessment of the utility of a product based on perceptions of what is received and what is given (Zeithaml, 1988)

Customer value has been found to be an antecedent of loyalty, a powerful predictor of purchase intention, willingness-to-buy, motivation for patronage, and repeat purchase behavior. Customers' experience of different types of customer value in service may have different influences on an organization's performance, such as in the area of customer loyalty (Chen, 2014). Companies that are able to provide good customer value can make customer loyalty and high customer retention, higher market share, and result in reduced operating costs. The customer value perceived by the customer is higher or better, the customer loyalty will have a significant increase (Zahra, Lutfie, and Harrie, 2017).

### **Product Quality and Product Innovation**

Key factors affected customer satisfaction and can be used to measure customer satisfaction are product (in terms of its quality, availability etc.), price (convenient payment conditions and others), services, distribution, and image of a product (Zamazalová, 2008).

Quality is defined as a zero error rate. It can be defined as the ability to produce a perfect product on the first try (Parasuraman et al., 1985). Quality is considered as the producer's ability to meet expectations (Crosby, 1979). Quality can be defined as the quality perceived from the basis of the consumer's decision on the overall excellence or superiority of the product (Zeithaml, 1988). The concept model developed by Zeithaml (1988), which suggested that there is a causal relationship between price and quality with value customers. Munisih and Soliha (2015) also proved that product quality could influence customer value.

Afuah (2003) explained innovation as a use of new knowledge to offer a new product or service that customers want. Herregodts (2014) defined that an innovation is the multi-stage process which organizations transform ideas into new or improved products or services in order to lead, compete, and differentiate themselves successfully in the market. Payne and Frow (2005) concluded that innovations would more effective and efficient to influence customer value. Nasution and Mavondo (2008) suggested that determinants of customer value are associated with the implementation innovative products and innovative processes. The measure of customer value based on the product efficiency can be viewed from the customer perspective towards the ratio of outputs that the customers obtain to the input that the customers need to deliver. Therefore, the customer value is related with new product or brand innovation (Rajagopal, 2006).

### **Service Value, Customer relationship management, and supplier relationship management**

Service value is explained as global judgments of welfares that consumers received from products. This depends on consumer's thought about get and given services (Lee, Park, Park, Lee, & Kwon, 2005). In addition, service value has become focused due to mediating variable roles between service quality and satisfaction. They also support the concept where some kind of relation between customer satisfaction and value (Lee, Lee, Lee, Park, & Moon, 2004).

According to Richards and Jones (2008), customer relationship management (CRM) is defined as the process that identifies customers, creates customer knowledge, builds customer relationships, and shapes customers' perceptions of company and its products and/or services. CRM is considered as a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create better value for the company and the customer (Parvatiyar and Sheth, 2001). CRM aligns business processes with customer strategies to build customer loyalty and increase more profits to the company (Rigby, Reichheld, & Scheffer, 2002).

Supplier Relationship Management (SRM) is the process of engaging in activities of setting up, developing, stabilizing and dissolving relationships with in-suppliers as well as the out-suppliers to create and enhance value within relationships (Benoit, Klose, and Fassnacht, 2006). Supplier Relationship Management (SRM) is a systematic, the assessment of suppliers' assets and capabilities in view of the organizations overall business strategy, a determination of what activities to engage in with suppliers, and planning and execution of all interactions with suppliers, to maximize the value realized through those interactions. The focus of SRM is to develop two-way, mutually beneficial relationships with strategic supply partners to deliver innovation and competitive advantage than through a traditional and transactional purchasing arrangement (SDI, 2016).

### **Brand Image**

Brand image can be defined as the observations around a brand as reflected by the brand association held in consumer's memory (Keller, 1993). According to Kotler (1988) and Meenaghan (1995), brand image is defined as set of customer's beliefs towards the brand. Moreover, brand image considered a highly important concept when it relates with consumer behavior. Therefore, if a company is constantly maintaining a positive and ideal image by the public it would affect to gain a better market place, increasing competitive advantage, and finally increasing higher market share (Park et al., 1986). According to Wu (2011), corporate image has been as an important antecedent of loyalty. Martineau (1958) stated that if consumers prefer image of the store, they will probably develop a certain degree of loyalty.

### **Ride-Hailing Service**

The ride-hailing is based on internet technology to organize supply and demand information on travel orders and provide a service platform for booking travelling service. Ride-hailing is operated by the company, and the main goal is to maximize profits for the company (Chen, Sun, Chen, Ye,&Jin,2016).

Although the ride-hailing platform seems to be useful for users, it has also led to much argument. In 2016, when Thailand recognized the legitimacy of the ride-hailing platform, it was not clear whether the platform must strictly control the industry. As a result, the ride-hailing platform was under the condition of weak supervision, relying on providing lower prices. In addition, the government is lack of supervision, so there is high competition in the market. Platforms in the

market have engaged in price wars and eliminated a large number of competitors. These have a great impact on the development of the online car platform (Sun, He, Wang, & Ma, 2019).

### **3. METHODOLOGY**

#### **3.1 Hypothesis**

- H1. Customer value will have a positive and significant effect on customer loyalty in Ride-hailing-service industry in Thailand.
- H2. Product quality has a positive and significant effect on customer value in Ride-hailing-service industry in Thailand.
- H3. Product Innovation has a positive and significant effect on customer value in Ride-hailing industry in Thailand.
- H4. Customer relationship management has a positive and significant effect on customer value in Ride-hailing industry in Thailand.
- H5. Service value has a positive and significant effect on customer value in Ride-hailing-service industry in Thailand.
- H6. Supplier relationship management has a positive and significant effect on customer value in Ride-hailing industry in Thailand.
- H7. Brand image has a positive and significant effect on customer value on Ride-hailing industry in Thailand.

#### **3.2 Research Objectives**

The paper aims to examine the relationship of each variable, including product quality, product innovation, customer relationship management, service value, supplier relationship management, and brand image to customer value in the ride hailing industry in Thailand. The relationship of the customer value and customer loyalty in the ride hailing industry in Thailand will be also studied. The study will be benefit to the business enterprises especially for ride hailing companies to make the right decision to develop the customer loyalty.

#### **3.3 Research Setting and Sample**

This study was conducted in 5 main locations of Thailand. The respondents were selected from the people who have experience in using ride-hailing service in Thailand. The locations include Bangkok and Metropolitan, Chiangmai, Phuket, Chonburi, Nakhon Ratchasina and Khon Kaen.

The survey was conducted to assess product value, service value, brand value, customer value, and customer loyalty. The survey questions were asked to indicate on a 5-point Likert scale anchored by 'Completely Disagree' (1), 'Neither Disagree nor Agree' (3), and 'Completely Agree with the Statements' (5).

#### **3.4 Data Analysis and Findings**

The study has applied Exploratory Factor Analysis (EFA) to the preliminary analysis of the variables. The items were analyzed in 6 constructs which were product quality, product innovation,

customer relationship management, service value, supplier relationship management, and brand image.

Confirmatory Factor Analysis (CFA) conducted in AMOS revealed the relationship between the variables and their impacts on customer value and customer loyalty in the ride hailing industry in Thailand.

The model fit summary of the measurement model presented an acceptable fit to the data of  $n = 896$  ( $p < 0.001$ )  $\chi^2/df = 2.786$ , NFI = 0.931, CFI = 0.954, RMSEA = 0.045]. Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.966. Acceptable model fit was indicated by Comparative Fit Index (CFI) value of 0.80 or greater (Hu & Bentler, 1999), and if a smaller RMSEA value is indicating better model fit, an acceptable is at 0.06 or less (Hair et al., 2009; Hu & Bentler, 1999).

Table 1 shows principle component analysis factor loading and composite reliability. In addition, a Pearson correlation was used to assess the relationship among the variables of the model. All correlations between the proposed dimensions were found to be statistically positive significant at 0.01 level (two-tailed). The correlation matrix for renew observed variables from the model was shown in Table 2.

Figure 1 showed that all variables including product quality, product innovation, customer relationship management, service value, supplier relationship management, and brand image, have positive effect on customer value. The customer value also has positive effect on customer loyalty.

## DISCUSSION AND CONCLUSION

From the CFA analysis testing all variables of SIBE model were analyzed and grouped into 6 factors. All variables have positive relationship with the customer value. From the study, the service value has the most positive impact to the customer value compared with other variables. Brand image is the variable that has least positive effect on the customer value.

The study also examines the relationship among the variables. The research result shows that all the 6 variables have the significant relationship among each other. This can conclude that the factors that affect to customer value, which includes product quality, product innovation, customer relationship management, service value, supplier relationship management, and brand image, are related and affect to each other.

Moreover, the relationship between customer value and customer loyalty were also examined in this study and the research result shows that there is a positive relationship between these two variables. This supports the research of Chen (2014), concluded that customer value has been found to be an antecedent of loyalty, a powerful predictor of purchase intention, willingness-to-buy, motivation for patronage, and repeat purchase behavior. It also supports the study of and Zahra, Lutfie, and Harrie, (2017), mentioned that customer value perceived by the customer is higher; the customer loyalty will increase significantly.

The current study will assist the business enterprises especially for the companies in the ride hailing industry to aware of the importance of building customer values through different factors. Focusing on these factors can help increasing customer value to the brand. As a result, the customer loyalty will increase.

**Table 1: Principle component analysis factor loading and composite reliability (re-construct of variables)**

Constructs and items (Renew)	Standardized loadings	Composite reliability
<p><b>Product Quality (PQ)</b></p> <ol style="list-style-type: none"> <li>1. The riding hailing application I used helps my life to be easier.</li> <li>2. The ride hailing application I used helps me to manage time.</li> <li>3. The ride hailing application I used is good quality.</li> <li>4. The ride hailing application I used is safe.</li> <li>5. The hailing application I used is better than others.</li> </ol>	<p>0.692</p> <p>0.672</p> <p>0.687</p> <p>0.578</p> <p>0.537</p>	<p>0.771</p>
<p><b>Product Innovation (PI)</b></p> <ol style="list-style-type: none"> <li>1. The ride hailing application I used has technology development.</li> <li>2. The ride hailing application I used has development in new business operation, new product/service, or new marketing strategies.</li> <li>3. The ride hailing application I used has significant product/service development or significant business operation development.</li> </ol>	<p>0.621</p> <p>0.564</p> <p>0.688</p>	<p>0.720</p>

<p>4. The ride hailing application I used offers new changes to customers.</p>	<p>0.630</p>	
<p><b>Customer Relationship(CR)</b></p>		
<p>1. The ride hailing application I used can satisfy me at every time I need.</p>	<p>0.726</p>	<p>0.700</p>
<p>2. The ride hailing application I used can satisfy me every place I need.</p>	<p>0.692</p>	
<p>3. The ride hailing application I used is clear and easy to understand.</p>	<p>0.562</p>	
<p><b>Service Value (SV)</b></p>		
<p>1. The customers' opinion is operated by the company very quickly.</p>	<p>0.614</p>	<p>0.721</p>
<p>2. The officers of the ride hailing application I used can solve the problems for me.</p>	<p>0.613</p>	
<p>3. The officers of the ride hailing application I used are friendly to customers.</p>	<p>0.654</p>	
<p>4. I can contact the customer service officer of the ride hailing application I used easily.</p>	<p>0.517</p>	
<p>5. The ride hailing application I used has variety of services to solve the problems for the customers in case they have usage difficulty.</p>	<p>0.516</p>	



**Supplier Relationship (SR)**

1. The ride hailing application I used invest to build relationship with suppliers.	0.720	0.868
2. The ride hailing application I used gives importance to suppliers.	0.766	
3. The ride hailing application I used always evaluate their suppliers' performances.	0.658	
4. The ride hailing application I used evaluates their suppliers' performances from their price and quality.	0.673	
5. The ride hailing application I used has cooperated with suppliers to develop product/service.	0.689	
6. The ride hailing application I used has a clear policy to develop the relationship with their suppliers.	0.681	
7. The ride hailing application I used shares information and operations to their suppliers.	0.681	

**Brand Image (BI)**

1. I know the ride hailing application I used very well.	0.641	0.812
2. I know the advertisement of the ride hailing application I used very well.	0.617	
3. I have confidence in the ride hailing application I used.	0.631	
4. I can tell the trademark of the ride hailing application I used.	0.725	
5. The ride hailing application I used has good communication with customers.	0.614	
6. The ride hailing application I used helps me to have a good memory.	0.590	
7. The ride hailing application I used has brand development.	0.502	

**Table 2 Correlation Coefficients for (Renew) Observed Variables**

<b>Variables</b>	Product Quality	Product Value and Product Innovation	Customer Relationship	Service Value	Supplier Relationship
Product Quality					
Product Innovation	0.844*				
Customer Relationship	0.733*	0.713*			
Service Value	0.759*	0.904*	0.837*		
Supplier Relationship	0.774*	0.766*	0.700*	0.896*	
Brand Image	0.787*	0.776*	0.729*	0.847*	0.828*

Notes: \*Correlation is significant at the 0.01 level (two-tailed).

**Figure 1: Standardized Total Effects**



**Assessment of (Renew) Observed Variables through Renew Model (Based on SIBE Model)**

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