

**The effect of commitment, trust, competence, communication, conflict handling  
on relationship quality, customer satisfaction and customer loyalty**

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**Abstract**

The purpose of this research aims to study the effect of commitment, trust, competence, communication, and conflict handling on relationship quality, customer satisfaction and customer loyalty on after sales service. The automotive industry in Thailand is increase rapidly because the government issued the first car policy. The car's dealers can make the profit not only the initial sales but also after sales service. Therefore, they should know how to attract the customer to use the after sales service to increase more profit in the future. The research design is quantitative and the respondents of this survey are the customers who used aftersales service. There were 433 respondents who participated in this survey 203 were female and 233 were male. The results show that competence is a major factor influence customer satisfaction to become customer loyalty. The research model was analyzed by using the structural equation model. The result of the analysis revealed that the research model was a good fit. Based upon the threshold of the goodness-of-fit measure, the result indicated that the model was a good fit with chi-square ( $\chi^2$ ) = 1.94 and degree of freedom (*df*) of 2 ( $p = 0.3785$ ); goodness of fit index (GFI) = 0.99; root mean square residual (RMR) = 0.0016; Standardized RMR (RMSR) = 0.0024. All results of goodness of fit statistic measure have found in line with the acceptable level. In the same direction with the incremental fit

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measurements as AGFI, NNFI, NFI, and CFI have the value greater than 0.95. For the result above indicated that the incremental fit and parsimonious fit measure the model was a good fit.

**Keywords:** commitment, trust, competence, communication, conflict handling, relationship quality, customer satisfaction, customer loyalty

## Introduction

Nowadays the economics of Thailand is change rapidly and GDP of Thailand is growing up around 8.0% from the previous year. The automotive industry has been the priority sector for the economy of Thailand. There are many brands selling the cars such as Toyota, Honda, Mazda, Isuzu, Ford, Nissan etc. Every brand wants to be the number one of the markets. They always offer the promotion to the customer. The main reason that influencing the decision of the customer was the government issued the first car policy.

Table 1 the number of customers who bought cars in 2010 to 2012

	2012		2011		1/2010
	Numbers	%change	Numbers	%change	Numbers
Toyota	36117	25.8%	26777	24.3%	20268
Honda	332	-96%	9772	21.2%	7701
Mazda	3812	21.1%	3008	35.6%	1937
Total	76246	10.3%	68398	27.5%	49560

After customers purchased the car, it is the beginning of the after-sales service. Customers need come back to aftersales service for maintenance their car. Nowadays the numbers of competitors in after sales services are increase rapidly. The aftersales service need to increase the number of customer loyalty for the future profit. According to Oliver (1996) found the customer loyalty is the customer who

come to continuous repurchase intention, recommendation to other. Meanwhile aftersales service can make profit higher than sold new car (Arthur, 2008).

### **Literature review**

Literature in this study includes customer loyalty, customer satisfaction, relationship quality, commitment, trust, competence, communication and conflict handling.

### **Customer Loyalty**

Loyalty can be defined as the continuous repurchase of a preferred product or service, regardless of other options and/or marketing efforts to induce switching to competitors. According to Oliver (1996); Jones and Sasser (1995); Zeithami (1996); Gronholdt et al. (2000) defined customer who continuous repurchase intention, recommendation to other customer and tolerance to the prices. Customer loyalty can improve the number of customers who come to the aftersales service. Customer loyalty is very important to the aftersales service. More significantly, customer loyalty is a vital factor for increasing profits, because the costs of gaining new customers are much greater than the costs involved in serving existing customers (Reichheld and Sasser, 1990). Muller (1998) defined customer loyalty can help the company to maintain and develop in the market share. Customer loyalty can link the success and the profit to the company (Eakuru and Mat, 2008).

### **Customer satisfaction – Competence – Communication – Conflict handling**

According to Fornell (1992) founded customer satisfaction appear to be important for all firms. Rogers et al., (1992) founded satisfaction is recognized as an important facet of marketing. Customer satisfaction has the positive effect and natural to increase the customer loyalty (T.O.James and W.E.Sasser, 2001; Bitner, 1990).

Competence is the combination with the skill, knowledge and attitude (Page and Wilson, 1994; IIIeris, 2004). Communication is the way to exchange of information as by speech, visuals, signals between the supplier and customer (Seines, 1998). Communication is an important in the marketing strategy (Duncan and Moriarty, 1999) and communication can let the customer satisfy and believed to the competency of aftersales service (Rule and Keown, 1998).

Conflict is the negative relationship between customer and company. Conflict handling as the company ability to minimize the negative consequence the conflict of customer and good conflict handling is important when the customer disagreement with the company (Dwyer and Schurr and Oh, 1987; Anderson and Narusm, 1990; Sitti Haryati Shaikh Ali, 2011). According to Nelson Oly Ndubisi and Naresh K.Molhotra and Chan Kok Wah (2009) founded when the company or employee have a good conflict handling to resolve the problem of the customer, after that the customer who conflict have the good handling from the employee, the customer can satisfy in the company and after customer satisfy will become the customer loyalty.

### **Relationship quality – Commitment – Trust**

According to De Wulf et al (2001) defined that relationship marketing quality can be considered as an overall assessment of the strength of a relationship, relationship quality is useful measure to evaluate the effectiveness of relationship marketing and relationship quality offers a tool for diagnosing the pitfalls in building and maintaining relationships with customers and devising effective and efficient remedies for those problems (Roberts, Varki and Brodie, 2003). Relationship quality is an important concept in the relationship market, which play as a key role in affecting to the customer loyalty (Hennig-Thurau, T. and Gwinner, K.P. and Gremler, D.D., 2002; Palmatier et al., 2006). Relationship quality have a

trust and commitment be the critical relational construct (Morgan and Hunt, 1994; Simpson and Baker, 1998; Palmatier et al., 2006)

According to Gundlach, Achrol, & Mentzer (1995); Morgan & Hunt (1994) founded that commitment as one of the important variables to understand the strength of a marketing relationship, implies to a higher level of obligation to make a relationship succeed and mutually satisfying (Gundlach, Achrol and Mentzer, 1995; Morgan and Hunt, 1994). According to Wong and Sohal (2002) founded commitment is also one of the key elements for understanding the strength of marketing relationship quality and measuring the likelihood of customer loyalty.

Trust is the basis of the relationship between customer and company, trust also can let be feel confidence to each other. According to defined trust is a very useful in the marketing and Mohr and higher of trust in degree of relationship can be success in the marketing (Ganesan and Morgan and Hunt, 1994). Trust is one of the important variables for understanding the strength of a marketing relationship quality.

### **Conceptual framework**

According to the researcher was reviewed the journals or academic literature the conceptual framework of the study was developed and is shown in the figure 1. The main construct is customer loyalty. The study proposition is that this is directly determined by two constructs, customer satisfaction and relationship quality. In turn, customer satisfaction is determined by three factors competence, communication and conflict handling. Furthermore relationship quality consists of commitment and trust.

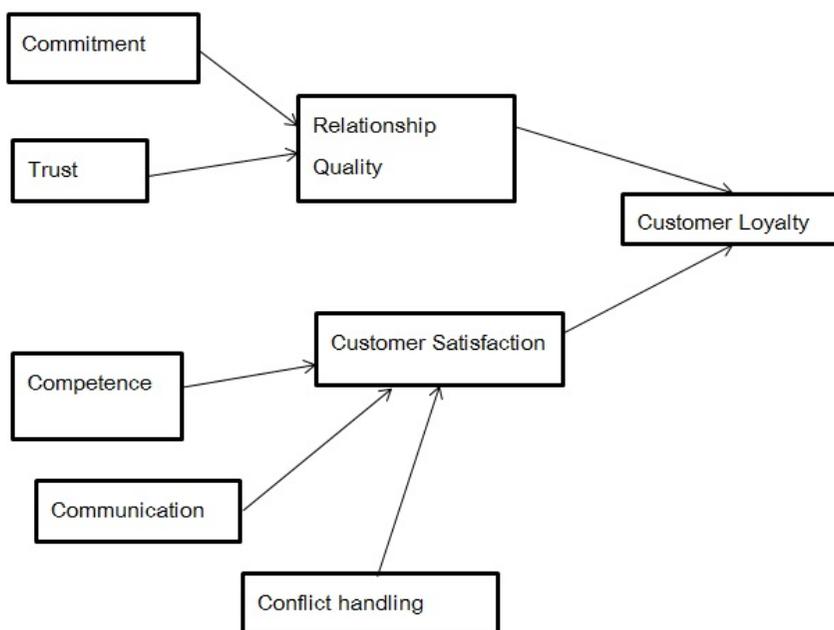


Figure 1 Conceptual framework of the research

## Methodology

### Population and sample

The questionnaires were distributed for customer who used the aftersales service, in this research founded customer used many brand of cars; Toyota, Honda, Mazda, Nissan, Mitsubishi etc. The total of customer are 433 answered all the questions in this questionnaires.

### Research Instrument

The questionnaires were designed to measure all of variables adapt from the previous research and previous questionnaires. Customer loyalty questionnaires was adapt from Zeithaml et al. (1996); Selnes and Hansen (2001); Nelson Oly Ndubisi (2006) and Parasuraman et al., (2005); Yang & Tsai, (2007); Zeithaml et al., (1996). Customer satisfaction questionnaires was adapt from Hong-Youl Ha & Helen Perks (2005) and LUIS V. CASAL'O (2010). Relationship quality questionnaires was adapt from Siti Haryati Shaikh Ali (2011). Commitment

questionnaires was adapt from Katie Delahaye Paine (2003). Trust questionnaires was adapt from Katie Delahaye Paine (2003). Competence questionnaires was adapt from Katie Delahaye Paine (2003). Communication questionnaires was adapt from Seines (1998), Duncan and Moriarty (1999) and Rule and Keown (1998) and conflict handling was adapt from Nelson Oly Ndubisi and Naresh K. Malhotra and Chan Kok Wah (2009).

Since in the second section of this survey, the five-point Likert Scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree) (Kolodinsky et al., 2004) was used as instrument to measure the questionnaire items.

The reliability of the questionnaires was measured by using the Cronbach's Alpha coefficient, it indicates the level of the items are correlated to each another. The reliability as the consistency and stability of the score form the measurement scale was defined by (Hair et al., 2006) that the score of 0.70 or higher will be reliable enough used in the data collection. Cronbach's Alpha of this study is ranked from 0.782 to 0.910. It can imply that the data were acceptable.

### **Data analysis**

Structure Equation Model (SEM) is used to examine the postulated hypothesis (research questions). The structural relationships among commitment, trust, competence, communication, conflict handling, relationship quality, customer satisfaction, customer loyalty were analyzed by LISREL 8.8 (Joreskog and Sorbom 2006). The purpose of LISREL 8.8 is using to evaluate the goodness of fit, as the absolute fit indices like chi-square ( $\chi^2$ ), goodness of fit index (GFI), and average goodness of fit index (AGFI), and root means square error of approximation (RMSEA) index is used. In addition, good-of-fit also incremental and decrement

indices such as norm fit index (NFI), non-norm fit index (NNFI), comparative fit index (CFI), and norm chi-square ( $\chi^2$ ) are used to assess the goodness-of-fit.

### Result

The result shows that the sample consisted of 230 males and 203 females from 433 respondents, 42.50% of the customer were between the ages of 26 – 33, 82.00% of the customer who studied in bachelor's degree, 33.00% of respondents who used Toyota brand , 24.00 % of respondents used Honda, 19.60 % of respondents used Mazda and 4.20 % of respondents used Isuzu.

**Table 1** Respondent characteristics

Characteristics		Number of Sample	Percentage
Gender	Male	230	53.10 %
	Female	203	46.90 %
Age	18 – 25	93	21.50 %
	26 – 33	184	42.50 %
Education	Bachelor's Degree	355	82.00 %
Brand	Toyota	143	33.00 %
	Honda	104	24.00 %
	Mazda	85	19.60 %
	Isuzu	18	4.20 %
Type	Sedan	290	67.00 %
	Hatch Back	63	15.13 %
Often	1	141	32.60 %
	2	167	38.60 %
	> 3	79	18.20 %

The most type of car that respondents used sedan type as 67.00 % and 15.13 % of respondents used hatch back type. The often time that respondents come to aftersales as 32.60 % of respondents come to aftersales service 1 time in 6 months, 38.60 % of respondents come to aftersales service 2 time in 6 months and 18.20 % of respondents come to aftersales service 3 time in 6 months but 10.60 % of respondents didn't come to aftersales service in 6 months and 100 % of respondents used the aftersales service in Bangkok area.

An analysis demonstrates degree of agreement of the respondents on customer loyalty, customer satisfaction, relationship quality, commitment, trust, competence, communication and conflict handling being shown in Table 2.

Based on the table 4.2, the results indicate that the respondents totally agree with customer loyalty, customer satisfaction, relationship quality, commitment, trust, competence, communication, conflict handling, which coming from the mean value of customer loyalty is 3.83 and sd. is 0.50. Which with the mean value of customer satisfaction is 3.84 and sd. is 0.57. The mean value of relationship quality is 3.82 and sd. is 0.59. So the mean value of commitment is 3.84 and sd. is 0.62. Therefore the mean value of trust is 3.89 and sd. is 0.56. Thus the mean value of competence is 3.92 and sd. is 0.58. Follow with the mean value of communication is 3.92 and sd. is 0.56. Last mean value of conflict handling is 3.92 and sd. is 0.61.

**Table 2** Level of agreement of respondents

Factor	Mean	Std.Deviation	Level of Agreement
Customer Loyalty	3.83	0.50	Agree
Customer Satisfaction	3.84	0.57	Agree
Relationship Quality	3.82	0.59	Agree
Commitment	3.84	0.62	Agree
Trust	3.89	0.56	Agree
Competence	3.92	0.58	Agree
Communication	3.92	0.56	Agree
Conflict handling	3.85	0.61	Agree

According to the table 3 which The Goodness of fitness (GFI) of this research is 0.99, The Adjusted Goodness of Fit Index (AGFI) of this study was 0.98 were almost approached to 1. The Root Mean Square Residual (RMR) of this study was 0.0016. The result was matching the conceptual framework of this study.

**Table 3** Goodness of fit Statistic

FIT Index	Value
Chi-square	Chi-square = 1.94
	P-value = 0.3785
Degree of Freedom ( <i>df</i> )	2
Goodness of Fit Index (GFI)	0.99
Adjusted Goodness of Fit Index (AGFI)	0.98
Root Mean Square Residual (RMR)	0.0016
Standardized RMR	0.0024
Normed Fit Index (NFI)	1.0000
Non-Normed Fit Index (NNFI)	1.0000
Comparative Fit Index (CFI)	1.0000



satisfaction. Relationship quality has significant effect on customer loyalty, and commitment is a critical significant effect to relationship quality. This can confirmed that customers are more concerned with satisfy first.

### **Implementation**

All of variables have positive effect to customer loyalty but the highest effect is customer satisfaction. According to T.O.James and W.E.Sasser (1995) found satisfied of customer will naturally loyalty and customer satisfaction will positively affect customer loyalty. The aftersales service should attention on the customer satisfaction. After-sales service should provide more than what the customer expects to receive from the service after the sale. In this research have 3 measurements that have effect to customer satisfaction as competence, communication and conflict handling. For the result competence is higher effect to customer satisfaction. Aftersales service need to attention the competence of employees first such as skill, knowledge and attitude. Aftersales service should to practice and training their employees to clear understanding of their product. Perhaps when customers have a problem, they can support and solve the problem as soon as possible. For the new innovation, aftersales service can't be omit, they should let their employees always learn the new innovation. The good communication also influence to the customer satisfaction as well. The aftersales service need to provide priority to conflict handling too. In the current, aftersales service can't provide the customer expectation. When the customers got conflict issue, the employees need to use good conflict handling to solve the issue immediately.

Relationship between customer and aftersales service is important to build the customer loyalty. Relationship quality is linked with commitment and trust. Commitment and trust are similar meaning. Commitment is the obligate that aftersales service offers to the customers. It means when the aftersales service

promise can fix this issue in 2 days, they must don it on time. Trust is the confident that the customer feel to aftersales service. Making the customer trust and feel this aftersales service keep their commit, it can directly increase the relationship quality towards customer loyalty.

### **Conclusion**

An examination of the standardized path coefficients among variables showed that the paths have statistically significant direct effects for customer satisfaction has significant direct effect on customer loyalty. Competence has significant direct effect on customer satisfaction toward customer loyalty. Relationship quality has significant direct effect on customer loyalty. Commitment has significant direct effect on relationship quality toward customer loyalty. The major variable that effect to customer loyalty and lead customer come back to the aftersales service again is customer satisfaction and trust. The significant, positive signs of all structural paths also supported all hypotheses.

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