Determining the Loyalty of Customers with Moderating Role of Service Quality: A Study on Thailand

Sakapas Saangchaita, Kittisak Jermisitiparsertb,*,a Faculty of Humanities and Social Science, Suan Sunandha Rajabhat University, Bangkok, Thailand, bDepartment for Management of Science and Technology Development, Ton Duc Thang University, Ho Chi Minh City, Vietnam, cFaculty of Social Sciences and Humanities, Ton Duc Thang University, Ho Chi Minh City, Vietnam

* Corresponding author Email: kittisak.jermisitiparsert@tdtu.edu.vn, sakapas.sa@ssru.ac.th

The prime focus of the present research entails the investigation of the relationship between loyalty and its influential factors. Loyalty is considered one of key elements for any business to retain its consumers, market share and competitive edge in highly competitive environments. The present research was conducted in the restaurants and hospitality sector of Thailand. Research examined the influence of the commitment of consumers and loyalty intentions of consumers to remain with same product/service for a long term period. The study investigated the relationship between satisfaction levels of consumers as influential for the loyalty of consumers for the retention of existing consumers while lowering the cost. Service quality was considered in the present research and was examined to assess the moderating role between independent and dependent variables. The data was analysed by using SMART-PLS through a measurement model and structural equation modelling. The results of the study found that the direct effects of independent variables on dependent variables was found to be significant and positive, the moderating role of SQ was observed between satisfaction and loyalty, but no moderating effect was observed between commitment and loyalty, in short, H1 and H2 as direct hypotheses were accepted statistically, but the moderating relationship H3 was rejected on the basis of statistical support; on the contrary, hypothesis H4 was accepted on the basis of statistical grounds.

Key words: Customer Loyalty, Service Quality, Thailand
Introduction and Background

Business establishments undertake marketing initiatives for their growth and to sustain their positions in competitive markets. Various marketing strategies have been implemented by businesses to boost their operations in order to respond to and cope with internal and external environmental forces (Garcia, 2019). Marketing is necessary for firms, as it focuses on promotional activities for the sustainability of businesses. The marketing activities cause higher competition in industry as major players influence and affect the industry business environment, especially for small businesses. Marketing strategies assist businesses to survive, as reports have been published according to the Small Business Administration (SBA) office of advocacy. All units of firms work together and integrate overall business objectives in a well organised manner to gain the competitive edge. The firms strive to improve their customer service, operations, expenses control and capital investment usage and effective resources utilisation. The government of Thailand extensively encouraged business management strategies as a crucial factor for boosting competitiveness (Trivedi, 2018). The restaurant sector of Thailand is considered as one of the important and crucial sectors for economic development. The number of visitors has increased in recent years, therefore the restaurant business has grown rapidly in Thailand. The Office of National Economic and Social Development Thailand has observed that expansion in hotels and restaurants grew by 15.9% in 2016, and was 12.7% higher the previous year. There are approximately 11,0202 restaurants that are registered with the Ministry of Commerce (Pielak, Trafialek, & Czarniecka-Skubina, 2018).

However, there are various hurdles faced by workers, including strict rules and regulations for registration, due to unfavourable economic conditions specifically associated with immigrants. Due to the various reasons, approximately 2300 small restaurants were forced to close in the year 2017. The Association of Restaurant Business Trade has provided the statistics regarding registered businesses in Thailand. The reasons stated above caused a decrease in small medium restaurants in Thailand, on the other hand, tourists in Thailand have increased in recent years, therefore the demand for restaurants has increased with effective and efficient services (Trivedi, 2018). It has been observed that perfect competition has to be taken into consideration for survival by the utilisation of marketing strategies and promotional techniques. The firms strive and aim to remain in regular contact with potential customers through social media usage. The usage of social media, including facebook pages, Twitter and websites has increased among the restaurant and hotel industry in Thailand. The social media pages were found to be attractive for customers and provided opportunities for businesses to understand and categorise consumers to attract them through promotions (Dineva, Breitsohl, & Garrod, 2017). The firms develop their strategies for their marketing plan to create value for consumers and functional benefits for customer engagements to maintain them long term (Wolny & Mueller, 2013).
In Thailand, social media usage is widely utilised and, based on electronic commerce reports, has provided opportunities for businesses in Thailand and the Southeast Asian region. Through social media usage firms establishing the relationship between consumer-to-consumer and consumer to business, Thailand is reported as having the highest number of internet users among all regions - approximately 57 million users utilise mobile and e-commerce technologies (Dineva et al., 2017). The reports on e-commerce also revealed that Thailand is observing growing internet and mobile based application users that contribute to electronic commerce. The Thai market contributes in economic growth through internet usage and was valued at approximately US $ 5.8 billion in 2018. The small restaurant business has flourished in Thailand, businesses such as coffee shops have grown in commercial and urban areas, the statistical figures have shown that there are approximately 40 coffee shops at each countryside (Garcia, 2019). Further, small business hotels and restaurants have also increased and attracted large numbers of visitors and ranked at 8th out of 40 in 2019 by Tripadvisor. Customer retention remains a point of focus as a crucial factor to gain a competitive edge and business success, on the other hand, attracting new customers is found to be more expensive and of less benefit (Qian, Peiji, & Quanfu, 2011). The improvement in business performance increases the number of loyal customers. The positive word of mouth, repurchase and price sensitivity contribute to higher returns (Jahanzeb, Fatima, & Khan, 2011). Loyal customers are involved in repurchase and spend more money at specific firms and put more effort into promoting to new customers (Jaiswal & Niraj, 2011). Firms strive to maintain customer loyalty and higher profit margins for competitive advantages (Wang & Wu, 2012). Research scholars focused on restaurant and café businesses, considered as the prime business sector in Thailand operating successfully (Kirdkoh & Ngamrung, 2019).

The present study intends to determine the loyalty of customers in the restaurant sector of Thailand, the commitment of customers and satisfaction of customers is empirically examined in the study to determine loyalty with the moderating role of service quality.

**Literature Review**

The purchases of consumers presents their innate drive as they define and express by their choice of purchase. Previously, various studies have been conducted as research scholars have given intensive attention to determine the loyalty of customers and their attraction towards brands. The behaviour of consumers depends upon self-concept, as it is referred to as ways to think and feel; how the consumer feels, perceives and acts. The self-concept of consumers is linked to brand and connections as subjective and driven by personal relations (van der Westhuizen, 2018). The firms strive to gain loyalty of consumers by providing their quality services or products while primarily focusing on their marketing strategies. The loyalty of customers can be determined by their repurchase intention towards the same
products or services during a long time period (Han, Kwortnik Jr, & Wang, 2008). The firms focus on loyal customers, as it is found to be less expensive to retain them as compared to acquiring new customers; loyal consumers create positive word of mouth in society and bring benefits for firms. There are various factors that have been examined that influence the loyalty of consumers, including value provided by firms, brand equity and relationships with specific brands or firms (Razzaq, Razzaq, Yousaf, Akram, & Hong, 2019).

The current study intends to determine the loyalty of consumers, influenced by predictors including commitment of customers and satisfaction of customers with the moderating role of service quality in the restaurant sector of Thailand. The study is novel in determining the under discussion variables, as it is a new method in empirically examining the relationship. Previously studies have been conducted to determine the loyalty with different influential variables.

**Drivers of Loyalty (Commitment)**

The loyalty of consumers depends upon different drivers, and the literature has argued on value equity, brand equity and relationship equity as drivers to loyalty (Rust & Oliver, 2000). Previously, studies have been conducted to examine the relationship of consumer loyalty with various predictors and variables that validated the model (Ou, de Vries, Wiesel, & Verhoef, 2014; Rungsrisawat, Namdej, & Jermsittiparsert, 2019; Sriyakul, Jermsittiparsert, Joemsittiprasert, & Pamormmast, 2019). Studies have stated various differences in empirical investigations of loyalty and drivers, but assist firms to develop effective marketing strategies to attract and retain consumers for long time periods (De Haan, Verhoef, & Wiesel, 2015). Initially, three drivers were empirically investigated for determining customer loyalty, later, research scholars have found significant and positive relations between equity drivers and loyalty of consumers (Segarra-Moliner & Moliner-Tena, 2016).

The studies considered and investigated relations between quality, trust and satisfaction to be influential towards loyalty. The quality of products or services motivates customers to repurchase and become loyal to specific firms and establish long term relationships. The response of companies to queries of consumers satisfies their needs, and quick responses to consumers’ calls enables them to trust the quality and response of firms which satisfy them to repurchase and remain intact (Thaichon, Lobo, & Mitsis, 2012). The quality of service satisfies the consumer by standards of performance and excellence (Brady, Cronin Jr, & Brand, 2002). Similar studies have been conducted in India on mobile phone users to determine the loyalty of consumers based on satisfaction and performance of firms, which stated that the quality of products enables firms to retain their consumers and lowers turnover rates of consumers (Seth, Momaya, & Gupta, 2008). The research scholars have found that affective attachment with consumers can be build by providing good quality products, performance and by satisfying them and their commitment will influence loyalty intentions.
with specific brands (Fullerton, 2005; Thaichon et al., 2012). The commitment of consumers based on quality of goods or services influences their purchase intentions due to their loyal attitudes towards specific companies or brands as their association has developed over time (Jahanzeb et al., 2011). The research scholars have argued that satisfied and committed consumers consider the quality of products or services in meeting their expectations, and become loyal to the firm and are encouraged to make repeat purchases (Chiou, 2004).

The present study intends to determine the influence of commitment of consumers towards loyalty, as previously there has been a lack of studies investigating the direct empirical relations of commitment and loyalty. The study intends to conduct an empirical investigation between the relationship of commitment and loyalty of consumers in the restaurant industry of Thailand.

On the basis of the above discussion, the following hypothesis is derived:

H1: Commitment of consumers positively influences the consumer’s loyalty towards a brand.

**Drivers of Loyalty (Satisfaction)**

There are a number of research scholars who have stressed the fact of satisfaction of consumers towards quality and standards of products or services. The satisfaction of consumers plays a vital role in retaining them to gain mutual benefits; such as, satisfied consumers stay positive, retained and create positive word of mouth. These outcomes develop the sense and attitude of loyalty, based on the quality and satisfaction of consumers towards specific brands (Suwanamas, Trimetsoontorn, & Fongsuwan, 2015). Previously, research scholars have found empirical relationships between emotions and the satisfaction of consumers and found significant relations (Romani, Grappi, & Dalli, 2012). On the other hand, there are various services that cannot be associated with emotions, such as financial service institutions (banks) for gaining the loyalty of customers (Rychalski & Hudson, 2017). The literature has stated that there is a link and association between emotions and the decision making of an individual (Lerner, Li, Valdesolo, & Kassam, 2015). The delivery of front line employees at firms is directly related to satisfaction levels of consumers, as it assists them to establish long term relations with clients and to gain their loyalty (Benjarongrat & Neal, 2017).

Moreover, front-line employees display their good gestures and transmit valuable information to the customer to fulfil their demands, which enhances their satisfaction and leads them to become loyal to the firm for repurchase (Pugh, Dietz, Wiley, & Brooks, 2002). The behaviour of front-line employees impacts the decision making by increasing the satisfaction level of consumers (Tan, Foo, & Kwek, 2004). The positive attitudes of employees at firms establishes trust through their behaviour, satisfied customers become loyal based on the
behaviours of employees (Yang & Peterson, 2004). Previously, studies have been conducted to investigate the impact of emotions on various factors, including marketing, retail, decisions and satisfaction (Gaur, Herjanto, & Makkar, 2014). The direct empirical relationship between satisfaction and loyalty is not evident yet; the current study will be a pioneer one in investigating the relationship stated above on the restaurant industry in Thailand. On the basis of the above discussion, the following hypothesis is derived:

H2: Satisfaction of customers positively influences the loyalty of consumers in the restaurant industry of Thailand.

Moderating Role of Service Quality

Service quality is referred to as the degree of an individual’s satisfaction and reported as a necessary factor in repetition and existence. The literature has given attention to exploring the concept of service quality, as it is based on two aspects, including i) the suitable dimension of SQ (Kang & James, 2004), ii) the operationalisation aspect of SQ (Abdullah, 2006). Various research scholars have defined the concept of service quality as a form of an attitude, unrelated to satisfaction but associated with perception of performance (Parasuraman, Zeithaml, & Berry, 1985). Further, from an educational perspective, the explanation of service quality is the difference between expectation and perception about actual delivered goods (O’Neill & Palmer, 2004). The literature has discussed the concept of service quality and its relations with other variables in different sectors, especially in the educational sector (Ong, 2012). On the other hand, various scholars have criticised the operational aspect of service quality (Trivellas & Dargenidou, 2009). Factors have occurred in literature in a Thai context, including education, financial consideration, economic aspects and images of institutions for investigating the satisfaction of clients (Ngamkamollert & Ruangkanjanases, 2015).

Research scholars have conducted studies to determine the service quality, and developed models in marketing literature to determine the elements of service quality. The model named as SERVQUAL was based on i) tangible: physical facilities, personal, communication and equipment; ii) reliability: deliver the promised service in a precise way; iii) response: willing to assist consumers; iv) assurance: knowledge possessed by employees, ability to gain confidence and trust of consumers; v) empathy: care, attention to consumers to fulfil their needs. SERVQUAL addresses the gap between performances and expectations of consumers, the quality standards are met if performance exceeds expectations. Simply, SERVQUAL serves the central idea to bridge the gap between perception and expectations (Parasuraman et al., 1985; Thaichon et al., 2012). Previously studies have been conducted to examine the influential variables, including quality of network, customer service, security, value and support of website to provide the service quality to users. The study entails the network
quality that addresses the errors, response time and down-up loading patterns (Vlachos & Vrechopoulous, 2008). The study was conducted on the telecom industry, and quality of network was considered as a key factor in the satisfaction of consumers (Ahn, Han, & Lee, 2006). Further, scholars have suggested to focus on adding value to business operations for increases in satisfaction levels of consumers and service quality. (Abdolvand, Charkari, & Mohammadi, 2006). Various studies have considered the influence of customer service, knowledge, professionalism, web support and technical know-how to satisfy the customer, which contribute to retaining and engaging them as loyal customers for longer time periods (Thaichon et al., 2012).

On the basis of the above discussions, the following moderating hypotheses are derived:

**H3**: Service quality moderates the relationship between commitment of consumers and loyalty among Thai restaurant consumers.

**H4**: Service quality moderates the relationship between satisfaction of consumers and loyalty among Thai restaurant consumers.

Research Framework

**Figure 1. Proposed Framework**

Research Methodology

The present study was conducted on the restaurant industry of Thailand. The survey was conducted in Bangkok, capital city, through questionnaire responses. 500 questionnaires were distributed, but 350 were returned and useable. The questionnaires were distributed
among restaurants of Bangkok to get their responses in determining the loyalty of consumers to accomplish the objectives of the study.

**Measurement Scale Development**

The questionnaires were developed based on the constructs of the proposed framework, including loyalty, satisfaction, commitment and service quality. The measurement scale for each construct was adopted from previous studies. The prime concern of the present study is to determine the loyalty of consumers with specific restaurants, and to examine the loyalty, a measurement scale was adopted from the study of Gupta and Zeithaml (2006) that consists of 08 items. The measurement scale of satisfaction was adopted from a previous study, as the 05 items scale to determine the satisfaction level of consumers (Ijaz, Irfan, Shahbaz, Awan, & Sabir, 2011). The commitment was measured on the base of the relevant scale for the restaurant and hospitality industry by an 08 item scale and adopted from the study of (Louis & Lombart, 2010). The measurement scale to determine the service quality as a moderating variable by 10 item scale was adopted from the study of (Brady et al., 2002).

**Analysis and Discussion**

The data was analysed by utilising SMART-PLS through Measurement Model and Structural Equation Modelling techniques. Cohen (1988) and Gefen, Regdon and Straub (2011), suggest that research in social science may use 80% statistical power for determining the size of sampling. According to researchers, it is suggested to attain 0.05 level of significance and 80% of statistical power (F. Hair Jr, Sarstedt, Hopkins, & G. Kuppelwieser, 2014). The researcher used PLS version 2.0 for data analysis as suggested by various researchers for accuracy of results and hypothesis testing Ringle, Wende, & Will, (2005). The purpose of choosing PLS-SEM as an analytical tool was for predicting the relationship among the proposed variables of the framework as suggested by (F. Hair Jr et al., 2014). PLS-SEM also exhibits a higher level of statistical power than CB-SEM (F. Hair Jr et al., 2014).

**Measurement Model**

The present phase of the study entails the measurement model examination that demonstrates the cronbach alpha (α) as suggested by Anderson and Gerbing (1988). Further, it entails that convergent validity must meet the given criteria for satisfaction of the model, the criteria includes following steps and conditions to be fulfilled, first, loading should exceed 0.5 as suggested by (Bagozze and yi, 1988). The second condition includes the composite reliability’s value, it must be higher than 0.7 as suggested by (Gefen, Straub, & Boudreau, 2000). The third condition defines AVE (average variance extracted), which must exceed 0.5 (Fornell and Lacker, 1981).
Table 1 shows the values of cronbach alpha $\alpha$, composite reliability and Average Variance Extracted (AVE).

**Table 1**

<table>
<thead>
<tr>
<th></th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>commitment</td>
<td>0.928</td>
<td>0.941</td>
<td>0.665</td>
</tr>
<tr>
<td>loyalty</td>
<td>0.899</td>
<td>0.919</td>
<td>0.587</td>
</tr>
<tr>
<td>satisfaction</td>
<td>0.947</td>
<td>0.959</td>
<td>0.824</td>
</tr>
</tbody>
</table>

The above Table 1 demonstrated the Cronbach alpha for all variables of the proposed framework, as it is shown that all alpha values for each construct remained higher than the cutoff point, and were found to be higher than 0.7; similarly CR and AVE were found to be acceptable.

**Discriminate Validity**

Table 2 shows discriminate validity and shows AVE shared between constructs as suggested (Fornell and Cha, 1994; Fornell and Lacker, 1981). The diagonal values show the square root of the AVE while the other represents the correlation values.

**Table 2**

<table>
<thead>
<tr>
<th></th>
<th>commitment</th>
<th>loyalty</th>
<th>satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>commitment</td>
<td>0.815</td>
<td></td>
<td></td>
</tr>
<tr>
<td>loyalty</td>
<td>0.539</td>
<td>0.766</td>
<td></td>
</tr>
<tr>
<td>satisfaction</td>
<td>0.527</td>
<td>0.429</td>
<td>0.908</td>
</tr>
</tbody>
</table>

**Structural Model**

The second phase of the study entails the structural model, and hypothesis testing takes place, and the demonstrated model, and Table 3 presents the hypothesis testing results. The moderating effect SQ is also depicted for better understanding of model fit.

The Structural Model:
The first hypothesis examined the relationship between commitment and loyalty. The result of the first hypothesis based on the collected data from restaurants of Bangkok found that there is a positive significant effect on loyalty due to commitment. The statistical data shows that ($\beta = 0.433$, $p<0.000$) and t-value of hypothesis 1 was observed as 6.222; which is higher than the cutoff point 1.96; therefore H1 is statistically accepted. The second hypothesis was formulated to investigate the relationship between satisfaction and loyalty; the statistical results are demonstrated in Table 3; the results show that there is a significant positive relationship. The result demonstrated that ($\beta = 0.201$, $p<0.002$); and t-value was observed as 3.086 which is higher than 1.96, which is the cutoff point, therefore on statistical grounds H2 is accepted.
This present phase of study investigated the moderating role of SQ between commitment and loyalty under hypothesis H3, and the 2nd moderating effect was investigated between satisfaction and loyalty with moderator variable SQ. The results of the test are shown in the Table 4 below. In Table 4, statistical figures show that ($\beta = -0.123; p<0.116$); and t-value of relationship was depicted as 1.573; lower than cutoff point 1.96; therefore, H3 is rejected on statistical grounds. Hypothesis four was examined and investigated relationship of moderating variable ‘SQ’ between satisfaction and loyalty. The results of the hypothesis 4 demonstrated that moderating effect was found; the statistical figures present that ($\beta = 0.237, p<0.004$); and t-value 2.920 also found higher than the cutoff point. Therefore, hypothesis H4 was also accepted on statistical grounds.

### Table 4: Moderating effect

<table>
<thead>
<tr>
<th></th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>T Statistic</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment -&gt; loyalty</td>
<td>0.433</td>
<td>0.438</td>
<td>0.070</td>
<td>6.222</td>
<td>0.000</td>
</tr>
<tr>
<td>Satisfaction -&gt; loyalty</td>
<td>0.201</td>
<td>0.203</td>
<td>0.065</td>
<td>3.085</td>
<td>0.002</td>
</tr>
<tr>
<td>Moderating Effect 1 -&gt; loyalty</td>
<td>-0.123</td>
<td>-0.115</td>
<td>0.078</td>
<td>1.573</td>
<td>0.116</td>
</tr>
<tr>
<td>Moderating Effect 2 -&gt; loyalty</td>
<td>0.237</td>
<td>0.239</td>
<td>0.081</td>
<td>2.920</td>
<td>0.004</td>
</tr>
</tbody>
</table>

### Conclusion

The prime objective of the study was to determine the loyalty of consumers towards the restaurant industry of Thailand. To accomplish the purpose of the study, influential variables were empirically examined, the independent variable including commitment and satisfaction; the moderating effect of service quality (SQ) was also examined between the relationship of independent and dependent variables of the proposed framework. The data was collected from the restaurants and hospitality sector of Thailand’s capital city, Bangkok, and was analysed by the utilisation of SMART-PLS while using measurement model and structural equation modelling techniques.

The study examined the direct hypotheses H1 and H2; the results of the study depicted that H1 was found to be significantly positive, specifically commitment influenced the loyalty of
consumers, on the basis of statistical grounds H1 was accepted. Hypothesis H2 was also found significant where satisfaction was found to be positively significant for loyalty. Therefore, the direct effect of H1 and H2 was accepted statistically. The study also examined the moderating effect of service quality (SQ) between independent and dependent variables. Hypotheses H3 and H4 were also examined by the bootstrapping method, the results of the moderating effect presented that H3 was insignificant on statistical grounds, that SQ doesn’t moderate the relationship between commitment and loyalty. But hypothesis H4 was accepted as a moderating effect on statistical grounds.

The study deepens the understanding of processes for creating loyalty among customers in a highly competitive environment.
REFERENCES


Ong, S. F. (2012). Constructing a survey questionnaire to collect data on service quality of business academics.


