



## STUDYING CUSTOMER LOYALTY AT DAEWOO EXPRESS BUS SERVICE, PAKISTAN

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**ABSTRACT. Background:** Meeting service quality standards and striving for loyalty are two critical areas which have until now been overlooked by both the passenger transport industry and academia in Pakistan therefore the study sheds useful light on an issue hitherto untouched. Therefore increased sample size will help in increasing generalizability of study.

**Methods:** This paper is designed to study the level of loyalty at Daewoo Express Bus Service in Sargodha by measuring customer satisfaction. Researchers used a small sample of only 96 respondents (passengers) and only studies customer's behavior in the service quality of Daewoo Express Bus Service however it may differ in other passenger transport services.

**Results and conclusions:** This paper reveals that there is a positive and significant relationship between loyalty (dependant variable) and price perceptions, reliability, retrieving and smoothing (independent variables). However, the study found that reliability of services is the most important dimension among other independent variables (price perceptions, smoothing, reliability, retrieving) effecting customers loyalty at Daewoo Express. Paper under consideration would surely assist Daewoo's management team to take care of the loopholes existing in the current service level and likely threats which Daewoo might face.

**Key words:** Customer Satisfaction, Service Quality, Loyalty, Smoothing, Reliability, Retrieving, Price Perceptions, Daewoo Express Sargodha.

### INTRODUCTION

Customer Satisfaction is the extent to which the customers are satisfied with the goods and services of the company. It is also defined as the amount of value which customers give to the company.

Customer Satisfaction is reached when a customer is able to fulfill every desire he has in his mind regarding company's goods or services. The companies which provide their customers, every good and service according

to their specification and requirement satisfy the customer.

Another important aspect of customer satisfaction is the quality of the goods and services that a company provides. Quality is the excellence a company has in its products and services. Good is the quality of the services, better is the quality of the company. According to Foster, [1917-1945] Quality cannot be achieved by chance; it is attained by high aims, sincere vigorous attempts, intelligent direction and skillful execution. Every organization keeps eyes on provision of high quality of goods and services to its

customers. But every individual has a distinct mind and that's why he has his own perception about quality of goods and services. So, to measure the service quality and the level of satisfaction of the customers in the services of Daewoo Express Bus Service in Sargodha, this research is carried out.

Daewoo Express Bus Service is passengers' bus service nationwide, it also operates within cities through small buses and it also provides the facility of cargo in a number of cities. Daewoo Express Bus Service is a company of Sammi Group Company Korea. The company was initiated in 1954 and since 1950's it is working in Korea. In Pakistan it started its operations in late 1990's after completion of the first phase Motor Ways. Initially bus service was provided in big cities of country now it is provided in most cities of the country.

Daewoo Express Bus Service introduced the concepts of high quality waiting rooms, strictly following bus schedule, high quality buses, bus hostess helping passengers, refreshment during passage, good quality entertainment and non-stop traveling through bus in Pakistan. In Sargodha, company started its operations in 2000. Sargodha is a developing city and mostly youngsters are educated here so, their area of concern is that what they pay, are they receiving the services accordingly?

Ensuring quality of services is essential for the company for creating positive perception in the minds of the customers. So, the management should work closely with their customers. As there are several alternatives available for customers. With advancement in technology, companies are able to provide better services and level of customer satisfaction is increasing. To measure that increasing or decreasing level of customer satisfaction this research has been made.

## **LITERATURE REVIEW AND HYPOTHESIS**

Service quality increases the level of customer satisfaction as according to Zeithaml et.al. [1996] when a customer makes a positive

assessment about the service quality of a company, the relationship between company and the customer is tied firmly and a negative assessment lacks the relationship between the two. Where service quality, is the difference between the perceptions of the services by the customers and their expectations. [Gronroos, 1984; Parasuraman et.al. 1988, 1991]. So with the increase in the service quality the satisfaction of the customers also increases as customers satisfaction is defined as a result of comparison made by the customers of the expected performance before purchase, actual cost born and performance received [Churchill and Surprenant, 1982].

## **LOYALTY**

Loyalty is the extent to which the customers show their faithfulness in the company or organization. The increase in loyalty increases the level of customer satisfaction. There is a positive relationship between loyalty and customer satisfaction. [Serkan Aydin 2005]. Customer loyalty is the promise made by the customers with an organization about purchasing their goods and services again and again, doing business with them and making favorable suggestions about their services and products with friends and relatives [McIlroy and Barnett, 2000]. Customer satisfaction largely determines customer loyalty. [Anderson, Fornell 1994]. Where satisfaction is affected by loyalty directly and indirectly too by trust. [Delgado-Ballester 2003].

## **SMOOTHING**

Smoothing means to smooth the relationship between the customers and the service providers. It refers to the ability of the employees of the company to solve or resolve any problem between the customers and the company if in case it occurs. More smoothing will satisfy the customers more.

## **RETRIEVING**

Retrieving means to reproduce the stored data of the customers at the time of need. This

variable like smoothing is related with the abilities of the employees of the company. More efficient the employees are more satisfied the customers will be with the services of the company.

## RELIABILITY

Reliability is the state of relying upon the services of the company. It is also known as dependability of the customers on the services of the company. Cook et.al. [2002] defines reliability as, the capacity or the power to perform services which the organization has promised to do in a consistent dependable way. That's why reliability is considered the most important dimension in determining the quality of services. Moreover the perfect performance of promised services by the company is the high level of service reliability. [Mirjam Galitzka 2006].

## PRICE PERCEPTIONS

Price perceptions are the way how customers perceive the prices of the company. For provision of high quality services, relatively high cost incurs. Due to mistakes made by employees desired results cannot be achieved and costs cannot be controlled for provision of reliable services. [Jacob V.Simons Jr. 2004]

On the basis of literature review following hypothesis has been constructed.

H1: There is a significant, positive correlation between smoothing and loyalty.

H2: There is a significant, positive correlation between retrieving and loyalty.

H3: There is a significant, positive correlation between reliability and loyalty.

H4: There is a positive correlation between price perception and loyalty.

H5: Price Perceptions, Retrieving, Reliability and Smoothing significantly explain the variance in Loyalty.

## METHODOLOGY

For carrying out research the researchers adopted two techniques of data collection. Primary data collection by going to the people and taking their interviews and also by giving them research questionnaires to fill. Also collected Secondary data by taking material from old researchers, although they were very limited. To the best of researchers` knowledge this is the first study conducted on the topic in Sargodha region. Researchers got filled 96 valid responses out of 107 questionnaires from the passengers of Daewoo Express Bus Service in Sargodha. For data collection, questionnaire from the study of Cassab and Maclachlan at, el; [2006] was adopted as that study was almost in the similar area. Questionnaire having 3 items for loyalty, 3 for smoothing, 3 for retrieving, 3 for reliability and 2 items for price perceptions was used. Scales from strongly disagree - strongly agree, very high - very low and very unlikely - very likely were used.

On the basis of literature review 5 hypotheses were developed. For checking means, descriptive statistics was used. For reliability Cronbach`s Alpha was used. And finally to test the hypotheses researchers used correlation and regression analysis.

Table 1. Descriptive Statistics (Means)  
 Tabela 1. Statystyki opisowe (średnie)

	N	Means
Loyalty	96	4.0556
Smoothing	96	3.6463
Retrieving	96	3.6327
Reliability	96	3.7619
Price Perceptions	96	2.4082
Valid N	96	

Table 2.1 Cronbach`s Alpha reliabilities  
 Tabela 2.1 Współczynnik Cronbacha Alpha

	No of items	Alpha reliability
Loyalty	03	0.714
Smoothing	03	0.724
Retrieving	03	0.508
Reliability	03	0.556
Price Perceptions	02	0.613

Table 1.1 states that most people have a positive perception about the questions asked as all means except price perceptions is more than 3.

Combined Scale:

Number of Items = 14

Alpha Reliability =0.746

Table 2.2 Total Scale Statistics  
 Tabela 2.2 Statystyka skali całkowitej

	Cronbach's Alpha if item deleted
Loyalty_1	.730
Loyalty_2	.720
Loyalty_3	.695
Smoothing_1	.738
Smoothing_2	.714
Smoothing_3	.718
Retrieving_1	.734
Retrieving_2	.725
Retrieving_3	.729
Reliability_1	.763
Reliability_2	.707
Reliability_3	.705
Price Perceptions_1	.766
Price Perceptions_2	.779

Table 3. Correlations  
 Tabela 3. Korelacje

		Loyalty	Smoothing	Retrieving	Reliability	Price Perception
Loyalty	Pearson Correlation	1	.295*	.293*	.743**	-.118
	Sig. (2- tailed)		.042	.043	.000	.425
	N	96	96	96	96	96
Smoothing	Pearson Correlation	.295*	1	.663**	.201	-.118
	Sig. (2- tailed)	.042		.000	.166	.420
	N	96	96	96	96	96
Retrieving	Pearson Correlation	.293*	.663**	1	.243	-.062
	Sig. (2- tailed)	.043	.000		.092	.670
	N	96	96	96	96	96
Reliability	Pearson Correlation	.743**	.201	.243	1	-.147
	Sig. (2- tailed)	.000	.166	.092		.314
	N	96	96	96	96	96
Price Perceptions	Pearson Correlation	-.118	-.118	-.062	-.147	1
	Sig. (2- tailed)	.425	.420	.670	.314	
	N	96	96	96	96	96

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

The table 3 shows the correlations among all variables. It is clear from the table that there is a positive correlation among most variables. Details have been discussed in later section.

This table indicates the significant relationship between dependant and independent variables.

Table 4. Regression Analysis  
 Tabela 4. Analiza regresji

Model	1
R	.758 <sup>a</sup>
R-square	.575
Adjusted R-square	.535
Std. error of the estimate	.40682
Durbin Watson	1.713
F	14.538
Sig	.000 <sup>a</sup>

## FINDINGS

This paper reveals that there is a positive and significant relationship between loyalty (dependant variable) and reliability, retrieving and smoothing (independent variables). All of the hypotheses except for H4 are supported by statistical analysis. According to Serkan Aydin, et.al. [2005]. There is a positive relationship between loyalty and customer satisfaction i.e. with the increase in loyalty customer satisfaction increases. So to the best of researchers` knowledge, in Sargodha most of the customers are satisfied with the service quality of Daewoo Express Bus Service.

## DISCUSSION

Table 1.1 shows the means of all the variables used. Most of the means show that people have a positive perception about the questions asked as mostly means are higher than 3 and 3 is considered as indifferent and after 3 there is agree and strongly agree options respectively. Unlike all other variables first variable (price perceptions) has mean (2.4082) lower than 3 this means people have a different perception about this variable. This is due to the higher rates charged by the bus service as compared to other service providers. The most worth mentioning thing is the last variable's (loyalty) mean, it is higher (4.0556) than all others. This shows that people are more than loyal with the company.

Table 2.1 indicates the values of Cronbach`s Alpha for the combined scale as well as for all the variables separately. It can be observed that the Cronbach`s Alpha reliabilities are good for the combined scale (0.746) also for the individual variables (Nunnally,1978) except for retrieving and reliability which shows a bit low reliability when measured independently.

Table 2.2 indicates the alternative values of the Cronbach`s Alpha Reliability in case of deletion of any of the items. However it can be observed that there is not any meaningful improvement expected in the overall reliability of the scale even after elimination of any of the items. Therefore the study will use the current

scale with a Cronbach`s Alpha Reliability of 0.746 for further statistical analysis.

Table 3.1 shows correlations among dependant and independent variables. On the basis of this the following hypothesis has been tested:

H1: There is a significant, positive correlation between smoothing and loyalty.

Table 3.1 indicates that there is a positive correlation ( $r = 0.295$ ) between Smoothing and Loyalty which is significant at 0.042 level. Therefore H1 is accepted.

H2: There is a significant, positive correlation between retrieving and loyalty.

Table 3.1 indicates that there is a positive correlation ( $r = 0.293$ ) between Retrieving and Loyalty which is significant at 0.043 level. Therefore H2 is accepted.

H3: There is a significant, positive correlation between reliability and loyalty.

Table 3.1 indicates that there is a perfect positive correlation ( $r = 0.743$ ) between Reliability and Loyalty which is significant at 0.000 level. Therefore H3 is accepted.

H4: There is a positive correlation between price perception and loyalty.

Table 3.1 indicates that there is negative correlation ( $r = -0.118$ ) between Price Perception and Loyalty however it is not significant (0.425). Therefore H4 is not accepted.

H5: Price Perceptions, Retrieving, Reliability and Smoothing significantly explain the variance in Loyalty.

The results in Table 4.1 indicates that there is a positive correlation ( $R: 0.758$ ) between the independent (price perception, retrieving, reliability & smoothing) and dependant variable (loyalty). The value of Durbin-Watson statistic (1.713) is also very near to the acceptance range which indicates that there is no autocorrelation among the variables.

In the Table the value for Adjusted R Square (0.535) shows that the independent variables (price perception, retrieving, reliability & smoothing) explain 53.5% variance in dependant variable (loyalty).

Similarly it also shows that the F statistic value of 14.538 is significant at 0.000 level. Therefore H5 is accepted.

## CONCLUSIONS

However, the study found that reliability of services is the most important dimension among other independent variables (price perceptions, smoothing, reliability, retrieving) effecting customers loyalty at Daewoo Express. The impact of this research would be very positive as this study would help all and sundry who would be looking for any of the variable of the study or their impact on the customer satisfaction regarding Daewoo Express.

## LIMITATIONS AND RECOMMENDATIONS

There is very limited research done in Pakistan on this topic and to the best of researchers` knowledge it is first of its kind in Sargodha. The research was carried out only in Sargodha city and a small sample of 96 respondents only was used, so on larger scale reality may differ. Increase sample size will help in increasing generalizability of study. More research should be done on the topic in Pakistan to reveal the facts. According to the research no doubt most of the customers were satisfied but there is always a room for improvement. Like quality of buses should be improved. It is also suggested to Daewoo Express Bus Service to improve their waiting rooms in Sargodha in order to retain their customers & to satisfy them more.

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## OCENA LOJALNOŚCI KONSUMENCKIEJ KLIENTÓW DAEWOO EXPRESS BUS SERVICE W PAKISTANIE

**STRESZCZENIE. Wstęp:** Spełnienie standardów obsługi klienta oraz dążenie do osiągnięcia wysokiej lojalności wśród klientów są dwoma krytycznymi obszarami, którym do tej pory poświęcano mało uwagi zarówno przez przemysł transportu pasażerskiego jak i ośrodki naukowe w Pakistanie. W związku z tym przydatnym powinna być poniższa praca, jak również badania te powinny być przeprowadzone na większych próbach w celu osiągnięcia bardziej uogólnionych wniosków.

**Metody:** Praca bada poziom lojalności klientów Daewoo Express Bus Service w miejscowości Sargodha poprzez pomiar zadowolenia tych klientów. Autorzy przeprowadzili badania tylko na małej grupie liczącej 96 ankietowanych (pasażerów) i ograniczyli te badania tylko do Daewoo Express Bus Service, jednak wyniki podobnych badań mogą być inne w przypadku innych usług transportowych.

**Wyniki i wnioski:** W pracy stwierdzono pozytywną i istotną zależność pomiędzy lojalnością (zmienna zależna) a postrzeganiem ceny, wiarygodnością, dostępnością i wygodą (zmiennie niezależne). Badania wykazały, że wiarygodność usług jest najważniejszym czynnikiem wśród innych zmiennych niezależnych (postrzeganie ceny, dostępność i wygoda), która determinuje lojalności klientów Daewoo Express. Praca ta pomoże z pewnością kadrze kierowniczej w wyeliminowaniu istniejących braków w obecnym systemie obsługi klientów oraz uniknięciu zagrożeń przyszłości.

**Słowa kluczowe:** zadowolenie klientów, jakość usług, lojalność, wygoda, wiarygodność, postrzeganie cen, Daewoo Express Sargodha.

## BEWERTUNG DER LOYALITÄT VON KUNDEN DER FIRMA DAEWOO EXPRESS BUS SERVICE IN PAKISTAN

**ZUSAMMENFASSUNG. Einleitung:** Die Erfüllung von Standards des Kundenservices und das Streben nach Erreichen einer hohen Kundenloyalität stellen zwei kritische Bereiche dar, denen bisher sowohl seitens des Sektors des Passagiertransportes, als auch der wissenschaftlichen Einrichtungen Pakistans wenig Beachtung gewidmet wurde. Im Zusammenhang damit erscheint die vorliegende Arbeit als sehr brauchbar und daher sollten die Untersuchungen auf größeren Passagiergruppen zwecks Gewinnung von mehr allgemeinen Schlussfolgerungen durchgeführt werden.

**Methoden:** Im Rahmen dieser Arbeit wurde das Niveau der Loyalität von Kunden der Firma DAEWOO EXPRESS BUS SERVICE im pakistanischen Sargodha mittels der Bewertung deren Zufriedenheit untersucht. Die Autoren haben eine

ziemlich kleine Gruppe von 96 interviewten Passagieren erforscht und die Untersuchungen bis auf die Firma Daewoo Express Bus Service begrenzt. Daher können die Ergebnisse ähnlicher Untersuchungen im Falle anderer Transportdienstleistungen von den Resultaten der betreffenden Forschung abweichen.

**Ergebnisse und Fazit:** Im Rahmen der Arbeit wurde ein positives und wesentliches Verhältnis zwischen der Loyalität (abhängige Variable) und der Wahrnehmung des Preises, der Glaubwürdigkeit, der Zugänglichkeit und des Komforts (unabhängige Variablen) festgestellt. Die betreffenden Untersuchungen haben aufgezeigt, dass die Glaubwürdigkeit der angebotenen Dienstleistungen unter anderen unabhängigen Variablen (Wahrnehmung des Preises, die Zugänglichkeit und der Komfort) den wichtigsten, die Kunden von Daewoo Express determinierenden Faktor darstellt. Die Forschungsergebnisse helfen mit Sicherheit der Geschäftsführung, in Zukunft die im gegenwärtigen System des Kundenservices auftretenden Mängel auszuschließen sowie den zukünftigen Gefahren vorzubeugen.

**Codewörter:** Zufriedenstellung von Kunden, Dienstleistungsqualität, Loyalität, Komfort, Glaubwürdigkeit, Wahrnehmung des Preises, Daewoo Express Sargodha

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