THE RELATIONSHIP BETWEEN TRUST AND COMMITMENT ON CUSTOMER RETENTION

WAN 'ALIAA BINTI WAN ANIS

UNIVERSITI UTARA MALAYSIA
2011
THE RELATIONSHIP BETWEEN TRUST AND COMMITMENT ON CUSTOMER RETENTION

A thesis submitted to the College of Business in partial fulfillment of the requirements for the degree of
Master in Science (Management)
Universiti Utara Malaysia

By

Wan 'Aliaa Binti Wan Anis

© Wan 'Aliaa Binti Wan Anis, 2011. All right reserved
PERMISSION TO USE

In permission this project paper in partial fulfillment of the requirement for Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copyright this project paper in any manner, in whole or part, for scholarly purposes may be granted by my supervisor or in their absence, by the Assistant Vice Chancellor of the College of Business where I did my project paper. It is understood that any coping or publication or use of this project paper or parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to Universiti Utara Malaysia (UUM) in any scholarly use which may be made of any material in my project paper.

Request for permission to copy or to make other user of materials in this project paper in whole or part should be addressed to:

Dean
Othman Yeop Abdullah Graduate School
College of Business
Universiti Utara Malaysia (UUM)
06010 Sintok
Kedah Darul Aman
ABSTRACT

This study examines the factors that contribute to customer retention at private hospital in Kedah. A field survey of private hospital customers that visited private hospital in Kedah was conducted to determine the influence of the dimension of trust and commitment on customer retention at private hospital in Kedah. A total of 60 questionnaires were distributed to private hospital in Kedah through convenience sampling, 57 questionnaires were obtained and usable. Pearson correlation test showed that ‘Commitment’ is the most significance towards customer retention and followed by ‘Trust’. Conversely, regression analysis indicated that ‘Trust’ and ‘Commitment’ were factors that positive influence towards customer retention at private hospital in Kedah. These findings show that private hospital in Kedah should give attention on the factors of ‘Trust’ and ‘Commitment’ in order to retain the customer. Recommendation for future research was also put forward.
ABSTRAK

ACKNOWLEDGEMENT

In the name of Allah, Most Compassionate and Merciful

Assalamualaikum w.b.t...

First and foremost, all praises to Allah S.W.T, the Almighty and Selawat and Salam to Prophet Muhammad S.A.W, his family and companions r.a. Syukur Alhamdulillah, by the will of Allah S.W.T, I am able to complete this research which facilitated the completion of this project paper. Without the help and support I received from the following people, I would never have completed this research.

My appreciation is mostly given to Associate Prof Dr Nor Azila Mohd Noor for her invaluable efforts and time in providing proper guidance, assistance and effortless support throughout the entire process. From her I learnt skills, patience and endurance in completing the project paper.

My sincere appreciation is also extended to Mr Mohamad Zainol Abidin Bin Adam Senior Lecturer, College of Business UUM for his guidance, encouragement and valuable suggestions throughout the duration of this research. Thank you for being understanding.
I am deeply indebted to beloved mother, Mahani Binti Ishak and younger brother Wan Muhammad Aqil Bin Wan Anis for their love and compassion who made me who I am today. A word of appreciation is also extended to Also, my fiancée, Ahmad Sobri Bin Hashim who has been my greatest source of motivation throughout my study. All the above persons that I mentioned above gave me an immeasurable amount of love and encouragement throughout the entire process.

My classmates, course mates and friends have created an environment of support and encouragement thanks to them. My sincere appreciation also goes to the management of a private hospital in Kedah for granting the permission to carry out this study. My sincere thanks is also extended to all the respondents who have contributed significantly by participating in the research and answering questionnaires.

Last but not least, my appreciation goes to University Utara Malaysia the University that I am always proud to be with, especially to all lecturers in College of Business. Thank you for the knowledge given, guidance and patience. All the devotion will be remembered forever.

Thank you very much...
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CONTENT</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERMISSION TO USE</td>
<td>ii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>iv</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>v</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xii</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xiv</td>
</tr>
</tbody>
</table>

## CHAPTER 1: INTRODUCTION

1.0 INTRODUCTION                  | 1   |
1.1 BACKGROUND OF STUDY          | 3   |
1.2 PROBLEM STATEMENT            | 4   |
1.3 RESEARCH QUESTIONS           | 6   |
1.4 RESEARCH OBJECTIVES          | 6   |
1.5 SIGNIFICANCE OF STUDY       | 7   |
1.6 ORGANIZATIONAL OF CHAPTERS  | 8   |
1.7 CHAPTER CONCLUSION           | 9   |
<table>
<thead>
<tr>
<th>CHAPTER 2: LITERATURE REVIEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.0 INTRODUCTION .................. 10</td>
</tr>
<tr>
<td>2.1 DEFINITION OF RELATIONSHIP MARKETING .......... 12</td>
</tr>
<tr>
<td>2.2 DEFINITION OF CUSTOMER RETENTION .......... 15</td>
</tr>
<tr>
<td>2.3 FACTORS INFLUENCING CUSTOMER RETENTION .......... 18</td>
</tr>
<tr>
<td>2.3.1 Trust and Customer Retention .......... 20</td>
</tr>
<tr>
<td>2.3.2 Commitment and Customer Retention .......... 23</td>
</tr>
<tr>
<td>2.4 RESEARCH FRAMEWORK .......... 25</td>
</tr>
<tr>
<td>2.5 HYPOTHESES .......... 27</td>
</tr>
<tr>
<td>2.6 CHAPTER CONCLUSION .......... 27</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAPTER 3: METHODOLOGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0 INTRODUCTION .......... 28</td>
</tr>
<tr>
<td>3.1 RESEARCH DESIGN .......... 28</td>
</tr>
<tr>
<td>3.2 MEASUREMENT AND SCALE .......... 29</td>
</tr>
<tr>
<td>3.3 DATA COLLECTION .......... 29</td>
</tr>
<tr>
<td>3.3.1 Population and Sampling .......... 29</td>
</tr>
<tr>
<td>3.3.2 Questionnaire Design .......... 29</td>
</tr>
<tr>
<td>3.3.3 Data Collection Procedure .......... 31</td>
</tr>
<tr>
<td>3.3.4 Techniques of Data Analysis .......... 32</td>
</tr>
<tr>
<td>3.4 CHAPTER CONCLUSION .......... 32</td>
</tr>
</tbody>
</table>
CHAPTER 4: FINDINGS

4.0 INTRODUCTION .................................................. 33

4.1 DESCRIPTIVE STATISTICS OF DATA COLLECTION ............. 33
   4.1.1 Gender of Respondents ...................................... 34
   4.1.2 Marital Status of Respondents ............................... 34
   4.1.3 Age of Respondents .......................................... 35
   4.1.4 Race of Respondents ......................................... 36
   4.1.5 Monthly Income of Respondents ............................. 36
   4.1.6 Education of Respondents ................................... 37
   4.1.7 Occupation of Respondents .................................. 38

4.2 MEAN AND STANDARD DEVIATION OF DATA COLLECTION ....... 38
   4.2.1 Trust ............................................................. 39
   4.2.2 Commitment ...................................................... 40
   4.2.3 Customer Retention ............................................ 41

4.3 HYPOTHESIS TESTING OF DATA COLLECTION ................... 42
   4.3.1 Reliability Analysis ........................................... 42
   4.3.2 Correlation Analysis .......................................... 43

4.4 REGRESSION ANALYSIS OF DATA COLLECTION .................. 45
   4.4.1 Regression Analysis on Coefficient of Determination (R²) 46
   4.4.2 Regression Analysis of Durbin-Watson Test ................. 46
   4.4.3 Regression Analysis of ANOVA ............................... 46
   4.4.4 Regression Analysis of Coefficient .......................... 46

4.5 SUMMARY OF HYPOTHESIS TESTING ............................... 47
CHAPTER 5: DISCUSSION, CONCLUSION AND RECOMMENDATION

5.0 INTRODUCTION .......................................................... 48
5.1 DISCUSSION ............................................................... 48
5.2 DISCUSSION AND MANAGERIAL IMPLICATIONS ................. 49
5.3 LIMITATION OF STUDY .................................................. 51
5.4 RECOMMENDATION FOR FURTHER STUDY ....................... 51
5.5 CONCLUSION ............................................................. 52

REFERENCES ................................................................. 53

APPENDICES ................................................................. 59

Appendix A

Appendix B
# LIST OF TABLES

<table>
<thead>
<tr>
<th>TABLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 3.1</td>
<td>Summary of the questionnaire design</td>
</tr>
<tr>
<td>Table 4.1</td>
<td>Gender of Respondents</td>
</tr>
<tr>
<td>Table 4.2</td>
<td>Marital Status of Respondents</td>
</tr>
<tr>
<td>Table 4.3</td>
<td>Age of Respondents</td>
</tr>
<tr>
<td>Table 4.4</td>
<td>Race of Respondents</td>
</tr>
<tr>
<td>Table 4.5</td>
<td>Monthly Income of Respondents</td>
</tr>
<tr>
<td>Table 4.6</td>
<td>Education of Respondents</td>
</tr>
<tr>
<td>Table 4.7</td>
<td>Occupation of Respondents</td>
</tr>
<tr>
<td>Table 4.8</td>
<td>Mean and Standard Deviation of Items Measuring Trust</td>
</tr>
<tr>
<td>Table 4.9</td>
<td>Mean and Standard Deviation of Items Measuring Commitment</td>
</tr>
<tr>
<td>Table 4.10</td>
<td>Mean and Standard Deviation of Items Measuring Customer Retention</td>
</tr>
<tr>
<td>Table 4.11</td>
<td>Reliability Analysis for Trust</td>
</tr>
<tr>
<td>Table 4.12</td>
<td>Reliability Analysis for Commitment</td>
</tr>
<tr>
<td>Table 4.13</td>
<td>Reliability Analysis for Customer Retention</td>
</tr>
<tr>
<td>Table 4.14</td>
<td>Pearson's $r$ Indices of Correlation</td>
</tr>
<tr>
<td>Table 4.15</td>
<td>Correlation between Trust and Customer Retention</td>
</tr>
<tr>
<td>Table 4.16</td>
<td>Correlation between Commitment and Customer Retention</td>
</tr>
</tbody>
</table>
Table 4.17  Regression Analysis of Model Summary .......... 46
Table 4.18  Regression Analysis of ANOVA ................. 46
Table 4.19  Regression Analysis of Coefficients .......... 46
Table 4.20  Summary of Hypothesis Testing ............... 47
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>FIGURES</th>
<th>DESCRIPTION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 2.1</td>
<td>Research Framework</td>
<td>25</td>
</tr>
</tbody>
</table>
1.0 INTRODUCTION

A customer is considered as the most important aspect of the business. In fact they are the core of the business. In recent years, customers are becoming more educated and very sensitive with the quality of the services they purchase. Furthermore, strong competitive nature of today’s business environment where the service market is getting more competitive and resulted in a greater need for organization to build closer relationships with customers. Therefore, as a company that provided service as main output has to build a long term relationship with customers because customers stick with the firm they enjoy a good relationship.

Additionally, service industries in Malaysia growing very fast and it give advantages to the customers choosing the best services with the high quality. As a result, customers are more demanding on the quality of service they purchase and increasing competition in service industry. This phenomenon gives pressure to the service provider in offering a high quality services in order to maintain their customers.
The contents of the thesis is for internal user only
REFERENCES


