RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER LOYALTY: MEDIATING EFFECT OF CUSTOMER SATISFACTION AND CUSTOMER TRUST IN THAILAND’S AUDIT FIRMS

By

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ABSTRACT

Customer loyalty is a competitive tool for companies. The growth and survival of companies depend on how loyal their customers are, and the audit firm is no exception. Customer loyalty has played an important role in achieving competitive advantages. Customer loyalty can increase a company's income, reduce costs and lead to future revenue. The major drivers of customer loyalty are service quality, customer satisfaction, and customer trust. Therefore, this study explores the relationship among service quality, customer satisfaction, customer trust, and customer loyalty and determines the mediating effect of customer satisfaction and customer trust on the relationship between service quality and customer loyalty in Thailand’s audit firms. The SERVQUAL model is an important instrument used to measure service quality in this study. The respondents of the study are public companies listed on the Stock Exchange of Thailand. The auditors are under Thailand’s laws and regulations and are approved by the office of the Stock Exchange of Thailand to audit the Securities and Exchange Commission registrants. A total of 507 questionnaires were distributed, and only 296 questionnaires were received. Seven hypotheses were developed and tested with multiple regression and hierarchical regression analysis. The results indicate that the SERVQUAL model is a good measurement of service quality in an audit firm. Firstly, service quality has a strong positive relationship with customer satisfaction, customer trust, and customer loyalty. Secondly, customer satisfaction has a positive relationship with customer loyalty. Thirdly, customer trust has a positive relationship with customer loyalty. Finally, customer satisfaction and customer trust partially mediate the relationship between service quality and customer loyalty. Plausible reasons for the results are discussed within the context of the study. Both practical and theoretical contributions, as well as recommendations for future research made.

Keywords: Service quality, Customer satisfaction, Customer trust, Customer loyalty, and Thailand’s Audit Firm

Katakunci: Perkhidmatankualiti, kepuasanpelanggan, kepercayaanpelanggan, kesetiaanpelanggan, dan FirmaAudit di Thailand.
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<td>ACSI</td>
<td>The American Customer Satisfaction Index</td>
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<td>AFC</td>
<td>The Asian Financial Crisis</td>
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<td>BSAP</td>
<td>The Board of Supervision of Auditing Practices</td>
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<td>Deloitte</td>
<td>Deloitte &amp; Touche Tohmatsu</td>
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<td>E&amp;Y</td>
<td>Ernst &amp; Young</td>
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<td>FAP</td>
<td>The Federation of Accounting Professions</td>
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<td>GAO</td>
<td>General Accounting Office</td>
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<td>IFAC</td>
<td>International Federation of Accountants</td>
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<tr>
<td>IMF</td>
<td>The International Monetary Fund</td>
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<td>ISE</td>
<td>The Istanbul Stock Exchange</td>
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<td>KMO</td>
<td>The Kaiser-Meyer-Olkin</td>
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<td>KPMG</td>
<td>Klynveld Peat Marwick Goerdeler</td>
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<tr>
<td>MMS</td>
<td>Measure of Service Superiority</td>
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<td>MSA</td>
<td>Measure of Service Adequacy</td>
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<tr>
<td>PCA</td>
<td>Principal Component Extraction</td>
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<td>PLS</td>
<td>Partial Least Square Analysis</td>
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<td>PwC</td>
<td>PricewaterhouseCoopers</td>
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<td>ROSC</td>
<td>Report on the Observance of Standards and Codes</td>
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<td>SEC</td>
<td>The Securities and Exchange Commission</td>
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<td>SEM</td>
<td>Structural Equation Modeling</td>
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<td>SET</td>
<td>The Stock Exchange of Thailand</td>
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<td>SPSS</td>
<td>The Statistical Package for Social Science</td>
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<td>TSQC</td>
<td>Thai Standard on Quality Control</td>
</tr>
<tr>
<td>UAE</td>
<td>United Arab Emirates</td>
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<td>UK</td>
<td>The United Kingdom</td>
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CHAPTER 1
INTRODUCTION

1.0 Background of the Study

The market for audit service is generally viewed as a monopolistic competition (Shailer, Cummings, Vatuloka, and Welch, 2004). In Thailand, audit firms are competing with each other and faced with higher costs and high risk activities in order to generate higher returns (Sonsa-ardjit and Vejaratpimol, 2010). Competition in the audit firm has been intense, with a variety of service is being offered (that is: auditing, bookkeeping/accounting, payroll, tax, legal, consulting, investment/financial advising, and corporate recovery) to satisfy customer needs. Some audit firms differentiate themselves from their competitors by specializes in auditing clients of particular industries.

The increasing competition and innovation in the audit firms are beneficial to customers. Increasing competition between audit businesses has led many companies to consider quality as a strategic tool capable of influencing customer satisfaction, customer trust and customer loyalty (Seto-Pamies, 2012; Shpetiem, 2012; Luo and Bhattacharya, 2006; Ismail, Haron, Ibrahim and Isa, 2006; Lin and Wang, 2006). The growth and survival of these companies depends on the loyalty of their customers. Customer loyalty has a crucial role for audit firms in order to achieve the competitive advantages (Lin and Wang, 2006). The customers’ loyalty increases the company’s remuneration and decreases costs (Bodet, 2008). Several audit firms have adopted a
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REFERENCES


