

# Investigating Home Buyer Loyalty through Satisfaction and Perceived Value Dimensions

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**Abstract-** Real estate developments in Thailand, particularly housing, contribute to economic and national development. Almost all housing in Thailand is provided by the private sector. However, due to high competition and also negative factors affecting housing market such as economic downturn, political instability, high interest rate, etc., developers have to increase their competitive potential to survive in this market.

A house is an important element for living but it normally has high value. Consequently, people do not buy houses frequently during their lifetime. This is why many residential developers ignore ways to promote customer loyalty. However, according to some successful real estate developers in Thailand, 30% – 40% of customers visiting new residential projects during the selling period are influenced by word of mouth from former customers. This implied that customer loyalty is very important in successfully running a real estate business in the long run.

According to previous related research paper, customer loyalty is affected by customer satisfaction, while customer satisfaction is derived from customer perceived value. The purpose of this study is to identify the dimensions of customer perceived value of purchasing a house in a housing estate and investigate their impact on customer loyalty, using customer satisfaction as a mediating variable. The dimensions of perceived value from related study consisted of functional value including product and price, social value, emotional value and relational value. Most research in the past focused only on the perception of tangible value related to a physical product. This research, however, is concerned more about intangible value.

Data was collected from 253 home buyers/owners living in housing estates developed in Bangkok and peripheral areas due to high housing density in this area. Factor analysis was used as an analysis tool to confirm the underlying dimensions according to previous study and then, regression was employed to quantify the relationship between perceived value and satisfaction and also the relationship between satisfaction and loyalty. The study found that all dimensions of customer perceived value from previous study have a positive impact on both customer satisfaction and loyalty significantly. It's interesting that "relational value" emerged as the most important factor to customer satisfaction in the study rather than core function of the product. This finding has implications for housing estate developers to concern more about relationship with their customers to create customer loyalty leading to long term benefits.

**Index Terms-** Home Buyer, Perceived Value, Satisfaction, Loyalty

## I. INTRODUCTION

Real estate developments in Thailand, particularly housing, contribute to economic and national development. Almost all housing in Thailand is provided by the private sector.(Pornchokchai, 2011)However, due to high competition and also negative factors affecting housing market such as economic downturn, political instability, high interest rate, etc., developers have to increase their competitive potential to survive in this market.

A house is an important element for living but it normally has high value. Consequently, people do not buy houses frequently during their lifetime. This is why many residential developers ignore ways to promote customer loyalty. However, according to some successful real estate developers in Thailand, 30% – 40% of customers visiting new residential projects during the selling period are influenced by word of mouth from former customers.(Prachachat Turakij, 2006) This implied that customer loyalty is very important in successfully running a real estate business in the long run.

According to previous related research paper, customer loyalty is affected by customer satisfaction (J. J. Cronin & Taylor, 1992; Reidenbach & Sandifer-Smallwood, 1990; Woodside, Frey, & Daly, 1989), while customer satisfaction is derived from customer perceived value.(Gill, Bylsma, & Ouschan, 2007; Khan, Kadir, & Wahab, 2010; Moliner, 2009)The purpose of this study is to identify the dimensions of customer perceived value of purchasing a house in a housing estate and investigate their impact on customer loyalty, using customer satisfaction as a mediating variable.

## II. LITERATURE REVIEW

### 2.1 Perceived value

According to many related research papers, the concept of perceived value has 2 major approaches. The first approach explains perceived value construct consisting of 2parts which are benefit received (economic, social and relational) and sacrifice made (price, time, effort, risk and convenience)(J.Jr. Cronin,

Brady, & Hult, 2000; Dodds, Monroe, & Grewal, 1991; Lapierre, 2000; Roig, Garcia, Tena, & Monzonis, 2006)

The second approach is based on multidimensional concept of perceived value under 2 main dimensions; cognitive which is mainly related to economic value of the core product or service and affective which concerns about social and emotional value. (Roig, et al., 2006) This concept is based on an assumption that perceived value should not be viewed as the outcome from a single value resulting from a trade-off between benefit and sacrifice because perceived value is complex in nature and should be measured as multi-dimensional value. (Bolton & Drew, 1991; Khan, 2010) Consequently, this research is studied based on the second approach.

Sweeney & Soutar (2001) studied about customer perceived value in purchasing durable goods (furniture and car stereo) and identified dimensions of perceived value as quality, emotional, price and social value. (Sweeney & Soutar, 2001) While Roig, Garcia, Tena, & Monzonis (2006) identified functional, emotional and social value as perceived value dimensions. (Roig, et al., 2006) Moliner (2009) focused only on functional value which included quality of service and price in his study. (Moliner, 2009)

However, most of the research focuses only on the value of the physical product and neglecting the value of relationship (Dwyer & Tanner, 1999) Moreover, Lindgreen & Wynstra (2005) suggested that future research should focus on 2 main dimensions of perceived value which are core product value and relational value. (Lindgreen & Wynstra, 2005) Consequently, Khan (2010) studied on 2 main dimension of perceived value which consisted of perceived functional value which is related to quality, price and value of service and perceived relational value relating to confidence and communication. Both of them had effect on future intention significantly. (Khan, 2010; Khan, et al., 2010)

For this research, there are 4 main dimensions of perceived value included in the study as follows;

*Perceived functional value* : Perceived functional value of purchasing a house in this study includes 2 main dimension which is the value from a core product (Gill, et al., 2007; Lapierre, 2000; Moliner, Sanchez, Rodriguez, & Callarisa, 2007; Sweeney & Soutar, 2001) including quality, design and function of a house (Torbica & Stroh, 2001) and the value for money of a price (Chen & Hu, 2010; Gill, et al., 2007; Khan, 2010; Khan, et al., 2010; Lapierre, 2000; Moliner, 2009; Moliner, et al., 2007; Roig, et al., 2006; Sweeney & Soutar, 2001)

*Perceived social value*: Perceived social value of purchasing a house in this study can be explained as the utility derived from the product's ability to enhance social self-concept such as the feeling of acceptable from other people and how the product can make good impression on other people. (Roig, et al., 2006; Sheth, Newman, & Gross, 1991; Sweeney & Soutar, 2001)

*Perceived emotional value*: Perceived emotional value of purchasing a house is the utility derived from the feelings or affective states that a purchased house generates such as feeling good, like, happy or comfortable. (Gill, et al., 2007; Roig, et al., 2006; Sheth, et al., 1991; Sweeney & Soutar, 2001)

*Perceived relational value*: Perceived relational value of purchasing a house is the utility derived from relationship with housing estate developer. Relational value attributes are; image,

conflict, solidarity, trust (Lapierre, 2000) and communication (Khan, 2010; Khan & Kadir, 2011; Khan, et al., 2010)

## 2.2 Customer satisfaction

There are many researchers in the past studying about customer satisfaction. Parker & Mathew (2001) found that customer satisfaction has a different meaning to each customer but normally satisfaction can be viewed as 2 alternatives; as an outcome of a consumption activity or experience and as a process by comparing what is received and what is expected. (Parker & Mathews, 2001) (Gilly & Gelb, 1982)

According to marketing concept, customer satisfaction is in the central position between thought and practice and is a major outcome of marketing activities which lead to the post purchase behavior such as attitude change, repeat purchase and brand loyalty. (Churchill & Surprenant, 1982) It is believed that high level of customer satisfaction is the best indicator of future profit of the organization. (Kotler, 1991)

## 2.3 Customer Loyalty

Customer retention and customer loyalty is the main basic goal of the organization as the consequent positive effect is repurchasing, long term relationship and profitability. (Zineldin, 2006) Beside repurchasing, customer loyalty also includes word of mouth. (Gro'nroos, 1990) Mangold, Miller, & Brockway (1999) determined communication between people as the important factor that influenced on customer purchasing behavior significantly because word of mouth from former customer who has ever experienced on the product or service seems more reliable. (Mangold, Miller, & Brockway, 1999) Consequently, word of mouth has major influence on purchasing decision of new customers. (Yi, 1990)

## 2.4 Relationship among perceived value, customer satisfaction and customer loyalty

Perceived value is the important factor that affects customer satisfaction (Gill, et al., 2007; Khan, et al., 2010; Moliner, 2009) and leads to customer loyalty or behavioral intention (McDougall & Levesque, 2000; Woodside, et al., 1989) Many empirical studies confirmed that customer satisfaction has influence on customer loyalty significantly. (J. J. Cronin & Taylor, 1992; Reidenbach & Sandifer-Smallwood, 1990; Woodside, et al., 1989) Consequently, Increasing customer satisfaction and customer retention leads to improved profits, positive word-of-mouth, and lower marketing expenditures (Reichheld, 1996)

Based on literature review, the hypotheses are as follows;

H1: Perceived functional value – quality has a positive and direct influence on customer satisfaction.

H2: Perceived functional value – price has a positive and direct influence on customer satisfaction

H3: Perceived social value has a positive and direct influence on customer satisfaction

H4: Perceived emotional value has a positive and direct influence on customer satisfaction

H5: Perceived relational value has a positive and direct influence on customer satisfaction

H6: Customer satisfaction has a positive and direct influence on customer satisfaction.

III. THE METHODOLOGY AND MODEL

The questionnaire consists of three sections. The first section is to screen the respondents who must be buyers/owners of houses in housing estate. The second section is to evaluate the perceived value dimension consisting of perceived functional value (quality and price), perceived emotional value, perceived social value and perceived relational value and also to evaluate customer satisfaction and customer loyalty. And the last section is to determine the demographic background of the respondents. Data was collected from 253 home buyers/owners living in housing estates developed in Bangkok and peripheral areas due to high housing density in this area.

Factor analysis (principal axis, varimax rotation) was used as an analysis tool to confirm the underlying dimensions. An

analysis of the Eigen values for perceived value suggested that five factors exist under perceived value dimension consisting of perceived functional value – quality (FVQ), perceived functional value – price (FVP), perceived social value (SV), perceived emotional value (EV) and perceived relational value (RV). The total variance extracted by the three factors were 69.25 percent (Kaiser-Meyer-Olkin = 0.943, Bartlett’s test of sphericity was significant at p = 0.000 level).

Reliability analysis was conducted to evaluate the multi-item scales of each perceived value dimension, customer satisfaction and customer loyalty. The Cronbach alpha results listed in table I were all the retained items and offer strong support for the reliability of five customer perceived value dimensions derived from the factor analysis

**Table I: Reliability Analysis**

Variables	Number of items	Cronbach Alpha
perceived functional value – quality (FVQ)	6	0.892
perceived functional value – price (FVP)	3	0.879
perceived social value (SV)	4	0.915
perceived emotional value (EV)	5	0.918
perceived relational value (RV)	11	0.960
Customer Satisfaction	5	0.903
Customer Loyalty	4	0.965

Multiple regression was employed to quantify the relationship between perceived value dimensions consisting of perceived functional value – quality, functional value – price, social value, emotional value and relational value and customer satisfaction. The results showed that all independent variables together explain 76 percent of the variance (R<sup>2</sup>) in customer satisfaction, which is significant at F value 156.715. Among these five dimensions, an examination of the t-value indicates that perceived functional value - quality (9.007), perceived functional value – price (8.757), perceived social value (7.697), perceived emotional value (14.852) and perceived relational value (16.122) contributes as good predictors to customer satisfaction.

Simple regression was used to test the customer loyalty as the dependent variable and the customer satisfaction as the independent variable. The results showed that customer satisfaction explains 62 percent of the variance (R<sup>2</sup>) in customer loyalty, which is significant at F value 152.142 with t-value of 20.366

Results are shown in Table II. The model confirmed the positive and direct influence of all perceived value dimensions on customer satisfaction and also customer satisfaction on customer loyalty. Therefore, H1 – H6 were accepted.

**Table II : Regression Analysis**

Dependent variables	Independent variable	Beta	t-value	significance
Customer Satisfaction	perceived functional value – quality (FVQ)	0.281	9.007	0.000
	perceived functional value – price (FVP)	0.274	8.757	0.000
	perceived social value (SV)	0.240	7.697	0.000
	perceived emotional value (EV)	0.465	14.852	0.000
	perceived relational value (RV)	0.503	16.122	0.000
Customer Loyalty	Customer Satisfaction	0.789	20.366	0.000

The figure below is the final research model showing the results of regression analysis.

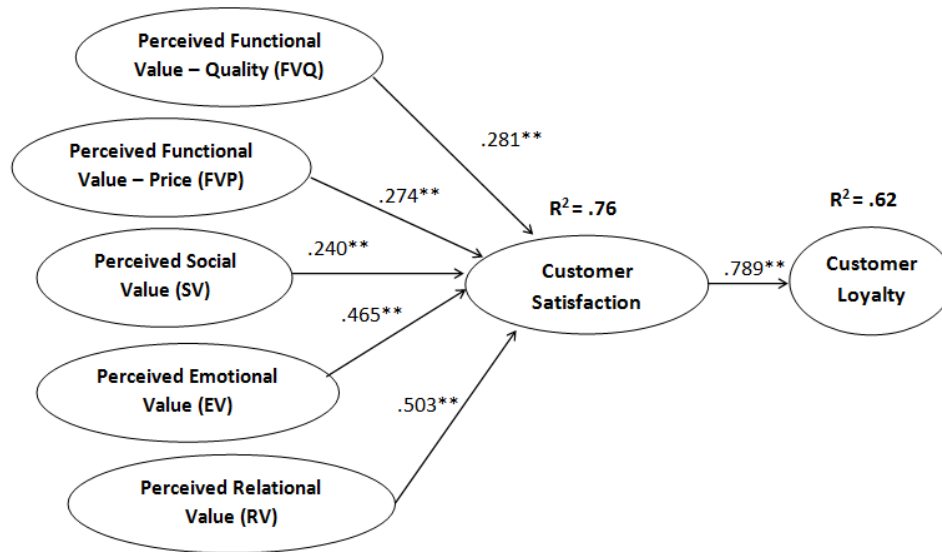


Figure I : Research model

#### IV. THE FINDINGS

The dimensions of perceived value consisting of perceived functional value including quality and price, social value, emotional value and relational value. The study found that all dimensions of customer perceived value in the research model have positive impact on customer satisfaction significantly. And also the customer satisfaction has a positive impact on customer loyalty. It's interesting that "relational value" emerged as the most important factor affecting customer satisfaction in the study rather than the core function of the product.

#### V. SUMMARY AND CONCLUSIONS

In summary, all dimensions of perceived value have significant impact on customer satisfaction which is a mediating variable to customer loyalty. Most of the researches in the past focused only on the perception of tangible value related to a physical product. This research, however, concerns more about intangible value, especially the emotional and relational value which have the most impact to customer satisfaction. This study has implications for housing estate developers to pay attention to maintaining a good relationship with their customers and also focuses on emotional marketing to increase customer satisfaction and customer loyalty leading to long term and sustainable benefits.

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