

# THE EFFECT OF THE 7Ps OF THE MARKETING MIX ON AIR FREIGHT CUSTOMER SATISFACTION AND REPURCHASE INTENTION

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## ABSTRACT

*The purposes of this study were to explore the relationship between the marketing mix's 7Ps (product, price, place, promotion, physical evidence, participants/people, and process) and customer satisfaction, and then customer satisfaction's relationship to customer repurchase intention for air freight services. Questionnaires were utilized in this study. Data were analyzed using SPSS software to analyze all hypotheses. As a result, hypotheses on product, promotion, physical evidence, participants/ people and customer satisfaction were supported, whereas price, place and process were rejected. The focus company, a freight forwarder, can use these results to understand the shortcomings of their business, in terms of the marketing mix's 7Ps, in order to better their customer service, improve customer satisfaction, and increase customers' repurchase intention.*

## บทคัดย่อ

งานวิจัยนี้มีเป้าหมายเพื่อศึกษาธุรกิจบริการการขนส่งสินค้าทางอากาศ เพื่อสำรวจความสัมพันธ์ระหว่างปัจจัย 7 ประการของส่วนประสมการตลาดและความพึงพอใจของลูกค้า อีกทั้งยังสำรวจ ความสัมพันธ์ระหว่างความพึงพอใจของลูกค้าและความตั้งใจซื้อซ้ำของลูกค้า ปัจจัย 7 ประการของส่วนประสมการตลาดคือ การบริการ ราคา ช่องทางจัดจำหน่าย การส่งเสริมการขาย สิ่งที่น่าประทับใจต่อสายตาลูกค้า ความรู้ความสามารถของบุคลากร และกระบวนการในการจัดการ ด้านการบริการ งานวิจัยนี้เก็บข้อมูลจากแบบสอบถามและประมวลผลข้อมูลโดยโปรแกรมทางสถิติ ผลการวิเคราะห์ข้อมูลตามสมมุติฐานของงานวิจัยนี้คือ การบริการ การส่งเสริมการขาย สิ่งที่น่าประทับใจต่อสายตาลูกค้า ความรู้ความสามารถของบุคลากร มีความสัมพันธ์เชิงสถิติกับความพึงพอใจของลูกค้า แต่ราคา ช่องทางการจัดจำหน่าย และกระบวนการในการจัดการด้านการบริการ ไม่มีความสัมพันธ์กับความพึงพอใจของลูกค้า สิ่งที่ได้รับจากผลลัพธ์ของการวิจัยนี้คือ องค์กรสามารถเข้าใจจุดอ่อนของธุรกิจบริการการขนส่งสินค้าทางอากาศ และเข้าใจความสำคัญของปัจจัย 7 ประการของ ส่วนประสมการตลาดที่มีผลต่อความพึงพอใจของลูกค้า และความตั้งใจซื้อซ้ำของลูกค้าอย่างลึกซึ้ง และถูกต้อง

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## INTRODUCTION

Selection of the mode of transportation for freight is very important due to differences in operating costs and customer service levels. Freight forwarders are considered as a major business in developing a country's economic growth (TIFFA, 2010). Freight forwarders continue to be important to Thailand's import and export cargo, for more than 30 years. They enhance business development as more and more companies in other countries find it easier to import cargo from Thailand, thus increasing Thai exports. Freight forwarders act as a mediator dealing with customs procedures and integration services, and they conduct negotiations with shipping companies, airlines or other transportation services. They effectively respond to customers' demand for logistics. They have to make their services better and improve continuously to compete with other service providers. Consequently, freight forwarding companies effectively become logistics services providers, especially for international logistics services.

Globalization of business, competitive pressures, and demand for customized products and services, all force companies to be constantly looking for shorter lead times, efficient delivery, and effective and efficient air freight services processes. Air freight services have become a strategic tool to improve the efficiency, to increase product value and to provide competitive advantage.

ABC Company is a third party logistics service provider whose first office was set up in Germany in 1878. They provide logistics service to clients who need to import or export their cargo from place of origin to destinations and need local logistics services. Currently ABC Company provides air freight, ocean freight, truck, customs clearance, documentation, inbound, outbound, supply chain solution services, etc. They have a strong network, with 330 global offices. Thailand's branch of ABC Company was set up in 1989 and there are two main services for airfreight: flight booking service and documents service. Since 2014, their services have grown and include airfreight (which provides local transportation), packaging, customs clearance, air booking service, document management and warehousing services. ABC Thailand provides air freight services, and the percentage that each of these services contributed toward total profit in 2014 is shown in Figure 1.1. Nowadays, ABC Thailand has 200 employees distributed in three offices: the head office is in Bangkok, and two branches on the outskirts of Bangkok. One branch is in the Suvarnabhumi airport free zone and the other is in the Laemchabang port area, along with two warehouses in Samutprakarn and Rayong in the eastern industrial seaboard.

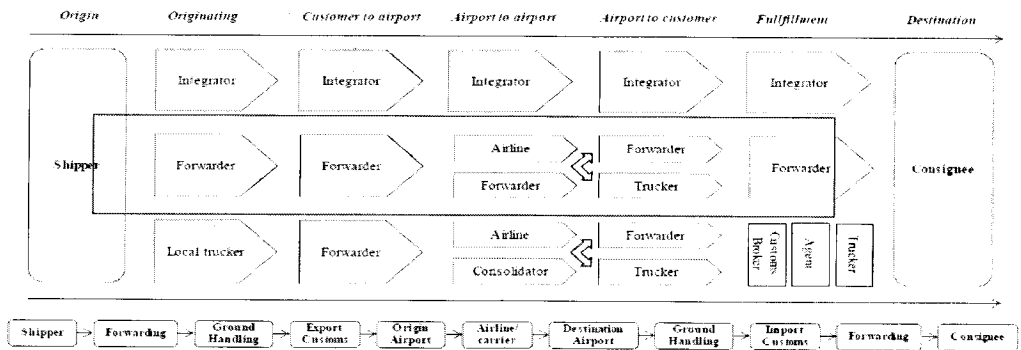
Even though ABC Company was established in Thailand only 26 years ago, its global network is bigger than other logistics providers in Thailand. However, it is under much pressure to retain its customers and expand. Improvement in customer satisfaction and consistent customer repurchase intention would lead the company to gain more market share.

In this study, the authors attempt to understand the relationship of the 7Ps of the marketing mix on customer satisfaction and to understand the relationship between customer satisfaction and repurchase intention of ABC customers. This research will allow ABC Thailand to understand the importance of the marketing mix elements and then use this information to help increase customer repurchase intentions.

## REVIEW OF RELATED LITERATURE

The air freight supply chain is presented in Figure 1 (adapted from Steiger, 2010). This supply chain mainly consists of three models. The first is the integrated network model, involving shipper, integrator and consignee. The second is a combination between shipper, forwarder, an airline company and consignee. The third model is a combination among six actors, namely shipper, forwarder, local trucker, airline, ground handler and consignee (Steiger, 2010). This research network is operated by large forwarders which use their own network and branches to ship goods from the point of collection to the point of delivery.

**Figure 1: Air Freight Service Supply Chain**



Source: Adopted from Steiger (2010)

Shipper, freight forwarders, airline and consignee are participants of 7Ps in an airfreight service supply chain. Freight forwarders provide support services (product) to shipper and consignee. Different kinds of customers get different promotions according to shipment volume and communication, and each airline charges a different price to freight forwarders than to their customers, for different places (destination) and customer needs. The price also reflects process and delivery time. Freight forwarders also provide and manage the process and either provides or deal with many of the pieces of physical evidence involved in those processes (7Ps).

In the air freight business, customer satisfaction is based how well the air freight service matches a customer’s expectations (Krause, Nagel, & Solchenberger, 2007). Customer satisfaction is based on using previous experience to evaluate service performance (Anderson & Fornell, 1994). Customer satisfaction is engendered by the product which they have bought, and might buy it again (Reichheld, 1996), and could recommend to others (Oliver, 1997). Kotler (1994) summarizes that customer satisfaction is the key to retaining customers. Therefore, customer satisfaction is considered to be the customer’s overall attitude toward service (Lin, Huang, & Zeelenberg, 2006).

Customer repurchase intention refers to customers’ behavior in buying the same brand. It is focused on protecting existing customers and getting customers to repurchase. When combined with getting new customers it increases market share (Fornell, 1992). Jackson

(1985) write that repurchase intention is the same as consumer behavioral intention: it can measure the amount of service in the future, to continue, increase or decrease the service from the current supplier. A customer's intention to repurchase is due to the customers' perceptions of customer service quality, equity and value, customer satisfaction, loyalty, and brand preference (Phillip, Hellier, Geursen, & Carr, 2003).

In recent times, customer satisfaction has changed from transaction marketing to relationship marketing (Gronroos, 1994). Relationship marketing is focused on customer relationship; the goal is repurchase intention (Laura, 2013). Oh (2000) said that perceived quality, customer satisfaction, and repurchase intention are positive related. Relationship Customer satisfaction with customer repurchase intention is directly positive and is supported by a variety of products or services studies (Phillip et al., 2003).

Marketing is the provision of goods, services and/or ideas to meet customer needs. The marketing mix is the set of actions that a company uses to promote itself in the markets, and which can be used to develop both long-term and short-term programs for a company (Palmer, 2004). Furthermore, in the service business, the 4Ps are not enough to represent the marketing aspect that is related to the customer needs; thus Booms and Bitner (1981) added Ps into the marketing mix. The others three Ps are: participants/people, physical evidence, and processes. Through the use of these 7 Ps, companies can provide services that affect customer satisfaction (Giovanis et al., 2013; Gures, Arslan, & Tun, 2014; Saha et al., 2009; Sarker, Aimin, & Begum, 2012). The product of a logistics provider is a service. Services such as air freight service are intangible and involve performance. Therefore, this study will explore the expanded 7 Ps of services marketing and their effect on customer satisfaction.

#### **Description of each of these 7Ps**

**Product:** Armstrong and Kotler (2006) defined product is anything that can be provided for the market's attention, acquisition, use, or consumption; it can satisfy customer's wants and needs. If product is service, that mainly consists of two components: first, the core services imply a company's core benefit; second is service level, such as aspecified delivery service (Hirankitti, Mechinda, & Manjing, 2009). It is operationally defined as air freight service quality (Akaah & Riordan, 1988); which includes pick-up and delivery on-time, flight schedule's multiple choice, branding of service (Aaker, 1996), and customer service (Kotler, 1994).

**Price:** It is the total value that consumers exchange for the benefits of using the product or service (Kotler, Armstrong, Wong, & Saunders, 2008). Price is considered an important point in measuring repurchase intention (Oh, 2000). Different short-term selling strategies are used to increase sales (e.g., special sales, credit term and refunds) (Yoo, Donthu, & Lee, 2000).

**Place:** It is operationally defined as the point of selling and support service, it can refer to the convenience for the customer (e.g. easy to access) in which the air freight services are provided by an internet booking channel, office location, international network, and warehouse (Prasanna, 2010).

**Promotion:** In a broader sense, this is "communication." The company communicates their value to the customers. Promotion activities are including sales' communication, advertising, personal selling, and public relations (Borden, 1984). The purpose of advertising is to build

brand awareness and reputation and to encourage consumers to buy their brand (Aaker, 1991).

**Physical evidence:** It means the appearance of the service; it is the environment of a service. (Ivy, 2008). The physical evidence include the uniforms of staff, the company has high levels of awards and office appliance (Rafiq & Ahmed, 1995).

**Participants / People:** This is an important part of providing the service (Rust, Zahorik, & Keiningham, 1996). Everyone's behavior will affect the success of the organization's actions and functions. More communication, training, skills, learning, and listening to the views of others, will achieve evidence of the optimum value of the product and the company (Judd, 2001).

**Process:** Booms et al. (1981) defined process as setting a customer focus, with successful service planning and implementation. Improving the process of customer service, providing customers with convenience, should lead to customer repurchase and then increased sales. The process may affect the decision of new customers to buy services, and affect customer satisfaction (Collier, 1991). Customs is most important in the flow of air freight service; good customs flow can help importer decrease the duty and tax hassle, as well as saving money and time (Morell, 2011).

### **Research Framework and Hypotheses**

This research focuses on the relationship between marketing mix's 7Ps and air freight customer service, and the relationship between customer service's satisfaction and customers' repurchase intention. Therefore, the following eight hypotheses are proposed and examined:

**Hypotheses 1:** There is a positive relationship between product and customer satisfaction;

**Hypotheses 2:** There is a positive relationship between price and customer satisfaction;

**Hypotheses 3:** There is a positive relationship between place and customer satisfaction;

**Hypotheses 4:** There is a positive relationship between promotion and customer satisfaction;

**Hypotheses 5:** There is a positive relationship between physical evidence and customer satisfaction;

**Hypotheses 6:** There is a positive relationship between people and customer satisfaction;

**Hypotheses 7:** There is a positive relationship between process and customer satisfaction;

**Hypotheses 8:** There is a positive relationship between customer satisfaction and customers' repurchase intention.

## **METHODOLOGY**

This research used a questionnaire survey to gather data from ABC Company in Thailand in order to analyze and examine all hypotheses. The population size of data gathering was approximately 380 customers who have shipment by air, thus the sample size for this study

consisted of 191 respondents (Krejcie & Morgan, 1970). The scale evaluation of reliability testing by using internal consistency was tested to find out the reliable alpha (0.864). The questionnaire consisted of 3 parts: 1) Items used to measure 7Ps of the marketing mix, 2) items used to measure customer satisfaction and customer repurchase intention, 3) Customer company characteristics. Close-ended questions were used. Respondent evaluation was through a Likert five-point scale. SPSS was applied to analyze gathered data by using Multiple Linear Regression Analysis and Simple Linear Regression Analysis.

## FINDINGS

This phase of the analysis focused on the eight hypotheses that were proposed to examine the relationship between the marketing mix's 7Ps and customer satisfaction and then customer satisfaction with customers' repurchase intention. Hypotheses 1 to 7 were tested to examine the relationship between the marketing mix's 7Ps and customer satisfaction. The results of these tests are shown in Table 1. Hypothesis 8 was proposed to determine the relationship between customer satisfaction and customers' repurchase intention, and its result is shown in Table 2.

**Table 1: Relationship between Marketing Mix's 7Ps and Customer Satisfaction**

Variables	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Beta		p
(Constant)	1.043		4.525	<.001
PRODUCT	.491	.618	7.102	<.001
PRICE	-.265	-.414	-5.042	<.001
PLACE	-.119	-.136	-1.764	.079
PROMOTION	.171	.187	2.122	.035
PHYSICAL EVIDENCE	.214	.235	2.729	.007
PARTICIPANTS/PEOPLE	.236	.245	3.282	.001
PROCESS	-.029	-.027	-.352	.725

Remarks: Dependent Variable - Customer Satisfaction; F= 26.642; p < 0.001; Adjusted R<sup>2</sup> = 0.505

In Table 1, the results of hypotheses testing show that product, promotion, physical evidence and people were positively related to customer satisfaction in the air freight service of ABC Company in Thailand, but price was found to be negatively related to customer satisfaction in the air freight service of ABC Company in Thailand. Thus, hypothesis 1, hypothesis 2, hypothesis 4, hypothesis 5 and hypothesis 6 were supported. Nevertheless, place and process were not significantly related to customer satisfaction in the air freight service of ABC Company in Thailand. Thus, hypothesis 3 and hypothesis 7 were rejected. The highest

influence on customer satisfaction was found to exist with the marketing mix element product ( $B = 0.491, p < 0.001$ ), followed by the negative relationship of price ( $B = -0.265, p < 0.001$ ), and then by participants/people ( $B = 0.236, p = 0.001$ ), physical evidence ( $B = 0.214, p = 0.007$ ), and finally promotion ( $B = 0.171, p = 0.035$ ).

These results indicate that place and process of the ABC Thailand Company are not significantly related to customer satisfaction. Therefore, it is important that ABC Company find a strategy to improve air freight service process and choose a good location to support service to the customer.

**Table 2: Relationship between Customer Satisfaction and Repurchase Intention**

Variables	Unstandardized Coefficients	Standardized Coefficients	T	Sig.
	B	Beta		p
(Constant)	.209		.748	.456
SATISFACTION	.887	.640	11.447	<.001

Remarks: Dependent Variable - Repurchase Intention;  $F = 131.032; p < 0.001$ ; Adjusted  $R^2 = 0.406$

The result of hypothesis 8 is shown in Table 2 which indicates that there is a positive relationship between customer satisfaction and customer repurchase intention in the airfreight service. Thus hypothesis 8 is supported.

### CONCLUSION

Among the marketing mix's 7Ps (product, price, place, promotion, physical evidence, participants/people, and process), only 5Ps (product, price, promotion, physical evidence and participants/people) had a statistically positive relationship with customer satisfaction for ABC's air freight service in Thailand. Interestingly, price had a negative relationship with customer satisfaction. Moreover, this study found that when customers are satisfied with ABC's air freight service, they will certainly have intention to repurchase ABC's air freight service

This research was limited to the study of the effects of the marketing mix's 7Ps on customer satisfaction, and customer satisfaction on customers repurchase intention for ABC Company in Thailand only.

Since the study has not investigated the air freight service in different sized logistics companies, it is suggested that there should be a study that investigates the air freight service of different sizes of logistics companies using marketing mix's 7Ps and their effect on customer satisfaction and customers repurchase intention. This research only examined air freight services provided in Thailand. Future research should consider international markets using a similar methodology to determine if the relationships found in Thailand hold true for air freight services in other countries.

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