THE MEDIATING ROLE OF COMMITMENT, TRUST AND SATISFACTION IN THE RELATIONSHIP OF BUSINESS TO BUSINESS CUSTOMER SATISFACTION AND LOYALTY

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UNIVERSITI TEKNOLOGI MALAYSIA
THE MEDIATING ROLE OF COMMITMENT, TRUST AND SATISFACTION IN THE RELATIONSHIP OF BUSINESS TO BUSINESS CUSTOMER SATISFACTION AND LOYALTY

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DEDICATION

To My beloved My Husband Dr. Alireza Ebrahimpour and
My Children Mohammad Mahdi and Hoda
ACKNOWLEDGEMENT

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My sincere appreciation also extends to my husband Dr. Alireza Ebrahimpour. He constant encouragement and continued support contributed greatly to the completion of my research.
ABSTRACT

Customer loyalty has been prominent for business activities. In situation where failure to satisfy customers would normally cause an early termination of business, customer loyalty can provide higher customer retention rate and continuous business success. In order to create competitive advantages and achieve better results, Business-To-Business (B2B) relationships offer opportunities for organizations. However, increased competition means that businesses must be able to react even faster to win customer loyalty. The main purpose of this study is to evaluate the relationship between customer loyalty and its determinants in industrial environment. Hence, the direct and indirect effect of loyalty antecedents such as service quality, customer value, customer satisfaction, trust and commitment are examined in B2B context. Quantitative approach was used in order to answer the research objectives. Data collection was conducted by distributing 400 questionnaires to national automotive companies in Iran. The data was analyzed using the structural equation modeling (SEM) technique and SmartPLS software. The result of the study indicated that service quality, customer value, customer satisfaction, trust and commitment are important determinants of customer loyalty which are known as the key success factors in automotive industry. Furthermore, customer satisfaction is a mediator between service quality and customer loyalty as well as between customer value and customer loyalty. While, trust and commitment mediated the relationship between customer satisfaction and customer loyalty. The findings imply that the highest effect on customer loyalty is in the relationships between customer satisfaction and trust. The result of this study would enable suppliers to utilize the research model to improve service quality and strengthen the automotive companies’ relationship. Furthermore, the result is useful to managers in business organizations for strategic planning. Finally, recommendations for future investigation and limitations of this study are discussed.
ABSTRAK

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<td>AMPM</td>
<td>After-Market Parts Manufacturers</td>
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<td>B2B</td>
<td>Business-To-Business</td>
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<td>B2C</td>
<td>Business-To-Consumer</td>
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<td>CV</td>
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<td>CFA</td>
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<td>IKCO</td>
<td>Iran Khodro Company</td>
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<td>OEM</td>
<td>Original Equipment Manufacturing</td>
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<td>PLS</td>
<td>Partial Least Squares</td>
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<td>SAPCO</td>
<td>Supplier of Automatic Parts Corporation</td>
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<td>SEM</td>
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CHAPTER 1

INTRODUCTION

1.1 Overview of the Study

The chapter proposed an introduction to service quality, customer value, customer satisfaction, commitment, trust and customer loyalty among the business to business (B2B) in the automotive industry in Iran. The background of the study includes information regarding the antecedents and precedents of customer loyalty among B2B in automotive industry. Problem statement focuses on the antecedents of customer loyalty towards customer satisfaction, trust and commitment in the industry. Study research questions were designed to address the statement of the problem, while significance of the study presented useful information on the outcomes of the study, which facilitates the individuals, managers, policy makers and industry. The study scope is also focused on the industrial employees in automotive industry. Data was collected from national automotive companies in Iran.

1.2 Background of the Research

Increased comparative refers to the fact that a business should respond to customer needs efficiently and effectively in order to achieve customer loyalty in the long-term (2006). In this regard, most marketers emphasize retention as well as loyalty of customers. For generating competitive advantage and obtaining satisfactory outcomes, B2B relationships suggest some opportunities for many firms (Jap, 2001; Ulaga and Eggert, 2006). Thus understanding the concepts of loyalty and retention are critical research subjects.
According to Hutt and Speh (2004), the essence of B2B marketing is creating long-run relationships with customers. Berry and Parasuraman et al. (1991) also demonstrated that for developing and keeping efficient and lasting B2B relationships, firms should establish higher customer loyalty levels for themselves which is a core marketing objective. In general, B2B loyalty is explained in the literature as a good source of loyalty.

Having a secure base of loyal customers and also the chance for achieving higher profitability will be obtained through generating individual relationships with all of the customers in business (Reichheld, 1996). As Jones (2003) noted, management and maintenance of loyal customers will result in more revenues for service providers and suppliers since customers will pay more for each of their purchase of different goods and services.

In terms of satisfying demands of industrial customers, many firms understand the critical role of strategic management by suppliers as well as customer relationships that will make them participate in relationships with all industrial customers as well (Ryssel et al., 2004; Eng et al., 2007). Moreover, Roberts and Merrilees (2007) reported that it is necessary for companies to realize the nature and situation of their customers in a B2B environment because of the uniqueness of the customers in the organizations. This realization is also essential because of the complexity of the ongoing relationship between the supplier and business customers in a B2B context.

Loyalty has been defined by Oliver (1999) and Gil-Saura (2008) as a deeply held commitment to re-buy consistently in the future, thereby causing repetitive same product purchasing. Several studies such as Li (2012), Eakuru and Mat (2008), Oliver (1999) show that the final goal of companies is to build customer loyalty, as firms can decrease all of the acquisition and operational expenses and costs with loyal customers. Similarly, customer loyalty also reduce marketing cost, increase referrals, provide continuous profit and increase per-customer revenue growth (Reichheld, 1996). The author also reported improvement of customer retention by 5% which results in 25% to 75% increase in total profit (Eakuru and Mat, 2008; Williams and Naumann, 2011).
Several empirical studies such as Garbarino and Johnson, (1999), Hennig-Thurau, (2004), Bloemer and Odekerken-Schröder (2002) and Ibrahim and Najjar, (2008), show that customer loyalty is directly influenced by customer satisfaction, trust and commitment. Liang et al. (2009) have found that customer loyalty existed when industrial customers were satisfied, had trust and were committed to the service and product. In the same way, customer satisfaction has a positive impact on trust and commitment through service quality, while it is also reported that trust has a positive impact on commitment of the customers (Garbarino and Johnson, 1999; Ibrahim and Najjar, 2008b).

Morgan and Hunt (1999) proposed the Commitment-Trust Theory in relationship marketing and argued the relationship between trust and commitment is important for having successful marketing relationships. The authors also examined the determinants of customer loyalty, where customer value is considered as playing a contributing role in generating customer satisfaction, trust and commitment (Fishbein et al., 1975; Woodruff and Gardial, 1996; Caruana, 2002; Eggert and Ulaga, 2002; Parasuraman, 2005; Ulaga and Eggert, 2006; Eakuru and Mat, 2008). In the same manner, Woodruff and Flint (2003) and Kotler (2008) stated that customer value and customer satisfaction should play a central role in marketing systems. In addition, they mentioned that marketing is for adding more value in order to create satisfied customers and to establish mutual and long-run relationships with them.

In addition to customer value, Woo and Ennew (2005) demonstrated that B2B quality is a necessary element in creating market success and utilizing products and services in other trends. Service quality can be considered as a main point in customer satisfaction (Lemon et al., 2001; Kim et al., 2004; Chen et al., 2011). It is also evident that service quality has positive influence on customer satisfaction (Johnston et al., 1999; Lin, 2009). Furthermore, Lin (2009) stated that one of the most crucial customer satisfaction and loyalty antecedents is service quality.

Each factor affects customer loyalty individually and also influences the other factor(s), which have a direct and indirect effect on customer loyalty in B2B environment. In the current study, the researcher examined the direct and indirect
effect of the variables, especially service quality, customer value, customer satisfaction, trust, and commitment as essential factors in building customer loyalty in the automotive industry in Iran.

1.2.1 Loyal Customer in Business To Business Context

Business-To-Business (B2B) marketing can be characterized by its products and types of customers, which shape a main part of their marketing actions. Scope of B2B marketing is marketing goods and services to other existing businesses and also covers government organizations including service sectors such as hospital, agencies like automotive companies, and authorities such as those concerned with airports. Thus marketing methods of B2B can differ from B2C. For instance, business-to-customer marketing methods generally utilize more personal selling methods to generate more from potential customers. Hence, it will be imperative for B2B marketers to better recognize all of the business details regarding customer behavior, especially customer loyalty, in order to accomplish the goals of the firm’s B2B marketing. In a B2B context it is important to consider not only designated buying centres and associated roles but also key individuals in supplier firms and even in intermediary organizations. Collecting perceptions from both sides of a relationship is too often neglected, especially in the extant business-to-business services marketing literature (Tyler et al., 2007).

Loyal customers offer a steady stream of revenue for a company by staying with the same supplier and rejecting the competitors (Lam et al., 2004). In B2B context, loyal customers are more likely to focus on long-term benefits and engage in cooperative actions beneficial to both partners and thus enhance competitiveness for both organizations by reducing transaction costs (Ganesan, 1994; Doney and Cannon, 1997a). Creating a loyal customer base in B2B context is not only about maintaining customers over time but also nurturing relationships with business customers to encourage their future purchase and level of advocacy (Rauyruen and Miller, 2007). Although the marketing of industrial goods such as consumer marketing must recognize this need and identify target markets and markets for
products and services designed to supply the demands of the market, it should be noted that in comparison with consumer marketing, industrial marketing management is excellent.

Business markets differ from consumer markets in several dimensions (Avlonitis and Karayanni, 2000; Coviello and Brodie, 2001). Business customers are small in number, involve more frequent and more customized service encounters than B2C customers (Narayandas, 2005), require more professional personal interaction with customers with the assistance of improved technology and contribute significant value to overall business (Hooks and Higgs, 2002). B2B relationships are characterized by closer and deeper interfaces than consumer relationships (Mehta and Durvasula, 1998). Hence drivers of loyalty greatly differ in business markets compared to consumer markets depending on the nature of the targeted customers (Morris and Holman, 1988). Despite the uniqueness of B2B customers compared to B2C customers (Jayawardhena et al., 2007), research focusing on the returns from specific B2B investments in relationship marketing and/or research explaining how to leverage these investments for specific customers is scarce (Palmatier et al., 2006).

1.2.2 Issue of Iranian Automotive Industry

Automotive industry is considered as one of the critical industrial segments in the global economy. Manufacturers in the automotive industry directly influence a number of other industries from component suppliers or raw materials to manufacturers of machinery, car repair shops, research and technology institutes, driving schools, retailers as well as financial organizations. Therefore, most of the studies focused on understanding the effective approaches of increasing loyalty.

Iran is considered one of the high-performing countries where growth has been established in various industries. Currently, Iran is the 20th biggest automaker globally and also the largest in Middle East (Bahar et al., 2013; Recknagel et al., 2014). According to Abedini and Peridy (2009) this industry is the second most active industry in Iran next to Oil and Gas. This industry leads all other industries in
research and development investment and the productivity would be well above average (Afsharipour et al., 2006). According to Bahar et al. (2013), oil and gas, petrochemicals, steel, textile, and automotive manufacturing industries accounted for an estimated 45% of the Iranian Growth Development Profitability (GDP).

The Iranian automotive industry started in early 1960s. There are twenty-eight automotive units of manufacturing that are subsidiaries of thirteen main privately and publicly owned manufacturers in this industry. In Iran this industry includes almost 1200 firms making Iran a big manufacturer of spare parts. This includes affiliates of automotive producers and also independent companies. Original Equipment Manufacturing (OEM) and After-Market Parts Manufacturers (AMPM) comprised two primary sectors of the industry. OEM includes those suppliers that manufacture various parts for manufacturers and AMPM is the sector that produces replacement parts for vehicles (Bahar et al., 2013). Similarly, the author also reported from 1998 to 2008 the car production increased by 44.5% in Iran.

In 2008, Iran was the 14th largest motor vehicle producer in the world, with production up 5.4% from the previous year. Iran produces both light and heavy vehicles. Its two biggest automakers are Iran Khodro and Sapia. Auto plants frequently have outdated technology and parts must be imported through third countries. Cars frequently are not fuel-efficient, contributing to pollution. Despite Iran’s high level of automotive production, domestic demand for motor vehicles exceeds supply. Iran imports a variety of vehicles, including basic models, luxury vehicles, and vehicles for construction and mining. Iran reduced the tariff rate on auto imports in 2006. The Iranian Privatization Organization had announced plans to offer shares of both Iran Khodro and Saipa to the public by June 20, 2010.

Several researches were conducted on customer loyalty and reported conflicting or ambiguous empirical findings (Lewis and Nocera, 2006; Bolton et al., 2008a). Therefore, this research investigated the relationship between the main factors such as service quality, commitment, trust, customer satisfaction and
customer value, which will influence on customer loyalty in automotive industry in Iran.

1.3 Statement of the Problem

Customer loyalty has significant positive impact on the profitability of business to business firms. Loyal customers offer a steady stream of revenue for a company by staying with the same supplier and rejecting the competitors (Lam et al., 2004). In B2B context, loyal customers are more likely to focus on long-term benefits and engage in cooperative actions beneficial to both partners and thus enhance competitiveness for both organizations by reducing transaction costs (Doney and Cannon, 1997; Ganesan, 1994). However, most business service providers face considerable challenges due to the complex nature of the B2B market, increased competition, higher degree of deregulation, technological convergence, rapid evolution of internet (Adeyoyin, 2005), and tailored nature of the offered products and services. Creating a loyal customer base in B2B context is not only about maintaining customers over time but also nurturing relationships with business customers to encourage their future purchase and level of advocacy (Rauyruen and Miller, 2007). The subject of customer loyalty has been debated and investigated over the past twenty years in B2C environment. Scholars assert some important determinants are to understand what constitutes key success factors so that appropriate actions for increasing and improving loyalty to customers on B2B context can be taken.

Although there are many ways of describing and measuring loyalty in context of consumer market, the term loyalty within B2B environment has not been clearly defined (Gil Saura et al., 2008). In fact only a few efforts have attempted to conceptualize loyalty and study its antecedents (Sirdeshmukh et al., 2002a; Lam et al., 2004). Setting aside the current study, little attention has been paid to the study of customer loyalty in the business-to-business context in general, and more specifically in the area of automotive industry. There are increasing amounts of research related to customers and their needs (Farley, 1964; Jacoby and Chestnut, 1978; Parasuraman
et al., 1991; Dick and Basu, 1994; Zeithaml et al., 1996; Andreassen and Lindestad, 1998; Fournier, 1998; Oliver, 1999). However, it was stated by many scholars that lack of empirical research literature into customer loyalty on B2B environment is the main problem of customer loyalty (Sirdeshmukh et al., 2002b; Lam et al., 2004; Abdul-Muhmin, 2005; Russell-Bennett et al., 2007; Čater and Čater, 2010).

Although most of the empirical research has been limited to the area of retail and consumer context, better understanding of customer loyalty in other contexts such as industrial markets and B2B markets for this research is limited. In order to confirm loyalty models and propositions, research efforts should be expanded to include industrial markets within industries (Boulding et al., 1993; Abdullah, 2009).

Furthermore, from previous studies it has been observed that empirical research has mostly been conducted in the area of retail and B2C context. However, several researchers have stated that lack of empirical research literature into customer loyalty on B2B environment is a problem of customer loyalty (Lam et al., 2004; Russell-Bennett et al., 2007; Abdullah, 2009; Cater and Cater, 2009; Saeidi et al., 2015).

Firms which have an efficient understanding about markets can learn what is necessary to forecast the response of their markets to their designed actions to attract or retain competitors and customers. One of the key functions of relationship marketing theory is improving value and quality and ensuring customers are satisfied (Rad, 2006). In concept of industrial marketing, since there are few customers, developing plans for suitable marketing strategies that result in good customer loyalty and repurchase behavior seems to play a key role. New customers will have more questions, have more problems and will cost organizations more to maintain relationships. As relationships are developed between customer and suppliers, customers will have fewer questions, fewer problems and the costs to maintain relationships are lower (Forouzan and Mirassadallah, 2008). Customers in a long-term relationship are more satisfied and tend to give more of their business to a particular supplier. This increased level of loyalty customers can result in an effective market relationship. Suppliers must ask themselves how much it will cost to develop and maintain marketing relationships with their customers and at the same time ask what the cost will be to not develop and maintain these relationships (Afsharipour et al., 2006).
From textbooks published in the area it is clear what is being taught within marketing courses but it is apparent that no work had been done to identify what current B2B marketing practitioners believe are the most useful elements of this body of knowledge. This gap provided the motivation for these pieces of research in understanding how loyalty is developed and its antecedents particularly in B2B environments (Sirdeshmukh et al., 2002b; Lam et al., 2004; Bolton et al., 2008b; Levin and Lobo, 2009). The study came out with customer loyalty literature theoretically in the following way. This research is the first of its kind to examine the mediating role of trust, commitment and customer satisfaction in the relationship between service quality, customer value and customer loyalty in B2B context. Despite the fact that there are several studies related to identification and investigation of the effect of different determinants of customer loyalty separately (Gil-Saura et al., 2011), this research is investigating role of key factors that are understood as the main success factors which impact customer loyalty.

This research considered variables such as service quality and customer value as independent variables, customer satisfaction, trust and commitment as mediator variables with dependent variable (customer loyalty). However, there is no comprehensive framework in investigating the effect of service quality, customer value, customer satisfaction, commitment, and trust on customer loyalty. This research evaluated the relationship between five main variables before they were explored as the key success factors and customer loyalty. The literature in a B2B context takes as a starting point the conceptualization of loyalty in business-to-consumer (B2C) environment (Lam et al., 2004), where the efforts to clarify, conceptualize, and measure these construct have been very intense (Chumpitaz and Paparoidamis, 2004a; Gil Saura et al., 2008). Although more than 80 percent of companies monitor customer loyalty using satisfaction scores considering that customer satisfaction is positively linked with loyalty, there is very little correlation between satisfaction and loyalty in business markets (Narayandas, 2005).

On the other hand, according to the commitment and trust theory, trust plays a significant role in relationship marketing especially in the context of B2B markets (Blois, 1999). Customers will refer to all of their experiences from past regarding the services of a company. The role of service quality alone or various dimensions such
as environment quality, administrative quality, and interaction quality, interpersonal quality and technical quality were studied through some empirical research. Also, service quality was examined by the mediating role of customer satisfaction and customer loyalty (Cronin et al., 2000; Dagger and Sweeney, 2007). Customers will use their insights about suppliers and it forms if this specific quality of service result (technical) or process (functional) is assumed as a part of anomaly or trend. While distinct from each other, customer satisfaction and service quality are highly intercorrelated. Some scholars report that customer satisfaction drives a perception of service and product quality, while others find that service and product quality drives customer satisfaction. Most market researchers seem to generally accept the theoretical framework that service quality leads to customer satisfaction (Oliver et al., 1997; Dabholkar et al., 2000) which in turn influences behavioral intentions and customer loyalty (Oliver, 1999).

Regarding business negotiations, customer value will impact strategies, priorities and also interests (Pretty et al., 2000) which as a result influences methods for exchange relationship (Zhang et al., 2012). Within such B2B context, it is very important to understand the role of value creation because customer value is known as the aim of cooperative relationships between customers and suppliers (Anderson and Narus, 1998). However, study on customer value within business context is not well developed yet (Flint et al., 2002), generally concentrating on physical product values and not assuming relational aspects of customer value (Dwyer et al., 1987; Singh and Koshy, 2011). Value is created at various stages of the purchase process by customer (i.e. pre-purchase and post-purchase stage) while satisfaction is generally agreed to be a post purchase or post use evaluation (Woodruff and Gardial, 1996). Consequently, value perceptions can be generated without the service being bought or used, while satisfaction is dependent on experience of the service (Sweeney and Soutar, 2001). The connections between customer value, customer satisfaction, and customer loyalty have been debated in the services marketing literature. Conceptual frameworks have been developed that integrate customer perceived value and satisfaction (Woodruff and Gardial, 1996). Ulaga (2001) points out that, as yet, there has been little work done that particularly focuses on the customer value construct. A great deal of research will be necessary to fill this gap.
and gain a better, more nuanced understanding of the relationships between customer value and customer loyalty directly and indirectly. Therefore, it can be assumed that there is the relationship between customer satisfaction and customer loyalty directly, and customer value and customer loyalty indirectly by customer satisfaction. Value was shown as a keystone in relationship between customer and supplier (Woodruff and Gardial, 1996). As mentioned customer value is an antecedent of customer satisfaction, and many scholars tested the question of how customer value influences commitment and trust, customer loyalty and customer satisfaction (Monroe and Dodds, 1988; Zeithaml, 1988; Rust et al., 1995; Butz Jr and Goodstein, 1996; Woodruff and Gardial, 1996; Cronin et al., 2000; Lemon et al., 2001; Lee et al., 2004; Eakuru and Mat, 2008; Molinari et al., 2008; McKean, 2010; Omar et al., 2011; Li, 2012).

According to Dick and Basu (1994), loyalty will increase if there are positive effects. In addition, it is believed that customer satisfaction can mediate loyalty from previous experiences and to describe key behaviors regarding post purchase for example repurchase intention, complaining as well as product usage (Westbrook and Oliver, 1991; Oliver, 1999). Besides, Wang et al. (2001) mentioned customer satisfaction can significantly impact loyalty and repurchase behavior. According to the commitment and trust theory by Morgan and Hunt (1994), trust will generate loyalty and commitment as trust forms some exchange relationships which are highly valued. Therefore, commitment or loyalty can underlie the ongoing progress of continuing and keeping necessary and valuable relationships which were generated through trust (Chaudhuri and Holbrook, 2001). Trust and commitment are considered two key factors which can result in stronger relationships with other companies and make customers capable of coping with ambiguity thus creating customer loyalty (Morgan and Hunt, 1994).

Current study asserts that trust and commitment mediate the relationship between customer satisfaction and customer loyalty. Empirical evidence shows the mutual influence of several constructs such as service quality, customer satisfaction, trust and other factors on customer loyalty (Lam et al., 2004; Bennett et al., 2005; Gounaris, 2005; Rauryruen and Miller, 2007). Therefore, commitment, customer satisfaction, service quality, and trust function as tools to increase customer loyalty.
while there is the customer uncertainty (Garbarino and Johnson, 1999; Hennig-Thurau et al., 2005; Caceres and Paparoidamis, 2007; Ibrahim and Najjar, 2008a; Li, 2012). In order to confirm loyalty models and propositions, research efforts should be expanded to include industrial markets within industries (Boulding et al., 1993). There is a gap in the understanding of how loyalty and its antecedents are developed particularly in B2B environments (Bolton and Saxena-Iyer, 2009).

In a recent study, Li (2012) conducted a research by using the survey data which was collected from a sample in one country (Taiwan), one city (Kaohsiung) and five retail stores. However, the systematic random sampling plan might cause a bias from contacting specific groups of people. In another study, Rauyruen and Miller (2007) sampled only Australian SMEs and they collected data from the courier service industry. Although SMEs might have various characteristics and sizes in comparison to corporate customers, it may limit the generalization to other areas. They could not generalize their consequences of customer loyalty for other industries. There is a possibility that this will affect the research result because studies might consider limited investigation of a particular industry (Abdul-Muhmin, 2005; Adis, 2010). In addition, to test the hypotheses, researchers’ chose a single industry regarding empirical examinations since it has many common important characteristics for B2B context, for example customization and trust. Emphasizing one specific industry helps scholars to better customize items in study questions to fit characteristics of that certain industry and to generate accurate responses. For instance, researcher can consider all of the service dimensions as critical for a specific industry. Moreover, focusing on just one industry contributes to improve internal validity and minimize error variance and so improve power of testing the hypothesis (Shankar et al., 2003).

A lack of investigation on single industry in previous studies was pointed out by Abdul-Muhmin (2005) and Adis and Md-Sidin (2010). It is shown that a single industry would give a better understanding of the customer (Abdul-Muhmin, 2005). In addition, investigation of relationship between customer loyalties can vary across different industries (Ou et al., 2011). It was proven that each industry has different situations and conditions that influence customer loyalty (Abdul-Muhmin, 2005; Adis, 2010). Due to the use of large samples it is unlikely that there will be a variety
of effects associated with industry, environment, and strategy (Papassapa et al., 2007). On the other hand, almost all organizations, institutions, and large or even medium-size companies can achieve their goals and increase customer loyalty in developed countries. According to Eakuru and Mat (2008), some studies have to be done in other industries in addition to Asian countries and many other regions globally. Thus samples from different countries and industrial settings would help to ascertain the generalizability of the present findings. This research will concentrate on a single industry (automotive industry in Iran), which allows scholars to control the industry-specific influences. Academic research has predominantly emphasized measuring customers which is in complete disregard to loyalty studies in different businesses (Homburg and Rudolph, 2001). Industrial firms have to cope with more complexities of many respondents, complex service/product features and diverse customer bases as well (Rossomme, 2003).

The current research investigates the relationship between the key success factors on customer loyalty. The majority of research studies were conducted in developed countries to investigate customer loyalty and empirically were found to be strong predictors of customer loyalty (Chang and Chang, 2010; Ou et al., 2011), whereas less attention has been given in the developing countries (Haeri, 2005) such as Iran. This study extends the existing literature by focusing on the effect of customer loyalty drivers on the loyalty of business customers in a rapidly growing economic context like Iran. There are several reasons for the selection of Iran as the focus of the study. First, the customers in Iranian automotive industry always change suppliers for other companies (Keramati et al., 2008; Wells, 2010). Second, on the basis of industry diversity, Hu et al., (2009) and Ou et al., (2011) recommended that customer loyalty would make it possible for researchers to evaluate how this model will work in different B2B industry contexts. Fewer executive managers have pointed out that customers of this market are future profit resources. Iran is the 20th biggest automaker globally and is the largest in Middle East region (Bahar et al., 2013). Iranian automobile market has become highly competitive today. They believe that their companies have pursued this opportunity to increase customer loyalty (Sanayei et al., 2008). Weis (2004) explained that initial costs of gaining new customers are higher than maintaining existing customers.
Automotive industry in Iran does not appropriately consider how relationship marketing factors impact customers and why (Keshvari, 2012). Such information is required to make customers loyal through enhancing relationship marketing (Keshvari, 2012). Based on statements of Abedini and Peridy (2009), this industry has high capacity. Another important benefit is having easy access to Middle East market since Iran has a strategic position geographically. Despite these advantages, there is a lack of strong loyalty in relationship between customer and supplier that is identified as the biggest problem by Iranian automobile industry (Keshvari, 2012). The automotive industry in Iran has not yet realized the importance of all the key success factors even though combination of all these can greatly influence customer loyalty. Apart from that, customer loyalty in Iran, especially on B2B context is not quite recognized, thus this study is an attempt to bridge these gaps. The relationship is a critical subject because relationships are the key elements of relationship marketing (Keshvari, 2012).

1.4 Research Objectives

Considering the importance of customer loyalty in automotive industry in Iran, this study attempts to achieve the following objectives based on the problem statements:

1. To assess the mediating role of customer satisfaction between service quality and customer loyalty as well as customer value and customer loyalty.

2. To examine the mediating role of commitment between customer satisfaction and customer loyalty.

3. To assess the mediating role of trust between customer satisfaction and customer loyalty.
1.5 Research Questions

Such gaps resulted in formulating four research questions. This study then seeks to address the following research issues:

1. Is there any relationship between service quality, customer value, customer satisfaction, commitment, trust, and customer loyalty?
2. How does customer satisfaction mediate the relationship between service quality, customer value and customer loyalty?
3. Does commitment mediate the relationship between customer satisfaction and customer loyalty?
4. Does trust mediate the relationship between customer satisfaction and customer loyalty?

1.6 Scope of the Study

The study focuses on the determinants and key success factors of customer loyalty in two national automotive companies (IKCO and Siapa) in Iran. In order to reach the aims of this study, there will be no comparison made between these companies. The research study aims to determine the mediating effect of commitment, trust, and satisfaction on the relationship between service quality, customer value, customer satisfaction and customer loyalty in Iranian automotive industry.

In addition, it examined the indirect effect of service quality and customer value on customer loyalty through customer satisfaction. The scope of this study consists of national automotive companies in Iran including managers and non-managers who have information and experience purchasing all raw materials and required parts of products. For the current study, the researcher further selected the sample from the employees who are engaged with ordering and purchasing processes of required parts and raw material in national automotive companies.
1.7 Significance of the Study

This study will be significant for researchers, employees, administrative staff and policy makers in two national automotive companies in Iran. This study is significant to investigate the mediating role of the key success factors (customer satisfaction, commitment and trust in the relationship of industrial customer loyalty in Iran. This research is significant for employees and administrators to improve the determinants of customer loyalty especially study variables with companies to increase loyalty to achieve productivity, long-term investment and profitability of the automotive companies. In order to retain existed customers of organization and also making them loyal is very important for any firm to be successful (Rauyruen and Miller, 2007).

Customer loyalty in B2B context of automotive industry is one of the important strategies of the Iran economic development plan. In order to recognize customer loyalty, this study enables management to map out loyalty typology by means of utilizing existing loyalty composite measures, attitudinal loyalty and purchase intentions. System of classification can be highly beneficial for industrial customers since they attempt to improve their loyalty. Such industrial customers need to understand different categories of suppliers in order to develop strategies which are suitable for enhancing loyalty under the existing circumstances for services and products.

The study contributed to the body of knowledge especially in the form of customer loyalty and its antecedents in developing countries particularly in Iran. Most previous study was conducted in Taiwan, India, Malaysia, Japan, Indonesia and China (Afsharipour et al., 2006). Therefore, less attention has been given to developing countries like Iran. Finally, this research also contributed to the Commitment-Trust Theory. Understanding the concept of loyalty helps companies better manage customer relationships with suppliers in order to create long-term investment and profitability (Zineldin, 2006). There is a trend among manufacturers to minimize the amount of suppliers to one key group, those who are valued and those that they prefer to keep their relationships, not single transactions.
Identifying what makes a B2B relationship stable and consistent is one of the critical subjects of academic interest in the case of organizational relationships (Paulssen and Birk, 2007). Investigating those customers who are loyal to an organization is valuable, mainly because of rising business and academic attention which is paid to long-run marketing relations instead of to transactions only (Stewart and Ruckdeschel, 1998). Therefore, if a supplier likes to have long-term relationships with customers and minimize disloyalty and loss of customers, it should understand the fact that “why customers stay is important”. Moreover, this research might be necessary for recognizing why these customers should stay and to what degree these companies can convince these customers to not quit in both negative and positive ways (Colgate and Lang, 2001).

Customer loyalty is known as a strategy which generates mutual rewards to benefit both customers and companies (Reichheld and Detrick, 2003b). Loyalty of customers is one of the variables which results in benefit creation. Through having loyal customers, firms are able to increase their profit because such customers prefer to purchase frequently, to spend their money on new services and products, to suggest services and products to others and to provide firms with useful recommendations (Reichheld, 1996). Hence, loyalty connects profitability and success of an organization (Eakuru and Mat, 2008). 

One of the fields of research for automotive industry customers assesses relationships among trust, customer loyalty, customer satisfaction, commitment, service quality and customer value for a better knowledge about studied interrelations and variables theoretically. This study will assess key success factors as they can influence intention to continue or enhance business with suppliers. In this regard, supplier has to create value and the first step in attracting customers is through service quality. According to the commitment and trust theory by Morgan and Hunt (1994), if a relationship is valuable then it creates trust, satisfaction and commitment and other factors which result in customer loyalty.

This research reviewed literature from at least three specific viewpoints. First, based on theoretical point of view, the research will integrate all of the constructs of relationship between commitment, customer value, trust, service quality, customer
loyalty and customer satisfaction. Second, a model will be presented which studies
the relationship between these constructs in B2B context, and also provides answers
for the notable research gap in previous investigations (Ryssel et al., 2004; Ulaga and
Eggert, 2006). Outcomes of current study confirmed that customer satisfaction and
commitment have a direct impact on increasing customer loyalty as proven in many
conducted studies before (Gil-Saura et al., 2009). Third, it contributes to investigate
customer loyalty for the car industry as a single industry in a developing country like
Iran.

1.8 Operational and Conceptual Definitions

Throughout this study, a number of specific terms were used. Definitions for
these terms are as follows:

Customer Loyalty: a deep commitment to re-patronize or repurchase a
favorite service/product ongoing in future regardless of marketing attempts to switch
to other brands (Oliver, 1999). Customer loyalty is evaluated as the result of
consistently positive experiences, physical attribute-based commitment, trust,
customer satisfaction, customer value, and service quality of an experience which
includes the product or services in this research. Customer loyalty is defined as a
long-term commitment to repurchase involving both a favorable cognitive attitude
towards the selling firm or supplier and repeat patronage (Stanke et al., 1999).
Increased repurchase behavior from supplier has been positively linked to
improvements in indicators such as profitability and market share (Anderson et al.,
1994). Adapting these concepts, customer loyalty is conceptualized as customer’s
repeat sale, recommendation of the organization and continuing the linkages with the
organization.

Commitment: "an exchange partner believing that an ongoing relationship
with another is so important as to warrant maximum efforts at maintaining" (Morgan
and Hunt, 1994). In this study, commitment is evaluated as a stable desire to keep a
valuable relationship with suppliers of favorable raw material and equipment.
Trust: Morgan and Hunt (1994) conceptualized that trust exists "when one party has confidence in an exchange partner's reliability and integrity" (p.23). Trust is associated with improved commitment and customer loyalty in this research. Therefore, it is defined as the supplier’s ability to quickly respond to the buying company’s needs.

Customer Satisfaction: the degree of overall pleasure or contentment felt by the customer that results from the ability of the service to fulfill the customer’s desires, expectations and needs in relation to the service (Oliver et al., 1997; Hellier et al., 2003). Customer satisfaction is explained as a positive response to a favorable performance and results of past experiences in this study.

Customer Value: A universal attitude or judgment to service quality (Parasuraman et al., 1988; Woodruff and Gardial, 1996). Customer value is benefits that companies get from suppliers which is defined in this study. Companies choose suppliers according to the value that the suppliers create for them.

Service Quality: “the global evaluation or attitude of the overall excellence of services” (Parasuraman et al., 1985). In this study, service quality is one of the key success factors in organizational processes which suppliers and companies perform considering the growing competition for increasing customer satisfaction and customer loyalty and increasing profitability and better access to the market.

1.9 Thesis Organization

This thesis is organized for identify the antecedent or determinants of customer loyalty in two national automotive companies in Iran. The thesis consists of five chapters. Each chapter has a brief introduction to explain the body of the chapter.

The first chapter includes the study constructs, addresses the problem statement with its background, research questions, and the importance of the research in the areas of customer loyalty. This chapter provides an overall background of the
problem of customer loyalty in B2B environment. The study has three objectives, four research questions related to objectives, and the significance of study and scope.

The second chapter reviews the existing literature which discusses customer loyalty, commitment, trust, customer satisfaction, customer value, service quality, conceptual model, supporting theoretical models of previous literature.

The third chapter provides methodology of the study, which examines findings of the relationship of the study variables. Furthermore, this chapter includes research design, population, sampling, pilot study and the final data analysis.

The fourth chapter describes the full analysis using descriptive and inferential statistics. The chapter also provides testing of hypothesis and research questions and provides reliability, validity and summary of the study.

Finally, the fifth chapter discusses the finding through which conclusions have been derived. Moreover, the chapter presents both theoretical and practical implications of the study. The end of the chapter presents limitations and recommendation for future research.

1.10 Summary

Chapter one is an introduction and states the background of the research and automotive industry in Iran. It includes the problem statement of the study, which provides a new research opportunity of customer loyalty in B2B context. Research objectives and research questions are presented based on conceptual framework in this study. Scope, significance of the study, operational and conceptual definitions of different constructs which are central to the proposed study are also presented in this chapter. Finally, this chapter provides a general design of the organization of this dissertation in order to provide a clear idea of what has been done.
explored as the key success factors of customer loyalty. Understanding how car manufacturers prioritize the important constructs of customer loyalty help suppliers to manage the relationship with automotive companies. A well-refined model could be a useful tool to contribute to future marketing attempts of a company as well as suppliers which provide service, required parts and raw materials for automobile companies.

Regardless of mentioned limitations, many helpful managerial implications have been achieved from these results. This study found that service quality, customer value, customer satisfaction, trust and commitment are the key antecedents of customer loyalty in Iranian automotive industry. In addition, customer satisfaction is strongly related to trust while supported by service quality. Another strong relationship is between commitment and customer loyalty in this industry. One of the critical facts is that relationship between customer satisfaction and service quality is much stronger compared to relationship between customer satisfaction and customer value. Thus, supplier managers have to be careful about improvements of service quality instead of customer value for increasing customer satisfaction.

Ultimately, the focus of this study was to investigate the mediating role of customer value in relationship between service quality and customer satisfaction, and customer satisfaction’s mediating role in relationship between service quality, customer loyalty and customer value, the mediating role of trust in relationship between customer satisfaction and customer loyalty, and the mediating role of commitment in relationship between customer satisfaction and customer loyalty as well as trust for automotive industry in Iran. This issue has been rarely mentioned. More empirical researches in various firms are suggested for future studies. In addition, it would be logical to include consequent elements for example organizational profitability and customer loyalty because they are the main objectives of all companies.
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