

THE STUDY OF CUSTOMER SATISFACTION  
TOWARDS TRADITIONAL CAR RENTAL SERVICE IN  
MALAYSIA

BY

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the degree of Master of Science (Marketing)

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## **ABSTRACT**

Car rental service has grown exponentially during the last few years. With so many companies offering the service, customer satisfaction has been an issue in this fast-growing industry. The question whether customers are satisfied with the current traditional car rental service (i.e. app-based and non-electronic form of renting) is what this study is all about. By answering this question, this research will help the traditional car rental companies both app based and non app based to have a full understanding of what are the factors that customers are happy with and what other factors that customers want these companies to improve. The framework used in this study is SERVQUAL model in addition to price as a variable. A questionnaire data was collected from 222 Klang Valey residents that use these car rental service providers like GoCar or non app based. Further, SPSS was used to analyze the data and test the research hypotheses. The result of this study revealed that reliability, assurance, empathy and price significantly affect customers satisfaction while tangibility and responsiveness insignificantly affect customer satisfaction in the traditional car rental service industry.

## خلاصة البحث

وقد تطورت خدمة تأجير السيارات أضعافاً مضاعفة خلال السنوات القليلة الماضية. مع العديد من الشركات التي تقدم الخدمة، كان رضا العملاء من إحدى القضايا في هذه الصناعة سريعة النمو. والسؤال عما إذا كان العملاء راضون عن خدمة تأجير السيارات التقليدية الحالية (مثلاً: التأجير القائم على التطبيق وغير الإلكتروني للتأجير) وهو ما تعنيه هذه الدراسة. من خلال الإجابة على هذا السؤال، سوف يساعد هذا البحث شركات تأجير السيارات التقليدية على حد سواء إما في القائم على التطبيق أو غيره على أساس أن يكون لها فهم كامل في ماهية العوامل التي تجعل الزبائن سعداء، والعوامل الأخرى التي يريد العملاء لهذه الشركات للتحسين. كان الإطار المستخدم في هذه الدراسة هو نموذج SERVQUAL بالإضافة إلى السعر كمتغير. وتم جمع بيانات الاستبيان من 222 من سكان منطقة كالانج التي تستخدم مزودي خدمات تأجير السيارات القائم على التطبيق مثل GoCar أو دونه. وعلاوة على ذلك، استخدم النظام في تحليل البيانات واختبار فرضيات البحث. وكشفت نتيجة هذه الدراسة أن الموثوقية والطمأنينة والتعاطف والسعر تؤثر بشكل كبير على رضا العملاء في حين أن الوضوح والاستجابة تؤثر بشكل غير ملحوظ على رضا العملاء في صناعة خدمات تأجير السيارات التقليدية.

## APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science (Marketing).

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## DECLARATION

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## DEDICATION

*This dissertation is dedicated to my beloved parents, may their souls continue to rest in peace. It's also dedicated to my brother-in-law Alhaj Bobor Jalloh, my brothers, sisters, and dear wife.*

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## LIST OF ABBREVIATIONS

CDP	Customer Decision making Process
CEO	Chief Executive Officer
CRAM	Car Rental Association of Malaysia
CS	Customer Satisfaction
CSR	Customer Satisfaction Rating
CSS	Customer Satisfaction Survey
CST	Customer Satisfaction Theory
DV	Dependent Variables
EFA	Exploratory Factor Analysis
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HICOM	Heavy Industry Corporation of Malaysia
IUM	International Islamic University Malaysia
IV	Independent Variables
KMO	Kaiser-Moyer-Olkin
M	Mean
MBT	Malaysia Bus and Truck
MIDF	Malaysia Industrial Development Finance Berhad
MITI	Ministry of International Trade and Industry
MIA	Malaysian Institutes of Accountants
MMA	Malaysia Automotive Association
MMC	Mitsubishi Motor Corporation
QR	Quick Response
RM	Malaysian Ringgit
SD	Standard Deviation
SEM	Structural Equation Modeling
SPSS	Statistical Package for Social Sciences
SQ	Service Quality
TPB	Theory of Plan Behavior
UK	United Kingdom

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

Traditional car rental service has been in the existence for many years. It is even more popular in this world especially with the financial crisis which has affected the world population that led to the loss of jobs and at the same time increased the cost of owning a private car. The traditional way of renting cars is the form in which a company advertises its cars through social media, newspapers or television where in return, the customer will call the service to book a car or head to the location where the car will be collected. The development of a strong customer service has been identified as one of the most critical roots of competitive advantage in the car rental industry. Customer satisfaction, according to several studies, leads a business to a better and long-term sales outcome. Moreover, customer satisfaction is one of the most significant factors of the car rental growth and profitability. Although a satisfied customer helps companies to grow and have a competitive advantage in the car rental service industry, a dissatisfied customer, on the other hand, can also cause the lack of profitability and can even shutdown a business entirely.

### **1.2 BACKGROUND OF THE STUDY**

The car rental service can be traced back about 90 years ago. It was, however, believed that the father and founder of the car rental service was Joe Sauder in the state of Nebraska, United States of America in the year 1916 (Martysenko & Vinichuk, 2016), even though other studies have documented the origin of rental in Zurich, Switzerland



back in 1948 (Taylor, 2012; Shaheen et al., 2015 ). Moreover, to understand the importance of this market in Malaysia, it is vital to understand the overview of the rental in the developed world. In 2014, for example, the United States of America has recorded a revenue of the industry as 41.68 billion dollars. The car rental parks alone have reached 2 million. According to Martyshenko and Vinichuk (2016), the capital city of the United Kingdom i.e. London has an estimation of 4 offices of car rental service for every 100 thousand people. Furthermore, according to an expert in the car rental field, the car rental market has reached \$81.2 billion dollar. The reasons for this growth, however, are the economic globalization of businesses and the increase of world tourism, the expansion of international airlines to growing economy countries like China, India, Indonesia, Korea etc. Global car rental companies have satisfied the need of this huge market in developed countries with a systematic process of the business (Martyshenko & Vinichuk, 2016). Some of the biggest car rental companies are tabled below.

Table 1.1 Biggest Car Rental Companies in the World

Company	Number of cars	Income (billion)	Number of offices
Enterprise Rent-A-Car	1,500,000	\$17	8100
Hertz Global Holdings	500,000	\$8.7	5100
Avis Budget Group	425,000	\$8.3	5750
Europcar	215,000	\$2.2	2825
SIXT	220,000	\$1.8	4500
Dollar Thrifty AG	140,000	\$1.76	1000

Source: (Martyshenko & Vinichuk, 2016)

Malaysia as a developing country has not been an exception from this traditional car rental industry growth. In fact, according to the Car Rental Association of Malaysia

(CRAM), in 2019 the industry was worth about RM 7.3 million a year if issues are resolved between the association and the authorities (CRAM, 2019). Moreover, since Malaysia introduced the first local car in 1985, Malaysia has developed tremendously in the car production industry. This development has not only helped the Malaysian government in terms of economic development but it has as well dragged many other forms of transportation in the country (Rosli, 2006). According to literatures, tourists represent at least 9% of the world GDP in 2011. This means that more transportation facilities are needed to meet the demand of the world growing population (Ola, 2016). This, in addition to the already existing population, has created the need for more optional ways of transportation. On the other hand, the rising of fuel prices at the world market, in addition to the limited parking spaces in many cities of both developing and developed countries, have resulted in vehicle ownership cost. This has led many car owners to be traumatized hence, they started turning to other means of transportation systems. Additionally, public transportation has always been an alternative for private car owners, yet it has never been a total solution for comfort when compared to a private car. It is simply because of the limitation and having to wait for a long time for public transport has always been a problem (Lu, Chen & Shen, 2017).

Luckily, in recent years, a new form of transportation other than public transportation has gained popularity worldwide especially in the emerging economy countries like the South East Asia specifically. This new form of transportation is called car sharing/ car rental (Ekiz, Arasll & Bavik, 2009). It serves in-between public and private ownership. These rental car companies offer a lot to customers by providing luxury cars for rent in an hourly, daily, weekly as well as monthly basis without the fear of maintenance cost, parking problems, road tax renewal and other expenses by the customers. The customers benefit a lot from these car companies by driving cars that

individuals may not be able to buy for themselves (Lu et al., 2017). Additionally, it also gives them the experience of driving luxurious cars. These car rental companies have benefited customers a lot by reducing private cars on the road (Fan et al., 2008). The chairman of Ford Motor Company, William Clay, once said “if you live in a city, you don’t need to own a car”. This statement has become the core principle of car sharing. He went further to say “individuals gain the benefit of private vehicle use without the costs and responsibilities of ownership” (Fan, Machemehl & Lownes, 2008). For this reason, many have understood the benefit of car rental service. In today’s world, traditional car rental companies are operating in approximately 600 cities across our seven continents (Shaheen & Cohen, 2007). Although many researchers have given the effort to write about customer satisfaction, there is still more to be done in this emerging service industry.

### **1.3 THE DEVELOPMENT OF AUTOMOTIVE INDUSTRY IN MALAYSIA**

Geographically, Malaysia is located in Southeast Asia which occupies the two main parts of the Malaysian peninsula as well as the island of Borneo. Malaysia is a country divided into 13 states and three central regions. Malaysia as a middle-income country, has transformed its strategy from being a raw material producer to a developing multi-sector including automotive (Sultana, Muneer, 2014). The changing of Malaysian strategy from being an importer of automobile (mainly from Germany and the UK) to a producer has gain a wide acceptance from all over the globe. According to Govindaraju and Mara (2011), the first inauguration of the Malaysian automotive company was held in 1983 when the Malaysian-based Heavy Industry Corporation of Malaysia (HICOM) joined hands with Mitsubishi Motor Corporation (MMC) and Mitsubishi Corporation (MC) of Japan to help the government increase its local capacity

and reduce the automotive import from Germany. In 1985, Malaysia gave birth to its first national-produced PROTON car which was recognized locally as well as regionally and even globally. Subsequently, the government initiated the second automotive industry in 1993 which was named as PERODUA, but both companies were producing either small private cars or mini transportation vehicles. Moving further, the government established the Malaysian Bus and Truck (MTB) in 1994. The industry was recognized globally as it continued its creative manufacturing. This recognition led the UK-based automotive industry (Lotus International) to become interested in investing in the Malaysian car production Proton in particular (Rosli et al., 2006). However, the government did not only start the local car production but also it set laws that regulated the import of international manufactured cars. This policy helped the government to protect its local production and encouraged Malaysians to purchase Proton and Perodua vehicles.

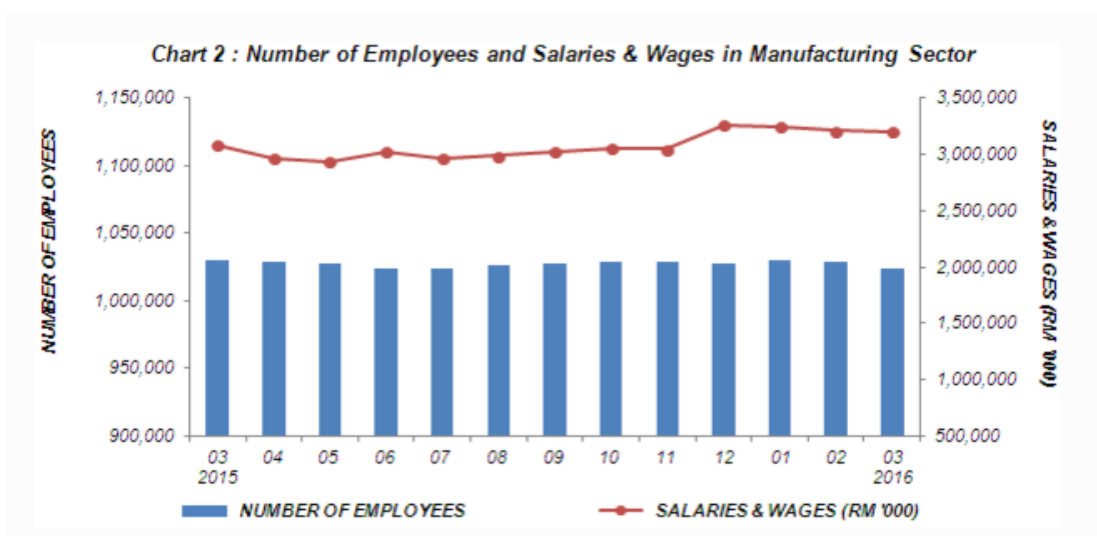
The automotive industry serves as one of the most significant factors in the Asian manufacturing industry. Furthermore, in the Malaysian context, the automotive industry serves as the backbone of the Malaysian economy. The Asian continent with almost 500 million population, Malaysia has a great potential for car manufacturers in order to meet the demand of its growing population (Fuzi, Fatin, Chiek & Hibadullah, 2012). This has not been the only factor which drives car manufacturers from the globe, but other major factors include political and economic stability of the country. The peaceful transfer of power in addition to the well-educated and skilled work force has led to the attraction of Malaysia from many other international automotive companies like BMW, Toyota, Honda, Nissan, to mention a few. This automotive industry has helped the Malaysian nationals in various developmental domains which include skilled development, innovation and technology in many forms, engineering capabilities which

as a result has ranked Malaysia to be among the top ASIAN countries with a major ownership ratio of the automotive industry (Malaysia automotive industry, 2018).

#### **1.4 IMPACT OF THE AUTOMOTIVE INDUSTRY TO THE MALAYSIAN ECONOMY**

The growing economy of Malaysia has made a significant impact during the past few years. The highest growth was marked by the manufacturing sector with 18% growth according to the ministry of trade annual report (MITI, 2018). The Malaysian automotive industry which includes the car spare parts industry is termed as “industry in industry” by Pembuat & Jepun (2012) and it has a significant impact on the successful story of the Malaysian economy. In addition, the automotive industry is considered as one of the most and largest manufacturing sectors in the world where 10 percent of the world job comes from the car manufacturing industries (Rosli, 2006). The Malaysian economy showed a devastating situation during the Asian economic crises which resulted from the global economic crisis that took its origin back from the United States financial turmoil in the mid-2007. Many Asian countries were hit and badly affected during that crisis such as Malaysia, Indonesia, Thailand, and Philippines, to mention a few. However, the Malaysian economy has recovered its growth from the devastating crisis some few years back. This growth was achieved as a consequence of the Malaysian government policy to open its space for international trade and direct foreign investment into the country (Haji, Zin & Shahadan, 2009). Since then, the automotive industry has expanded over four times from 1980 to 2009 and it has achieved a good success from becoming a car assembler to a manufacturer. This growth has resulted in high employment rate as well as growth in its GDP to its locals.

Furthermore, Malaysia as a developing nation draws its economic strength starting from commercial sectors to mining sector and agricultural production. However, this was the beginning of the Malaysian development. Nowadays, a new sector has taken the lead from others to become the second largest sector. This new sector is called the manufacturing sector. This new sector has contributed greatly in the national GDP, employment as well as the export with 27%, 83% and 83% respectively (Khair, Lee, Mokhtar, Goh & Hanafiah, 2017). The automotive industry has been a savior for unemployment rate in the Malaysian skilled workforce. The figure below demonstrates a continuous employment statistic from 2004 to 2008 which clearly shows a constant, steady and gradual annual growth. Till 2008, the Malaysian automotive industry employs some 60, 000 employees which has supported 5.84% of the Malaysian employment sector (M. Madani Sahari et al., 2015).



Source: Mega Science 3.0 final report

Figure: 1.1 Employment in the automotive industry.

Moving forward, through the past years Malaysia has multiplied its effort for car production which was marked as of 2017 and 2018 about 510,00 to 515,00 and between

530,000 to 535,000 units of car production accordingly. The number of employees has dramatically changed from some 60,000 employees in 2008 to 755,632 employees as of 2018 (Institute, 2018).

Table 1.2 the Malaysian car industry

Key Figures	2017	2018
Total industry production (units)	510,000 – 515,000	530,000 – 535,000
Total industry volume (units)	575,000 – 580,000	586,000 – 591,000
Realized/Committed Investments (2018-2022) (RMb)	7.6	4.0
GDP (%)	4.0%	4.5%
Workforce (no.)	736,632	755,632
Aftersales business companies (no.)	53,011	53,011
Vendors (no.)	641	650
Vehicle Manufacturers (no.)	27	28
EEV penetration	52%	60%
TIP of EEV	308,807	350,000
CBU exports (units)	20,604	34,000
Export of remanufactured Parts (RMm)	750	800
Export of Parts & Components (RMb)	12.0	12.5

Source: MAI, MIDF

## 1.5 PROBLEM STATEMENT

Over the past few years, several studies had been conducted on customer satisfaction especially in the field of postal service (Kiumarsi & Isa, 2019), communication (Okpara, 2017), health sector (Neupane & Devkota, 2017), higher education (Cerril, 2012; Safoune, 2019;) automotive industry (Hibadullah, Habidin, Fuzi, Fatin & Chiek, 2014), transportation (Fan et al., 2008; Jan, Ali, Ali & Jan, 2019 ), food and beverage (Puad, Som, Sultan & Abidin, 2012), to mention a few. Contrarily, the researcher has found limited studies conducted on the car sharing industry in Malaysia especially in the Klang

Valley which is considered as the hub of car rental service in Malaysia. Hence, the need for literatures for this industry remains significant.

Moreover, previous literatures had shown dissatisfaction of customers towards private transportation sector. The study further indicated that some of the challenges encountered by customers were cleanliness, time consuming when it was time to collect a car, and the most of all comfortability (Jan et al., 2019). Bilal and Sajjad, et al., (2019) stated that many companies had shifted from the production orientation to a new strategy named customer centric positioning.

However, this shift has not been adopted by many other companies. The lack of transparency about the total price of the rental has always been ignored by many companies from the pickup point which has led to quarreling after returning the rented car in addition to the reliability of the rented cars (C M A, 2015).

Additionally, the conduct of some of the car rental industry owners in relation to pricing of their service in addition to the reliability of their service has led to the dissatisfaction of customers. This has led to the down-grade of some elements of the SERVQUAL model which means the dissatisfaction of the customers (Kiumarsi & Isa, 2019). With the rapid changing of customers' needs in addition to the ignoring of the customer satisfaction have led to the downfall of taxis in Malaysia with the arrival of the new car rental companies.

These new car rental companies like GoCar, SoCar and many others have changed the customers' mindset from a simple transport into a more comfortable and advanced system of transportation which has led to customer satisfaction (Talib & Saleh, 2018).

It is obvious that many studies have confirmed the dimensions of SERVQUAL model (reliability, responsiveness, tangibles, empathy, assurance) to have a positive