

**FACTORS INFLUENCING CUSTOMER
LOYALTY ON PERUSAHAAN OTOMOBIL
KEDUA SDN BHD (PERODUA) PRODUCTS**

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of the Requirement for the
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**BACHELOR OF BUSINESS ADMINISTRATION
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“DECLARATION OF ORIGINAL WORK”

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Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

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LETTER OF SUBMISSION

11th October 2007

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Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper entitled “FACTORS INFLUENCING CUSTOMER LOYALTY ON PERUSAHAAN OTOMOBIL KEDUA SDN BHD (PERODUA) PRODUCTS” to fulfil the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you

Yours sincerely

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CHAPTER 1: INTRODUCTION

1.1 Background of Study

In recent years, Perusahaan Otomobil Kedua Sdn Bhd (PERODUA) had achieved great success in the local automobile industry by receiving many awards and acknowledgements in local and international automotive industry. For the first time, monthly sales of Perodua passenger cars overtook sales of Proton cars. Perodua gained the biggest market share with 27.4% followed closely by Proton at 26.6%. Toyota remained the most popular non-national brand, with 17.4% market share. (**AmResearch Sdn Bhd; The Star BizWeek, 1st April 2006**). By introducing their latest model that was Myvi, Perodua once again booming their sales by becoming the most demanded car of the year. Thus, it is important for the company to consider and give a full attention to maintain the services even though the car had being delivered to the customers.

According to both marketing theory and practical experience, firms should improve their performance by satisfying customers, so as to obtain and sustain advantage in the intensely competitive business environment. This is because the main output of customer satisfaction is customer loyalty, and firms with a bigger share of loyal customers profit from increasing repurchase rates, greater cross-buying potential, higher price-willingness, positive recommendation behaviour and lower switching tendency (**Bruhn and Grund, 2000, p. 1017**).

Loyalty has been defined as a long-term commitment to repurchase involving both repeated patronage and a favorable attitude (**Dick and Basu, 1994; Flavián and Guinalú, 2006**). Customer Loyalty (CL) is the ultimate factor in