IMPACT OF RELATIONS BETWEEN EMPLOYEES AND CUSTOMERS TO THE CUSTOMERS' POSITIVE WORD-OF-MOUTH IN REAL ESTATE INDUSTRY

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ABSTRACT

The study aims to explore and measure the relationship between employees and customers impacting positively to the word-of-mouth of customers who bought house from the real estate developers in Ho Chi Minh City. The study was based on survey data from 300 customers who bought house from the real estate developers in Ho Chi Minh City and using techniques of Cronbach Alpha analysis and Exploratory Factor Analysis (EFA). The study shows 4 factors of customer relationship affecting positively customers' word-of-mouth, including: (1) Familiarity; (2) Personal connection; (3) Care; (4) Trust. From the findings, the study suggests some policy implications to the real estate developers to improve the customers' positive word-of-mouth.

Keywords: Caring, Familiarity, Relationship between Employee and Customer, Personal connection, Trust, Word-of-Mouth.

1. Introduction

For the real estate developers, customer is the most important factor affecting the survival and development of enterprises. Building a good relationship with customers is an important factor in building up enterprise' revenue and brand-name. Customers often carefully do research before buying; beside the information from consultants, websites, media, getting the review from friends, relatives has a huge influence on purchasing decision. According to the statistic of National Association of Realtors (NAR) about the effective marketing channels in real-estate transactions, the most successful and effective channel is through the introduction and word-of-mouth which account for over 48%. Based on the study of

W&S Ltd Company (Japan) in surveying 200 buyers in Ho Chi Minh City and Hanoi conducted in 2012, there are 80% of respondents get information from family, relatives and 72% from asking friends and colleagues to buy their own home.

Currently, many real estate enterprises in Ho Chi Minh City do not fully realize the importance of former customers' word-of-mouth but mainly focus on advertising media to increase sales, potential customers and company image. The study gives an overview to the leaders of the real estate enterprises on the issue of the relationship between employees and customers positively affect word-of-mouth. Moreover, it also proposes the policy implications to improve the relationship between employees and

customers which create positive word-of-mouth, with the purpose of getting more customers and revenue for those enterprises, as well as building brand's reputation on the market.

2. Literature review and hypothesis

Word-of-mouth (WOM): Johan Arndt *et al*. (1967) defined the word-of-mouth: *"Direct verbal communication between a recipient and a communicator relating to a brand, a product or a certain service and the recipient aware that the message from sender is non-commercial"*. Therefore, the element from person to person is not the only verbal communication method when electronic technologies, social network...in today's modern world are also considered as a mean for verbal communication (Buttle, 1998). According to Kirby and Marsden (2006), word-of-mouth is the speech, communication between persons, between the recipient and sender related to a brand, a product, service or information on the market, or a conversation between two or more person related to the products and service, independently to any enterprise.

The relationship between employees and customers creates positive word-of-mouth

There are four structural hypothesis components of the relationship between employees and customers which affect word-of-mouth, shown in Figure 1.

Caring in the relationship between employees and customers: According to Gremler *et al*. (2000), Caring is customer's awareness to the employees who have customer service. The level of caring shown in the case between customers and employees can be explained by the principle of ownership relations. The interpersonal interaction between individuals tend to help those who helped them. The level of caring leading to trust is the motivation for the employee to execute customer service. The caring is as customer's awareness about the

employees who really care about customers. The level of caring leading to trust is likely to be based on the employee's motivation shown by the acts of caring. The Trust is an important factor in the development of the relationship between customers and enterprises in the future (Gremler *et al*., 2001). So, hypothesis 1 is given as follows

H1: Caring has a positive influence on customer's trust in the employees.

The familiarity in the relationship between employees and customers: Familiarity is defined as the customer's perception of the employee having personal feeling towards the customer and understands about their needs. (Gutek, 1999). The familiarity of customer with a service or an employee is as a synonym of the concept "Customers' knowledge first". This means that due to being influenced by familiarity from the previous collaboration with employees and enterprise lead to customers making decisions (Alba and Hutchinson, 1987). Also according to Alba and Hutchinson (1987), familiarity leads to better personal confidence and in some situations reduce the hesitation possibly causes customers' embarrassment, familiarity can operate as a subjective mechanism reducing uncertainty and simplifying the relationships. In the context of service provision, customer understanding is developed through repeated meetings, as a result, the employees become familiar with the customers and their demand for specific services. The familiarity also appears to play a role in the development of customer's trust, in relationship between employee and customer, having a positive relationship with the customer's familiarity (Gremler *et al*., 2001). Therefore, the second hypothesis is given following

H2: Familiarity has a positive influence on customer's trust in the employee.

Personal connection in the relationship between employees and customers: Personal

connection is like a strong sense of the connection between individuals together. Personal connection is often based on some common attributes (such as personality and attitude) or benefits (e.g. growing up in the same neighborhood). Individuals perceived problem in a similar degree are more likely to form relationships. The more awareness between customer and employee increase, the more customers' trust will be. The concept of personal connection in a service relationship is relied on customer's perception about a relationship between two parties (Gremler *et al*., 2001). Knowledge is really developed when the enterprise' employees and customers have an emotional connection and connected as the relationship between individuals. The relationship between employee and customer is developed in the context of friendly encounters. Personal connection can shorten repeated transactions. When there is a personal connection between employee and customer, there will be an increase customer' trust in employee. A profound expression of the employee will bring customers' relative assessments of service quality to a higher level. Personal connection relates to the customers' perception of the interactions that take place during the process of providing service including the attitude, behavior and expertise of employee. (Gremler *et al*., 2001). Hence, hypothesis 3 is suggested

H3: Personal connection has a positive influence on customer's trust in employees.

The trust in the relationship between employee and customer: The setup of trust between customer and employee, enterprise is the main factor in creating a relationship of

mutual benefit and creating satisfaction and loyalty from the customer. In any period of business history, trust has become a basic concept for the transaction and exchange. Trust is the tendency of relying on another party that you trust (Gremler *et al*., 2001). Trust may be defined as between individuals, between enterprises, or between individuals and enterprise. This study focuses on the development of trust in a relationship between individuals, between customer and employee. In fact, the level of trust between individuals (employees and customers) is a strong predictor of buyers' commitment and trust to the enterprise, the relationship between customers and their future tendencies (Garbarino and Johnson, 1999). An important key of the relationship between employee and customer is mutual trust, or confidence in the reliability and comprehensiveness of an employee. As well as customers' trust increases in a certain employee, positive word-of-mouth information is also likely to increase (Gremler and Gwinner, 2000). Experimental study examining the interaction of employees and customers has realized that building the trust related much to supportive behavior on using the enterprises' services. In fact, when interpersonal reliability between individuals is a strong predictor of customers' commitment to an enterprise, the relationship between customers and their future intentions. The trust of the customer in the employee has a direct positive effect on the tendency to engage in positive word-of-mouth behavior (Morgan and Hunt 1994). So, hypothesis 4 is given.

H4: Trust of customers has a positive influence on word-of-mouth communication.
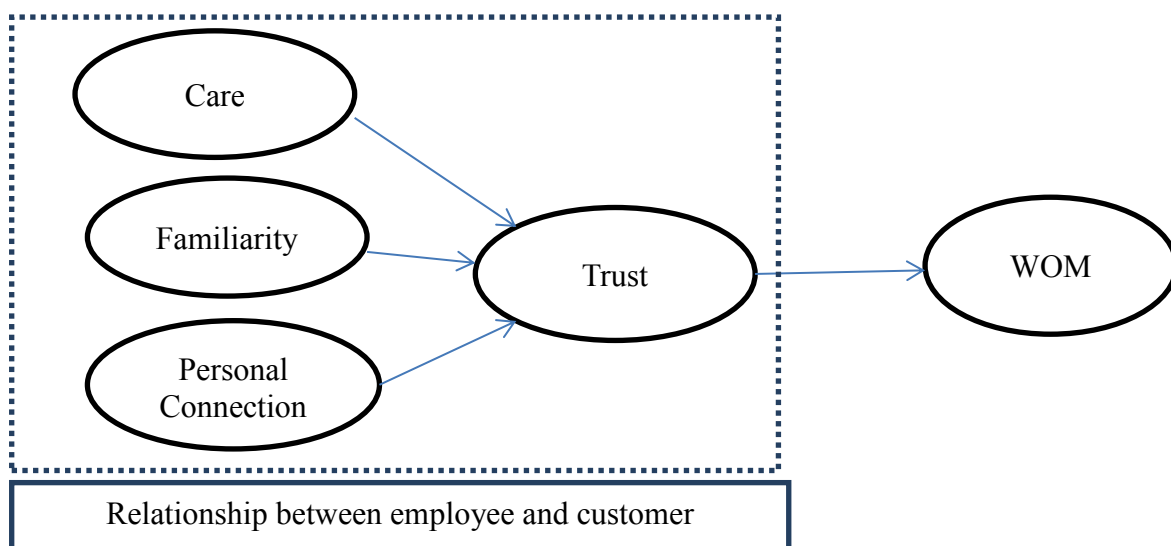
Figure 1. Suggested research model

3. Research methodology

Research is carried out in two steps: Qualitative and quantitative research.

Qualitative research is done through expert methods to explore, modify and supply the observed variables for scaling. During the design phase of scaling, there is discussion with 10 home buyers and the leaders of the real estate enterprises in Vietnam; scale calibrating phase discussion with 20 customers of the real estate enterprises in Ho Chi Minh City. The result adds some new scales; in which, the caring element adds two new scales, the familiarity element adds three new scales, personal connection element adds one new scale, the trust element adds two new scales and finally the word-of-mouth element also adds two new scales.

Study data is from directly interviewing customers through questionnaires at real estate developer offices. A sample is 300 customers and the study used five-level Likert scale. 300 valid questionnaires of customers who bought houses from the real estate developers in Ho Chi Minh City were analyzed. The quantitative study used SPSS software to analyze Cronbach's Alpha, EFA and multivariate regression model in order to determine the relationship between employee and customer affecting customers' word-of-mouth.

4. Research results

4.1. Descriptive statistics

According to the survey results, a total of 162 female customers accounted for 54% and 138 male customers accounted for 46%. In terms of age group, the two biggest groups are the age of 31- 40 accounted for 37.3% and age-groups of 41-50 accounted for 37%, these are two age-groups with the highest housing affordability; age-groups of 20-30 and over 50 years old accounted for 11.3% and 14.3% respectively. On the qualification level, customer group with a college degree or higher accounted for 94.4%, therein, consumer group with qualified college/university account for 60.7%, consumer group with post-graduate degree accounted for 33.7%, customer group with a high school degree was made up of only 3.3% and customer group with a vocational degree account for only 2.3%. Most of customers were living and working in Ho Chi Minh City with 89.3% and the rest was from other provinces. New customers with liaising time enterprise under a year comprised majority up to 45.3%, followed by customers who have 1-2 years liaising time with 28.3%, the former customers

with 3-4 years and 5 years liaising time respectively accounted for 14.3% and 12%. Most of customers buy one housing product had a high proportion of 60.7%, followed by the group of buying 2-3 housing products with 33%, the investing group with 4-5 housing products and more than 5 products respectively accounted for 3.3% and 3%.

Table 1. Descriptive Statistics on survey sample by specification

Factor	Element	Frequency	Percent
Sex	Male	138	46.0
	Female	162	54.0
Age	20-30	34	11.3
	31-40	112	37.3
	41-50	111	37.0
	Over 50	43	14.3
Education	High school	10	3.3
	Vocational	7	2.3
	College/University	182	60.7
	Post-graduated	101	33.7
Marital Status	Single	42	14.0
	Married	258	86.0
Job	Private	96	32.0
	Private enterprise	102	34.0
	State enterprise	30	10.0
	Joint-venture	11	3.7
	Foreign enterprise	34	11.3
	Others	27	9.0
Living place	Ho Chi Minh City	268	89.3
	Others	32	10.7
Working time to the enterprise	Under 1 year	136	45.3
	1 – 2 years	85	28.3
	3 – 4 years	36	12.0
	Over 5 years	43	14.3
Number of buying product	1	182	60.7
	2-3	99	33.0
	4-5	10	3.3
	Over 5	9	3.0

4.2. Cronbach's Alpha

Studying scale is evaluated through Cronbach's Alpha testing from over 0.6 and the result of analysis on discovery factor EFA has loading index ≥0.5. The results are shown in Table 2.

Table 2. Cronbach's Alpha result for the elements

Item	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Care (C) **Cronbach's Alpha =0.748**				
C1	17.32	2.855	.570	.682
C2	17.30	2.965	.526	.699
C3	17.25	2.972	.513	.703
C4	17.31	3.011	.473	.718
C5	17.28	3.020	.480	.715
Familiarity (F) **Cronbach's Alpha =0.827**				
F1	25.04	9.035	.576	.804
F2	25.20	8.607	.592	.801
F3	25.01	9.284	.528	.811
F4	25.01	8.588	.642	.792
F5	25.10	8.817	.637	.794
F6	25.08	9.428	.517	.813
F7	25.28	8.799	.524	.814
Personal Conection (PC) **Cronbach's Alpha =0.781**				
PC1	20.89	5.275	.638	.724
PC2	20.85	5.176	.629	.724
PC3	21.10	5.118	.538	.746
PC4	21.13	5.308	.421	.780
PC5	20.92	5.669	.495	.757
PC6	21.00	5.391	.497	.756
Trust (T) **Cronbach's Alpha =0.723**				
T1	16.80	3.373	.505	.666
T2	16.95	3.278	.517	.661
T3	16.91	3.336	.491	.672
T4	16.78	3.612	.419	.699
T5	16.86	3.342	.475	.679
Word of mouth (WOM) **Cronbach's Alpha =0.785**				
WOM1	20.65	6.122	.448	.771
WOM2	20.77	5.701	.548	.749
WOM3	20.78	5.443	.610	.734
WOM4	20.87	5.284	.560	.746
WOM5	20.83	5.555	.519	.756
WOM6	20.84	5.575	.524	.755

4.3. Results of EFA

Analysis method on EFA (shown in table 3) has 18 observing variables put into the analysis. There are three variables excluded due to being unqualified: variable PC4 (I have a close relationship with employee) was excluded because of having elements index = 0417 <0.5; F3 variable (I'd like to work/ask information with familiar employee) and C3 (Employee consults me very carefully and accurately) was excluded because of unable to guarantee the distinguishing value.

Table 3. Results of EFA

Observed variables	Symbol	Factor Loading	Cronbach's Anpha
Familiarity	**F**		**0.827**
The employee makes me feel closely.	F1	.618	
I am quite familiar with the products of this enterprise.	F2	.745	
I often buy the products of enterprise through my close employee.	F4	.694	
I am familiar with employees' working way	F5	.681	
The employee is familiar with my working way	F6	.627	
I am familiar with the procedure of enterprise	F7	.660	
Personal Connection	**PC**		**0.781**
I can feel the friendship between the employee and me	PC1	.769	
I want to work/communicate with this employee when I come to the enterprise	PC2	.786	
I have many things in common with this employee	PC3	.625	
The employee takes me to the benefits when buying the product	PC5	.582	
I often discuss the issue outside of work with the employee	PC6	.637	
Care	**C**		**0.748**
The employee makes me feel cared.	C1	.735	
I feel comfortable when interacting with enterprises' employees.	C2	.729	
When there are updated news relating to products and enterprise, the employee supplies for me in time.	C4	.566	
The employee takes care of me before, during and after buying the enterprises' products.	C5	.666	

4.4. Regression analysis result

The equation of relationship between employee and customer

As can be seen from table 4,, the result shows that $R^2 = 0.51$, meaning that about 51% of variance on customer trust is explained by three independent variables which are care (C), familiarity (F) and personal connections (PC). In ANOVA analysis table, sig. value is very small (sig = 0.00), so the regression model fits the data set and can be used.

Table 4. Overall fit of the estimated model about the relationship between employee and customer

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	.717[a]	.515	.510	.31156	1.929

The regression results show that independent variables: Care (C), Familiar (F) and Personal Connection (PC) have sig below 0.05, so variables are at the trust level of 95%. Therefore, at 95% trust, independent variables affect the dependent variable (T) and the index system has positive signal and variables affect positively the customer's trust.

Table 5. Results of regression model about the relationship between employee and customer

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
Constant	.805	.203		3.958	.000		
Care	.210	.051	.204**	4.088	.000	.659	1.517
Familiarity	.362	.044	.413***	8.185	.000	.644	1.553
Personal Connection	.235	.049	.244***	4.795	.000	.635	1.574

Dependent Variable: T

Note:**: Regression coefficients is significant at the 0.01 level (2-tailed).

The importance of the independent variables on the dependent variable is demonstrated by the standardized Beta. If the bigger the absolute value of the beta factor is, the more it influence on the loyalty of customers for the company. Therefore, the most important impact on customers' trust is friendly factor (Beta = 0.413), followed by the factor of personal connection (Beta = 0.244) and finally, the care factor (Beta = 0.204).

The equation relationship between the trust of employee and customer with the positive customers' word-of-mouth

The result of regression model about the relationship between employee and customer to the customers' word-of-mouth came out relatively appropriate with the level of significance 0.05. $R^2 = 0.508$ means that about 50.8% variance of customers' trust is explained by the independent variable Trust.

Table 6. Overall fit of the estimated model about the trust of employee and customer towards the positive customers' word-of-mouth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.714[a]	.510	.508	.32544	2.064

Independent Variable: T

Dependent Variable: WOM

In Table 7, the regression results show that the independent variable Trust (Relationship between employee and customer) has sig below 0.05, so it has meaning at 95% trust. Therefore, at 95% trust, independent variable Trust (T) affects the dependent variable (WOM) and the index system with positive signal so it affects positively customer's trust.

Table 7. Results of regression model of the trust between employees and customers to the positive customers' word-of-mouth

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	-.215	.249		-.861	.390
Trust	1.038	.059	.714***	17.599	.000

Dependent Variable: WOM.

Note:***: Regression coefficients is significant at the 0.01 level (2-tailed).

Discussions of regression results

The regression results demonstrate the role of these factors in contributing to the increase of trust of customers, assigned distinctively by hierarchy, in which *the familiarity* plays the most important role. The familiarity has positive influence on the trust of customers. The study of Gremler *et al.* (2001) shows that in the field of banking, the familiarity has a positive impact on the trust of customers, but for the field of dentistry is the opposite: The familiarity has opposite relationship with the trust of customers. For the real estate sector, customers have a long-term liaising process with the enterprise tend to work with the employees who they feel friendly and understand how they do their jobs. Especially for cases when customers buy products repeatedly or new customers are introduced by old customers, they do not want to spend more time to work with new employees who have not known them clearly.

The regression result shows that *personal connection factor* has the second degree of influence on customer trust in relationship between employee and customer. Personal connection has positive influence on the trust of customers. The research of Gremler *et al.* (2001) in both fields of banking and dentistry totally shows personal connection has a positive relationship to the customer trust. Customers tend to trust the employee when

they see the similarities. There are many kinds of similarities, such as living place, home town, hobby, member of a club, the same idol ... or deeper such as similarities in personality: Introvert or extrovert...When personal connection increases, customers often recommend employee for their relationships such as friends, relatives, business partners for the purpose of work and all close relationships. Meanwhile, employee will pay more attention to the interests of customers: asking for the sale promotion for customers, advising ways of working to reach the most economical way for customers. Thus, the trust of customers will increase and the level of personal connection between employees and customers continue to be developed.

The last element according to the regression results impact on customer confidence is *care*. Care has a positive influence on the trust of customers. The study of Gremler *et al*. (2001) in both fields of banking and dentistry shows that care has a

positive relationship on the trust of customers. The care of employee to customers in the process before, during and after the customer purchases the product. When the real estate market becomes more transparent, the competition between enterprises increases, the customer care factor is considered one of the most preferred categories in enhancing enterprises' reputation and brand.

The study results show that the ***trust has a positive influence on customers' positive word-of-mouth***. The study of Gremler *et al*. (2001) in both fields of banking and dentistry has the same result. Housing is an asset of great value to customers. The creation of the trust from customer to employee and enterprise must be experienced through a long-term working process, and must be guaranteed for the expectations and desires of the customers. Along with the transparency of the housing market growing up, the trust of customer plays more and more important role for the success of the enterprise.
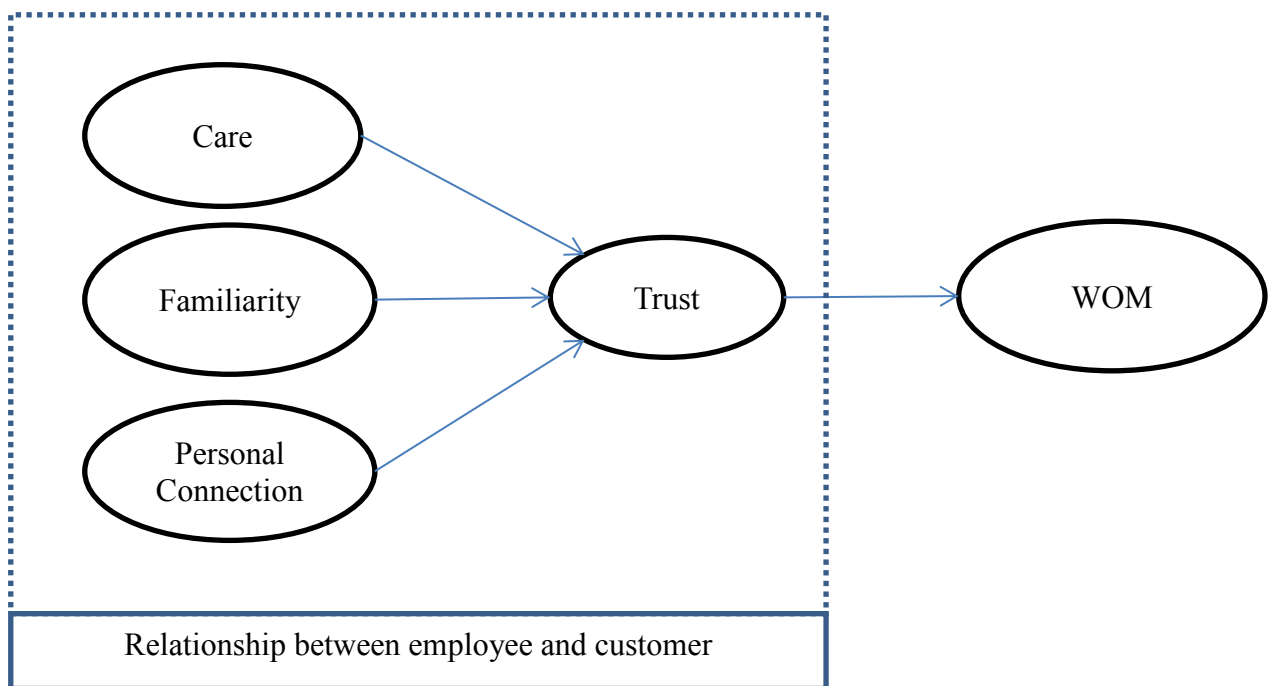

Figure 2. Results of regression model

5. Conclusion and managerial implications

5.1. Conclusion

The study results show that the customers' word-of-mouth for real estate developers in Ho Chi Minh City is relatively high with an average of 4.16 in the five-level Likert scale.

In the relationship between employee and customer, in terms of each factor separately, the customer has the highest satisfaction with employee's familiarity, followed by personal connection and finally the employee's caring. When considering the relationship between employee and customer with observant variables, we can see the variable "Customers familiar with the procedure of enterprise" in element of familiarity is evaluated at an average of 4, the variable "I have close relationship with employee" is evaluated at an average of 4.05. This shows that customer still get difficulties in the process of working with enterprise due to the processes and procedures when purchasing the house.

Linear regression analysis helped determine the intensity of three factors affecting customers' trust in the relationship between employee and customer. Therein, the familiarity has the greatest impact, followed by personal connection and finally care. The regression results show that the relationship between employee and customer to give positive word-of-mouth prove the model explaining 50.8% on the variation of customers' positive word-of-mouth factor.

5.2. Managerial implications

For familiarity: Enterprises still have difficult or inappropriate procedures to customers when buying a home. Enterprises need to have a standard procedure applicable to all their projects with ISO standards, this method should be expanded to apply for enterprises operating in the field of real estate.

For personal connection: Employees need make customers feel familiar with them during the working process, give the analytics to customer for their best choice. Enterprises need to train employees with basic knowledge in the relevant fields. Employees will create the trust of customers due to their sufficient knowledge which customers can rely on those consultancies to make their decision.

For care: Housing is a huge asset to customers so consulting information and advice must be truthful, accurate and detailed. Enterprises need to train employees to have more professional ethics besides the professional ability, avoid providing false information in order to serve the interests of employees and affect the interests of customers as well as enterprises' image. It's necessary that enterprises have policy and train employees to take good care of the customer even if the customer had already bought the product of enterprise.

Creating the trust of customers: The real estate developers should issue the principles to attach interests of sales to obligations and professional ethics. After-sales service, customer care need to be improved greatly. Trust brings superior and more sustainable benefits than conventional approaches, such as introducing or using other sales, communication techniques. Employee and enterprise should consult correctly about the product, avoid inflating to gain immediate profit.

One of the most popular reasons that make customers abandon enterprises is because they are not respected by the employees. It should be realized that the cost to keep an old customer and turn him/her into loyal customers is lower than searching for new customers, employees need to make effort to please and build the trust from customers.

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