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## **Enhancing central resources and social capital to increase customer loyalty in the context of services at English centers**

**Abstract**

The purpose of the study was to examine the impact of social capital (including structural social capital, relational social capital, and cognitive social capital) and central resources (including programs, reputation, and the competence of frontline staff) on student satisfaction and loyalty. The primary data collection technique that is questionnaire was used for the purpose of analyzing the data. It was distributed to 310 respondents from 68 English centers. The data collected was analyzed through a Structural equation modeling – SEM. The findings of the study revealed that four statistically significant factors affecting customer loyalty are the interpersonal competence of frontline staff, teacher competence, learning facilities and cognitive social capital. Among these ones, cognitive social capital directly influences loyalty, and the other three indirectly affect customer loyalty through customer satisfaction. Factors that do not affect loyalty include programs, reputation, structural social capital, relational social capital.

**Keywords**

frontline employees, social capital, customer satisfaction, customer loyalty, repurchase intention, word of mouth

**1 Introduction**

In recent years, the current situation of the competitors constantly copy products and services makes it very difficult for English centers to keep their customers in Ho Chi Minh City. This directly threatens the survival and development of the centers. Under such circumstances, the development of staff and social capital are expected to become the solutions that create specific competitive advantages as well as increases the level of customer satisfaction and loyalty. In particular, the frontline employees are the one should be most considered. This is because they are the ones who interact directly with customer regularly (Karlsson and Skälén, 2015). They represent the brand of the organization, and are

also critical to the success of the organization (Hales and Rabey, 2011). If businesses innovate services without the participation of frontline employees, the process will be difficult and less customer orientation (Karlsson and Skälén, 2015). In addition, social capital plays an equally important role. It is difficult for organizations to develop good relationships with customers or even to survive in the market if they do not have good social capital (Zheng et al., 2011). In terms of scientific significance, the study will identify and analyze the impact of frontline employees and social capital on the satisfaction and loyalty of clients in English centers in Ho Chi Minh City. On the practical application, the research will help English centers be able to build and adjust their business strategies and marketing strategies which

are more reasonable and effective. There are three research questions: The first is “does the capacity of frontline staff influence customer satisfaction and loyalty in English centers?” The second is “does social capital affect the customer satisfaction and loyalty in English centers?” And the last is “does customer satisfaction affect customer loyalty in English centers?”

## 2 Theoretical background

### 2.1 RELATIONSHIP BETWEEN FRONTLINE STAFF AND SATISFACTION

Frontline employees are defined as those who are in contact and are responsible for providing direct services to customers (Wu et al., 2015). Therefore, in English centers, frontline employees are the teachers, tutors, and counselors, who directly contact with and provide services to student. To provide high quality services requires English centers to have well qualified frontline staff. Competence of frontline staff is assessed based on two factors: interpersonal competencies and professional competencies (Wu et al., 2015). Satisfaction is the customer's post-purchase evaluations of the entire experience of the service. It is the customer's positive feelings and emotions that are expressed when the service experience has met or exceeded their expectations (Ali et al., 2016). For service contexts in English centers, students will be satisfied if they are served by well-qualified staff (Choi and Chu, 2001) such as the ability of fluency in presentation (Theodoridis and Chatzipanagiotou, 2009) or insightful understanding of the service (Sampana, 2016). In addition, the level of satisfaction of the learners increases when the employees have the capacity to connect well, such as friendly attitude, courtesy, and dedicated service (Sampana 2016).

Relationship between the program and satisfaction

Wentling (1993) suggested that the curriculum is an overall blueprint for a training activity. In this training quality, the content of the program must meet the needs and expectations of students. The results of the study by Ali et al. (2016) demonstrated that learners' satisfaction was influenced by many factors of service quality. In particular, the education program is one of the factors found to have the highest level of effect on satisfaction. The results show that the higher the level of satisfaction, the more positive the learners' perceptions about the quality of the education program.

### 2.2 RELATIONSHIP BETWEEN LEARNING FACILITY AND SATISFACTION

Alimi et al. (2012) defined learning facilities as the

entire physical facilities used directly or indirectly for educational purposes. In the educational context, learning facilities include a suite of study rooms, staff rooms, laboratories and laboratory facilities, conference rooms, libraries, look, electricity, water, furniture, offices, playground, storage space, etc. Facilities are confirmed to have a positive influence on customer satisfaction (Stukalina, 2016). This impact is evident in some types of services such as hotel-restaurant, banking, retail, hospital health services, and especially in the education sector (Gamage et al., 2008). Research results indicate that learning facilities is one of the leading factors that have a strong impact on customer satisfaction (Ali et al., 2016).

### 2.3 RELATIONSHIP BETWEEN SOCIAL CAPITAL AND LOYALTY

Zheng et al. (2011) defined social capital as the core element of the firm, a network of intertwined relationships in the community. This network of relationships is valuable and influences the profitability of the company (Jones and Taylor, 2012). This is considered as an appropriate definition for service context of English centers. For example, if there is a commonality between social values and social norms among students, the good relationship between them will formed (Cialdini, 1993). At that time, students will be more interested in social relationships, they will intensify exchange and become close to their friends, teachers and staffs (DiMaggio and Louch, 1998). And this will positively affect their loyalty (Jones and Taylor, 2012). In this field, social capital is divided into three forms: (1) relational social capital, (2) cognitive social capital, and (3) structural social capital (Nahapiet and Ghoshal, 1998). Based on the findings of Jones and Taylor (2012), three forms of social capital are defined as follows: The first form is the relational social capital (or relationship) described by Nahapiet and Ghoshal (1998) as the strength of relationships developed in the process of interacting among the members of the social network. The foundational concept of social capital was found in the psychological theory of commitment and attachment (Morgan and Shaver, 1999), which is related to relationship strength, relationship bonding, intimacy, trust, and commitment. Hence, close, cohesive or trusting relationships are considered to be manifestations of the high level of relational social capital (Watson and Papamarcos, 2002). The second form, structural social capital, is evaluated based on two crucial elements which are the number of relationships and the length of those relationships. Thus, high level of structural social capital exists when relationships within the network are formed over a long period of time

and the interactions are maintained on a regular basis. The final form, cognitive social capital, is understood as the level of sharing of beliefs, preferences, values, language, behavioral norms, and meaningful systems of members of the social network (Nahapiet and Ghoshal, 1998).

### 3 Research methodology

A total of 310 students from 68 English centers in the HCMC participated in the survey. The participants, who were either currently studying or had recently completed (for no longer than 6 months) their studies at English center, were recruited through a convenience sampling strategy that distributed the self-completed questionnaire through direct to hand. The sample consisted of 74.5% women and 25.5% men. The majority of students of HCMC English Centers are young people between the ages of 13 and 30, and currently under-paid, under-income 5 million per month accounts for 88.1%.

The variables were arranged in a table with the five-point Likert scale, moving from “Strongly disagree” to “Strongly agree”. The questionnaire was piloted with 71 students to check the clarity of the variables, instructions, and layout. The data collected was examined by the Exploratory Factor Analysis – EFA and Structural Equation Modeling - SEM to determine the significant factors affect student satisfaction and loyalty at the English center.

### 4 Results

After evaluating the model by Cronbach’s Alpha and EFA analysis, there are changes in the general

model. Many factors and indicators were eliminated from the model, specifically, three factors are structural social capital, relational social capital, and programs were eliminated. The main reasons are: (1) the factors do not have practical significance in the research model; (2) the factor is suitable for the model but maybe there are some mistakes within the formation of scale (measurement) process, so it cannot reflect the nature of the factor. In terms of the first reason, although the model is formed in the coherent way, most research hypotheses are derived from studies around the world, so it is difficult to avoid the change of the results when applied to the research context in Vietnam in general and in English centers in particular. Taking the learning program element as an example, this factor is removed from the model because it has no practical significance. The reason might be that in recent years, there is little difference among learning programs in the centers, and the fact that many English centers apply the same learning programs is becoming increasingly common such as learning with native teachers and learning specialized skills. As a consequence, the learning factor gradually became less prominent in the learner’s perceptions and no longer has a significantly impact on their satisfaction. In cases of the measurement does not accurately reflect the factor, it may result in difficulties or misunderstandings to the respondent, leading to deviations in the data collected. Although the formation of scale process proceeds logically from the selection of relevant scales in the researches, which were public in the renown journals, to the carrying out in-depth interviews to adjust to the context in Vietnam, the results may also be influenced by the subjective nature of the in-depth respondents.

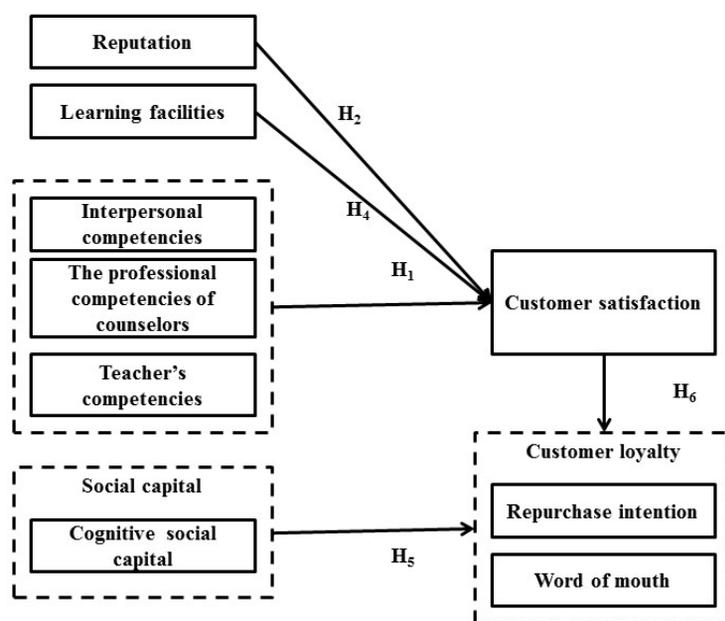


Figure 1 The new general research model

After eliminating the NLCM10 (0.699) and NLCM9 (0.618) variables, the results were sufficient to aggregate composite reliability, convergence validity and discriminant validity.

SEM results satisfy metric conditions, namely CMIN/df = 2,350 ( $\leq 3$ ), GFI = 0.903, TLI = 0.925, CFI = 0.939 (all  $\geq 0.9$ ), and RMSEA = 0.066 ( $\leq$

0.08). There is a match between the data collected and the model given.

After a chain of steps of data analysis conducted prudently, objectively and in accordance with stringent theoretical requirements, the hypothesis of the proposed initial relationships has been adjusted (Table 2).

TABLE 1 Results of analysis of composite reliability, convergence validity and discriminant validity

	CR	AVE	HL	NLKN	CSHT	NLGV	NLCM	DT	VNT	WOM	RP
HL	0.843	0.729	0.854								
NLKN	0.897	0.593	0.612	0.770							
CSHT	0.857	0.546	0.423	0.440	0.739						
NLGV	0.834	0.557	0.722	0.683	0.361	0.746					
NLCM	0.792	0.657	0.479	0.733	0.311	0.517	0.811				
DT	0.831	0.621	0.503	0.442	0.524	0.423	0.355	0.788			
VNT	0.831	0.716	0.358	0.260	0.112	0.264	0.177	0.221	0.846		
WOM	0.885	0.721	0.785	0.573	0.496	0.616	0.423	0.430	0.357	0.849	
RP	0.837	0.720	0.729	0.539	0.399	0.537	0.467	0.366	0.285	0.693	0.849

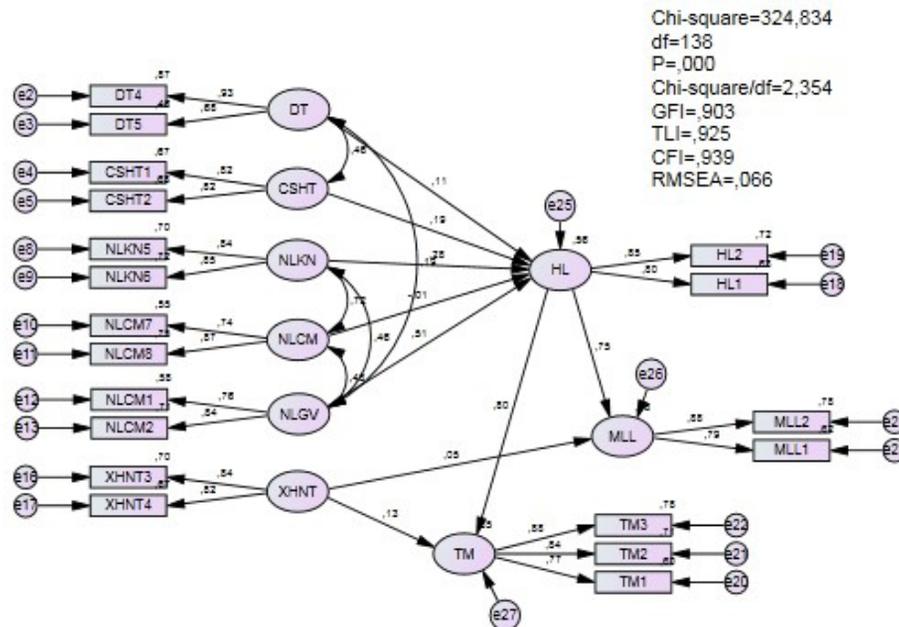


Figure 1 Structural equation modeling – SEM

TABLE 2 Relationships and the level of impact in the SEM

	Contents	Results	Level of impact
H <sub>1a</sub>	The interpersonal competencies of frontline staff positively impact student satisfaction	Acceptable	0.284
H <sub>1b</sub>	The professional competencies of counselors have a positive impact on student satisfaction	Unacceptable	
H <sub>1c</sub>	Teacher competence has a positive impact on student satisfaction	Acceptable	0.514
H <sub>2</sub>	Reputation has a positive impact on student satisfaction	Unacceptable	
H <sub>4</sub>	The learning facilities has a positive impact on student satisfaction	Acceptable	0.191
H <sub>5a</sub>	Cognitive social capital has a positive impact on learners' word of mouth	Acceptable	0.134
H <sub>5b</sub>	Cognitive social capital has a positive impact on the intention of the learners repurchase intention	Unacceptable	
H <sub>6a</sub>	Satisfaction positively influences the learners' word of mouth	Acceptable	0.798
H <sub>6b</sub>	Satisfaction has a positive impact on the intentions of learners repurchase intention	Acceptable	0.748

## 5 Discussion and implication

### 5.1 INTERPERSONAL COMPETENCIES OF FRONTLINE STAFF

To provide high quality services, front line staff must have good capabilities, including expertise and connectivity (Wu et al., 2015). Previous studies have shown that the better the interpersonal capacity of a customer is, the higher the level of customer satisfaction is (Theodoridis and Chatzipanagiotou, 2009). Via networking, employees are willing to help and provide fast service to customers (Wu et al., 2015). As a consequence, customers will be satisfied because their needs are met immediately. In English centers, the ability to listen, understand and persuade will help the staff adjust the course to precisely the level and needs of the learners. This increases the student's learning efficiency. Then, the learners will feel very satisfied. The results of the survey agree with the conclusions of previous studies, such as Anderson et al., (2009).

### 5.2 PROFESSIONAL COMPETENCIES OF FRONTLINE COUNSELORS

This factor does not affect learners' satisfaction much. The cause may be from the frequency of interaction. Often, the frequency of interaction between learners and counselors is relatively small. Actually, the learners only contact the counselor one or two times at the beginning or at the end of each course; the duration of each contact is also very short. Therefore, the impression of counselors in the learners' minds is very poor, leading to the information to evaluate the capacity of the counselors is extremely limited. This is a huge difference between the English center and other study facilities. English counselors have a much lower frequency of interaction with trainees than employees in other service sectors, such as retail, banks, restaurant-hotel, and aviation.

### 5.3 TEACHER CAPACITY

To provide high quality services requires teachers to have good competencies, including professional and interpersonal competencies (Wu et al., 2015). If teachers have good professional capacity, they will convey knowledge fully, thoroughly and understandably. On the other hand, if there is a good connection capacity, the teacher will create a more comfortable, stimulating, and engaging learning environment. All of them contribute to the improvement of the learners after the course; they will feel very satisfied with this. Research results agree with conclusions of previous studies, such as Fernandes et al. (2013), Gamage et al. (2008).

### 5.4 REPUTATION

The statistical data gives a completely different result from the hypothesis: the reputation factor does not affect the level of student satisfaction. This can be explained by the fact that in the recent years, the reputation of English language centers is greatly influenced by marketing and media, and students are more likely to choose to study in a renowned center with many features such as professional staff, special curriculum, high quality facilities, etc. However, customer satisfaction is the customer's post-purchase evaluation of the overall service experience so that in order to evaluate service satisfaction, the student relying on the quality of service is more realistic rather than reputation. If the English center's good reputation does not match the service quality, it will result in the disappointment and dissatisfaction of students because their needs are not fully satisfied. For example, some centers have a good reputation for native teachers, but in practice it does not have enough native teachers as the initial promotion, and this main difference between the reputation and the quality of this service has led to the students' dissatisfaction with the center. Hence, in the context of this study, reputation affects the initial choice of the students (Singh, 2016) but does not affect their level of satisfaction.

### 5.5 LEARNING FACILITIES

Learning facilities are all facilities that are used directly or indirectly for educational purposes (Alimi et al., 2012). They have a positive impact on learners' satisfaction (Stukalina, 2016). As the quality of the learning facilities improves, students will achieve higher results, so they will feel more satisfied. Research results agree with the conclusions of previous studies, such as Annamdevula and Bellamkonda (2016), Ali et al. (2016).

### 5.6 COGNITIVE SOCIAL CAPITAL

A characteristic manifestation of cognitive social capital is that customers are aware themselves as a part of a group of people who have a common interest in the goods or services of any brand, and usually they are loyal to the brand itself (Jones and Taylor, 2012). The similarity of social values will shape good relationships among customers (Cialdini, 1993). At that time, customers will be more interested in social relationships; they will intensify exchanges and become closer to other customers (DiMaggio and Louch, 1998). This has a positive effect on loyalty. In the context of service in English centers, cognitive social capital has positive effects on word of mouth, but does

not affect the repurchase intention, although both are manifestations of loyalty (Buttle and Burton, 2001). In term of word-of-mouth, when learners perceive that they and others have many similar interests, and are concerned about some social issues, they will tend to spread the word with many other people outside the center. The results are consensus with the conclusions of Jones and Taylor (2012). Regarding the intention of repurchase, the decision whether to continue to study at the center depends very much on the level of learners' satisfaction. For example, bad teachers will adversely affect learners' outcomes after the course. This creates frustration and negative reactions to learners. Certainly, the ability of learners to continue to study at the center will be very low despite the fact that learners share common interests or feel sympathy and close to people in the center.

## 6 Conclusion

The findings of the study revealed that four factors affect customer loyalty; it consists of three factors (including teacher competence, the connection capacity of frontline staff and learning facilities) that affect customer satisfaction, while cognitive social capital impact directly on customer loyalty. Although the results agree with the results of Wu et al. (2015) that most of the competence of teachers, tutors, and counselors play a decisive role in the level of student satisfaction and loyalty at English centers, in this context, the professional capacity of the counselor does not affect. The explanation is that the frequency of the interaction between student and counselor is low. In fact, the customers are only in contact with the counselor one or two times at the beginning or at the ending of each course, the duration of each contact is also very short. Therefore, the impression of the counselors in the student's minds is very slight, which lead to the information to evaluate the counselor's capacity being extremely limited. This is a huge difference between the English center context and

other contexts. The counselors at English center have a much lower frequency of interaction with customer than employees in other service sectors, such as retail services, translators Banking, hotel restaurant service, and aviation services. Besides, the study also shows that reputation does not affect satisfaction, which completely contrasts with the conclusion of Ali et al. (2016). The reason is that in this context, the level of student satisfaction is determined by the quality of service rather than reputation. If the English center has a good reputation but the quality of service does not match the reputation, it will result in students being disappointed and dissatisfied because their needs and expectations are not met. In addition, the results show that cognitive social capital does not have sufficient influence to affect the repurchase intention of the student; this opposed the conclusion of Jones and Taylor (2012). For example, if the teaching quality of the teacher is bad, it will adversely affect the student's performance after the course; and certainly, the ability of students to continue to study at the center will be very low although the students share many interests or even feel sympathy.

Therefore, to improve the loyalty of the learners, centers should review the recruitment process to select highly qualified teachers and counselors who are well qualified and connected. At the same time, centers also need to develop training plans to bring into play their strengths, overcome both the professional capacity and interpersonal capacity of the team. In addition, English centers need to invest seriously and comprehensively in equipment and classrooms. Finally, centers should also build a learning environment that connects learners with each other and learners with the centers, thereby exploiting the cognitive social capital to create a distinctive and dramatic competitive advantage. In the future, researches can carry out similar research but in wider scales, specifically in the areas where there are a significant number of English centers, to provide a more comprehensive assessment of the picture of English language education in Vietnam.

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