

Attaining Customer Loyalty! The Role of Consumer Attitude and Consumer Behavior

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Abstract

All over the world every business and profit earning firm want to make their consumer loyal. There are many factors responsible for this customer loyalty but two of them are prominent. This research study is focused on that how customer satisfaction and customer retention contribute towards customer loyalty. For analysis part of this study, Universities students of Peshawar Region were targeted. A sample of 120 were selected from three universities of Peshawar. These universities were Preston University, Sarhad University and City University of Science and Information technology. Analysis was conducted with the help of SPSS 19. Results of the study shows that customer loyalty is more dependent upon Customer satisfaction in comparison of customer retention. Customer perceived value and customer perceived quality are the major factors which contribute for the customer loyalty of Universities students for mobile handsets.

Key Words: Customer Loyalty, Customer Satisfaction, Customer Retention.

Introduction

In Current market the concept of customer loyalty is a key factor. While making consumer loyal toward a company product is not an easy job. Customer loyalty plays a very important role to achieve competitive advantage and maintain it. The main two variables Customer satisfaction and Customer retention are very important. These two variables are depending on some other variables. Customer satisfaction is depended on perceived quality and perceived value. Customer retention depends on product attributes, customer relationship and trustworthiness.

Every firm in the competitive market struggles to maximize their profits. So they can maximize their profitability by providing attractive products and services to their loyal customers. Although there are a number of studies which exist with respect to customer loyalty. It needs more analysis to analyze the mobile handset industry in Pakistan with respect to Customer loyalty. The aim of this research is to analyze the role of customer satisfaction and retention on customer loyalty in the mobile handset industry in Pakistan especially in KPK Peshawar. Research is bases on a framework that allows the marketers to decide that between customer retention and customer satisfaction which factor is more important and has greater influence on customer loyalty.

Literature Review

Customer Loyalty

Many researches explain the word loyalty. According to Inamullah (2012) Customer loyalty is the willingness of a consumer to purchase the same product and keep the same profitable relationship with a particular company. In other words, it is the continuous buying of a consumer for a particular company brand and suggesting to other friends and family. There must be something attractive in a brand which keeps a customer to buy that product over period of time without preferring any other competitor brand. Previous researches have classified customer loyalty into two parts. First part is consumer behavior and the second part is consumer attitude (Guillén, Nielsen, Scheike & Marín, 2011). Rauyruen and Miller (2007) describe in their study that customer loyalty may be because of rational or either emotional factors. Rational factors may be the characteristics of the product and emotions are the feeling of a consumer. But although rationality plays a more crucial part in the loyalty of a consumer. Consumer loyalty is a behavior of a consumer in which they show willingness to repurchase from a company and continue relationships with that company in their future purchases. Customer loyalty is the key factor under consideration of each and every firm (Vesel & Zabkar, 2009).

The sale record of a company can go in positive figures if their consumers are loyal to them. So for maximization of sale, customer loyalty is important. But for customer loyalty it is important to make significant features in the product which can contribute for loyalty in consumers. (Gerpott, Rams & Schindler, 2001). Customer loyalty is the key and important competitive advantage in current market situations (Lin & Wang, 2006). This is very hard to understand the mind of consumer that what will be the key psychological factors that will make consumer loyal towards a company product. (Chen & Hu, 2010). Once a firm understands the mind of their consumer they can make a long lasting profitable relationship with them and can make them loyal (Inamullah 2012). There are many ways with the help of which one can measure the customer loyalty but the most important and prominent is that consumer is buying a product himself and suggesting to others in presence of competitors products so it can be understood that a consumer segment is loyal for that particular firm products for which they giving preference and also suggesting to others (Kim & Yoon, 2004). Customer loyalty is the key element which decides the sale of a company because continuous use and frequent suggesting of a product can enhance the sale and all this possible if the existence customers are loyal towards company products.

Customer Satisfaction

Previous researches have given significant importance to customer satisfaction. Satisfaction can be defined as a features or characteristics that can fulfill either a need or want of a consumer in a more better way than competitors. Although this satisfaction explained by different researchers in different ways. If a company provides a product according to the requirements of their consumers it will lead the satisfaction of those consumers. The higher or lower satisfaction of a consumer will depend upon the quality of brand characteristics that offered by a company (Gerpott, Rams & Schindler, 2001). This is the consumer satisfaction which contributes for the future money making for a company (Hauser, Semester & Wernerfelt, 1994). For the retention of consumer, it is important to satisfy consumers (Guo, Xiao & Tang, 2009). The unsatisfied consumers of a company do not take time to switch that brand (Lin & Wu, 2011). Low quality services can also lead dissatisfaction. A low quality service is such type of service which does not fulfill the requirements (Rust & Zahorik, 1993). However it all depends upon that which segments a company is targeting and what are their expectations for that product (Auh & Johnson, 2005). In the study of Anderson (1994) he explains that customer satisfaction is the key factor which is used to measure the company internal and external performances and assigning funds to each and every activity. Service is a key factor for consumer satisfaction although this is not the only factor which is responsible (Lin & Wu, 2011). Rust and Zahorik (1993) discuss in their study that customer satisfaction has positive relationship on loyalty. Auh and Johnson (2005) discuss in their study that there are strong relations between satisfaction and loyalty. Bodet (2008) describes that affiliation exists between customer satisfaction and customer loyalty. Shankar, Smith and Rangaswamy (2003) also examine that there is certain relationship between satisfaction and loyalty. As Kim, Jeong, Park, Park, Kim, and Kim (2007) stated that customer satisfaction leads customer

loyalty. Vesel and Zabkar (2009) describe in their study that customer satisfaction is an important indicator for the customer loyalty.

Perceived Value

The customer value can be explained as the difference between benefits that a consumer gain from a product and the cost that they bear for attaining that product. The cost and benefit analysis is important because consumer satisfaction is only made if they bear less cost and get greater benefits from a product. There are four types of benefits and four types of cost related to a product. The four benefits are product benefit, Service benefit, Personnel benefit and image benefits. While the four types of cost include monetary cost, psyche cost, time cost and energy cost. There are two ways that a firm can increase customer value either increasing customer benefits or either reducing customer cost. The monetary cost is important is compare to the non Monetary cost related to a product. Similarly as compare to Service benefit, Personnel benefit and image benefits the product benefit is more important. But it depends upon product nature and segment. Although this is a crucial factor for a company to decide that which factor is more important for their consumer because these factors depends and vary from person to person (Oliver & Swan, 1989). This is the customer value which leads customer satisfaction. And customer satisfaction later converted into loyalty. Hence it is important for a company to keep the concept of consumer value if they want to make their consumer loyal towards their brand Sirdeshmukh, Singh, and Sabol (2002).

Perceived Quality

The customer perception about a product is another important dimension which is under consideration now days in eyes of marketers. What customer thinks about the quality of a product is an important factor. The word quality is defined by Shahzad (2012) freedom from defects. It is the totality of features and characteristics that exist in a product which can satisfy a customer need or want. Quality is a direct influence on customer satisfaction which leads a customer towards loyalty then. Improvement in customer perceived quality will increase customer satisfaction, loyalty, and profitability (E.Gummesson, 1998). But does each and every segment in the market accept the same quality? The issue arises by Grönroos (1997) that each and every segment in the market wants different quality products depending on their purchasing power and requirements.

Product Attributes and Customer Relationships

According to Shahzad and Faryal (2012) most of the companies not just only emphasize on their promotion but there are also the brand characteristics which can influence customer loyalty. Price and product quality becomes the prior elements in customer loyalty in brand characteristics. Customer loyalty develops on the basis of price and quality as these are the initial factors for considering a product for purchase again and again. Shahzad and Faryal (2012) Brand image is the important factor which contribute for a company in terms of brand equity and it also play vital role in creation of customer loyalty. Although it's not necessary that only because of brand image a customer can be retain. There can be too many other factors which can contribute towards customer retention and loyalty and these factors can vary from product to product and market to market.

Keller, (1993) defined that brand image refers to a particular frame of reference by which the consumer is associating a particular brand. A good image enhances the value of the brand in the eyes of the consumer by increasing its likeability/desirability and differentiating it from other competing brands (Hsieh, Pan, and Setiono, 2004). The outcome of the favorable image is the increase in loyalty, equity, consumer buying behavior and overall performance of brand (Koo, 2003; Keller, 1993; Hsieh et al., 2004, Roth, 1995). Brand image is measured in terms of benefits a brand is offering or some attributes the brand is having or the usage of the brand.

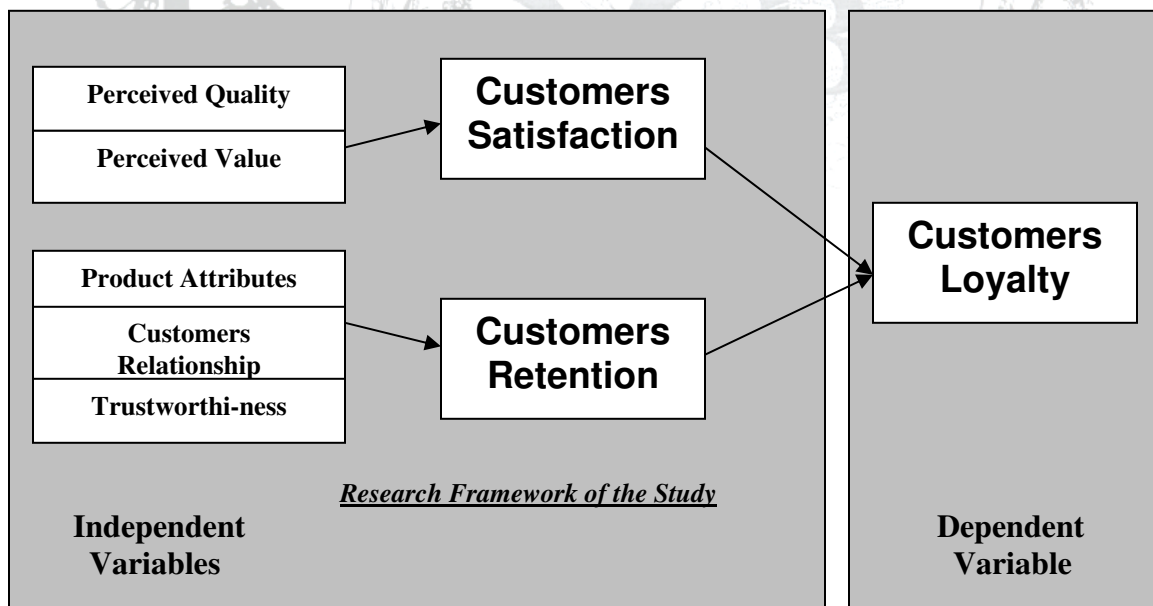
Shahram, Hasanali, and Seyyed (2011) good relationships with consumers are also an important factor in current market situations. For customer retention it is important to have good relationship with the consumers. The long lasting profitable relationship can only be maintain if company have good relationship with their consumers. Once a good relationship is broken the retention of a consumer is not possible as consumer are the kings and firms need to keep good relationship with them.

Trustworthiness

The word trust explained by Mayer, Davis and Schoorman, F. D. (1995) that this an expectation that another party will perform a particular action. Buyers have expectation from the sellers. It is important for the firm to provide goods and services according to the expectations of their consumers. First, trust is based on a cognitive process which discriminates among persons and institutions that are trustworthy, distrusted, and unknown. In this sense, we cognitively choose whom we will trust in which respects and under which circumstances, and we base the choice on what we take to be “good reasons,” constituting evidence of trustworthiness. In the words of Flores and Solomon (1998), does firm has the ability to produce the same which consumers are looking. So for the trust it is important to have the ability to perform that particular task Jason, Scott, and Jeffery (2007).

Theoretical framework

The following diagram shows that customer loyalty is dependent upon customer satisfaction and customer retention. Customer satisfaction were further operationalize into perceived value and Perceived Quality. While customer retention is further operationlize into Product Attribute, Customer Relationship and trustworthiness.



Hypothesis of the study

An overview of the hypothesis related to the relationship of customer loyalty and customer satisfaction and customer retention. Study shows that there is significant relationship between the brand equity and following hypothesis.

Below table I Show five hypotheses between customer loyalty and perceived value, Perceived Quality, Product Attribute, Customer Relationship and trustworthiness.

Objectives	Hypothesis	Table I
Relationship between customer loyalty and customer satisfaction and Customer Retention.	<p>H:1 There is a positive relationship between customer loyalty and perceived value.</p> <p>H:2 Perceived quality has an impact on customer loyalty.</p> <p>H:3 There is a positive relationship between product attributes and customer loyalty.</p> <p>H:4 Customer relationship has an impact on customer loyalty.</p> <p>H:5 Trustworthi-ness has a significant <i>impact on</i> customer loyalty.</p>	

Methodology

The research paper demonstrates to discover the factors that influence customer loyalty. The research user following research methodology.

Questionnaire

In this research paper questionnaire has been used for the data collection in order to get accurate information. The questionnaire has distributed among Universities students on random basis. Each variable comprise of five close ended 5-point likert scale questions

Procedure of data collection:

For data collection the students in Peshawar region were focused and three Private universities were selected randomly. These universities were Preston University, Sarhad University and City University. A sample of 120 was contacted for data collection. 104 questionnaires were received back. 6 were discarded because of incompleteness. For the final analysis 98 responses were considered.

Results and Analysis

For the analysis part of this research SPSS 19 were used. The following results has attained after inserting the multiple linear regression.

TABLE II
MODEL SUMMARY:

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	0.921	0.848	0.817		0.13259

a. Predictors: (Constant), Perceived value, Perceived Quality, Product Attribute, Customer Relationship and trustworthiness.

The adjusted R-square in the table highlights that the dependent variable customer loyalty is influenced by 81.7% by independent variable i.e. Perceived value, Perceived Quality, Product Attribute, Customer Relationship and trustworthiness.

It explain that Perceived value, Perceived Quality, Product Attribute, Customer Relationship and trustworthiness are liable for customer loyalty of students for Mobile handsets. The above mentioned model has also significant, examined with the aid of ANOVA. The results are shown in the following table.

TABLE III
ANOVA RESULTS

Model	Sum of squares	Df	Mean square	F	Sig
1 Regression	16.573	05	13.286	19.358	0.000
Residual	0.089	96	0.013		
Total	16.662	103			

a. Predictors: (Constant), Perceived value, Perceived Quality, Product Attribute, Customer Relationship and trustworthiness b. Dependent variable: Customer Loyalty.

This table represents the level of significance. From the above said table it is obvious that all the factors i.e. Perceived value, Perceived Quality, Product Attribute, Customer Relationship and trustworthiness are linked to customer loyalty and the association between these factors is significant as compared to alpha value = 0.05.

Table III Regression Co-Efficient

In this table, the un-standardized co-efficient explain that the factors are positively influencing the buying behavior.

From below table it is obvious that all the factors are significantly associated to “customer loyalty of students for mobile handsets”. From the standardize co-efficient is proved that “Perceived Value” is the vital & most essential factor influencing the customer loyalty of students for mobile handsets with standardize co-efficient if 0.346. The next important variable is “Perceived Quality” with a standardize co-efficient of 0.276. The third important variable is” Product Attribute” with a standardize co-efficient of 0.247. So there are three main important factors that are liable in respect of customer loyalty of University Students in Peshawar region.

Table IV
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.327	.017		2.13	0.000
	PERCEIVED VALUE	.423	.013	.346	7.23	0.000
	PERCEIVED QUALITY	.296	.017	.276	18.26	0.000
	PRODUCT ATTRIBUTE	.273	.021	.247	7.029	0.000
	CUSTOMER RELATIONSHIP	.207	.010	.173	6.743	0.000
	TRUSTWORTHINESS	.131	.002	.103	3.249	0.000

a. Dependent Variable: CONSUMER LOYALTY

The rest of factors have weak impact on customer loyalty such as ‘Customer Relationship’ (b=0.173), and Trustworthiness (b=0.103). This table demonstrate positive values and factors are significant at value = 0.05. It is approved from the above list of hypothesis is correct and valid.

Conclusion

The main aim of this research was to find the role of consumer behavior and consumer attitude towards customer loyalty. From the above results, following findings and conclusion is drawn. It is concluded that Perceived Value, Perceived Quality and Product Attribute are the key factors for contributing towards customer loyalty. Keeping the findings of this research it is very obvious that the companies should always continue to emphasize on Perceived Value, Perceived Quality and Product Attribute in order to make customer loyal towards their products.

Secondly it is also clear from the result of the study that Customer satisfaction has more contribution for customer loyalty in comparison of customer retention. As the theoretical framework of the study shows that customer satisfaction is based on customer perceived value and customer perceived quality. So hence it is concluded that university students of Peshawar Pakistan become loyal for mobile handsets because of customer satisfaction as company provide them better customer value and quality. Hence it is concluded that firms should emphasize on customer value (The cost benefit side) and customer perceived Quality because these two dimensions has greater influence on customer loyalty. Greater the customer satisfaction greater the students will be loyal towards mobile handsets and vice versa.

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