Customer loyalty toward Nokia Brand

Saba Sattar, Irfan Ali, Alvina Arshad
Department of Management Sciences, Abbasia Campus, Islamia University of Bahawalpur, Punjab, Pakistan
E.mail:Irfansahi39@gmail.com

Abstract

Purpose: The purpose of this study is to determine the relationship between different variables such as customer satisfaction, product quality, perceived value and service quality to examine that how these variables affect the loyalty of customer for a Brand. The present study attempts to contribute to the knowledge of how customer loyalty could be affected by these variables.

Findings: The independent variables perceived value and customer satisfaction were largely correlated with dependent variable customer loyalty. While product quality and service quality have less influence on customer loyalty.

Keywords: Customer loyalty, Customer satisfaction, Product Quality, Perceived value and service quality

Paper type: Research paper

1: Introduction

Corporate image, goods quality, trust and customer switching are the major costs of customer loyalty. A loyal customer buys more although there may be increase in prices. Customer loyalty is known as major factor for profitability of a business. A business has to create profitable relationship with its customers to work out smoothly which is not possible without loyal customers. Loyal customer is one which purchase again and again. It is possible if customer is satisfied from the goods or services of existing business firm otherwise he will switch from product customer loyalty towards brand means the customer has positive thinking and believes towards the brand which he has purchase and willing to purchase the brand again for long run. Loyalty can be divided in to four major types (1) Undivided loyalty, (2) Divided loyalty,(3) Unstable loyalty, and (4) No loyalty, on the basis how much are the purchases of Customers (Brown 1952).Customer loyalty is the chance of product purchasing again and again by customer for long run,(Lipstein et,al 1959). A corporation has to bear much cost for selling product to new customer as compared to customer who are presently purchasing their goods or services,(Aydin.S et al, 2005). It is a critical matter for a firm to retain its customers and making them loyal towards its product or brand,(Dekimpe et al, 1997).

It is often said that if you are able to increase only 5% customers of a firm or business which are loyal with product it can boost 25 to 75% profits,(Chan et al, 2001).loyalty for a brand is preference of a customer due to behavior and attitude for a product. (Engel et,al 1982).Past studies suggests that customer loyalty is the basic base of a company for competitive advantage and loyalty is important factor in companies’ growth and performance (Lee et,al 2001).Customer loyalty is the feelings which enforce customers to buy again and again a product, service or brand of existing business or a firm,(John, 2011).

We can easily make our customers loyal through identifying, managing and by fulfilling their needs and wants,(Maiyaki et al.,2011). Customer loyalty is basically combination of customer’s favorable attitudes and their purchasing behavior. Both customer loyalty and customer satisfaction are considered a best tool to create and maintain sustainable competitive advantage,(Ali et al.,2010).Customer loyalty is the attitude of customer for a company which enforces him to repurchase goods or services of certain company and referring friends, family members and others to buy the product. To create and maintain customer loyalty is becoming an basic element in service based industries,(Khokhar et al.,2011). Customers will be loyal if they buy again and again for long run. New customer service cost is greater than the existing customers and existing customers are agreeing to pay higher prices for particular products. A loyal customer works as a agent and source of success for a company and its marketing program,(Siddiqi, 2010).Profitability of any organization depends upon on its quantity of loyal customers who are repurchasing and remain with the organization,(Khokhar et al., 2011).Customer satisfaction is a key element for retention of loyal customers for long run and maintain profitable relations,(Ali et al.,2010). Loyalty can be defined as deeply intention to buy again and again constantly in future,(Oliver, 1999).Customer loyalty is intention of customer to purchase again something on the basis of his previous experiences and expectancies,( Sumarto et al.,2002). Loyal customer boosts up business profits and activities efficiently with buying more and more and providing new customer to business due to positive words of mouth.A loyal customer is always agree to pay premium prices to business,(Ganesh et al., 2000).Loyalty began from beliefs of good quality services, intentions of behavior, the attitude which we need and it creating image of behavior of purchasing again and again and there is consistency in behavior of purchasing,(Castro et al., 2004).The main thing is that we have to know about loyalty that loyalty is a behavior standard or an attitude standard. Behavioral loyalty tries to explain brand loyalty based on actual observed purchases in certain time and attitude loyalty is based on particular standards which include priorities and intention for purchasing again. This intention of attitude is much important in purchasing a brand and supporting a brand,(Larsson et al., 2004).
The customer loyalty is much important for the effectiveness, growth and to continue survival of a business for long period of time. Thereby to maintaining and increasing profitability where the subscription level is at peak and the market is matured it necessary for a company to make such strategies which enforce to retain the existing customers than the such customers which although increase the market size but they are aggressive, (Fornell, 1992; Ahmad & Buttle, 2002).Customer loyalty is like a satisfaction and a customer which is loyal increases the profits of a company by purchasing again and suggesting this product to other customer to purchase it,(Bowen and Chen , 2001; Fecikova, 2004).Customer loyalty is very important asset of a company. Companies which successfully create and maintain loyal customers can develop long term and beneficial relation with their customer enhances their profitability and reputation,(Pan et al,2012).Creating loyal customers is much important issue because competition is increasing day by day and the businesses of overall world are now moving to make their satisfied customers loyal with their businesses to boost up their profitability because it is easily possible to make the satisfied customer loyal toward our brand or product. It is imperative for a good manager to create long term profitable relationship with customer to make them loyal. The main issue is that to identify whether loyalty is attitudinal or behavioral measure. (Maryam et al,2012).

2: Literature Review

2.1: Customer Loyalty

Over the past decades loyalty has become important construct in the field of marketing and especially for the making customer relation and managing it, (Ball et al., 2004; Soderlund, 2006).Loyalty may be for a product, brand, or service outlet. Loyalty is source of positive attitudes. behavior like repurchase and positively suggesting others may affect the actual customers and potential customers,(Dehghan et,al 2011).Loyal customers is a valuable asset for an organization which eliminate the need to find out new customers and it is positive sign for an organization that his products and services are satisfying the needs of the customers of targeted people,(Rowley and Dawes, 1999).

As we observing due to the current crisis in the economics businesses are creating and improving their loyalty programs to control customers which may be picked by their competitors,(Ho et al.2009).Researchers are giving much intention to determine loyalty of customers with a service provider. Customer loyalty has two important objects. Fist one is to raise sales revenues by increasing the purchases or increasing level of usage and extend the range of products or services bought from suppliers. The second purpose is more critical to create a close connection between the brand and the existing customer. The usefulness of loyalty programs lie on argument that profits can be boost and get through these aims,(Uncles et al., 2003).

Customer loyalty is known as an important and basic source for success and profitability for an organization,(Divett et al., 2003).The consumers which prove that they are loyal for a product or service, they have tendency of purchasing readily and spent more income on such product. Researchers have gave much attention on the identifying of effective methods of increasing loyalty like point reward schemes,(Lach, 2000).Combination method which includes both behavior and attitude is perfect and suitable because it covers the two main influences of decision making process of the customer,(Mandhachitara et al,2011).Loyalty occurs when customer prefers brand of a company compared to its competitor and does not show higher repetition due to situation or environment. Superior loyalty exists when customer purchase again and again a brand but he does not find a big difference between brands. it may be occur when there is no alternative of such brand or may it is selected on past experiences and habits,(Dehghan et,al 2011).

2.2: Customer satisfaction

Customer satisfaction has been considered a main determinant of customer loyalty,(Dick and Basu, 1994 ).yet there is some differences in researches because some studies have fail to prove a strong relation between the customer loyalty and satisfaction( like Khatibi et al,2004).some researchers says that there is indirect and complex relationship between the customer satisfaction and loyalty,(such as Anderson and Mittal, 2000).A highly satisfied customer may has positive effect on customer loyalty and this satisfaction increase the loyalty,(Deng et al., 2009). In mobile phones market customer satisfaction has positive relationship with loyalty.(Kuo et al,2009).

Satisfaction is feeling which is broad and it is affected with loyalty, quality of a product and some other factors (Zeithaml & Bitner, 2000). Customer loyalty depends on customer satisfaction because the satisfied customer purchases again and again and is willing full to continue the relation with the existing supplier. History proved that companies consider best strategy to retain their customers only customer satisfaction, (Dehghan et,al 2011).Customer satisfaction is also known an important determinant for repurchasing from a company or business’ positive word of mouth and source of customer loyalty. It is known as key antecedent for creating loyalty of customers for a brand,(Cronin et al’ 2000). Many researches has explained that the customer satisfaction s much important determinant of purchasing again and again by a customer of a brand.(lin et al,2010) Customer satisfaction is the outcome for repurchasing of a product by a customer. Customer satisfaction builds value for a customer, in simple words the customer is satisfied if the product fulfills its needs and manages their
wants and expectations. (Guzzo et al., 2010). Customer satisfaction means is to satisfy need of customer and meeting the criteria of the customers. In other words a customer which is satisfied is has a good feeling and attitude for a product which he has been using. (Maiyaki et al., 2011).

2.3: Product Quality

Product quality creates image of a product in the mind of customer. Product quality is a assessment of benefits by a customer through his experience of usage. If a customer is satisfied with the product quality he will be loyal. Past researches suggest that there is direct or indirect relation between the product quality and loyalty (Boulding et al., 1993, Woodruff, 1997). a higher level quality of product usually gives feeling of happiness, excitement as well as satisfaction. Product quality increases customer loyalty and trust for a brand. A higher level of product quality creates feeling of happiness for a customer if he gets again and again good quality of products. If a customer feels that the product quality is superior than his previous expectations and he feels that the performance is better, it will be a source of solid purchase loyalty. (Parasuraman et al., 1988)

2.4: Service Quality

Although there is no similarity for conceptualizing and to measure service quality of a product or services. (Carman, 1990). In this present study we make perception that service quality is the judgment for overall superiority and excellence of a service provided to customers. (Zeithaml, 1988). In our general understanding service quality is considered an important factor for profitability and success of a firm or a business. There are two processes which explain the contribution of service quality for profitability of a firm. Firstly service quality is considered an important source of differentiation of services and superior product advantage which enforces and attracts new consumers and increase market share.

Secondly service quality increases flow for repurchase, purchase excessive, tendency to buy other products and decrease price sensitiveness and to advertise the product through his favorable experience. (Venetis and Ghauri, 2000). A firm which is able to provide the high quality of services, can get higher level for retention of their customers which will increase and create the profitability of that firm. (Fornel, 1992). Past researches founded that service quality is positively related with the loyalty of customer for a product to buy again and again, recommending it to others. (Jones et al., 2002).

High service shows that service quality can be best explained only by consumer and it is created when the firms or organizations provides services which satisfy the consumer wants and expectations.(Metters et al., 2003). Numerous past studies explains that service quality can be explained as a behavior which is not equally to satisfaction and it is create from comparing expectations of customer with the performance of a product. (Cronin and Taylor, 1992; Lee, 2010). Service quality and customer loyalty has strong relationship and if a customer perceives that service quality is higher, He will increase his purchases and so service quality is important factor to retain existing and new customers. (Ranaweera & Neely, 2003).

2.5: Perceived value

Perceived value is getting something as a return after paying cost for a product or service. Perceived value is the best management tool to attract and retain the existing or new customers for the success and boosting up the firms and service providers. (Gallarza & Sorae, 2006); perceived value is the expected level of quality of a product compared to payment of price which is paid by a customer. In simple words perceived value is the classification of expected quality for the price paid for a product. (Fornell et al, 1996). Perceived value is the framework which gives opportunity to compare the firms with the aspect their price value ratio. (Anderson et al., 1994). Nemours past studies explains that the perceived value is a trade off which exists between the sacrifices and perceived benefits. (Zeithaml, 1988). Perceived value is the expected outcome or advantages which are obtained by a customer compared to the payment of expenditures for that product. (Lee, 2010). Perceived value is the expense/cost compared to benefits of a product and it affects customer’s attitude and purchasing intention. (Lai et al., 2009). Where the perceived value of the brand or product satisfies or increases the expectations of the customer then the customer considers it good product but where the perceived value is little the customer tries to switch from that product and shifts on other brands for increasing perceived value and due to this firm has to loose a loyal customer. (Anderson and Srinivasan, 2003). Previous researchers found that perceived value is the main determinant of loyalty of a customer in telephone services and it is the main factor of customer loyalty. (Bolton & Drew, 1991).

3: Theoretical framework

<table>
<thead>
<tr>
<th>Customer Satisfaction</th>
<th>Product Quality</th>
<th>Service Quality</th>
<th>Perceived value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Customer Loyalty
4: Hypothesis
H1: Customer satisfaction influences on customer loyalty.
H2: Product quality has an influence on customer loyalty
H3: Service quality has an influence on customer loyalty
H4: Perceived value has an influence on customer loyalty

5: Research Methodology
The current research is descriptive in its nature. Descriptive research can be explained as telling something, some phenomenon and any particular situation. Descriptive researches are those researches that describe the accessible situation instead of interpreting and making judgment (Creswell 1994).

5.1: Data Collection.
The respondents of the study are the students of Islamia University of Bahawalpur (Pakistan). The self-administered Questionnaire was given to collect data. The main goal of the research is confirmation of the develop hypothesis that reflect the current situation.

5.2: Sample size determination
Simple random sampling was used to collect data. The 150 questionnaires were distributed, out of which 115 questionnaires were received and are finally used for data analysis. Our sample size is 118 and population is 170. According to Krejcie, Robert V. Morgan, Daryle W. (1970) table

5.3: Research instrument
Data was collected by using questionnaire adopted from different studies. The questionnaire consists of 21 questions related to our variables. The respondents of this study were asked to rate on a five-point Likert scale 1 being strongly agree and 5 being strongly disagree.

5.4: Data analysis
Data was entered, edited, and analyzed by using software's Microsoft Excel and SPSS version 16

Cronbach’s Alpha:
To check the internal reliability of the instrument, Cronbach’s alpha was run. The value of Cronbach’s Alpha comes to 0.843, this shows that our instrument is reliable and we can confidently apply different statistical tests and interpret the results with confidence.

Table: 5.1
<table>
<thead>
<tr>
<th>Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha</td>
</tr>
<tr>
<td>.843</td>
</tr>
</tbody>
</table>

Table: 5.2
<table>
<thead>
<tr>
<th></th>
<th>Customer loyalty</th>
<th>Product quality</th>
<th>Customer satisfaction</th>
<th>Perceived value</th>
<th>Service quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSTOMER LOYALITY</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.474**</td>
<td>.518**</td>
<td>.650**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>115</td>
<td>115</td>
<td>115</td>
<td>115</td>
</tr>
</tbody>
</table>

Pearson correlation was run to check the relationship of variables with each other and whether any observed variable has perfect covariance with any other variables, which are observed in the study. All relationships were found significant. The correlation value of product quality is .474 which shows that there is positive relation but has less effect on customer loyalty. The correlation value of customer satisfaction is .518 which shows that positive relationship exists between customer loyalty and customer satisfaction. The correlation value of perceived value is .650 which shows that perceived value has large impact on customer loyalty. The correlation value of service quality is .455 which shows that relationship exists between customer loyalty and service quality.

6: Regression analysis
Table: 6.1

Model Summary
<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.724*</td>
<td>.525</td>
<td>.508</td>
<td>.38619</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), SERVICE QUALITY, PRODUCT QUALITY, CUSTOMER SATISFACTION.
As the table shows the model summary of in which the value of R is .739 which shows that there is strong correlation between independent and dependent variable. The value of R square is 0.546 which shows that model is good fit. Therefore, our all alternative hypothesis are accepted with the significance value less than 0.05 which
shows that all independent variables have great influence on dependent variable customer loyalty.

Table: 6.2
The table shows that F significance is 0.000 which is less than 0.05 which shows all independent variables do a good job in explaining the dependent variable.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>18.121</td>
<td>4</td>
<td>4.530</td>
<td>30.374</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>16.406</td>
<td>110</td>
<td>.149</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>34.527</td>
<td>114</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Service quality, Product quality, Customer satisfaction, Perceived value
b. Dependent Variable: CUSTOMER LOYALTY

7: Findings
The findings of this study indicate that there are various different factors that affect the customer loyalty. Here the customer loyalty is the feelings which enforce customers to buy again and again a product, service or brand of existing business or a firm. And the study explores the factors that hinder them to effectively repurchase. So the first aspect of customer loyalty is customer satisfaction that forces to repurchase and be loyal. The study discovers that more the satisfaction is more the customer will be loyal. According to the results of the study, the variable customer satisfaction and customer loyalty has significant and positive relationship. If product quality is better then customer will satisfied and want to repurchase the product and create positive word of mouth about the brand. perceived value and service quality has also significant relation with customer satisfaction that’s why these hypothesis are accepted.

8: Conclusion
One of the key contributions of this model was to provide a better understanding of how customer loyalty affects different variables. these study model posited that customer loyalty arises from customer satisfaction, product quality, perceived value and service quality. The results suggest that each of these factors influence the customer loyalty to different degrees. In most cases support was found for many, with all of the direct effects. to increase customer loyalty organization should focus on customer satisfaction, product quality, perceived value and service quality. Depend on the conclusion of this study, it means that product quality and customer satisfaction are positively related to customer loyalty towards NOKIA brand in Pakistan. As a issue of information service quality and perceived value and has also a impact on customer loyalty. This means that when the product quality is increased then customer satisfaction is also increased and customer will be loyal and customer loyalty increased and the overall customer loyalty of the NOKIA brand will increase and their commitment to repeat to repurchase the product in the future...

References


Rowley, J. & Dawes, J,(1999)."Customer loyalty a relevant concept for libraries"Library Management, 20(6), 345-351.


