

## The Investigation of Effective Factors on Customer Value and Loyalty

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### Abstract

Companies to address this subject, the investigation of effective brand image and company reputation and price and cost on customer value and loyalty can for achievement their organization objective better than before to. The aim of this study was investigation of effective factors on customer value and loyalty than help to companies for face of competitor, position stable, achievement to advantage competitor, achievement their aims. In this study was Tehran city statistical society and sampling method was Simple random sampling Cluster and sample was number of 755 customer audiovisual set of 4 company include: Sony, Panasonic, Pars and Shahab. Instrument of data collection were questionnaire. Data analyze was by SPSS software, hypotheses test was with liner regression. According to findings, brand image, company reputation, price and cost has positive effect on customer value and loyalty.

**Keyword:** Brand Image, Company Reputation, Service Quality, Price and Cost, Customer Value, Customer Loyalty

### Introduction

One of the valid and famous concepts in the field of marketing is “brand loyalty”. This concept plays an important role in making long term benefits for a company , since loyal customers do not need extensive promoting efforts; they 're ready to pay more money to gain the benefit and quality of their favorite brand form the bottom of their heart. In addition to the increase of the market stock, the loyalty causes the organization demand for the reception of higher price in comparison with the competitors; besides positive word of mouth advertising among customers increases. Brand loyalty has been the central concept of theoretical and practical marketing in making a permanent competitive privilege.

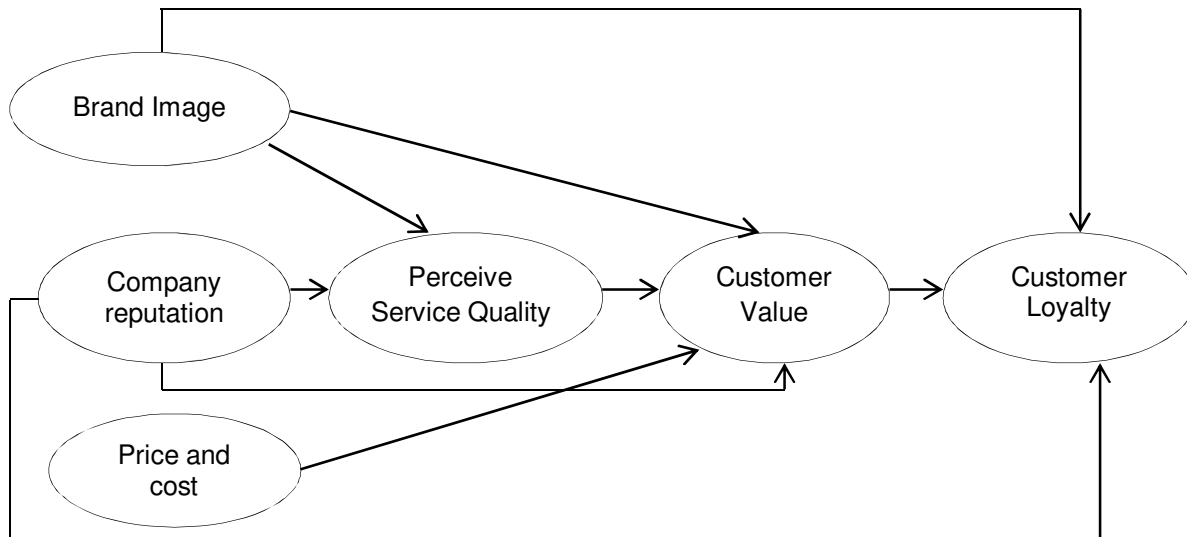
It is essential for the commercial markets to have a more extensive conceptual framework compared to what has been used traditionally for the investigation of the commercial brands and logos. There are some factors to make value and loyalty in the customers; some studies have been done in this field including Michell, King Reast (2007). Their study focus was on a brand value in the industrial markets and they came to the conclusion that a brand value is related to the company's quality, image, market lead and its reputation; also the study that has been done on electronic products by Gordon, Calantone and DiBenedetto (1993) whose focus was on organizational purchases, revealed the conclusion that a brand has an important effect on customers' decisions for shopping and that customers' loyalty is important for the supplier.

Marketers need to investigate the sources of making a positive brand. Imaging a commercial brand and logo is a key index for the determination of a company's status; therefore, it is recommended that the company be distinguished and indexed by its commercial brand and logo rather than by its product. The latest studies in this

field have been done by Bendixen, Bukasa and Abratt in which customer 's choice has been used for the investigation of the commercial brand and logo relative importance in relation with the delivery, price, technology and availability of the spare parts. Another study that has been done by Mudambi showed that one third of the companies have been indexed by the commercial brand and logo and these companies were more loyal to a special supplier .The purpose of this study is the investigation of the influential factors on the customer value and loyalty to help companies and organizations to face their competitors, stabilize their status, gain their competitive privilege and reach their goals. To do so, the researcher used Cretu and Brodie (2007) model.

Another issue that marketing managers are facing is the extension of the concepts of company reputation, prices and costs as well as customers' loyalty. Especially in the recent years in the marketing literature there came to be some oppositions around customers' value between marketing researchers and marketing managers. Despite the researches that have been done, how the customer value is interrelated to the marketing concepts is an issue which is still unclear. To investigate the relation between customer satisfaction and customer value the researchers decided to clarify the vague points in these two concepts. Regarding the commercial developments of electronics and the international competitions in the commercial markets this question emerges that whether a company's reputation can improve its competitive status or not. It should be noted that the importance and nature of companies are obscure in the commercial markets and have been left uninvestigated. Companies' reputation stems from beneficiary perceptions in a way that factors like product orientation, Innovation and customer orientation are included in this category. In the commercial markets, a company's services probably play an important role in the process of shopping. Therefore providing services by companies can make value for customers and finally lead to the customer loyalty for the company. Companies' reputation has an extensive effect on customers' perception of quality and can also influence customer loyalty and value.

**Conceptual Model**  
**Literature and Hypotheses**  
**Brand image**



Brand image is defined by Keller (1993) as “the perceptions about a brand as reflected by the brand associations held in consumer memory”. In other words brand image is what comes to the mind of the consumer when a brand name is mentioned.

Brand image is the customers' mental image of the introduced offerings. It is the balance of symbolized concepts that customers relate to the special features of a product. That image is seen as the repeated displaying of the brand in the customers' mentality which is related to the offerings or a series of perceptions of the brand. Therefore it can be defined as the customers' rational or emotional perception which is linked to a special commercial brand and logo.

Also in the commercial markets the brand image is expected to play an important role especially where the separation of the products or services based on the tangible quality features is difficult. (Cretu and Brodie, 2007)

### **Customer Value**

Customer value is treated as the customers' general evaluation of the final product based on what they have received and perceived which is also definite (Zeithaml, 1998). Other authors have agreed that value resides in the balance between the functional solution acquired by the customer and that customer's sacrifice in acquiring the solution (Ravald and Gronroos, 1996; Christopher, 1996). Woodruff (1997) has noted that the concept of value varies according to the circumstances in which the customer is placed. The literature on both marketing and quality stress the importance of customer value the concept of customer value is becoming increasingly prominent as a crucial strategic factor in gaining a competitive advantage (Woodruff, 1997; Ulaga, 2003; Gale, 1994; Webster, 1994; Day, 1998; Prahalad and Ramaswamy, 2004).

### **Customer loyalty**

Customer loyalty is "an ongoing propensity to buy the brand, usually as one of several" (Uncles et al., 2003). Commercial brand and logo loyalty is defined as a customer interest in a commercial brand and logo (Aaker, 1991). Majumdar (2005) states, "Customer loyalty is a complex, multidimensional concept". To leverage the greatest benefits available from customer loyalty it is imperative to understand the antecedent drivers of loyalty (Terblanche and Boshoff, 2006).

### **Perceived service quality**

Aaker (1991) defined perceived service quality as superiority of a product or a service to other choices. In this study the perceived service quality is not exactly the association of a commercial brand and logo but is an association that projects the state of a special aspect of the specific value of a commercial brand and logo (Cretu and Brodie, 2007). Services are intangible processes, but have a close relationship with customers (Soteriou and Chase, 1998). Superior service quality is related to increased customer satisfaction (Brady and Robertson, 2001; Cronin et al., 2000; Dabholkar et al., 2000; Fornell et al., 1996; Voss et al., 2004). Service quality improvements attract new customers, enhance retention and loyalty of existing customers, and lure customers away from competitors whose service quality is perceived lower (Babakus et al., 2004).

### **Company Reputation**

Company reputation is described as a combination of the stock holders' long term evaluation of what the company is, how it takes its commitment and copes with the stock holders' expectations, and how the general performance of the company adapts with the political-social environment. Therefore a company reputation is defined as a special advantage gained through the feedback given by an organization of the stock holders which includes the company identity. (Cretu and Brodie 2007). Evidences of the role of brand image ( as a definite effect) on the perception of the product or services quality have been provided in a qualitative study by Hoyer and Brown, 1990; Jacoby, Szybillo and Berning, 1976; Rao and Monroe, 1989 and the quantitative studies of the services markets have been done by Andreassen and Lindestad Bloemer, De Ruyter and Peters ( 1998).

### **Hypothesis 1: Brand image has a positive effect on perceived service quality.**

The study that has been done by Selnes (1993), Zeithaml (1998) and Zins (2001) has shown that the brand image also has an effect on customer loyalty which caused the formation of the following hypothesis.

### **Hypothesis 2: brand image has a positive effect on the customer loyalty.**

While the first effect of the commercial brand image is on quality, the studies done by Anderson and Lindestad (1998) and Peters, et al. (1998) stated the effect of commercial brand image on customers' choice and value (Pascale, 2001 and Bowen and Shoemaker, 1998). Therefore we stated the second hypothesis as one of the hypotheses.

### **Hypothesis 3: Brand image has a positive effect on customer value.**

Despite of our hypothesis about the brand image and company reputation, three hypotheses are included in the model about the core process. Customer value perception is defined as the observed exchange between the benefits ( the perceived product and services quality) and the wastes ( cost and time). The studies done by Laitamaki and Kordupleski ( 1997), Laitamaki and Hurley (1995), and Rust, et al. certified the effect of the perceived service quality and price on the perceived value. Therefore the following hypotheses are introduced (Gale, 1994 and Hurley and Laitamaki, 1995 and Laitamaki and Kordupleski 1997, Rust and Lemon and Zeithaml, 2001).

**Hypothesis 4: Price and cost have a positive effect on customer value.**

**Hypothesis 5: Perceived service quality has a positive effect on customer value.**

There are considerable experiences and empirical evidences that show customer value perception has a positive effect on customer loyalty. Therefore the following hypothesis will be introduced. There are a lot of studies that show the relation between the perceived value by a customer and the customer loyalty. Here we can refer to some of them: Gale (1994) and Rust (2001) have shown that the perceived value is related to customer loyalty (Rust and Lemon and Zeithaml, 2001 and Gale, 1994). Therefore we can state the following hypothesis:

**Hypothesis 6: Customer value has a positive effect on customer loyalty.**

A company reputation is a more extensive structure than a commercial brand and logo image; therefore it has a strong effect on customer value perception. Thus Mudambi et al. suggested that reputation aspects like being globalized, technical leadership and global presence potentially influence customer value perception. The descriptive study done by Yoon and Guffey (1993) proved company reputation effect on customer value. In other studies done by Lehmann and Shaughnessy (1974) on the commercial markets it is stated that the company reputation is ranked in being influential on customer value from the view point of price. Brown and Dacin have shown that that the reputation of a retailer affects the value perception of what the customers buy from the store. Based on the strong theoretical and empirical evidences, we introduce the second hypothesis of the main hypotheses.

**Hypothesis 7: Company reputation has a positive effect on customer value.**

Bolton and Drew (1991) and Teas and Agarwal (2000) have shown that customers use internal states or signals like advertisements, brand image or company reputation to perceive a product quality and improve their choices. In case the company reputation is influential on quality, we'll introduce hypothesis one as the second hypothesis.

**Hypothesis 8: Company reputation has a positive effect on perceived service quality.**

Anderson and Lindestad (1998) stated that in service industry, the relation with customers may play an important role not only in attracting customers but also in maintaining them. The descriptive study done by Morrison et al. (1999) showed the effect of company reputation on customer loyalty. Another empirical research that relates the effect of company reputation to loyalty has been done by Zins, Rayner and Morrison. The services related to personal sales can play an important role on business markets.

**Hypothesis 9: Company reputation has a positive effect on customer loyalty.**

### Research Methodology

This research is practical developmental from the view point of purpose and descriptive survey research methodologically. The statistical population in this research is the customers of the products of the companies Sony, Panasonic, Pars and Shahab who have been shopping and using their products. In this research random cluster sampling has been used and the number of samples is 755. The instrument for data collection is questionnaire. To determine the validity in this study, the research indexes provided Cretu and Brodie (2007) have been used. Through giving questionnaires to the elites and experts of marketing we can come to the conclusion that the used questionnaire as one of the instruments of data collection in this study has the appropriate validity and that content validity is gained. Regarding the fore mentioned points, sampling took place two times in this study and the questions that that have been considered vague by the answerers have been distinguished based on which the questionnaire has been reformed; after the surety that none of the questions are vague to the answerers, the main sampling took place. To determine the reliability, Cronbach alpha formula has been used.

Table 1. Variable reliability values

Variable	cost and prices	brand image	reputation	loyalty	customer value
Reliability coefficient	0.75	0.80	0.71	0.78	0.8

Table 2. Hypothesis test

Hypothesis	Degree of freedom	B	beta	sig	Test Result
H1. Brand image has a positive effect on the perceived service quality	379	2.056	.216	.000	accepted
H2. Brand image has a positive effect on customer loyalty	379	1.762	0.408	.000	accepted
H3. Brand image has a positive effect on customer value	377	1.455	0.417	.000	accepted
H4. Cost and price have a positive effect on customer value	377	1.751	0.442	.000	accepted
H5. The perceived service quality has a positive effect on customer value	377	2.174	0.428	.000	accepted
H6. customer value has a positive effect on customer loyalty	377	1.706	0.566	.000	accepted
H7. Company reputation has a positive effect on customer value	377	1.173	0.420	.000	accepted
H8. Company reputation has a positive effect on the perceived service quality	379	0.508	0.440	.000	accepted
H9. Company reputation has a positive effect on customer loyalty	379	1.118	0.489	.000	accepted

**Findings**

Regarding the above table (Table 3), the study hypotheses sig equals 0.000 with the confidence interval of 0.95, therefore all the hypotheses are certified. it can also be understood that the brand image has a strong effect on customer loyalty (i.e.  $\beta=0.408$ ), brand image has a strong effect on customer value (i.e.  $\beta=0.417$ ), company reputation strongly influences customer value ( i.e.  $\beta=0.420$ ) company reputation strongly influences the perceived service quality (i.e.  $\beta=0.440$ ), company reputation strongly influences customer loyalty (i.e.  $\beta=0.489$ ), cost and prices strongly influences customer value (i.e.  $\beta=0.422$ ), customer value strongly influences customer loyalty (i.e.  $\beta=0.566$ ) and the perceived service quality strongly influences customer value (i.e.  $\beta=0.428$ ).

**Conclusion and Discussion**

Brand image has a positive effect on service quality perception. Studies done by Cretu and Brodie (2007) on cosmetics and qualitative study by Hoyer and Brown, 1990; Jacoby, Szybillo and Berning, 1976; Rao and Monroe, 1989 and the quantitative studies of the services markets have been done by Andreassen and Lindestad Bloemer, De Ruyter and Peters (1998) showed that brand image has a positive effect on the quality of the perceived services.

Brand image has a positive effect on customer value Anderson and Lindestad (1998) and Peters, et al. (1998) showed that brand image does not have a positive effect on customer value.

Brand image has a positive effect on customer loyalty. The study done by on cosmetics by Selnes (1993), Zeithaml( 1998) and Zins ( 2001) showed that brand image does not have an effect on customer loyalty.

Company reputation has a positive effect on the perceived service quality. The study done by Bolton and Drew (1991) and Teas and Agarwal (2000) showed that company reputation does not have a positive effect on the perceived service quality.

Company reputation has a positive effect on customer value. The study done by Yoon and Guffey (1993) and Shaughnessy (1974) showed that company reputation has a positive effect on customer value.

The perceived service quality has a positive effect on customer value. The study done by Laitamaki and Kordupleski (1997), Laitamaki and Hurley (1995), showed that the perceived service quality has a positive effect on customer value.

Cost and prices has a positive effect on customer value. The study done by Cretu and Brodie (2007) on cosmetics showed that prices and costs have a positive effect on customer value.

Customer value has a positive effect on customer loyalty. The study done by Gale (1994) and Rust (2001) showed that customer value has appositive effect on customer loyalty.

The real loyalty is gained when customers' attitude to a brand is a kinship one. Organizations can make customers' long term loyalty by increasing product quality and improving the brand. Among the influential factors on customer behavior in loyalty to a brand we can refer to habits, providing more and better services, low prices and the costs of brand change.

At first customers buy a product with a special commercial brand experimentally, and after feeling satisfied they get inclined in keep buying the same commercial logo or mark or brand, since they are acquainted and sure about that product. Loyal people to a mark or brand have such an idea:

They are committed to the mark or brand, they are inclined to give more money for the mark or brand compared to other marks or brands and they suggest their considered mark or brand to others.

When customers become interested in the products or services of a company, not only do they increase their shopping volume from that company but they also have a positive reaction to that company ; they introduce their favorite company to their friends and relatives and suggest shopping from there. In other words, customers show in their action to be confederate and related to that company.

On the other hand, when customers complain to their friends and relatives about a company or its agencies, it shows the fact that they decided not to buy from that company anymore and that they will be attracted to another company. Therefore in the today's world, salespeople consider more value for the customers because of the competitiveness of the market.

On the other hand other challenges like strengthening of the global competition, the permanent increase of the customers' expectations and subsequently their demand for the increase of the products and services quality, have caused the companies not to be able to fulfill customers' demands and requests influentially like before. Therefore we can come to the conclusion that a crisis is waiting for all the companies that do not have a permanent program for proving the facilities to gain customer loyalty and satisfaction and to the companies that do not follow the policy of being customer oriented. Hence, this situation will have the danger of losing the unsatisfied customers, their inclination towards the competitors, the final decrease of profit and finally company bankruptcy.

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