

Customer Loyalty and commitment towards Organizational Growth and Customer Satisfaction

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Abstract

Factors affecting customer loyalty have immense weightage in order to identify the reasons or the factors which are accountable to create loyalty among customers for a fastidious brand.

Purpose

The purpose of the study is to classify the role of customer loyalty in terms of sustaining continuous organizational growth in highly competitive Pakistani market and factor affecting customer loyalty and their impact on organization growth. The most recent and relevant studies contained by the literature have been included and summated in this paper. All results are based on the overview of previous studies.

Findings

The review of previous studies and some research work about the factor affecting customer loyalty and their impact on organization growth and development. In these researches different service providers were embattled as the population whereas customer services and Price Fairness were taken as predicting variables towards criterion variable which is customer's loyalty. The outcomes conclude that both the factors considerably contributed to explain customer's satisfaction and loyalty but relatively price fairness had the bigger impact on customer loyalty than customer's services and organizational growth. Results and implications of the study are also discussed based on the analysis and findings.

Keywords: Customer loyalty, Price fairness, Customer service, Organization growth.

1. Introduction

The fruition of marketing begin with the easy barter system in the prehistoric history, where people formed extra goods and after so as to barter for those things that they required (Brassington & pettitt, 2006). However organization in the struggle search for how best to work out moved to the marketing era where company replaced manufacture orientation with marketing direction (jobber, 2004).Comparatively trying to get customers what the firm is producing, organization strive to generate according to the requirement of customers (kotler, keller, goodman & hanson2009). It is realized that long-run competition

extra like when originations focus their actions on summit customer needs, rather than trying to sell the whole things that they could manufacture (kotler & armstrong, 2006; brassington & pettitt, 2006).In recent times a new marketplace has introduced, bring with it a mass of call out never before meet hostile (daffy, 2001). “All businesses are being affected to some degree by the root and branch upheaval that is occurring in the eider marketing environment” baker, 2003).organization at the present plan all their effort not only at preclude and gratifying its customer on a earnings (perreault, Mc Carty & stewart 2000); but burden it more effectiveness and successfully than the opposition in regulate to reach locate goals (kotler & Armstrong, 2006). With an enlarged appreciative of the importance of purchaser loyalty, firms are taking a extra customer oriented approach to policy formulation (jain & singh, 2002).

1.1 Loyalty

Loyalty is defined as the blend of returning benefaction and heartening approach. Though, deeds revealed through permanent purchases are in fact defined as loyalty (Molina et al., 2008; Manana, 2009). “Strongly held dedication to further repurchase a chosen or favored product or service regardless of situational control and marketing strategies that have possibility to cause consumer switching activities, is defined as loyalty” (Kotler and Keller, 2007; Manana, 2009). Brunner et al., (2010) described, Repurchase likelihood, probability of long term choice, or switching manners are the measures of behavioral loyalty. Where as in attitudinal aspect, brand inclination or emotional commitment that is evaluated through repurchase intention, not considering other better choices, price acceptance and plan to communicate product or service to others is loyalty (Szczepańska & Gawron, 2011).

There are various theories on customer’s loyalty. Theory of behavioral loyalty until 1970 were dominating taking into consideration loyalty as the function of the total purchases (Cunningham, 1956; Farley, 1964), function of buying rate or buying model (Tucker, 1964; Sheth, 1968) or function of buying prospect (Harary et al.,1962; Mc Connell, 1968; Wernerfelt, 1991). All these theories seems to be looked at brand loyalty in provisos of outcomes replicate purchasing behavior rather than reasons, until the Day (2003) introduced the dual dimensional theory of trademark recognition or brand loyalty, which declared that loyalty must be evaluated with both criteria behavioral and attitudinal criteria. Modern theories believe and intonation the psychological “(mostly attitudinal and arousing)” factor of loyalty (Jacoby et al., 1973; Oliver, 1999; Chaudhuri, 1995; Djupe, 2000; Reichheld, 2003).

Many other approaches are also there which can compare loyalty with marriage (Hofmeyr et al., 2000; Lewitt, 1983; Dwyer et al., 1987). These diverse approaches allow distinctive customers to become either behaviorally or emotionally loyal. The customers who are behaviorally loyal act as they have no emotional bond with the brand or the dealer while the customers who are emotionally loyal do this. Jones

and Sasser named these two kinds of loyalty as a result false or true lasting loyalty (Jones and Sasser, 1995). (Hofmeyr and Rice, 2000) divided customers to loyal (behavioral) or devoted (emotional). Emotional loyalty is to a great extent stronger and long lasting than behavioral loyalty. It is a continuing want to keep a respected relationship. The relationship is therefore important for the customers that he or she makes utmost efforts to continue it (Morgan et al., 1995; Reichheld 2003; Moorman et al., 1992). Extremely bonded customers will buy constantly from a supplier with which they are bonded and loyal, suggest those suppliers to others always, and powerfully shield these choices to others insisting that they must have chosen the “best” products or services (Butz et al., 1996). Behaviorally loyal customers are divided into different segments due to acting.

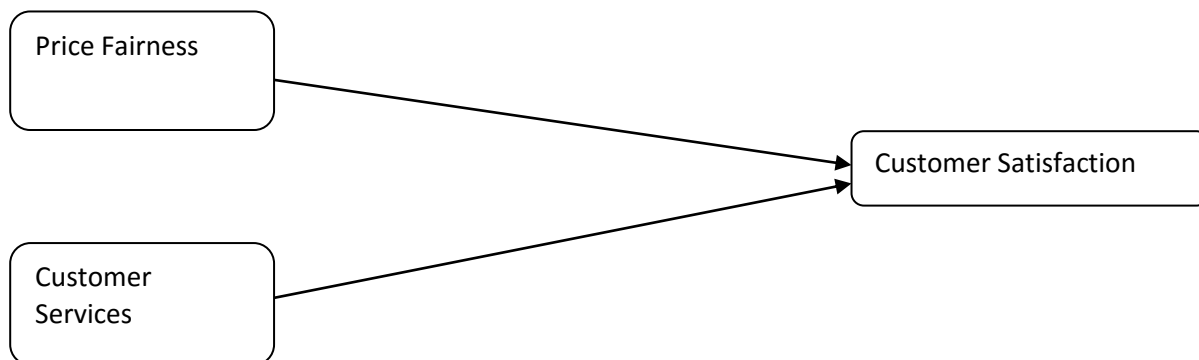
1. Required to be loyal
2. Loyal owed to inaction or
3. Functionally loyal

Customers are enforced to become loyal when they have to be customers yet if they do not wish to. Customers may be enforced to use certain products or services presented by certain seller e.g. when the company acts as a domination or the poor financial position of the customer restraining his range of goods. (Grönholdt, Martensen and Kristensen, 2000) have established that companies with low price policy had a much higher loyalty than anticipated from their customer satisfaction. Beside this, the companies those have used a lot of power on branding really had a elevated customer’s satisfaction but they did not have a also huge loyalty (Grönholdt et al., 2000). Forced loyalty could be recognized trough creating exit barriers too. Loyal performance can also effect from inaction. Inaction means customer does not shift to a new seller due to console or comparatively low significance. If the option has low weightage, there is no spot to expend time and attempt on searching for alternatives. Therefore, based on his trust in the appropriateness of the current product, the customer continues to use it devoid of seeking alternatives. It is in agreement to Oliver’s approach of cognitive loyalty: the loyalty that is based on brand principle only.

“Cognition can be based on prior or vicarious knowledge or on recent experience-based information. If the transaction is routine, so that satisfaction is not processed (e.g. trash pickup, utility provision), the depth of loyalty is no deeper than mere performance (Oliver, 1999). Hofmeyr and Rice (2000) say that one of the basic reasons is that client’s do not change brands is that when they are unsatisfied. There thinking is like that alternative is just as terrible as the brand they are using or yet not as good as they want. Inertia may be caused by need of information concerning gorgeous individuality of other brands

(Wernerfelt, 1991). Functionally loyal clients are loyal because they always have a purposeful reason to be. Wernerfelt (1991) points out “cost-based brand loyalty” where brand utilities have an optimistic power on brand choice. Practical loyalty can be formed by functional standards using price, superiority, delivery, usage ease of a product or through special loyalty programs (points, coupons, games, draws etc.) giving a solid reason to favor certain product. Unluckily competitors without any difficulty can copy functional values. Thus, creating practical value offers a transitory viable advantage: it may not be very long lasting (Barnes, 2003). Customer satisfaction has been gaining increasing attention from the researchers and practitioners as a recognized field of scholarly study and is a fundamental tool used by financial institutions for enhancing customer loyalty and ultimately organizational performance and profitability. The importance of customer satisfaction cannot be dismissed because happy customers are like free advertising. Most of us have heard of the existing drift of businesses to develop into highly customer-centric that is to place the customers at the centre of our business in provisions of our strategies, proceedings and processes. In support of most of us, old truths still grip good, such as it is easier and more gainful to put up for sale to on hand customers than to discover new ones. In practice, organizations are gradually increasing more setting themselves strategies to determine and make sure customer preservation, and charging their employees to be additional customer-focused and service-oriented.

Theoretical Framework and Research Model



2 Methodology and Discussion

H1: Price Fairness is positively related to employee Customer Satisfaction.

H2: Customer Service is positively related to Customer satisfaction.

A positive relationship is expected between Price Fairness and Customer Satisfaction. Customers with higher caliber and handsome package may be remaining loyal due to this factor.

Table 1: Demographics

Variable	Frequency	Percentage
Age		
20-30Years	103	46.4
31-40	83	37.4
41-50	23	10.4
51&Above	13	5.9
Gender		
Male	162	73.0
Female	60	27.0
Education		
Secondary	2	0.9
Higher Secondary ⁹		4.1
Graduation	69	31.1
Masters	98	44.1
MS/ M Phil/ PhD	44	19.8
Marital Status		
Married	150	67.6
Single	72	32.4
Experience		
1-5 Years	85	38.3
6-10	73	32.9
11-20 years	41	18.5
More than 20	23	10.4

Research Variables

Research conducted on the basis of Price Fairness, Customer Services and Customer satisfaction. The research determined the impact of Price Fairness and Customer Services on Customer Satisfaction.

3 Research Methodology

This section identified the methodological strategy. Data collection tools selected to analyze the relationships between variables. Research targeted the 250 employees from service sector to identify the impact of price fairness and customer service on customer satisfaction. Of the 250 questionnaires distributed, 222 questionnaires were retrieved with a response rate of 88.8%. As demonstrated in Table 1 majority of the respondents (73 %) were male. Married respondent rate was 67.6%. More than 46% respondents were between the age group of 21 to 30 years and only 5.9 % of the respondent's fall in age group of 51 years and above. 44 % of respondents have master level whereas, 0.9% was of secondary school education. 38.3 % respondents have got 1 to 5 years experience and only 10.4% have more than 20 years experience.

Table 2: Summery Item Statistics

Variables	Mean	S.D	Cronbach's Alpha
Price Fairness	3.45	0.75	0.81
Customer Services	3.35	0.69	0.83
Customer Satisfaction	3.22	0.38	0.53

Measure

The exploratory and descriptive research conducted and at one point in time i.e. cross sectional study. Questionnaire used for collecting the data. A 5 point Liker scale ranging from 1 = strongly disagree to 5 = strongly agree was used to measure the answers. Regression and correlation analysis used to identify the connection among Price Fairness, Customer Services and Customer satisfaction. Descriptive statistics used to test and analyze the data collected from the respondents. Responses analyzed through the SPSS (Statistical Package for Social Sciences) version 17. Independent t-test and one way ANOVA used to analyze the association of demographic characteristics with customer satisfaction.

4 Data Analysis

As a first step in the analysis of results, reliability of the scales was confirmed by calculating cronbach's alpha for each dimension of scale. Cronbach's Alpha of each dimension is 0.81 for price fairness, .83 for customer service and 0.53 for customer satisfaction as shown in table 2. Overall, finding shows that each coefficient exceeds the minimum acceptable level as recommended by Nunnally (1978). After that, the mean scores (Table 2) with standard deviation of the questions in instrument were calculated. The result shows that generally respondents agree with the statements provided in the instrument. For example the average response of price fairness is 3.45, which means that respondents agree that price fairness exists in service sector. The finding demonstrates correlation among all variables and dimensions, the result shows positive relationship among them as shown in table 3. After analyzing the correlation among study variables and dimensions, regression models were also estimated.

Table 3: Correlation

Variables	1	2	4
Price Fairness	1		
Customer Service	0.48**1		
Customer Satisfaction	0.29**	0.42**1	

**Correlation is significant at the 0.01 level (2-tailed)

The regression analysis of the first hypothesis indicate a low-level positive relationship between favoritism and job satisfaction ($R = .29$). The favoritism can explain 9 % variance of job satisfaction (R square = .09) as shown in table 4. ANOVA values shows that there is no issue regarding the significance of the model's explanatory power ($F = 20.854$, $p = .000$) as shown in table 5. The estimated regression

model parameters are all individually significant (at 5% significant level). The constant term is 2.312 and favoritism coefficient is .243. It means when there is one unit increase in favoritism there is .243 unit increases in job satisfaction, as shown in table 5. The estimated regression model rejects our H1 and accept Ho. Which means the favoritism will have a positive relationship on job satisfaction. The coefficient values obtained by regression analysis are shown in table 4 and table 5.

Table 4: Model Summary

Variables	R	R ²	Adjusted R ²	Std. Error of the Estimate	F	Sig.
Price Fairness	0.29a	0.09	0.08	0.59005		20.8540.00
Customer Services	0.42a	0.18	0.18	0.55918		48.1820.00

Predictors: (Constant), price fairness, customer service Dependent variable (Customer satisfaction)

The second hypothesis indicate a medium-level positive relationship between CS and customer satisfaction (R = .42) and the CS can explain 18 % variance of customer satisfaction (R square = 0.18) as shown in table 4. ANOVA values show that there is no issue regarding the significance of the model's explanatory power (F = 48.182, p = .000) as shown in table # 5. The estimated regression model parameters are all individually significant (at 5% significant level). The constant term is 1.831 and CS coefficient is 0.392. It means when there is one unit increase in CS there is 0.392 unit increases in customer satisfaction, as shown in table 5. The estimated regression model rejects our H1 and accepts Ho. Which means the CS will have a positive relationship on customer satisfaction. The coefficient values obtained by regression analysis are shown in table 4 and table 5.

Table 5: Coefficient

		Unstandardized Coefficients		Standardized Coefficients		
		Std. Error	Beta			
1	(Constant)	2.312	0.87		12.330	.000
	Price Fairness	0.243	0.053	.294	4.567	.000
2	(Constant)	1.831	0.194		9.462	.000
	Customer Service	0.392	0.056	0.424	6.941	.000

Dependent Variable: CUSTOMER SATISFACTION

5 Limitation of the study

This study has a several limitations:

1. The sample size of this study is smaller and convenience sampling technique is used but in future studies larger sample size with different data collection techniques should be used to generalize the results of the study.

2. In future studies the variable combination such as organizational performance, commitment and monetary factor like benefits, discounts and different aspect of satisfaction with our studied variables and dimensions may be used to check the possible relationship among them.

6 Conclusion & Recommendation

Although this study found positive impact of independent variables/dimensions (Price Fairness and Customer Service) on dependent variable (Customer Satisfaction) and increasing the customer loyalty as referred in our discussion above, hence for better customer loyalty we recommend the following:

1. We propose that by making customers satisfied, by creating good relationship with customers through competent customer services would lead toward brand loyalty and merely by keeping the price fairness of services well-matched a firm can set up long term gainful relationship with customers.
2. Our result can be practically implemented on service organizations and separately from that those business which give unpaid significance to relational marketing. We propose managers of such firms to have faith in “best customer services and price fairness” for victory and enlargement of business or in making customers happy.
3. Our structure proposes the inner importance of customer satisfaction in telecommunication industry. We can implement and check this theory on other organizations rather than telecommunication industry. We suggest researchers to work on this in other industries as well.

7 References

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