

DETERMINANTS OF CUSTOMER LOYALTY OF SELECTED BREWED PRODUCTS IN ABUJA METROPOLIS

By

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Abstract

The main purpose of the study was to investigate the impact of customer satisfaction, perceived value, trust, and corporate image on customer loyalty of brewed products in Nigeria. The research adopted a survey design. The research instrument adopted for this study was the researchers' self-structured questionnaire. Four hundred copies of the questionnaire were administered to the respondents drawn from the various joints and parks where brewed products are sold and consumed in Abuja Metropolis. The data was analyzed using descriptive statistics, bivariate correlation, and linear regression. The study found that customer satisfaction has a positive and significant effect on customer loyalty, perceived product value has a positive and significant effect on customer loyalty to brewed products in Abuja, corporate image has a positive and significant effect on customer loyalty of selected brewed products in Abuja, while trust in the brewed products on customer loyalty was found to be negative and insignificant, showing that it is a negative and insignificant determinant of the brewed products. The study recommends that to optimize customer loyalty, customer satisfaction, perceived product value, corporate image should be the major issues of interest to the brewery products companies in Abuja Metropolis. Strategies on these variables should be maintained since they were found to be positive and significant. However since trust was found to be negative, it should be improved to the point it can become positive to customer loyalty of the sampled firms in Abuja Metropolis.

Keywords: Determinants, Customer Loyalty, Brewed Products, Abuja Metropolis.

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Introduction

Loyal customers are believed to be an asset for marketers because loyalty is expected to persist in the long term. It has long been recognized that struggle to get new loyal customers takes effort and cost you a bit (Reichheld & Sasser, Jr., 1990; Aaker, 1991; Guiltinan, Paul & Maiden, 1997; Castro & Armario, 1999). Loyal customers will have an impact on repeat purchases, word of mouth recommendations, and customer resistance.

Customer loyalty is the customer's intention to re-use the products offered by marketers based on experience and their expectations in the past (Shergill & Li, 2006). Loyalty is also a psychologically deep commitment to buy consistently repeated in the future despite attractive offers from competitors to switch brands. In this context, the fundamental question is how to create loyal customers, as well as what are the factors that affect customer loyalty? Understanding the why or how of customer loyalty continues to be one of the issues that are important to marketing management services to date (Rudyanto, 2011).

Organizations today face many challenges that are diverse and extraordinary. Therefore, organizations must manage the uncertainty of the environment to be effective (Daft, 2007). In the face of competition and limited resources, the marketers shifting their focus from efforts to gain new customers on the efforts to retain existing customers, and of completing the deal "one-shot" into securing customers' lifetime value (Berger & Nasr, 2007; Bolton, 2007).

Management scholars have long argued that the prime guarantee of business growth and profitability is on shifting attention from the activity of attracting customers to one which relies on retaining and maintaining a relationship with existing customers (Andaleed, 1996; Raval & Gronroos, 1996; Reichheld, Markey & Hopton, 2000; Athanassopoulous & Iliakopoulous, 2003). Berry (1980) observed that "having customers not merely acquiring customers is crucial for service firms." The criticality of this assumption is based on the notion that it cost as much as six times more to win new customers than it does in keeping an existing one (Rosenberg & Czepiel, 1984). Reichheld (1993) posits that, concerning a specific industry, the likelihood of increasing profits by up to 60% is greater when potential customer migration is reduced by only 5%.

The fundamental principle underlying these assumptions is rooted in relationship marketing's emphasis on the maintenance of a relationship between the company and its external actors, with customers classified as the most important actors. This activity facilitates the creation of customer loyalty so that a stable, mutually beneficial, and long-term relationship is sustained. Thus, a leading business strategy depends on the

ability to build and maintain a loyal and valued customer relationship; resulting in positive consequences including reducing alternative search behaviour, repeat purchase, spending on ancillary services, creating exit barriers, stimulating consumer cooperative behaviour, etc. (Andeleed, 1996; Reichheld, Markey & Hopton, 2000; Baloglu, 2002).

Therefore, in the context of an increasingly competitive industry, customer loyalty is seen as a key factor in winning market share and developing a sustainable competitive advantage. In the service industry, a typical feature requires an understanding of customer service, satisfying the needs and expectations, create, communicate and deliver customer value, and keeping promises (Aksoy, Atilgan & Akinci, 2003).

What drives customer loyalty to brewed products are numerous as highlighted by different scholars, but some of the stand-out determinants are product quality, corporate image, brand identity, customer satisfaction, perceived value, trust, switching cost, and corporate reputation. Thus, the objective of this study is to examine the determinants of customer loyalty of selected brewed products in Abuja Metropolis. This objective is achieved by looking at the effects of some of these determinants on customer loyalty.

Concept of Customer Loyalty

Oliver (1999) defines brand loyalty as a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior. This emphasizes the two different aspects of loyalty described in prior studies-behavioral and attitudinal (Jacoby & Chestnut, 1978). Chaudhuri and Holbrook (2001) suggested that behavioral, or purchase, loyalty consisted of repeated purchases of the brand, whereas attitudinal loyalty included a degree of dispositional commitment, in terms of some unique value associated with the brand. Thus, customer loyalty here was considered bidimensional, including both attitudinal commitment and behavioral re-purchase intention. Based on prior studies of Keller (1993), Anderson, and Srinivasan (2003), customer loyalty was defined as the customer's favorable attitude toward an e-commerce website, resulting in repeat purchasing behavior.

Customer Satisfaction and Customer Loyalty

The desire to understand which factors work together to create customer satisfaction, as well as how such factors work together to do so, is one of the primary reasons for researchers' and marketers' interest in service quality. A person's attitude towards a specific subject will affect his or her intention to execute various actions concerning this subject (Fishbein & Ajzen, 1975). Customer loyalty, which may be called the continuously positive purchasing behavior of a customer towards a certain company or brand, will be affected by customer satisfaction. This conclusion has many times been supported by empirical research (Cronin & Taylor, 1992; Cronin, Brady & Hult, 2000; McDougall & Levesque, 2000; Chiou, Droge & Hanvanich 2002).

From the behavioral perspective, the definition and measurement of brand loyalty is based on customers' actual purchasing behavior. The most accurate way to measure brand loyalty is using the Proportion of Purchase Method. According to this method, customer loyalty is measured by examining the proportion of a customer's total purchases comprised of certain brands, during a given period. However, using the behavioral perspective as a basis for measuring consumer loyalty does not allow a distinction to be made between mere repeat-purchase behavior and actual brand loyalty (Jacoby & Chestnut, 1978). Thus, some scholars have emphasized the important role of customers' attitudes, suggesting that both behavior and attitude should be considered in defining and evaluating consumer loyalty (Oliver, 1999). These scholars argue that the difference between loyalty and mere repeat-purchase behavior is that loyalty is based on a consumer's distinct preference or liking for a brand or product.

The concept of loyalty includes both positive attitudes *and* behavior. However, customer satisfaction, which is the antecedent to loyalty, is also a positive attitude. Customer loyalty, then, should be measured purely in behavioral terms in the study of the relationship between customer satisfaction and customer loyalty, as a positive attitude is embedded within customer loyalty owing to the antecedent role played by customer satisfaction.

Perceived Product Quality and Customer Loyalty

Recently, “both managers and marketing scientists have begun focusing on the hitherto ignored role of customer value as a key strategic variable to help explain repeat purchase behavior, brand loyalty, and relationship commitment” (Patterson & Spreng, 1997:417). Perceived value is often assumed to involve a consumer’s assessment of the ratio of perceived benefits to perceived costs (Zeithaml, 1988). Bolton and Drew (1991) suggested that perceived value is a “richer measure of customers’ overall evaluation of a service than perceived service quality.” According to Parasuraman and Grewal (1998), perceived value is a function of a ‘get’ component (the benefits a buyer derives from a seller’s offering) and a ‘give’ component (the buyer’s monetary and non-monetary costs of acquiring the offering). Our study was primarily focused on information, system, and product/service quality as the ‘get’ component, and on money spent as the ‘give’ component.

Prior studies explicitly modeled perceived performance or quality as a direct antecedent of value, which, in turn, directly drove repurchase intention. Also, cumulative insights from prior studies supported the general notion that perceived value contributed to customer loyalty (Dodds, Monroe & Grewal, 1991; Grewal, Monroe & Krishnan, 1998; Voss, Parasuraman & Grewal, 1998). Anderson and Srinivasan (1993) suggested that when the perceived value was low, customers would be more inclined to switch to competing businesses to increase perceived value, thus contributing to a decline in loyalty.

So far, much of the service marketing literature has focused only on service quality and has not taken into consideration the fact that the majority of service industries provide both intangible services and tangible products. Few industries provide *purely* tangible products (for instance, salt or chemical products); likewise, few industries provide *purely* intangible services, (for instance, consulting or teaching) (Shostack, 1977). The concept of a product-service continuum implies that the provision of only products or only services are two extremes, while the majority of providers fall somewhere between these two extremes (Rathmell, 1966). That is, most products require, to some degree, the support of services, and most services require some

relationship to a product or products. In developing their theories on the dimensions of service quality, Lehtinen and Lehtinen (1991) suggested that the physical quality of service comprises not only physical support but also the associated physical products themselves. The tangible dimension of service quality has been thoroughly researched in service marketing studies, but the effects of the quality of the associated tangible product has rarely been investigated.

The importance of product quality in customers' purchasing decisions has, however, been fully recognized in the area of durable goods (Brucks, Zeithaml, & Naylo, 2000). The influence of product quality on customer satisfaction was proposed by Parasuraman, Zeithaml, and Berry (1994), but was not recognized in succeeding empirical studies on the service marketing area. After reviewing 32 studies of the service industry, Cronin, Brady, and Hult (2000) suggested that future research should include some consideration of the quality of the products associated with the services, thereby emphasizing the significance of product quality in consumers' decision-making process.

In a study of service at gas stations, Lee (1998) applied the customer satisfaction model proposed by Parasuraman, Zeithaml, and Berry (1994) to examine the effects of both product and service quality on customer satisfaction and loyalty. Their results showed that customers' perception of the quality of gasoline at a gas station not only had a positive effect on customers' satisfaction but also led directly to repeat-purchase behavior. Moreover, when it came to influencing customer loyalty, the effect of the quality of gasoline outweighed the effect of customers' satisfaction with the quality of service they received. Such findings imply that customers' willingness to repeatedly buy gasoline from the same gas station are likely influenced by the reliability of the product offered by the gas station. Accordingly, this research hypothesizes that product quality also affects customer loyalty both directly and indirectly.

Trust and Consumer Loyalty

Trust in a brand is formed by a certain period after the consumer feels the satisfaction gained from the advantages and benefits obtained after consuming a product. Consumer confidence in the brand gained after the positive emotional closeness of the

relationship between companies and consumers. Satisfaction with the service provided is a device that increases the spirit of cooperation. Therefore, there is a significant relationship between satisfaction and commitment in the long long-term (Morgan & Hunt, 1994). Bloemer & Odekerken-Schroder (2003) stated, consumer satisfaction positive effect on their commitments, then the effect on consumer loyalty is. More specifically, Hennig-Thurau & Klee (1997), Hennig-Thurau et. al. (2002), and Tax & Brown (1998) explained that consumers are satisfied will impact directly on commitments arising from within the consumer a high level of satisfaction that will direct consumers to create commitment and influence the emotional bond.

Consumer confidence in the service providers will increase the value of the relationship with the service provider. Ramsey and Sohi (1997) suggested that trust is an important element that affects the quality of a relationship. Morgan & Hunt (1994) added that high trust will be an effect on decreasing the possibility to transfer to another service provider. Correspondingly, Kurniasari and Ernawati (2012) argued that trust is a fundamental part of the formation of commitments, and commitments have a tendency to fight preferences become a key pioneer for loyalty.

Some findings empirically show the relationship between trust, commitment, and loyalty of which is the result of research conducted by Wang (2009), Hatane and Wijaya (2009), Anuwichanot & Mechinda (2009), Deng et al. (2010), Yee & Faziharudean (2010), Hsu et al. (2010), Kuppelwiesser et al. (2011), Rudyanto (2011), Lovbland et al. (2012), Jumaev et al. (2012), Vuuren et al. (2012), Shpëtim (2012), Amin et al. (2012), Madjid et al. (2013), Rasheed & Eternal (2014), Hazra (2013), Arfaeian & Chaipoopirutana (2014), and Chou (2014). From the description of the theoretical and empirical findings of the above, it can be concluded that the customers' trust has a positive relationship with commitment and customer loyalty.

Corporate Image and Customer Loyalty

According to Gremler and Gwinner (2000), and Berkley and Gupta (2005), a good image leads to lower employee turnover. While the role of customer contact employees and their interaction with customers are vital in a service business, and customer-contact employees treat customers in the way they are treated by

management, the frontline workforce-i.e. those with most customer contact are the most cynical group among employees (Gremier & Gwinner, 2000; Larkin & Larkin, 2006). Thus, working on the corporate image may mean changes in the core organizational activities like the work function of the frontline workforce.

However, Michael and Spector (2002) suggested a possible relationship between job satisfaction and employee turnover. He gave several factors that can influence employee turnover among which; not getting promoted, job market opportunities, ease of leaving a job (Adeniji & Osibanjo, 2012), etc. Sergeant and Frenkel (2008) reiterated that the interaction between customers and employees as part of the service on offer is likely to affect customer satisfaction, repeat patronage which enhances an organisation's image. They argue further that motivated employees stay with the company longer and get to know their customers better, thus leading to better service, greater customer satisfaction, improved relationship, and enhancement of the corporate competitive advantage. Again, repeat patronage by customers satisfied with the value they receive and their contentment with the service offer is a source of pride and energy for employees. Therefore, the link between happy employees and happy customers shows some levels of organizational effectiveness which is a pointer to a good corporate image.

Methodology

The research design is a survey. The main purpose of the study was to investigate the impact of customer satisfaction, perceived value, trust, and corporate image on customer loyalty of brewed products in Nigeria. The research instrument adopted for this study in collecting data from the respondents was the researchers' self-structured questionnaire, which was in line with the reviewed literature and focused mainly on the main variables in the study. However, there was a pilot survey conducted on twenty participants in Abuja to establish the reliability of our instrument.

Four hundred copies of the questionnaire were administered to the respondents drawn from the various joints and parks where brewed products are sold and consumed in Abuja Metropolis. Essentially, about 78.5% of the administered questionnaire were valid and analyzed, and the rating of all items was based on a 5-

point Likert scale (strongly disagree = 1; disagree = 2; undecided = 3; agree = 4; strongly agree = 5) to assist the respondents to indicate the intensity of their response on each of the items. The questionnaire was composed of twenty-three items measuring customer loyalty, customer satisfaction, corporate image, perceived value, and trust.

However, all the items in the questionnaire were reliable as shown by the Cronbach alpha scores ranging between 0.8 and 0.9; corporate identity (0.84); reputation (0.82); customer satisfaction (0.93); customer loyalty (0.89); employee satisfaction (0.84); service offering (0.89); physical environment (0.80). The data analysis utilized descriptive statistics, bivariate correlation, and linear regression.

Results and Discussion

As indicated in Table 1, the sample for the study consists of 198 males (63.1%) and 116 females, or 36.9% of the respondents were females. It is indicated that 119 respondents are between 21 – 30 years of age with 50.3% of the sample located within the 31 and 40 years age group; while 11.8% of the sample is located within the age group of 41 and above. Significant proportions of the respondents are unmarried (61.8%); or married (25.5%), with 12.7% had been married at a time. All the respondents possess educational qualifications with 38.2% representing MSc/MBA, 49.4% representing HND/BSc, and 12.4% representing respondents with NCE/OND.

However, concerning the respondents' demographic parameters, the sample may be considered as representing a rich and adequate data set.

Table 1: Demographic Parameters

	Frequency	Percentage
Gender		
Male	198	63.1%
Female	116	36.9%
Total:	314	100.0%
Age Group		
21 – 30 years	119	37.9%
31 – 40 years	158	50.3%
41 – 50 years	37	11.8%
Total:	314	100.0%
Marital Status		
Single	194	61.8%
Married	80	25.5%
Divorced	40	12.7%
Total:	314	100.0%
Educational Qualification		
NCE/OND	39	12.4%
HND/BSc	155	49.4%
MSc/MBA	120	38.2%
Total:	314	100.0%

Source: Field Survey, 2019

The data collected were also tested by using multivariate regression on the level of customer loyalty with other studied variables such as customer satisfaction, perceived value, trust, and corporate image, etc. As depicted in Table 2, the model shows the levels of customer loyalty concerning other studied variables. The tested regression model shows meaningful results ($F = 18.917$, $\text{Sig.} = .000$) and the independent variables explain about 30.3% of the change in the level of customer loyalty with all the other variables.

However, as obtained in the Coefficients' table (Table 2), the model parameters show that customer satisfaction, perceived value, trust, and corporate image have a significant effect on the level of customer loyalty.

Table 2: Variables coefficients

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	1.675	.374		4.479	.000
Customer satisfaction	.0113	.053	.110	2.133	.034
Perceived value	.183	.043	.246	4.237	.000
Trust	-.075	.059	-.081	-1.277	.203
Corporate Image	.041	.035	.058	1.172	.042

Dependent Variable: Customer Loyalty $R = .551, R^2 = .303$

Further, customer satisfaction has a positive effect on customer loyalty. This effect is significant and shows that customer satisfaction is a positive determinant of customer loyalty. Also, perceived product value has a positive and significant impact on customer loyalty to brewed products in Abuja. It shows that it is also a positive and significant determinant. Likewise, corporate image is also a positive and significant determinant of customer loyalty to selected brewed products in Abuja. However, the impact of trust in the brewed products on customer loyalty is negative and insignificant, showing that it is a negative and insignificant determinant of the brewed products.

Conclusion and Recommendations

The results of this survey suggest that perceived product value is a significant determinant of customer loyalty than all the other variables. This shows that customer loyalty to brewed products is significantly influenced by the value they get from consuming the product. Other variables show similar results except for trust which has a negative and insignificant effect on customer loyalty to brewed products in Abuja. Therefore, it may be concluded that customer satisfaction, perceived product value, corporate image are significant determinants of customer loyalty to brewed products in Abuja. However, trust is shown to have a statistically negative effect on customer loyalty to the brewed products.

Based on this, it is that to optimize customer loyalty, customer satisfaction, perceived product value, corporate image should be the major issues of interest to the brewery products companies in Abuja Metropolis. Strategies on these variables should be maintained since they were found to be positive and significant. However since trust was found to be negative, it should be improved to the point it can become positive to customer loyalty of the sampled firms in Abuja Metropolis.

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