Satisfaction towards Customer Loyalty in Auto-Mobile Industry of Pakistan

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ABSTRACT: This study investigates the factors affecting the brand loyalty of the customers of Auto-mobile industry in region of Pakistan with the use of ECSI model. A well-organized structured questionnaire was distributed among the customers of Auto-mobile industry. The questionnaire was based on 5 Point likert-type scale. Results show that the customer expectations have a direct positive impact on perceived value and an indirect impact on customer satisfaction. The study also finds that to satisfy the customers, customer’s education plays an important and positive role. Furthermore, the study finds a negative relationship between customer trust and customer loyalty. It is probably due to Pakistani culture in which the customers cannot fully trust the firm. Additionally, it is suggested that the ECSI model should be modified because customer education and trust are not present in the present model. In this regard, further research is required. Finally the study suggests that there should be an effort by the firm to improve the perceived quality because it positively influences the perceived value and customer satisfaction.

Keywords: Brand loyalty, Customer’s satisfaction, ECSI model, Perceived values, Trust, Auto-mobile industry

INTRODUCTION

In modern business world, the key objective of the firm is to get the competitive advantage over its competitors. Due to the globalization, this competition has become stiff and every organization wants to earn maximum results by spending minimum resources. More satisfied a customer is, more loyal with the brand he/she will be (Petruzz and Romanazzi, 2006). In financial year 2009, the sale of motor vehicles dropped by 46% (Daily Times, 14-Apr-09). Retaining a customer by a motor industry has obviously become the most important goal these days.

Satisfying the customer is the first objective of well reputed organization. There are many ways by which an organization may try to retain the customers’ loyalty (Oksana, 2003). Considering the competition and challenges of the modern world it becomes a more difficult task to satisfy a customer. The prices, the quality, the quantity and services offered by the competitors usually make it a far cry for the firm. Keeping in view the demand of the customers today, the firm has to add value to the products it offers. Moreover, the relationship it makes with the valued customers is also of the immense importance. In old days only best selling organizations were considered at the top, but now sale is not the only target of the firm. After sale service and a continuous relationship with the client keep the organization alive (Russell and Ueno 2006).

According to Kiyani et al., (2012) customer satisfaction is the most important aspects of customer loyalty beside other variables in automobile sector of Pakistan. Therefore,
companies must focus on a more comprehensive approach towards relationship marketing that includes customer satisfaction, which will result in retaining current customers and generation of positive word of mouth.

The quality of the product matters a lot when it is the question of satisfaction. Customers pay for the value of product and not only for (physical) features because they pay for what that fulfill their expectation (Vranesevic et al., 2004). A perceived value of a product or service has a deep and direct impact on the customer satisfaction (Vincent et al., 2008).

The perceived quality directly and positively influences the perceived value and on the trust and satisfaction of customers (Chwo-ming et al., 2005). The objective of a successful firm is to retain the existing customers because by this, it becomes possible for the firm to attract new customers. Successful firms keep the satisfaction of the customers and fulfillment of their requirements as their primary objective.

The researchers of the modern age are giving more attention to the customer’s satisfaction in terms of quality and price (Yonggui et al., 2004). If a customer is satisfaction with the quality and services provided by the firm, he becomes loyal to the firm (Wang et al., 2004). Ultimate satisfied customers are always loyal to the firm because the customer’s satisfaction has a direct positive link with customer’s loyalty (Joseph et al., 2005).

In marketing as well as in management, the customer satisfaction has gained popularity in recent time. The experts all over the world have verified ECSI model. Many industries like mobile co. super markets, TV- banking, etc. has used this model to measure the customer’s satisfaction and their loyalty with the firm. In this study, the ECSI model is re-explained with the addition of two new variables i.e.; customers trust and education.

This study investigates the impact of ECSI model on customer loyalty.

**Contribution**

In the article two new variables i.e.; customer trust and customer education are added to the standard ECSI model. The impact of these variables is observed towards the customer satisfaction and loyalty. Moreover the model is being tested in Auto-mobile industry of in Pakistan which is pure South Asian region. So the impact of this model can be seen in this area and compared with the western countries.

**Literature Review**

**Perceived Value**

Value refers to the overall attributes of the effectiveness of a product or service. A perceived value is always based upon the expectations of customer (Zeithaml, 1988). It is a difference between cost and benefits of a product (Lovelock, 2000). Research has been made and the consequences show that perceived value is significantly related to the repurchased purpose instead of the customers trust or quality of product (Cronin et al., 2000). Perceived value has been found a pre-requisite to the customer satisfaction (Dodds et al., 1991; Cronin et al., 2000; McDougall and Levesque, 2000). Perceived value puts a positive impact on customer satisfaction (Chang, 2009; Jackie, 2010).

The industry must make efforts to make positive relations with customers, if it wants long term growth and profits. High demand from customers makes it easier for the firm to know that the value of product is accepted by the customers (Yang et al., 2009). There is a direct and strong relation of perceived value with the customer satisfaction and customer loyalty (Lin et al., 2005; Huber et al., 2007; Whittaker et al., 2007). Customer value can be understood in relation to quality and price of the product. Perceived value is the best measure to predict the customer loyalty (Reicheld, 1996) perceived value is the result of good quality (Lee et al., 2005).

**Customer Trust**

Trust refers to the confidence of customer towards a particular product. Trust results in higher gains while distrust refers to losses. By the ECSI model the impact of customer trust can be measured in relation to the loyalty. Any significant increase in the trust of the customer shows rapid increase in the loyalty (Wetsch, 2006). Trust is influenced positively by the perceived value (Yieh et al., 2007).

If the firm has customers who have trust in the firm, loyalty is increased naturally. ECSI model shows a direct positive relation between trust and loyalty (Ball et al., 2003). The impact
of the customer trust in the sale representative and the company is positive and it contributes positively towards the customer loyalty (Andaleeb and Anwar, 1996).

Customer Education
Customer education means the knowledge of the market, product, services and value. More educated customers are expected to be more loyal (Bell and Eisingerich, 2006). Customer education and customer satisfaction are interdependent (Aubert and Benoit, 2007). Customer loyalty is significantly related to the customer education. An educated customer is considered more loyal to the firm as he has got enough knowledge about the market (Bell and Eisingerich, 2006). There has been a very little research on customer education, although education of market contributes a lot to the brand loyalty (Hemning et al., 2005). The customer should be aware of the performance of the similar product available so that he could make his analysis (Sharma and Peterson, 2000).

Customer Expectation
Customer expectation refers to the value which is demanded by the customer. It may be tangible or intangible. Customer expectations are directly linked with customer perceived quality, and such expectations are indirectly linked with customer satisfaction (Yu et al., 2005). In the supply chain, there are series of customers and it is difficult to meet the expectation of the customers. Customer expectation is something which the firm must know in advance much before starting the activities (Shawill et al., 1994).

Customer Satisfaction
Customer satisfaction refers to the internal positive feeling of a customer towards a brand which meets his expectations (Carl and McDaniel 2005). Customer satisfaction represents the influence of the long relationship between the firm and its customer. The overall perception of the customer toward the firm can be measured by measuring his consumption. The prior research has made it obvious that the customer’s satisfaction is the basic reason for customer loyalty (Fazio and Zanna 1978, 1981). If the customers are satisfied with the products of the firm, they are influenced positively towards buying. Brand loyalty is affected positively by the customer satisfaction (Ndubisi, 2006). Customer satisfaction is the overall analysis of the product (Johnson and Fornell, 1991). There have been a number of studies which discussed brand loyalty (Oliver 1980; 1997; 1999; Yi, 1990; Ajzen and Ehrenberg, 1988). Satisfaction refers to the attitude of buyer to continue the relationship (Fornel 1992; Anderson 1994; Ndubisi 2003).

Brand image, service quality and price are correlated to customer satisfaction. Increase in price has shown to have a negative impact on customer satisfaction (Malik et al., 2012). During the business expansions and recessions, the customer satisfaction becomes a topic of primary importance for the firm (Rajshekar et al., 2006) the management of a firm is required to be more involved in the key decision and events if they want the results of their choice. Brand takes the top importance because the customers, when feel satisfied, re-purchase the brand. On the other hand, if they are not satisfied with brand, their intentions get changed and they feel dissatisfied to purchase the brand. Customer satisfaction is accessible because it is based on the past experiences (Jung-Chaesuh and Youjae, 2006).

Customer satisfaction gets updated automatically with every new experience (Oliver, 1999). Loyal customers are more productive than disloyal. The amount of money spent by the customers depends on the level of their loyalty. Greater the level of loyalty, the more will be their spending (Zeithaml et al., 1996; Ganesh et al., 2000). Overall satisfaction of customer is positively influenced by the perceived quality of the product (Helgesen, 2010). The relationship between perceived quality and customer’s satisfaction after considering two different models i.e. encounter model and global model (Parasuraman et al., 1994). Customer satisfaction is affected positively by perceived quality (Pedraja et al., 2003).

Customer Loyalty
Customer loyalty is defined as the customer’s intention to purchase the product and continue using the brand by repeated buying. It simply means repurchasing of certain product (Dick et al., 1994). Customer loyalty means the minimum
need for switching to another substitute of the product (Raju et al., 1990). Brand loyalty means the strength of the product compared to similar other options (Brandchannel.com, 2006). Brand loyalty can be measured by seeing the repurchased intentions of the customers of a particular brand (Mellens et al., 1990; Patterson et al., 1997; Dorsch et al., 2000).

Satisfaction is positively associated with customer loyalty (Sharma and Patterson, 2000) and its related with business relationship (Burnham et al., 2003) and it influences the repurchased intention of the clients (Morgan and Hunt, 2004). Compare to the competitors, the customer loyalty is recommended the top important sign of an advantageous position of the firm. Loyalty is greatly influenced by the customers satisfaction and customers satisfaction is a basic need for loyalty (Jakie, 2010).

Customer loyalty is a great asset of the organization. Customer is always ready to pay premium price to buy the product (Reichheld and Sasser, 1990). The loyal customer simply chooses the brand on the basis of his past experiences. Initially the customer uses the product as a trail and continues to use it if he is satisfied with quality and become loyal, gradually, with brand (Yee and Sidek, 2008).

Companies, which manage to satisfy their customers, retain them for as long as possible, and hopefully turn them into loyal customers, will certainly be in a better competitive position and achieve a better financial performance (Almossawi, 2012). Customer satisfaction and brand loyalty are directly related i.e. higher satisfaction reflects higher loyalty (Hallowell 1996; Strauss and Neuhaus, 1997). It is proved in ECSI model (Cassel and Ekilf, 2001).

Summary of relevant research to customer loyalty process in past provided in table 1.

<table>
<thead>
<tr>
<th>Variable Relationship</th>
<th>Author name</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>PV → CS</td>
<td>Ching-Chow Yang et al., Dwayne Ball et al., Jackie et al., Hsin Hsin Chang et al., Yingzi Xu et al., Vincent C et al.,</td>
<td>2009 2003 2010 2009 2006 2008</td>
</tr>
<tr>
<td>CS → CL</td>
<td>Ching-Chow Yang et al., Dwayne Ball et al., Rebehah, Russell-Bennett et al., Yonggui Wang et al., Nelson et al., Hsin Hsin Chang et al., Chwo-ming et al., Øyvind Helgesen et al., Vincent C et al.,</td>
<td>2009 2004 2009 2004 2009 2005 2010 2008</td>
</tr>
<tr>
<td>CEx → PV</td>
<td>Dwayne Ball et al.,</td>
<td>2003</td>
</tr>
<tr>
<td>PQ → PV</td>
<td>Dwayne Ball et al.,</td>
<td>2003</td>
</tr>
<tr>
<td>CEd → CL</td>
<td>Simon J. et al., c.f Simon J. et al., Lovelock and Young, 1979</td>
<td>2006 2006</td>
</tr>
<tr>
<td>PQ → CS</td>
<td>Hsin-Hui et al., Chwo-ming et al.,</td>
<td>2009 2005</td>
</tr>
<tr>
<td>CEx → PQ</td>
<td>Chwo-ming et al.,</td>
<td>2005</td>
</tr>
<tr>
<td>CEx → CS</td>
<td>Chwo-ming et al.,</td>
<td>2005</td>
</tr>
<tr>
<td>PQ &amp; PV → CS</td>
<td>Yingzi Xu et al.,</td>
<td>2006</td>
</tr>
<tr>
<td>CT → CL</td>
<td>Mei-Fang Chen et al., Kai-li Yieh et al., Dwayne Ball et al., Lyle R.,</td>
<td>2008 2007 2003 2006</td>
</tr>
<tr>
<td>PV → CT</td>
<td>Kai-li Yieh et al.,</td>
<td>2007</td>
</tr>
<tr>
<td>CS → CT</td>
<td>Kai-li Yieh et al., Lyle R.,</td>
<td>2007 2006</td>
</tr>
</tbody>
</table>
Theoretical Model

Hypothesis of Research

H1 Customer Expectation has a positive effect on Perceived Quality
H2 Customer Expectation has a positive effect on Perceived Values
H3 Customer Expectation has a positive effect on Customer Satisfaction
H4 Perceived Quality has a positive effect on Perceived Values
H5 Perceived Quality has a positive effect on Customer Satisfaction
H6 Perceived Values has a positive effect on Customers Satisfaction
H7 Perceived Values has a positive effect on Customers Trust
H8 Customers Trust has a negative effect on Customers Satisfaction
H9 Customers Trust has a negative effect on Customer Loyalty
H10 Customers Satisfaction has a positive effect on Customer Loyalty
H11 Customer Education has a positive effect on Customer Loyalty
H12 Customer Education has a positive effect on Customer Satisfaction

RESEARCH METHOD

The study was carried out among the customers of Auto-mobile industry in the region of Pakistan. The company has a global business in many countries around the world. ECSI Model is being used in this study because it is well known and globally accepted model for measuring the customer loyalty. The 1st stage of data collection was to test the model by collecting questionnaires for a pilot study of 55 respondents. The 2nd stage involved the instrument circulation to a large number of customers including mailing through emails, registered posts and direct distribution.

The survey was distributed to 275 customers. Few of questionnaires were not retrieved back. Hence the results consist of 226 (82%) effective participants. There were few face-to-face meetings with respondents who visited the customer service office. The instrument was developed using Five Point Likert-type scale.

Instrument and Measures

There are seven variables tested by the instrument. There are 42 constructs, which explain the seven variables. Overall Reliability is 0.869 that is 86.9%.

Procedure

To analyze this study, the structural equation model, AMOS is used. The results reflected in the test are significant and close to the standards. There have been no outliers so all received questionnaires were found correct.

RESULTS AND DISCUSSION

A number of 226 respondents filled the questionnaire. The average respondent was 35 years of age, and had 14 years of schooling. Out of 226 respondents 197, that is 87%, were male respondents. Out of total respondents, 103 Individual clients, 24 Institutional clients, 46 Big clients, 36 Medium clients and only 7 Small clients participated in our study.

Result of the model by using the structural equation model presented in figure 1.
Reliability and Validity of Instrument

To conduct the study, a pilot study was made first to check the strength and consistency of the Model and it was found reliable and valid.

The fit of model is shown in table 2. It is evident from the analysis that overall research model is significant (chi square 713.623) and p value 0.000.

Hypotheses testing based on Regression Weights is presented in table 3. The beta of Perceived Quality (PQ) and Perceived Values (PV) shows the relationship of the variables. It is evident from the investigation that if one level in personal attributes is changed then there will be 35% positive changes in Perceived Values (PV).

The further consequences from the analysis shows the significant relationship between PQ and PV (p<0.05). The second variables relationship further shows that beta value of Customer Expectations (CEx.) and Perceived Values (PV) again is significant because of positive value of beta. Here Customer’s Expectations (CEx.) is imperative for growing Perceived Values (PV) among customers. Emblematically, the association is shown (p<0.05).

The relationship between Perceived Values (PV) and Customers Satisfaction (CS) is negative but significant. It shows that perceived values have a negative relationship with customers’ satisfaction. Customer’s Expectations (CEx.) and Perceived Quality (PQ) shows that Customer’s Expectations (CEx.) puts a positive effect on Perceived Quality (PQ) and shows significant relationship.

The table further reveals the regression weighted β=0.01, 0.23, 0.62, -0.04, between CS and PQ, CEx., CEd., CT respectively and the relationship is marked that if there is one degree change in PQ, CEx., CEd, CT there would be 1.0%, 23%, 62%, -4% change in CS and it further indicated the relationship is statistically significant except CT & PQ. CT and CS has a negative relationship and insignificant relationship with p value 0.103, (p>0.05). PQ has a positive relationship with CS and with statistically insignificant p value 0.671, (p>0.05).

The table further indicates that the regression weighted β=0.40, -0.04, 0.64 between CL and CEd., CT, CS respectively and the relationship is marked that if there is one degree change in CEd., CT, CS there would be 40.0%, -4%, 64%, change in CL. The relationship among CEd., CT, CS and CL is significant (p<0.05).
Table 2: Index of fit of the model

<table>
<thead>
<tr>
<th>Model Summary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi Square</td>
<td>713.623</td>
</tr>
<tr>
<td>Degree of freedom</td>
<td>9</td>
</tr>
<tr>
<td>P –value</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Table 3: Hypotheses testing based on regression weights

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>S.E.</th>
<th>P</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEx &lt;- CEx</td>
<td>0.227</td>
<td>0.096</td>
<td>0.018</td>
<td>Accepted</td>
</tr>
<tr>
<td>PQ &lt;- CEx</td>
<td>0.354</td>
<td>0.033</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>PV &lt;- PQ</td>
<td>0.072</td>
<td>0.048</td>
<td>0.138</td>
<td>Rejected</td>
</tr>
<tr>
<td>PV &lt;- PV</td>
<td>1.715</td>
<td>0.129</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>PV &lt;- CE</td>
<td>-0.734</td>
<td>0.067</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>CEx &lt;- CE</td>
<td>0.226</td>
<td>0.040</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>CEd &lt;- CE</td>
<td>0.618</td>
<td>0.029</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>CT &lt;- CT</td>
<td>-0.037</td>
<td>0.023</td>
<td>0.103</td>
<td>Rejected</td>
</tr>
<tr>
<td>PQ &lt;- CT</td>
<td>0.014</td>
<td>0.034</td>
<td>0.671</td>
<td>Rejected</td>
</tr>
<tr>
<td>CEx &lt;- CEx</td>
<td>0.640</td>
<td>0.049</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>CEd &lt;- CT</td>
<td>0.398</td>
<td>0.041</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>CL &lt;- CT</td>
<td>-0.041</td>
<td>0.019</td>
<td>0.034</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

CONCLUSION
Customer satisfaction always results in profitability for the firm (Jacobs et al., 2001). After going through the results and findings, the following conclusions are given; Firstly, The customer expectation positively and directly influences the perceived quality, perceived value and customer satisfaction. Secondly, Perceived quality positively and directly influences perceived value and customer satisfaction. When the quality of a product is raised, there will be an increase in the perceived value and customer satisfaction.

Thirdly, Customer trust has a negative impact on customer loyalty. It reflects that in a Pakistani market the customers rarely have a trust on the firm and hence the higher trust negatively influences the loyalty. Fourthly, Customer education has a positive impact on customer loyalty and customer satisfaction. The more educated a customer is, the more loyal and more satisfied with the product he will be. And finally the customer satisfaction has a direct and strong relation with customer loyalty. More satisfied customers are more loyal to the firm.

The purpose of this study is to suggest a frame work of customer loyalty with the use ECSI model. This study not only provided the validity of full model but also the construct validity of each item. The results show that the model proposed in this study supports the hypotheses. The other purpose of this study was to include two new variables to the ECSI model and find there validity and reliability, which is found significant.

Limitations/Further Research
There are many limitations to the study, which needs to be mentioned here;

- The sample size of study is low, so it cannot be comprehensive. So further it can be done by bigger sample size having a larger focus.
- The results can be tested by adding new variables to the model e.g. income level of the customer, inflation etc.
The banking sector, insurance companies and construction companies can also be beneficial if the study is conducted purely with the customers. However, it can be extended to the other organizations as well.

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