CHAPTER 1

CONCEPTUAL FRAMEWORK OF CUSTOMER SATISFACTION, BRAND EQUITY AND CUSTOMER LOYALTY

This chapter divulges with three prominent concepts of customer satisfaction, brand equity and customer loyalty with their respective dimensions, viz., brand awareness, brand image, brand association, perceived quality, brand trust and brand loyalty in case of brand equity; and recommendation, patronage, complaining behaviour and price insensitivity in case of customer loyalty. Further, the relationship between customer satisfaction, brand equity and customer loyalty with regard to both products and services has been explored in this chapter.

1.1 Customer Satisfaction

Customer satisfaction has long been recognised in marketing thought and practice as a central concept as well as an important goal of all business activities (Anderson, Fornell, and Lehmann 1994). In fact, there are at least two different conceptualisations of customer satisfaction, one is transaction-specific and other is cumulative. Transaction-specific satisfaction provides specific diagnostic information about a particular product or service encounter (Lam et al. 2004). In contrast, cumulative customer satisfaction is an overall evaluation based on the total purchase and consumption experiences with a product or service overtime (Anderson, Fornell, and Lehmann 1994), which is more fundamental and useful than transaction – specific consumer satisfaction in predicting a consumer’s subsequent behaviour and a firm’s past, present and future performance. It is cumulative customer satisfaction that motivates a firm’s investment in customer satisfaction (Wang and Lo 2002). Further,
customer satisfaction is generally defined as a feeling or judgement by customers towards products or services after they have used them (Jamal and Naser 2002). Though customer satisfaction is essential for survival (Rampersad 2001) but customers who are retained may not always be satisfied and satisfied customers may not always be retained (Dick and Basu 1994). So, this creates a challenge for maintaining high levels of service, awareness of customer expectations and improvements in services and product (Pizam and Ellis 1991). However, satisfied customers are the assets of an organisation that ensure a regular cash flow for the business in the future (Rahman 2004). Further, it is generally argued that if customers are satisfied with a particular product or service offering after its use, then they are likely to engage in repeat purchases and try line extensions. Moreover, customers are also likely to convey others of their favourable experiences and thus, engage in positive word-of-mouth advertising whereas dissatisfied consumers are likely to switch brands and engage in negative word-of-mouth advertising (Naser, Jamal, and Al-Khatib 1999).

High customer satisfaction has many benefits for the firm, such as increased loyalty for current suppliers, reduced price elasticities, insulation of current suppliers from competitive efforts, lower costs of future transactions, reduced failure costs, lower costs of attracting new customers and an enhanced reputation for the firm (Anderson, Fornell, and Lehmann 1994). Moreover, it is believed that customer satisfaction is a good, if not the best, indicator of a firm’s future profits (Chan et al. 2003).

Levesque and Mc Dougall (1996) found that service problems and bank’s service recovery ability have a major impact on customer satisfaction and intentions to switch. Mooradian and Oliver (1997) in their study revealed that satisfaction leads to repeat purchase intentions. Further, Naser, Jamal, and Al-Khatib (1999) indicated that
a vast majority of respondents are satisfied with most aspects of the Islamic bank’s products and services whereas Chiou, Droge, and Hanvanich (2002) revealed that service quality only influences purchase intentions only through satisfaction. Mai and Ness (2006) indicated that customer satisfaction is associated with both service and product features of mail order speciality food. Suh and Yi (2006) showed that customer satisfaction has greater effect on brand loyalty and brand attitudes when product involvement is low (i.e., household goods). In contrast, corporate image and attitudes toward the advertisement have more effect on brand attitudes and attitude has more effect on loyalty when product involvement is high, i.e., cosmetics.

Further, Bontis, Booker, and Serenko (2007) found that customer satisfaction enhances reputation in the service environment. Molina, Consuegra, and Estaben (2007) showed that confidence benefits have a direct, positive effect on the satisfaction of customers with their bank. Dapkevicius and Melnikas (2009) revealed that price and quality are important factors for customer satisfaction (Pepsi, Coke and Wine) whereas Naik, Gantasala, and Prabhakar (2010) revealed that services offered by retail units have positive impact and are significant in building customer satisfaction.

### 1.2 Brand Equity

Today brand equity has become one of the most important marketing concepts (Martensen and Gronholdt 2004) both in business practice as well as in academic research because marketers can gain competitive advantage through successful brands (Kim, Kim, and An 2003). Further, organisations develop brand as a way to attract and retain customers by promoting value, image and lifestyle (Rooney 1995). Although to create a brand from scratch requires huge investment (Motameni and
Shahrokhi 1998), but brands have various advantages to the firm, such as opportunity for successful extension, resilience against competitors, promotional pressures and creation of barriers to competitive entry. Brands are assets for a company and thus, company’s financial performance is significantly affected by its brand equity (Lassar, Mittal, and Sharma 1995). Therefore, brand equity is considered to be one of the key drivers of a business success (Prasad and Dev 2000).

Further, there have been three different viewpoints for considering brand equity, viz., the consumer-based perspective, the financial perspective and the combined perspective, where the consumer-based perspective subsumes the two multidimensional concepts, i.e., brand strength and brand value. Brand strength is based on the perceptions and behaviours of customers that allow the brand to enjoy sustainable and differentiated competitive advantage whereas brand values are the gains that accrue when brand strength is leveraged to obtain superior current and future profits. The financial perspective is based on the incremental discounted future cash flows that would result from a branded product’s revenue over the revenue of an unbranded product (Simon and Sullivan 1993). Finally, combined perspective incorporates both consumer-based brand equity and financial brand equity (Kim, Kim, and An 2003).

Further, brand equity is considered to be a set of assets (and liabilities) linked to a brand’s name and symbol that adds to (or subtract from) the value provided by a product or service to a firm and/or that firm’s customers (Aaker 1991). Furthermore, Aaker (1991) and Keller (1993) provided conceptual schemes that link brand equity with various consumer response variables. Specifically, Aaker (1991) identified four major consumer-related bases of brand equity, viz., brand loyalty, brand awareness, perceived quality and brand association whereas Keller (1993) proposed a knowledge-based framework for creating brand equity based on two dimensions, i.e., brand
awareness and brand image. Relying on the synergy of these two definitions, Atilgan et al. (2009) took perceived quality, brand loyalty, brand association, brand awareness and brand trust as the five basic customer related dimensions of brand equity. The present study considered all the dimensions identified by Aaker (1991), Keller (1993) and Atilgan et al. (2009).

Without brand awareness there is no brand equity, as awareness is a necessary condition for brand familiarity, brand preference and brand loyalty. Brand awareness is the “ability of a buyer to recognise or recall that the brand is a member of a certain product category” (Aaker 1991, p. 61). Further, brand awareness refers to the strength of the brand node in memory, i.e., how easy it is for consumers to remember the brand. Brand awareness can be measured as brand recognition and brand recall (Kim, Sun, and Kim 2008). Keller (1993) defined brand awareness as a necessary condition for the creation of brand image (Esch et al. 2009).

Brand image comprises of the attributes and benefits associated with a brand that makes the brand distinctive, thereby distinguishing the firm’s offer from competitors (Davis, Golcic, and Marquardt 2009). So, brand image is the mental picture or perception of a brand or a branded product or service and includes symbolic meanings that consumers associate with the specific attributes of a product or service. Brand image represents customers’ perceptions of a brand as reflected by the brand associations held in consumer memory. Further, brand image represents the reasoned or emotional perceptions consumers attach to a specific brand (Ogba and Tan 2009). Thus, brand image consists of both functional and symbolic brand beliefs (Low and Lamb 2000). Hence, brand image is made up of brand associations (Koubaa 2008) and these associations differentiate position and create positive attitudes and feelings toward the brand (Simms and Trott 2006). Brand association is anything linked in
memory to a brand, which includes favourability, uniqueness of perceived attributes and benefits from the brand (Keller 1993). It is concerned with the level of association, i.e., how much information is summarised or subsumed in the association. Further, Aaker (1991) provided a comprehensive categorisation of brand association consisting of 11 categories, viz., product attributes, intangibles, customer benefits, relative price, use/application, user/customer, celebrity/person, life-style/personality, product class, competitors and country/geography (Simms and Trott 2006). Keller (1998) classified brand association into three major categories, viz., attributes, benefits and attitudes. Attributes are those descriptive features that characterise a product or service (Rio, Vazquez, and Iglesias 2001). Benefits are the personal values consumer attach to the brand attributes, i.e., what consumer think the brand can do for him (Chen 2001). Further, brand attitude is consumer’s overall evaluation of a brand (Low and Lamb 2000).

However, as studied by Aaker (1991), Keller (1993) and Pappu, Quester, and Cooksey (2005), consumers who hold favourable associations toward a brand, have favourable perceptions of quality and vice- versa. Perceived quality has emerged as an important concern over the past few years because organisations attempt to achieve a competitive advantage through improved services (Stafford et al. 1999). Moreover, according to Aaker (1991) and Zeithaml (1988), perceived quality can be divided into product quality and service quality. Product quality comprised of seven dimensions, viz., performance, features, conformance with specification, reliability, durability, service ability and fit and finish whereas service quality includes tangibles, reliability, competence, responsiveness and empathy. Parasuraman, Zeithaml, and Berry (1988) (now onwards PZB) developed a method to measure service quality (SERVQUAL) where a large number of researchers used this instrument to assess service
organisations (Kim, Sun, and Kim 2008). PZB defined perceived service quality in different ways. Initially they identified ten dimensions on which services should be evaluated, i.e., reliability, responsiveness, competence, accuracy, courtesy, communication, credibility, security, understanding/knowing the customers and access (Kuo 2003). Further, PZB (1988) refined these ten determinants into 22 items/five dimensions, i.e., tangibles, reliability, responsiveness, assurance and empathy (Thelen, Honeycutt, and Murphy 2010).

SERVQUAL was developed on the basis of data from five service industries, including appliance repair and maintenance, retail banking, long-distance telephone service, securities brokerage and credit card companies. Moreover, SERVQUAL scale is a principal instrument in the services marketing, measuring and assessing service quality (Parasuraman, Zeithaml, and Berry 1991). This instrument has been widely used by both managers and academicians to assess customers’ perceptions of service quality for a variety of services (Lassar, Manolis, and Winsor 2000). The SERVQUAL scale is based on a Gap model of Parasuraman, Zeithaml, and Berry (1988), wherein the gap is assessed between customers’ expectations of a service and their perceptions of the actual service delivered by an organisation (Bennington and Cummane 1998).

However, SERVQUAL instrument has been criticised by some researchers, viz., Carman (1990); Cronin and Taylor (1992); Teas (1993); and Lin, Chiu, and Hsieh (2001), where Carman (1990) argued that SERVQUAL could not be a generic measure applicable to any service. It is needed to be customised to the specific service; whereas Cronin and Taylor (1992) and Teas (1993) questioned the validity of SERVQUAL and proposed alternative model, viz., SERVPERF.
SERVPERF composed of 22 perception items in the SERVQUAL scale, and therefore, excludes any consideration of expectations and tested this instrument in four industries, viz., banking, pest-control, dry cleaning and fast food. This measure explained more of the variance in an overall measure of service quality than did SERVQUAL (Buttle 1996).

Although the debate on service quality began in 1985 in the marketing literature, it was given a major boost by Cronin and Taylor (1992); Parasuraman, Berry, and Zeithaml (1993); Cronin and Taylor (1994). No doubt SERVQUAL is not without its critics, it is still the most widely used instrument for measuring service quality (Angur, Nataraajan, and Jahera 1999).

Besides service quality, service firms attract their customers through their promises. Customer decision to purchase is grounded on the trust that the firm will fulfil his/her needs. Further, human interaction during the service delivery process commonly reinforces the customer trust and effectively strengthens the relationship (Kandampully 1998).

Few researchers defined trust as a confidence in an exchange partner’s reliability and integrity (Morgan and Hunt 1994; Wong and Sohal 2002). Further, it is viewed as a belief, confidence, or expectation about an exchange partner’s trust worthiness that results from the partner’s expertise, reliability or intentionality. It is also the consumer’s brand perceptions, viz., altruism, honesty and potential performance of the product (Bouhlel et al. 2009). Moreover, trust is not only an attitude towards another person, but it is also directed towards an intangible object, such as brand (Delgado-Ballester and Munuera-Aleman 2001). Hence, trust is considered to be-along with commitment, communication and satisfaction-one of the basic pillars
supporting the relationship marketing theory (Flavian and Guinaliu 2006). Further, trust building is a cumulative process, where the level of trust in the earlier stages affects the level of trust in the later stages and impacts the development of longer-term trust relationships. In this context, there are two main factors that impact the building of trust, viz., pre interactional factor, which includes three sub-factors, viz., individual behavioural attributes (individual demographics, culture, past experiences, propensity to trust), institutional attributes (organisational reputation, innovativeness) and technology attributes (interface design, public key encryption, integrity) whereas second factor, viz., interactional factor, also include three sub-factors, viz., service attributes (reliability, availability, and usability), transactional delivery attributes (usability, security, privacy, quality) and information content attributes (completeness, accuracy, quality) (Colesca 2009).

Trust is a fundamental component of brand loyalty and companies strive to ensure that trust is never broken. However, companies also distinguish customers in their mind and actively participate in developing and strengthening the relationship, ensuring that it is two-sided. In other words, when a customer becomes loyal to a brand, the brand needs to become loyal to the customer in return (Robinson, Abbott, and Shoemaker 2005).

Trust has various positive outcomes, such as customer positive outcomes, commitment, value, price-tolerance, long term orientation in the relationship and brand effect. Thus, trust leads to loyalty because it creates exchange relationships that are highly valued (Poolthong and Mandhachitara 2009).

Copeland (1923) appears to be the first to suggest a phenomenon related to brand loyalty, which he labelled as ‘brand insistence’. Further, Day (1969) proposed brand
loyalty as repeated purchases prompted by strong dispositions (Lau and Lee 1999). Moreover, long-held belief that customer loyalty to a specific brand represents not only a source of ongoing sales but more profitable sales as well, has prompted firms to invest significant resources in the development of brands (Schoenbachler, Gordon, and Aurand 2004).

Further, Jacoby and Kyner (1973) defined brand loyalty as having six necessary conditions, viz., the biased, behavioural response (i.e., purchase), expressed overtime, by some decision making unit, with respect to one or more alternative brands out of a set of such brands and is a function of psychology processes (Schoenbachler, Gordon, and Aurand 2004).

Moreover, brand loyalty can be categorised into behavioural and attitudinal. Behavioural loyalty measure defines brand loyalty in terms of the actual purchases observed over a time period whereas attitudinal loyalty measures are based on stated preferences, commitment or purchase intentions (Rundle-Thiele and Mackay 2001).

Further, continued profit, reduced marketing cost, increased per-customer revenue growth, decreased operating cost, increased referrals and increased price premium are the advantages of brand loyalty (Tepeci 1999). Brand loyalty cannot be analysed without considering its relationship with awareness, reputation, perceived quality, image, innovation, promotion, brand extension, customer background and satisfaction (Moisescu 2007).

Selnes (1993) emphasised that brand reputation has a consistent and strong effect on loyalty in all four different companies, i.e., life insurance, telephone services, business college, salmon feed supplier whereas Lassar, Mittal, and Sharma (1995) observed that higher the prices, higher the equity associated with the brand in televisions and
watches. Muller (1998) suggested three key issues that a service brand should focus on, in order to build equity and acceptance in the market place, i.e., quality products and services, execution of service delivery, establishment of a symbolic image. Further, he opined that through the combination of these three elements in restaurant, brand development would come and provide the opportunity for charging premium prices and enhancing customer loyalty. Moreover, Bhat, Kelley, and O’Donnell (1998) emphasised that when consumers find some degree of similarity between the parent brand and the new product, brand extension is the best solution in three brands, i.e., one in consumer durable product category like Apple VCR, Apple Vista VCR etc, one in a repeat purchase or non-durable product category like Colgate body lotion, etc, and one in a service category like United Airlines car rental agency, United Airlines reliable car rental agency, etc. Parsad and Dev (2000) provided a good example of understanding and estimating brand equity in the lodging industry. Kim, Kim, and An (2003) indicated that brand loyalty, perceived quality and brand image are important components of consumer-based brand equity and share a positive relationship with a firm’s performance.

Further, Delgado-Ballester and Munuera-Aleman (2005) suggested that brand trust contributes to a better explanation of brand equity and also it is positively associated with brand loyalty, which in turn maintains a positive relationship with brand equity (Shampoo and Beer). Pappu, Quester, and Cooksey (2005) supported four dimension model of brand equity across two product categories, i.e., car and television and six brands. Brand awareness and brand association were found to be two distinct dimensions of brand equity. Yasin, Noor, and Mohamad (2007) found that the brand equity of electrical appliances (i.e., television, air conditioner and refrigerator) is
made up of three dimensions, viz., brand distinctiveness, brand loyalty and brand awareness/association.

1.3 Customer Loyalty

Today marketers are seeking information on how to build customer loyalty. The increased profits from loyalty come from reduced marketing costs, increased sales and reduced operational costs. Further, loyal customers provide strong word-of-mouth, create business referrals, provide references and serve on advisory boards (Bowen and Chen 2001). Hence, customer loyalty has a powerful impact on firm’s performance and is considered by many companies an important source of competitive advantage (Lam et al. 2004). Consistently high levels of customer loyalty not only create tremendous competitive advantage but also boost employee morale and productivity. On the other hand, persistent customer defection has a devastating impact on a company’s performance (Lee and Cunningham 2001). Further, the benefits of customer loyalty to a provider of either services or products include lower customer price sensitivity, reduced expenditure on attracting new customers, improved organisational profitability (Rowley 2005). Furthermore, loyalty can be towards a brand, product or service outlet. Loyalty also leads to positive attitudes and behaviours, such as repeat patronage and purchases and positive recommendations, which influence other actual or potential customers. A loyal customer base is a valuable asset for an organisation. It reduces the need to seek new customers and generates accurate feedback that the organisation’s products and services are meeting the needs of a particular group of people (Rowley and Dawes 1999). Moreover, loyal customers buy more, need less information as compared to non-loyal customers and are less likely to switch even because of slightly higher prices. They serve as an
information source for other customers and also act as part time employees (Bowen and Chen 2001). Customers can be loyal due to high switching barriers or lack of available alternatives and also because they are satisfied and thus, want to continue the relationship (Andreassen and Lindestad 1998). As most barriers appear to be of limited durability, companies tend to approach satisfaction as the only viable strategy in the long run. Another important element of loyalty is the intended support of the product expressed in communicating one’s experiences, i.e., positive word-of-mouth. Thus, one of the most powerful sources in persuasion is positive word-of-mouth. When a company’s customers recommend the product to others, this reflects a high degree of loyalty (Selnes 1993). Further, customers who have not developed loyalty to the service provider are more likely to perceive their exchange relationship as more short term, purely economic with lower expectations for fairness beyond the one time encounter (Robbins and Miller 2004).

In this context, Dick and Basu (1994) argued that loyalty is determined by the strength of the relationship between relative attitude and repeat patronage and that it has both attitudinal and behavioural elements. The combination of these enable us to distinguish two types of customer loyalty concepts, i.e., loyalty based on inertia, where a brand is bought out of habit merely because this takes less effort and customer will not hesitate to switch to another brand if there is some convenient reason to do so. Secondly, true brand loyalty, which is a form of repeat purchasing behaviour reflecting a conscious decision to continue buying the same brand, must be accompanied by an underlying positive attitude and a high degree of commitment towards the brand (Beerli, Martin, and Quintana 2004). Further, Dick and Basu (1994) proposed four conditions related to loyalty:
1. Loyalty signifies a favourable correspondence between relative and repeat patronage.

2. Latent loyalty is associated with high relative attitude, but low repeat patronage (Rowley 2005).

3. Spurious loyalty occurs when a consumer frequently purchases a brand but sees no significant difference among brands.

4. No loyalty exists in a category when customers see few differences between alternative brands and there are low repeat purchases (Javalgi and Moberg 1997).

Further, Rundle-Thiele (2005) in his paper studied the dimensions of loyalty as situational loyalty, price sensitivity, propensity to be loyal, attitudinal loyal and complaining behaviour. The dimensions of customer loyalty, i.e., recommendation and patronage were studied by Lam et al. (2004). Therefore, the present study focuses on the four dimensions of customer loyalty, viz., recommendation, patronage, price insensitivity and complaining behaviour.

Krishnamurthi and Raj (1991) showed that loyals are less price sensitive than non loyals in the choice decision but more price sensitive in the quantity decision (Burke and Ground coffee) whereas Dick and Basu (1994) demonstrated that loyalty is more prevalent among service customers than among customers of tangible products. In the services context, intangible attributes such as reliability and confidence play a major role in building or maintaining loyalty. Further, Bloemer, Ruyter, and Wetzel (1999) analysed four distinct dimensions of customer loyalty, i.e., word-of-mouth, purchase intentions, price sensitivity and complaining behaviour. Mc Dougall and Levesque (2000) indicated that increasing customer loyalty in four services, viz., dentist, auto service, restaurant and hair stylist, is positively correlated with increased profitability.
Mattila (2001) found that loyalty is not merely frequency or repurchase intentions but the result of a strong emotional bond forged between the customer and the company. Roehm, Pullins, and Roehm (2002) demonstrated that the loyalty of customers of packaged goods brands increases when the incentives are closely connected to the brand. Robbins and Miller (2004) emphasised that effectiveness of service recovery in various industries (phone/cable TV services, restaurants, electronics retail and repair) has the strongest influence on loyal customers. Moreover, attitudinal loyalty, complaining behaviour, situational loyalty, propensity to be loyal and resistance to competing offers, reflect the loyalty of a wine retail brand (Rundle-Thiele 2005).

Keiningham et al. (2007) indicated that intention to recommend alone will not suffice as a single predictor of customers’ loyalty behaviour in relation to retail banking, mass merchant retail and internet service providers. Han and Back (2008) implied that hotel industry should provide an excellent level of emotional experiences to their guests to maximise the impact of ideal image congruence on increasing customer loyalty. Further, Baker, Cronin, and Hopkins (2009) emphasised that higher levels of involvement leads to greater levels of customer loyalty and a lower need for scarce marketing resources.

1.4 Customer Satisfaction and Customer Loyalty

Oliva, Oliver, and MacMillan (1992) found that when satisfaction with services goes above a critical point, customer loyalty also increases and Anderson and Sullivan (1993) found that repurchase intentions are positively influenced by satisfaction across product categories. Jones and Sasser (1995) found that the relationship between satisfaction and loyalty is neither linear nor simple whereas Hallowell (1996) showed that higher customer satisfaction translates into higher than normal market share
growth, the ability to charge a higher price, improved customer loyalty with a strong link to improved profitability and lower transaction costs. Mittal and Lassar (1998) examined that high degree of satisfaction does not translate into loyalty whereas Mittal, Kumar, and Tsiros (1999) concluded that customers’ satisfaction with dealers positively affects brand repurchase intentions. Meuter et al. (2000) found that customers are more likely to engage in positive word-of-mouth and repurchase when satisfied. Bowen and Chen (2001) verified the non–linear and asymmetric relationship between customer satisfaction and loyalty in hotel industry whereas Khatibi, Ismail, and Thyagarajan (2002) confirmed that a high degree of customer satisfaction is not translated into customer loyalty in telecommunication companies. Hennig-Thurau, Gwineer, and Gremler (2002) asserted that customer satisfaction is the only immediate antecedent of customer loyalty; Donio, Massari, and Passiante (2006) found that there exists positive relationship between customer satisfaction and customer loyalty with regard to agri–food products; and Bontis, Booker, and Serenko (2007) found that reputation partially mediates the relationship between satisfaction and loyalty as well as satisfaction and recommendation.

1.5 Customer Loyalty and Brand Equity

Lau and Lee (1999) found that trust in a brand is positively related to loyalty (consumer goods) whereas Rousan, Ramzi, and Mohamed (2010) showed that dimensions of service quality such as empathy, reliability, responsiveness and tangibility significantly predict customer loyalty. Cronin, Brady, and Hult (2000) found a direct relationship between service quality and behavioural intentions across six different service industries. Wong and Sohal (2003) discovered a positive relationship between service quality and customer loyalty. Petrick (2004) found that
service quality has a direct influence on repurchase intention and is positively related to positive word-of-mouth and Ribbink et al. (2004) revealed that web site trust directly affects web site loyalty. Further, Flavian, Guinaliu, and Gurrea (2006) also indicated that higher web site trust leads to higher web site loyalty. Taylor, Celuch, and Goodwin (2004) revealed that brand equity and trust are consistently the most important antecedents to both behavioural and attitudinal forms of customer loyalty (industrial equipments). Ogba and Tan (2009) concluded that brand image positively influences customer loyalty to a market offering and positively boosts customer commitment. Finally, Clottey, Collier, and Stodnick (2008) exhibited that brand image, product quality, and service quality determine customer loyalty.

### 1.6 Brand Equity, Customer Satisfaction and Customer Loyalty

Caruana (2002) indicated that customer satisfaction does play a mediating role in the effect of service quality on loyalty whereas Kandampully and Suhartanto (2000) revealed that hotel image and customer satisfaction with the performance of housekeeping, reception, food and beverage and price are positively correlated with customer loyalty. Ehigie (2006) revealed that perception of service quality and satisfaction are significant predictors of customer loyalty. Jamal and Anastasiadou (2009) found that reliability, tangibility and empathy are positively related to customer satisfaction, which in turn is positively related to loyalty in the banking sector. Horppu et al. (2008) supported that satisfaction and trust on web site are determinants of web site loyalty. Further, Qin, Prybutok, and Zhao (2010) examined that food quality, perceived value and service quality, all have direct and positive relationship with satisfaction, which in turn influence behavioural intentions. Ghazizadeh, Basheli, and Talebi (2010) found that brand meaning is an important
element to create brand equity that will lead to customer satisfaction in Iranian State-owned banks. Further, this result is consistent with the study conducted by Che-Ha and Hashim (2007) in Malaysian banking sector context. Recently, Kheng, Mahamad, and Ramayah (2010) found that satisfaction has a mediating effect on the relationship between service quality (tangibles, reliability, responsiveness, empathy and assurance) and customer loyalty.

1.7 Conclusion

Brand equity, a measure of the overall value of a brand (Keller 1993) is a key concept in brand management. Further, brand equity allows organisations to enjoy high brand loyalty, viz., awareness, perceived quality and strong brand association with customers (Bristow, Schneider, and Schuler 2002). Besides building on long term customer loyalty, organisations with high brand equity create differentiated advantage. Therefore, organisations brand strength depends on the perception of its customers. Satisfied and loyal customers indicate positive perceptions of organisation’s brand (Ghazizadeh, Basheli, and Talebi 2010).
References-


Chen, Arthur Cheng-Hsui (2001), “Using Free Association to examine the Relationship between the Characteristics of Brand Associations and


CHAPTER 2

REVIEW OF LITERATURE

The pertinent literature has been reviewed so as to find out the research gap and need of the present study. In this context, the relevant literature covering all the important aspects of the study entitled, “Customer Loyalty: The Role of Customer Satisfaction and Brand Equity”, has been reviewed under five broad heads, viz., Brand equity; Brand equity and Customer satisfaction; Brand equity and Customer loyalty; Customer satisfaction and Customer loyalty; and Brand equity, Customer satisfaction and Customer loyalty. The relevant literature reviewed is as under:

2.1 Brand Equity

Some of the studies relating to brand equity are as under:-

In spite of the increasing importance of the brand equity concept, an instrument to measure brand equity from a customer perspective has been lacking. So, Lassar, Mittal, and Sharma (1995) developed an instrument to measure customer-based brand equity based on its five components, viz., performance, value, social image, trustworthiness and commitment. Data were collected from 113 consumers via a questionnaire containing 17 items, which were developed after four studies. Three brands of television monitors (Sony, RCA, and Goldstar) and watches (Seiko, Bullova, and Timex) were compared. Average brand equity was calculated by summing the scale ratings for each of the three brands. Finally, the prices and brand equity ratings were calculated. The study found that higher the prices, higher the equity associated with the brand.
Bhat, Kelley, and O’Donnel (1998) examined differences in consumer reaction to four brand naming strategy. While dealing with new products, marketers must know which of the four brand naming options is better, i.e., sub-brands, extensions, nested brands, and completely new brand names. Three brands were selected, one in consumer durable product category (Apple) like Apple VCR, Apple Vista VCR, etc., one in a repeat purchase or non-durable product category (Colgate) like Colgate body lotion, etc., and one in a service category (United Airlines) like United Airlines, Car Rental Agency, United Airlines Reliable Car Rental Agency, etc. Data were collected from the graduate students at a major university in the Western USA. Seven-point scale was used to measure two questions, i.e., overall impression of the new product and rate the new product’s image. The findings of the study indicate that when consumers find some degree of similarity between the parent brand and the new product, brand extension is the best solution, whereas when consumers perceive poor match between an existing brand and new product, a new brand name is the best strategy.

Krishnan and Hartline (2001) empirically tested whether brand equity is more important for services or tangible goods. A sample of 184 upper-level undergraduate and graduate business students at a major south eastern university of USA was selected. The respondents had to evaluate 8 brands falling under one product, i.e., television and three services, i.e., movie theater, hair saloon and pest control. To assess brand equity several single-item measures were used both directly and indirectly. A single price–premium question was used as a direct measure of brand equity whereas indirect measures of brand equity included six items based on seven-point scale. The results indicate that search dominant services (movie theater) and tangible goods (television) have higher brand equity than experience dominant
services (hair saloon) and credence dominant services (pest control). The overall results of the study don’t support that brand equity is more important for services than goods.

**Rio, Vazques, and Iglesias (2001)** examined the role played by product and brand name associations in the attainment of differential advantages in terms of the benefits perceived by consumers of particular brand. Non-specialised sport shoes (suitable for sport and casual wear) were selected for the study. In the preliminary step, 400 individuals were personally interviewed from the list of 28 brands of sport shoes; those they have used and of which they have sufficient knowledge of different features. Out of these brands, Adidas (64%), Fila (17%), Kelme (27%), Jhayber (16%), Nike (57%) and Reebok (65%) in accordance with their percentage were selected for the final survey. 1000 personal interviews were valid out of 1054. Product functional benefit, product symbolic benefit, brand name functional benefit, brand name symbolic benefit were the four main constructs used in the study. Eight items referring to the comfort, safety and duration of the sport shoes were included in the product functional benefits; the product symbolic benefits were measured through two variables evaluating the aesthetics of the sport shoes. Four items expressing the level of guarantee that the brand gives to the consumer in terms of perceived quality, trust, improved performance and value-for-money, were also used. Finally, the brand name symbolic benefits were evaluated by eight items. The findings of the study reveal that by brand name the benefits perceived by the consumer are highly correlated and depends on the product-based benefits.

**Myers (2003)** measured the equity of brands in relation to attributes, i.e., tangible and intangible. Further, the study investigated that while choosing the branded product whether customer looks upon the brand equity and its attributes. Data were collected
from the graduate and undergraduate students of traditional university in the South West of the USA who were familiar with the soft drink category. The results indicate that attributes were examined from both tangible and intangible perspective and both were found to be important contributors to brand equity and brand choice.

**Kim, Kim, and An (2003)** explored the possible relationship between consumer-based brand equity and financial performance of luxury hotels. Trained interviewers conducted a survey at Kimpo Airport for data collection via questionnaire consisted of four dimensions of brand equity, i.e., brand loyalty, brand awareness, perceived quality and brand image. Seven-point Likert scale anchored from 1 (strongly disagree) to 7 (strongly agree) was used to measure six items of brand loyalty, 11 items of both perceived quality and brand image. Three items were used to measure brand awareness. Factor analysis was employed to examine the validity of brand equity construct. The results indicate that brand loyalty, perceived quality and brand image are important components of consumer-based brand equity and share a positive relationship with a firm’s performance. Further, the respondents exhibited significantly higher loyalty and better image for high performing hotels as compared to those of low performing.

**Bamert and Wehrli (2005)** investigated whether customer service should be understood as a marketing activity or part of the perceived quality as a dimension of brand equity. Graduate students from the University of Zurich, Switzerland were asked through e-mails to take part in on-line survey. Total of 617 respondents participated in the final survey. Each participant was assigned randomly to one of the nine different brands, viz., Nike, Adidas, Orange, Sunrise, Swisscom, Credit Suisse, Raiffeisen and USB as services and Amazon as an internet retailer. Seven point Likert scale was used to assess 40 items relating to marketing activities and dimensions of
brand equity. The results indicate that in consumer market, customer service can be seen as a marketing activity and in service market, customer service is considered as a functional dimension of perceived service quality.

**Pappu, Quester, and Cooksey (2005)** aimed to improve the measurement of consumer-based brand equity. The study was conducted in two product categories, i.e., cars and televisions. Further, each product category consists of three brands. Data were collected from the non-students through a mall-intercept survey of shopping mall at an Australian state capital city, using systematic sampling. Two sets of questionnaires were used for each product category, where each questionnaire consisted of 19 items, i.e., three items for brand loyalty, five for perceived quality, eight for brand associations and three for brand awareness as well as questions relating to their demographic profile. Further, brand awareness was measured on a dichotomous scale while a Likert-type scale ranging from “Strongly Disagree” (1) and “Strongly Agree” (11) was adopted for all other brand equity measures. Confirmatory factor analysis was used for testing the multi-dimensionality of the consumer-based brand equity construct. The study results supported four dimensional model of consumer-based brand equity across two product categories and six brands. Brand awareness and brand associations were found to be two distinct dimensions of brand equity.

**Delgado-Ballester and Munuera-Aleman (2005)** analysed the importance of brand trust in the development of brand equity. Data were gathered from real consumers of South-Eastern part of Spain who were the users of either shampoo or beer through the computer-aided telephone interviewing programme. A set of four items was used to measure each dimension of brand trust based on previous research (Delgado 2004; Delgado et al. 2003). Brand loyalty was used to measure the dispositional
commitment to maintain an ongoing relationship with a brand. Further, to measure brand equity, four-item Likert scale, which was developed by Yoo and Donthu (2001) was used. Three items measured on five-point scale (Oliver 1997; Spreng et al. 1996) were used to measure overall satisfaction. The study concluded that brand trust contributes to a better explanation of brand equity and also it is positively associated with brand loyalty, which in turn maintains a positive relationship with brand equity.

Hankinson (2005) identified the brand image from a business tourist perspective (people visiting destinations for business meeting, incentive events, conferences and exhibitions) and also tested their relationship with perceived quality and commercial criteria. A total of 25 organisations were selected from the database of the British Association of Conference destinations and 15 destinations were used as elements. A self-completion questionnaire was used to measure manager’s ratings of the perceived quality of each destination and the commercial criteria used to select the destinations. Purposive or judgemental sampling was used to collect the data. The study used repertory grid analysis to elicit the key brand image attributes used by event managers to characterise destinations. Further, triadic method was used, where respondents were asked to rate the destinations on each of the emergent attribute using a five-point scale. Content analysis, exploratory analysis and correlation analysis were used to analyse the data. In content analysis, the most frequently elicited attributes were those which are associated with a destination’s physical environment. This analysis identified eight clusters of brand image attributes. Moreover, factor analysis identified three underlying dimensions, i.e., overall destination attractiveness, functionality and ambience. All these were correlated with perceived quality. The commercial criteria were dominated by a destination’s functional rather than ambience attributes. The correlation analysis indicated a significant and relatively strong correlation between
perceived quality and overall destination attractiveness. This analysis also showed that the relationship between a destination’s brand image and its perceived quality are most strongly influenced by its perceived functional attributes.

Kayaman and Arasali (2007) explored inter-relations of the four brand equity components; brand awareness, brand loyalty, perceived quality and brand image in hotel industry and improve the conceptualisation of customer-based hotel brand equity. Data were collected from 345 actual customers from 11 different countries who stayed in five star hotels in northern Cyprus. Judgement sampling was used to select the sample for the study. Brand awareness, brand image, perceived quality and brand loyalty of customer-based brand equity were included in the questionnaire. Items relating to brand awareness, brand loyalty and brand image were adopted from Kim and Kim (2005). Further, three items were employed to measure brand awareness component whereas six items were used to measure the brand loyalty. Furthermore, SERVQUAL scale developed by Parasuraman et al. (1988) was used to measure perceived quality and brand image component. Finally, the questionnaire included 45 variables to capture four dimensions that comprised of customer based brand equity. Confirmatory factor analysis was employed to address the issues of dimensionality, convergent and discriminant validity. Results of path analysis revealed that tangibility dimension has both direct and indirect effect on brand image; while reliability and empathy have a direct and positive impact on brand image. The findings of the study indicate that several components of perceived quality have a significant and direct effect on brand loyalty. Further, it indicates that there exists positive and significant relationship between brand loyalty and brand image.

Yasin, Noor, and Mohamad (2007) examined the effects of brand’s country–of–origin image on the formation of brand equity. To accomplish this objective, the
brand equity of household electrical appliances particularly television, refrigerator and air-conditioner in the Malaysian market were examined. Data were collected from consumers of household electrical appliances using probability sampling via structured questionnaire, which contained three parts: Part I consisted of items to measure country-of-origin image. Part II consisted of items measuring dimensions of brand equity, i.e., brand loyalty, brand awareness, perceived quality and brand associations and dependent variable brand equity, whereas Part III included questions relating to demographic and socio-economic characteristics of the subjects. There were three versions of questionnaires, each based on one electrical appliance and the respondents were asked to complete only one questionnaire. Two items pertaining to brand loyalty, four items of brand awareness, three of perceived quality and four items of overall brand equity were borrowed from Yoo et al. (2000). Two items of brand loyalty were adopted from Chaudhuri (1995). Exploratory factor analysis was conducted separately on each of the three constructs, viz., country-of-origin image (7 items), dimensions of brand equity (26 items) and overall brand equity (7 items). The factor analysis for country-of-origin image produced only one factor whereas dimensions of brand equity produced four factors, i.e., brand distinctiveness, brand loyalty, brand awareness and brand attitude/perception. The results of factor analysis indicate that brand distinctiveness, brand loyalty, brand awareness/brand associations have a positive relationship with brand equity and brand’s country-of-origin. Moreover, brand’s country-of-origin has a positive relationship with brand equity through the mediating effects of brand distinctiveness, brand loyalty and brand association/awareness. The findings of regression analysis indicate that brand’s country-of-origin image positively influences dimensions of brand equity at a significant level of .000. Further, the brand’s country-of-origin image influences
brand equity, either directly or indirectly through the mediating effects of brand distinctiveness, brand loyalty and brand awareness/brand associations.

Chen (2007) in his study determined whether authorised goods and gray goods, high involvement product and low involvement product affect brand equity differently. Further, the extent of influence of source channel on brand equity was examined both for high product involvement and low product involvement. Data were collected for consumer electronic and ball point pen from 200 undergraduate students in Taiwan. They were randomly assigned to one of the 2*2 cells of the design, i.e., authorised goods/gray-marketed goods and high involvement/low involvement resulting in about 50 subjects per cell. The dependent measure, i.e., brand equity was directly adopted from Aaker’s (1996) study. Seven-point semantic differential scale was used. Further, all the measures indicate an acceptable level of reliability (Cronbach’s α) that ranged from 0.68 to 0.89. The findings of the study indicate that the authorised goods have a larger effect on brand equity than do gray marketed goods. Moreover, high involvement products have a different effect on brand equity than low involvement products. Further, loyalty, perceived quality and brand association dimensions of brand equity have no significant differences both for authorised goods and gray goods. Furthermore, high involvement/authorised goods have powerful effects on market recognition, brand knowledge and brand opinion compared with low involvement/authorised goods.

2.2 Brand Equity and Customer Satisfaction

Reviews relating to brand equity and customer satisfaction are as under:

Selnes (1993) attempted to explore the relationship between satisfaction, brand reputation and loyalty. Data were collected from four different companies, i.e., Life
insurance, Telephone services, Business college, Salmon feed supplier. Perception of performance quality, brand reputation, satisfaction and loyalty were the four measures used in the study. Three indicators were used to measure perception of performance, quality and customer satisfaction and two indicators were used to measure behavioural intention or loyalty. Various statistical tools used in the study were mean, standard deviation, skewness and kurtosis. The findings of the study indicate that brand reputation does have a consistent and strong effect on loyalty in all four different companies.

Andreassen and Lindestad (1998) analysed the impact of corporate image on quality, customer satisfaction and customer loyalty in complex services with different degrees of service expertise. A total of 600 customers were interviewed by telephone who had travelled with one of the three packaged (charter) tour operators in Norway within the last 12 months. Quality, value, and choice were used to measure satisfaction. Perceived quality was measured by using three items, i.e., the total quality of the package tour, the flight, and the destination. Two indicators, i.e., quality given price and price given quality were used to measure value. Further, corporate image was assessed by using three indicators, i.e., overall opinion of the company, opinion of the company’s contribution to society and liking of the company. Two loyalty indicators, i.e., repurchase probability and likelihood of providing positive word-of-mouth to potential buyers. The findings of the study indicate that perceived quality exerts a strong influence on customer satisfaction, while value has no significant effect on satisfaction. Further, the study suggests that for complex and infrequently purchased services, corporate image rather than customer satisfaction is the main predictor of customer loyalty.
Stafford, Stafford, and Wells (1998) examined the significance and importance of the five original SERVQUAL dimensions in predicting levels of service quality and feelings of satisfaction in the auto insurance claims process from four prominent insurance providers. Data were collected through questionnaire based on seven point scale from the list of consumers who filed a first party claim with their auto insurer provided by four large insurance companies. Further, 22 item scale that measures perceived service quality based on the difference between a consumer’s expectations of service and consumer’s perception of actual performance was adopted from Parasuraman et al. (1988) SERVQUAL scale. Furthermore, items relating to customer satisfaction and demographic characteristics were also included in the questionnaire. Confirmatory factor analysis was conducted across all four companies to ensure the existence of the five SERVQUAL dimensions. The analysis indicates that two separate regression models for all four companies are significant (p<0.001) with adjusted $R^2$ values for all the models indicating a high proportion of explained variance. The results further indicate that reliability emerged as the key determinant of both overall service quality and feeling of satisfaction for all the four companies. Further, assurance emerged as a significant component for both service quality and feelings of satisfaction, while empathy was a key determinant of satisfaction.

Many empirical studies evaluate perceived service quality or customer satisfaction but no study has examined how perceived quality might vary for customers with strong or weak relational bonds to a firm. So, Garbarino and Johnson (1999) undertook their study to investigate that customers with strong relationships not only have higher levels of trust and commitment, but also that trust and commitment become central in their attitude and belief structures. The data were collected through questionnaire from 401 customers of a professional non-profit theatre company in New York city.
The respondents were selected randomly from theatre mailing list. In total, 33 measures were used to cover various constructs and these measures were evaluated using confirmatory factor analysis. The study revealed that for the low relational customers (individual ticket buyers and occasional subscribers), overall satisfaction is the primary mediating construct whereas for the high relational customers (consistent subscribers), trust and commitment, rather than satisfaction are the mediators between component attitude and future intentions.

**Jamal and Naser (2002)** in their paper explored the causal relationship between service quality and customer satisfaction and further, investigated the role of customer expertise in enhancing overall customer satisfaction. Data were collected randomly from 200 customers visiting a specific branch of Abu Dhabi commercial bank of UAE through questionnaire. The study measured service quality through core, relational and tangible dimensions, customer satisfaction through multiple interactions between bank and customers and lastly, customer expertise was measured through product class expertise dimension. Multiple regression and MANOVA were used to analyse the gathered data. The study concluded that both core and relational dimensions of service quality are associated with customer satisfaction. Further, customer expertise is found to be negatively related with customer satisfaction, i.e., as level of customers’ expertise goes up, their satisfaction with service provider comes down or decreases.

**Caruana (2002)** focused on the development of a conceptual framework that integrates service loyalty, service quality and customer satisfaction. Telephone directory was used to collect data through postal questionnaire, including 37 items split between three instruments that measured service loyalty, service quality and customer satisfaction. Further, demographic variables were also collected. 7 point scale was used to measure service loyalty, which includes 12 items adapted from
Gremler and Brown (1996). To measure service quality, 21 items of SERVQUAL instrument were used and to measure customer satisfaction, the instrument provided by Bitner and Hubbert (1994) was used. Regression was used to test the mediation model. The findings indicate that service quality and customer satisfaction are correlated (r=0.45), resulting in multicollinearity. LISREL 8.3 was used to test the interrelationship among constructs and the results obtained provide support for a completely mediated effect of service quality on service loyalty via customer satisfaction. The results indicate that customer satisfaction does play a mediating role in the effect of service quality on service loyalty.

**Pappu and Quester (2006)** examined the relationship between customer satisfaction and the equity associated by consumers with the retail brand. Systematic sampling was used to collect a total of 601 usable responses on the basis of convenience (i.e. every tenth consumer) who visited the busy shopping mall located in the CBD of an Australian capital city, where two categories of retailers, viz., specialty stores and departmental stores were tested. The questionnaire included two sections: Section one measured various dimensions of consumer-based retailer equity, viz., retailer awareness, retailer association, retailer perceived quality and retailer loyalty based on 7-point scale. All these measures were adapted from the literature of Aaker (1991), Dabholkar et al. (1996) and Yoo and Donthu (2001), Section two consisted of the items relating to the demographic information, viz., age, gender and satisfaction with the retailer. Further, single-item measure for customer satisfaction with the retailer based on 5-point scale suggested by Bitner and Hubbert (1994) was used. MANOVA and F-test were used to analyse the data. The findings of the study indicate that consumer-based retailer equity does vary significantly according to consumer satisfaction levels with the retailer; for departmental stores, each consumer-based
retailer equity dimension varied according to customer satisfaction with the retailer whereas for specialty stores only three of the consumer–based retailer equity dimensions, viz., retailer awareness, retailer association and retailer perceived quality varied according to customer satisfaction level with the retailer.

Bellou and Andronikidis (2008) in their paper tried to examine the internal service quality and its implications within the banking sector in terms of front-line employee behaviour, which is critical for service quality provided and customer satisfaction. Further, this effect was examined both for publicly and privately held banks of Greek city. Data were collected via questionnaires, which were administered to 10 employees who were selected randomly from each branch of 16 banks. The researchers gathered 113 questionnaires, out of which 105 questionnaires were fully and correctly completed. Internal service quality, pro-social behaviour and sector were three measures used in the study, where internal service quality consisting of 24 items based on 7-point Likert scale pertaining to seven distinct dimensions (reliability, responsiveness, competence, communication, understanding, courtesy and access), was measured to investigate the extent to which employees believe that their bank offers internal services of high quality. Further, instrument developed by Bettencourt and Brown (1997) included 5 items for each of its dimensions (role-prescribed customer service, cooperation and extra role behaviour) to access the pro-social behaviour. Finally, employees were asked to indicate whether the bank is a public or a private. Step wise regression was applied to examine the impact of internal service quality on overall pro-social behaviour as well as its dimensions. The findings of the study indicate that competence, communication and understanding predict overall pro-social behaviour for the public sector while reliability and access for the private sector. Further, competence and communication impact extra role behaviour
displayed by individuals employed in public sector banks while individuals employed in private sector banks are being influenced by competence and reliability. Finally, for role prescribed customer service, reliability and access have a significant effect on both sectors, but in case of public sector competence is also identified.

Negi (2009) explored the causal relationship between service quality dimensions and overall service quality. The author identified service quality gaps as experienced by the subscribers of the mobile services of Ethiopian Telecommunication Corporation (ETC). By using stratified random sampling, a sample of 220 respondents was drawn and final questionnaire composed of seven dimensions of SERVQUAL, viz., tangibles, reliability, responsiveness, empathy, assurance, network aspect and convenience. Factor analysis and multiple regression were used to analyse the data. The values of Cronbach alpha arrived at 0.8017 for network aspect and 0.6422 for convenience. The findings of the study indicate that overall service quality of mobile communications was perceived to be as below average by over half (52.7%) of the respondents.

Baker, Cronin Jr., and Hopkins (2009) investigated the extent to which involvement moderates the relationship between consumer perceptions of customer contact employees’ customer orientation and consumer perceptions of service quality and satisfaction. The data were collected by trained assistants via self-administered paper and pencil questionnaires at multiple locations, i.e., malls, churches, laundry mats, movie theatres, banks and other financial institutions. Customer orientation, service quality, satisfaction, and involvement were four measures used in the study. Customer orientation was measured by using ten positively worded items from the SOCO scale developed by Saxe and Weitz (1982) whereas service quality was measured using a slightly modified version of Teas’s (1993) five-item bipolar
adjective scale. Satisfaction was measured by using a six-item uni-polar adjective scale adapted from Westbrook and Oliver (1991) and six items were used to measure involvement. The findings of the study indicate that consumers with higher level of involvement with a service provider react disproportionately to the customer orientation of a service organisation’s employees. Further, the effect of the customer-oriented efforts of employees has a greater impact on the service quality of consumers that are highly involved with a service provider.

**Ahangar (2011)** aimed to identify customers’ preferences towards the online banking and to find out various service quality dimensions, which affect the customer satisfaction. Non-probabilistic convenience sampling was used to collect data from the users of private and public banks in Iran at Tehran. A sample of 300 respondents who actually use internet banking was selected for the study. 21 items related to efficiency, tangibility, responsiveness, reliability and empathy were included in the questionnaire. Factor analysis was applied on the responses provided by the respondent. The results of factor analysis reveal that five factors influencing satisfaction level of customers are responsiveness, reliability, efficiency, privacy of information and easiness to use.

### 2.3 BRAND EQUITY AND CUSTOMER LOYALTY

Important literature relating to brand equity and customer loyalty has been reviewed as under:

**Bristow, Schneider, and Schuler (2002)** tested a multi-item scale called the brand dependence scale (BDS), which was designed to measure the extent to which a consumer will use brand name as a cue in his purchase decision. Data were gathered for blue jeans and personal computers through questionnaire containing 7 items
relating to brand dependence and 4 for brand disparity from 208 college students. Further, demographic information was also collected. Exploratory factor analysis using principal component extraction with varimax rotation was used, which resulted into two factors, viz., brand disparity and brand dependence scale. Cronbach’s alpha values for the brand disparity were 0.78 and 0.72 for blue jeans and computers respectively, whereas alphas for the new brand dependence scale were 0.91 for blue jeans and 0.92 for personal computers. The findings of the study indicate that brand dependence and brand disparity were positively correlated and brand parity was positively associated with price sensitivity and negatively correlated with brand loyalty and information usefulness. Exploratory factor analysis of the brand dependence and brand disparity confirmed that brand dependence and brand disparity are two separate constructs.

Merisavo and Raulos (2004) addressed how regular non-personalised e-mailings (news letters) affect brand loyalty, how customers appreciate this form of e-mail marketing and what kind of e-mail contents were appreciated? Survey data were gathered from customers of a large multinational cosmetics company. Respondents’ recommendation of the brand, number of store visits, the recency of last purchase, and brand attitudes were analysed to measure the effects of e-mail marketing on brand loyalty. The study concluded that regular e-mail contacts have a positive affect on loyalty and also the consumers who are receiving regular e-mail messages have strong brand attitudes. Loyal customers appreciate regular communication and various other information contents from the brand more than mere offers.

Wong and Sohal (2006) investigated consumer perceptions about shopping experience in a retail environment and studied relationship among variables such as service quality, trust, and commitment and their impact on attitudinal outcomes, i.e.,
relationship quality and behavioural outcomes such as customer loyalty. Structured questionnaire was used to collect data from the shoppers of eight different stores, who were having a large chain departmental store of Victoria in Australia. 7-point Likert scale was used to measure service quality, trust, commitment, relationship strength, relationship quality and customer loyalty. Four items related to service quality were adapted from Dabholkar et al. (2000) whereas three items related to trust and commitment were borrowed from Morgan and Hunt (1994). Four items related to customer loyalty were taken from Reconfigured Behavioural Intentions Battery (Parasuraman et al. 1994) whereas for relationship strength and relationship quality, respondents were asked to state their overall assessment of the strength and quality of their relationship with the contact employees as well as with the company respectively. Confirmatory factor analysis was used to assess the unidimensionality and validity of the constructs. Accordingly, relationship strength model was analysed by structural equation modeling, using LISREL 8.0. The findings of the study indicate that service quality is significantly and positively related to customer loyalty, trust and relationship strength. Further, relationship strength is also positively and significantly related to relationship quality with relatively high standardised coefficients ranging from 0.67 to 0.87.

Ndubisi (2007) examined the impact of relationship marketing strategy on customer loyalty. Data were collected through a field survey of bank customers of 15 banks who accepted the invitation of Kota Kinibalu, Malaysia. Systematic quasi-random sampling selected every second customer to enter the bank on each day of the survey. Questionnaire was based on 5-point Likert scale containing items relating to trust, communication, commitment, conflict handling and loyalty. Items relating to trust were adapted from Churchill and Suprenant (1982) whereas items relating to
communication, commitment and conflict handling were borrowed from Morgan and Hunt (1994). Items pertaining to loyalty were gathered from Bloemer et al. (1999). Various statistical techniques were used to analyse the data, i.e., multiple regression analysis was performed to predict the relationship between the four underpinnings of relationship marketing and customer loyalty. Cronbach alpha for the entire construct came to be above the minimum standard of 0.70, as set by Nunnally (1978). The results of regression analysis indicate that trust, communication, commitment and conflict handling contribute significantly to customer loyalty. Further, the findings of the study indicate that greater the trust in the bank, the higher the level of bank’s commitment, the more reliable and timely its communication and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be.

Kim, Sun, and Kim (2008) examined the effects of hotel brand equity on guests’ perceived value and hotel revisit intention in midscale hotels with food and beverage operations. The study also investigated which factor model, i.e., proposed model (Brand loyalty, Perceived quality, Brand Awareness and Brand Association) versus competing model (Brand loyalty, Perceived quality, Brand Awareness /Brand Association) fits better in the lodging industry. Convenience sampling method was used with a self–administered questionnaire, which was distributed by the survey administrators at an airport who asked the traveler whether they had stayed at one of the six selected mix priced hotels in the US. 264 participants returned the survey directly to the field survey administrators after completing the questionnaire on site. The questionnaire had a total of 24 items in three sections wherein the first section respondents were asked to circle one brand that they have experienced most recently among six hotel brand names and to answer all survey questions focusing on that brand. The second section comprised of the items pertaining to four brand equity
dimensions, i.e., brand loyalty, perceived quality, brand awareness and brand association based on 7-point Likert type scale, followed by perceived value and revisit intent. The final section gathered demographic information. Brand loyalty, brand awareness, brand association consisted of three items whereas revisit intent had two items. All these items were rated on a 7-point Likert type scale ranging from 1 (Strongly disagree) to 7 (Strongly agree). Perceived value consisted of three items, which were rated on a semantic scale. For perceived quality, one representative item from each sub dimensions of SERVQUAL was selected. The final section gathered demographic information (gender, education, household income, ethnicity and so forth). The proposed model displayed a good level of fit. The results indicate that brand loyalty ($y = 0.19$) and perceived quality ($y = 0.44$ $p = .01$) have a significant influence on perceived value whereas brand awareness and brand association do not affect perceived value in the midscale hotel industry. Lastly, perceived value has a positive impact on hotel revisit intent. The squared multiple correlation (R square) for the perceived value in the proposed model (.52) is slightly higher than that of the competing model (.51). Overall, the results indicate that the competing model fits the data better than the proposed model.

**Ruyruen and Miller (2009)** examined the relationship between service loyalty and willingness to pay a price premium as one key indicators of brand equity. Further, the study also aimed to develop and empirically test a theoretical model examining the relationship between service loyalty and customer share of wallet and price premium as well as the links between the proposed antecedents, i.e., habitual buying, trust in the service provider and perceived service quality with service loyalty. Data were collected from 294 Australian small to medium sized enterprises (SMEs), using online and paper and pencil surveys from the owners of SMEs, financial controllers and
managers who were decision-makers in the selection and use of courier service providers for their businesses. Data were collected via two methods, i.e., mail survey and online survey. Out of 500 SMEs who had been contacted via telephone and agreed to participate were sent a paper and pencil survey in the mail, but only 50 returned completed questionnaire. Further, 4000 Australian SMEs were sent an invitation to participate in the online survey via e-mail resulting in 254 usable questionnaires. Questionnaire included items relating to self-report measures of habitual buying, trust in the service provider, perceived service quality, purchase intentions, attitudinal loyalty, customer share of wallet, as well as two measures of price premium, which were measured on scales from 1 to 5 with higher numbers indicating higher levels of the construct in question. Four items relating to habitual buying were taken from Lichtenstein et al. (1990) whereas four items pertaining to trust in the service provider were taken from Roberts et al. (2003), Macintosh and Lockshin (1997) and Geyskens et al. (1997). Four items were drawn from SERVQUAL (Parasuraman et al. 1998). Purchase intentions and attitudinal loyalty consisted of five items each, where purchase intentions were taken from Chaudhuri and Holbrook (2001), Gremler and Gwinner (2000) and Sirdeshmukh et al. (2002) and attitudinal loyalty was measured with five items developed by Beatty et al. (1996), followed by customer share-of-wallet based on Keiningham et al. (2003) and Verhoef (2003). Lastly, price premium was measured in two ways, i.e., price premium1 was measured with three items, followed by price premium2 with a single-item measure asking respondent to indicate the extra price that they would pay on a scale ranging from 0 to 100 percent. The findings of the study indicate that structural equation model fits the data well. Moreover, drivers of service loyalty are significant predictors of both types of service loyalty; purchase intentions and attitudinal loyalty.
Further, purchase intention is the main driver of customer’s share of wallet. Attitudinal loyalty on the other hand predicts both measures of price premium.

Ogba and Tan (2009) examined how brand image can influence customer loyalty as well as impact on customer commitment in Chinese mobile phone market. Data were gathered from 250 participants via questionnaire having 26 items. Items related to commitment and brand were adapted from Ogba (2008). Exploratory factor analysis was used to analyse the data. ANOVA, Cronbach alpha and correlation analysis were used for the assessment of association or differences of variables. Five components, viz., perceived quality, customer satisfaction, customer commitment, brand image and loyalty got extracted after principal component analysis, containing 25 usable items. The findings of the study indicate that brand image positively influences customer’s loyalty ($r=0.777$) and possibly boosts customer commitment ($0.809$).

Kim and Lee (2010) examined the relationship among corporate image, brand awareness, service price, service quality, customer support services and customer loyalty. Further, the key drivers affecting customer loyalty to mobile telecommunications service providers were also investigated. Data were collected from Korea via web based survey. Out of 785, 469 responded and used for data analysis. Customer loyalty was measured by two items, one assessing satisfaction with a particular mobile communications service provider and the other the intention to continue using the service provider. The findings of the study indicate that service quality, service price, corporate image and brand awareness are strong antecedents for establishing customer loyalty. Further, the study also concluded that the corporate image of mobile communications service providers is most significantly related to customer loyalty.
Yuen and Chen (2010) examined the impact of retail service quality dimension and product quality dimension on customer loyalty. Data were collected through a survey of existing customers of a window fashion gallery. 17 variables combined from the SERVQUAL scale and the retail service quality scale as well as four customised variables related to the retail service quality of fashion gallery was used to measure the retail service quality. Nine variables relevant to the product quality were used. Customer loyalty was measured by using six variables from the reconfigured behavioural intentions battery developed by Parasuraman, Zeithaml, and Berry (1994). Factor analysis was applied and the values of Bartlett’s test of sphericity of the three constructs were significant, thereby making the factor analysis meaningful. Kaiser-Meyer-Olkin measure of sampling adequacy test of retail service quality, product quality and customer loyalty were found to be significant. Cronbach’s alpha was used to measure the internal consistency of the multi-items used in the study. The findings of the study indicate that retail service quality is positively associated with customer loyalty whereas product quality does not have a positive influence on customer loyalty.

Ahmad and Hashim (2010) explored the relationship between the multidimensionality of brand equity construct, satisfaction and loyalty in the conference market segment within the hotel industry. Data were collected from the conference attendees, those who attended and stayed in the same hotel where the conference was held. Out of the 500 questionnaires distributed, 415 usable questionnaires were received. 7-point Likert scale was used to measure all the items. Staff service was measured by eight item scale and a four-item scale was used for self image congruence. Brand awareness and brand satisfaction were measured by a 3-item scale. Finally, nine-item scale was used to measure brand loyalty. Confirmatory
factor analysis was used to analyse the data. The findings of the study indicate that the model fits well with the data. Further, staff service is the most prominent aspect in understanding customer purchase behaviour.

2.4 Customer Satisfaction and Customer Loyalty

Reviews relating to customer satisfaction and customer loyalty are as follows:

Levesque and McDougall (1996) investigated the major determinants of customer satisfaction and future intentions with respect to retail banking. Data were collected from members of a church congregation through questionnaire. 325 complete questionnaires were received, thus constituting a response rate of 81%. Service quality was measured through SERVQUAL (Carman 1990; Cronin and Taylor 1992; Parasuraman et al. 1988, 1991). Items of service features were borrowed from bank market literature like Leblanc and Nyuygen (1988); Lewis (1991); Teas and Wong (1991). In total, 17 items were selected to measure service quality and service features. Three items were used to measure customer satisfaction and two items to measure future intentions towards the service provider (Brown et al 1993; Hausknecht 1990; Heskett et al 1994; Jones and Sasser 1995). The study derived three empirical models, viz., customer satisfaction model, recommendation to friend model and intention to switch model. Customer satisfaction model and recommendation to friend model were found to be very similar, with adjusted $R^2$ value of .71 and .57 respectively. However, explanatory value of intention to switch model was lower and gave two significant determinants, i.e., core performance and problem encountered. Thus, study concluded that both core and relational performance are important drivers and also features like convenience, do contribute towards customer satisfaction. The
findings also indicate that service problems and bank’s service recovery have a major impact on customer satisfaction and intention to switch.

**Sivadas and Baker-Prewitt (2000)** examined the relationship between service quality, customer satisfaction and store loyalty within a departmental store context. Firstly, the relationship between customer satisfaction, service quality and store loyalty was examined and then Oliver’s (1997) model of customer loyalty was tested to know its applicability to store loyalty. Data were collected from a random sample of 542 using a computer assisted telephone interviewing system. Only those respondents were contacted who had shopped at the department store within the past three months and were asked about their shopping experience in departmental store on variety of perspectives such as shopping frequency, overall satisfaction, etc. The hypothesised model was tested using structural equation model using LISREL 8.0 and found to have excellent fit. By examining path coefficients, it became evident that service quality directly affects both relative attitude and satisfaction; has no direct impact on loyalty but do have an indirect affect on it through influencing one’s likelihood of recommending a product. Further, the study tested the Oliver’s four state loyalty model (1997) by using LISREL and found to have an overall acceptance. It was apprehended that cognitive loyalty is a significant predictor of affective loyalty, which is a strong predictor of conative loyalty, which in turn significantly affects action loyalty.

**Homburg and Giering (2001)** pursued their study to provide additional insights into the relationship between customer satisfaction and customer loyalty by examining the role of moderating factors in this relationship. More specifically, the link between satisfaction and loyalty in context of consumer durables was studied and the impact of personal characteristics, viz., gender, age, income, involvement and variety seeking
on this relationship was also investigated. Data were collected through questionnaires from 943 randomly selected customers of a German car manufacturer who had bought a new car two years ago. Satisfaction and loyalty construct as well as the moderator variables were part of the questionnaire. Customer loyalty was measured through multidimensional scale consisting of behavioural, attitudinal component and recommendation behaviour and in total, it consisted of six items. Satisfaction consisted of three dimensions, viz., product, sales process and after sale service, containing 18 items in total. Two moderating factors, viz., involvement and variety seeking were measured through five items. Confirmatory factor analysis was applied using LISREL 8 to assess measurement validity and found that the values of composite reliability fell under the required criteria. It was found that satisfaction with product, sales process and after sale services enhance customer loyalty and particularly, effect of satisfaction with product on recommendation behaviour as well as on product repurchase behaviour is stronger. Another strong effect is found between satisfaction with sales process and intention to repurchase from the same distributors. The findings further reveal that moderator variables in general are relevant in the context of satisfaction-loyalty link. More specifically, variety seeking, age and income were found to be important moderators of satisfaction-loyalty link, while gender and involvement were not found to be very strong moderator.

Lee, Lee, and Feick (2001) examined the moderating role of switching costs in the customer satisfaction-loyalty link and identified customer segments and then examined heterogeneity in the satisfaction-loyalty link. Data were collected randomly from three current service providers who responded to face-to-face questions asked by an interviewer. Three measures, i.e., loyalty, satisfaction and switching costs were used in the study. Items pertaining to customer loyalty were borrowed from
To measure customer satisfaction, the performance ratings for cellular phones reported in consumer reports (1998) were used, which were categorised into three areas of customer satisfaction, i.e., pricing plan, core services and value added service. Switching costs were measured as the consumer’s perceived difficulty in switching, consistent with other attitudinal measures. Principal component analysis was applied on customer loyalty, which highlighted 62 percent of the variance in these items. Regression was used to analyse the main effect of satisfaction and the interaction of satisfaction and perceived switching costs on customer loyalty. The findings of the study indicate that switching costs play a significant moderating role in the satisfaction-loyalty link for the economy and standard group whereas for mobile lovers, switching cost affects loyalty. The results also indicate that the overall satisfaction-loyalty link is significant for all plan types. Further, consumers react differently to satisfaction components across plan types, where consumers in the economy and standard group consider the quality of core services most important whereas mobile lovers show their strong attachment to value added services. The level of satisfaction on pricing was much less significant for heavy users than for regular users.

Lewis and Spyrakopoulos (2001) investigated different types of service failures and recovery strategies in Greek retail banking. In addition, the study assessed the perception of customers about the magnitude of service failures and effectiveness of service recovery strategies. These were identified by using critical incident technique and a survey questionnaire was developed to measure customers’ perceptions. Data were collected from a convenience sample of 48 retail customers who were contacted in main branches of two participating banks and were asked questions relating to service failures, recovery and subsequent behaviour based on seven point Likert type
These interviews revealed eleven types of failures grouped into five categories, viz., banking procedures, mistakes, employee behaviour and training, functional/technical failures, actions and omissions of banks that are against the sense of fair trade and seven types of service recovery strategies, i.e., corrections, exceptional treatment, explanations, apologies, compensation, redirection of complaint to another employee and nothing. These categories of service failures and recovery were included into a structured survey questionnaire. A total of 183 valid questionnaires were collected. The findings of the study indicate that most important failures, in terms of magnitude, were unwilling employee and wrong statement while correction and exceptional treatments were found to be most satisfying recovery strategies.

**Bowen and Chen (2001)** studied the relationship between customer satisfaction and customer loyalty in the hotel industry with a case study of Lenox hotel in Boston. Data were collected from 2,000 people who had stayed in the hotel at least once during the last 12 months. Out of 1,000 incentive based mail, only 385 responded, whereas out of 994 non-incentive mails only 161 responded. Satisfaction and loyalty were the two measures used in the study where 7-point Likert scale was used to measure customer satisfaction. Recommendations to others and intention to return were the measures of customer loyalty. Findings of the study indicate non linear and asymmetric relationship between customer satisfaction and customer loyalty.

**Jones, Mothersbaugh, Beatty (2003)** focused on service firm’s location from the consumers’ perspective and integrated their perceptions of a convenient location with their current levels of satisfaction and repurchase intentions. Random sampling was used to collect data from 3000 residents of a Southern metropolitan statistical area, which was drawn from a mailing list purchased from a commercial sampling firm.
Banks and hair stylists/barbers were chosen for the study. Out of total 246 banking and 241 hair stylist/barbers surveys, 18 banking survey and 35 hair stylist surveys were deemed unusable due to incomplete responses. Satisfaction and repurchase intentions were used in the questionnaire, where four items of repurchase intentions scale were taken from Oliver and Swan (1989) and produced a coefficient alpha of 0.99 for both industries. Further, five items related to satisfaction were adapted from Crosby and Stevens (1987) and Oliver and Swan (1989) and produced a coefficient alpha of 0.98 for both industries. Ten-point semantic scale was used to measure satisfaction and repurchase intentions. Perception of a convenient location was measured using a single seven point Likert item and further, respondents were asked to indicate their level of agreement with the statement, “this bank (hair stylist/barber) has a very convenient location”. Moderator regression analysis was used to analyse the effects of satisfaction and convenient on repurchase intentions whereas Leverage values and Cook’s distance were also used to identify outlying and/or influential cases. The results indicate that satisfaction has a positive influence on repurchase intentions in both industries (banking: t=22.92, p=0.000; hair stylists: t=17.35, p=0.000) whereas convenient location does not have a direct effect on repurchase intentions in either industry (banking: t=-0.37, hair stylists: t=0.060). Further, convenient location acts as a barrier to defection in more standardised, less personal services such as banks, whereas locational convenience appears less important to repurchase intentions for less standardised, more personal services such as hair stylist, thus negating its potential as a switching barrier for such services.

Bennett and Rundle-Thiele (2004) demonstrated that satisfaction and loyalty are distinct constructs while satisfaction and attitudinal loyalty are related constructs. Data were collected through mail questionnaire from 267 respondents who had more
than one year’s experience in purchasing telephone directory advertising. Items related to satisfaction were borrowed from Oliver (1989), whereas five items of loyalty were taken from Ajzer and Fishbein (1980), Martin and Goodell (1991), and Traylor (1981). The findings of the study indicate that attitudinal loyalty and satisfaction are related but discriminant concepts. It is also found that satisfaction and loyalty are positively correlated, but are not the same constructs.

**Lam et al. (2004)** proposed a framework that considers perceived value, customer satisfaction and switching costs as antecedents of customer loyalty in a B2B context. Data were gathered from a heterogeneous sample of corporate customers with different spending levels on courier services through a global logistics and international mail group. Customer loyalty, customer satisfaction, switching costs and customer value were the various constructs used in the questionnaire, where the scale of customer loyalty was developed by Zeithaml et al. (1996). Items on switching costs were adapted from Ping (1993) and Liljander and Strandvik (1995) whereas customer value items were borrowed from Gale (1994) and customer satisfaction from Andreassen and Lindestad (1998) and Ping (1993). MANOVA indicates no significant difference between switching costs, satisfaction and loyalty. The complex inter-relationship between customer value, customer satisfaction, switching costs and customer loyalty construct has been found. Further, the two dimensions of customer loyalty, viz., recommendation and patronage, are positively related to customer satisfaction and switching costs.

**Yu et al. (2005)** in their paper examined the overall customer satisfaction of current users of Lexus in Taiwan by applying the customer satisfaction index model (Fornell et al. 1996). Data were collected through questionnaire from the Lexus owners who had themselves purchased Lexus and used it for more than 7 months. Out of 879
questionnaires, 320 had been collected. The questionnaire contained six parts, viz., customer expectations, perceived quality, perceived value, overall customer satisfaction, customer complaints and customer loyalty based on seven point scale except for two questions. SEM with LISREL was used to analyse the data. The findings of the study indicate that customer expectations have a direct impact on customer perceived quality whereas overall customer satisfaction negatively influences customer complaints and positively influences customer loyalty. Further, the study also finds that customer complaint doesn’t have negative impact on customer loyalty.

In spite of the increased awareness that customers differ in their attitudes and behaviour, very little is known about how and why they differ. So, Sood and Kathuria (2005) in their study examined the differences within the internal customer groups of an automobile wheel care centre, i.e., stayers and switchers. A sample of 130 customers residing in Chandigarh who owned car and visit auto care centre were selected using proportionate systematic stratified sampling. Factor analysis was performed to determine the measurement properties and dimensionalities of various dimensions like, satisfaction, loyalty etc. t-test, cronbach alpha and discriminant analysis were used to analyse the data. The study reveals that the dissatisfied switchers are significantly more satisfied with their current service providers than the stayers. Moreover, dissatisfied switchers exhibit higher level of purchase involvement and lower level of ego involvement as compared to stayers.

Laforet and Li (2005) investigated the market status of online and mobile banking in China and also examined consumer behaviour, attitude, motivation and cultural influence with regard to Chinese adoption of these services. Structured questionnaire was used to collect data from 128 respondents, out of 300 selected randomly from six
major cities of China. Consumer attitudes and reaction to new technology, consumer perceptions of online and mobile bank attributes, psychological factors, demographic factors, consumer expectations and major concerns of online and mobile banking were the main issues included in the questionnaire. Frequency, mean and t-test were used to analyse the data. The findings of the study indicate that the level of education does not influence the online and mobile banking adoption whereas with regard to consumer attitude towards online and mobile banking, perceived risks is found to be the most important factor that encourages or discourages consumers’ attitude towards the adoption of Chinese online banking.

Matzler, Wurtele, and Renzl (2006) examined that price satisfaction is a complex construct consisting of several dimensions, i.e., price quality ratio, price fairness, price transparency, price reliability and relative price. The study explored whether all the dimensions of price satisfaction are positively related to overall customer satisfaction. Data for the price satisfaction in the retail banking were collected by means of standardised questionnaire with closed-response questions using rating scales. The questionnaire consisted of 6 dimensions including 28 items based on 5-point Likert scale to measure the dimensions of price satisfaction. Factor analysis was employed, which resulted into five factors, i.e., price fairness, reliability of prices, transparency of prices, relative price and price-quality ratio. Cronbach α was computed for each factor and all values came to be above 0.75. The findings indicate that price transparency, price quality ratio, relative price are related whereas price confidence and reliability are not related to overall price satisfaction. However, price satisfaction can be conceptualised as a multidimensional construct.

Jones and Farquhar (2007) aimed to explore service failures and then examined the effect of service recovery attempts on customers’ intentions of repatronage or
recommendation in UK banks. Data were collected by means of internet survey via e-mail. The variables of questionnaire consisted of multiple-choice based on Likert scale. Sample was drawn from the database that was complied for some previous research. Respondents were asked about their experiences of service failure and were, further, asked if they had complained. A list of 18 common service failures was identified through focus group and respondents were asked to indicate the most serious problem that they had with their bank within the past year and the impact of that problem on their loyalty behaviour. The study found that the way banks handle service failures can significantly strengthen or weaken customers’ intended loyalty behaviour. Thus, when customers are very much satisfied with complaint handling then their intended loyalty enhances, but if customers are just satisfied or partially satisfied, it results in much reduced levels of continued custom or recommendation. Analysis also revealed that customers who filed complaint to their bank about the problem are likely to continue their custom but less likely to make a recommendation. Thus, it can be concluded that high level of dissatisfaction or mere satisfaction can result in customer switching. But in financial services, where exit costs are high, customers may not switch, but may be discouraged from further purchases.

Molina, Martin-Consuegra, and Esteban (2007) presented a causal model identifying the relational benefits of customer satisfaction in retail banking. Convenience sampling method was used to collect data in 2004 from bank customers of the three large Spanish cities located in central Spain. Multiple-item measurement scale was used to design the questionnaire, which included questions regarding the different related benefits, customer satisfaction, the number and types of financial products acquired as well as the length, continuity and degree of relationship with the financial entity. 14 items pertaining to different related benefits based on 7-point
Likert scale were adapted from the study of Gwinner et al. (1998) whereas items related to customer satisfaction were based on the relevant literature in general (i.e. Westbrook 1981; Westbrook and Oliver 1991; Reynolds and Bealty 1991; Anselmsson 2006) and the banking sector in particular (i.e., Levesque and Mc Dougall 1996; Ndubisi and Wah 2005). Confirmatory factor analysis was used to test relational benefits and customer satisfaction, which were then analysed for reliability and validity. Structural equation modeling (SEM) was used to test the existing causal relationship between relational benefits (special treatment, confidence and social benefits) and customer satisfaction in retail banking. Chi-square was used to test the relationship whereas comparative fit index (CFI), normed fit index (NFI), non-normed fit index (NNFI) and root mean square residual (RMR) were also used as tests of model fit. The global goodness of fit statistics indicates that structural model represents the data structure well. Moreover, confidence benefits having a significant and strong impact on customer satisfaction are not significantly influenced by either social or special treatment benefits.

**Hoq and Amin (2010)** examined the role of customer satisfaction in enhancing customer loyalty for Muslim and non-Muslim customers and the effects of customer loyalty on customers’ behavioural decisions in the Malaysian Islamic banking industry. Quota sampling was used for the study and 440 questionnaires were received. Seven point Likert scale was used to measure customer loyalty by adapting scale items from Zeithaml et al. (1996), and intention to switch was measured by generating scale items from Athanassopoulus (2001). Customer satisfaction was measured by adapting scales developed by Fornell et al. (1996), and Levesque and McDougall (1996). To test the reliability of customer satisfaction, customer loyalty, and intention to switch instruments, the Cronbach’s alpha coefficient was computed.
The coefficient alpha exceeded the minimum standard of 0.70 (Nunnally and Bernstein 1994), which indicates that it provides a good estimate of internal consistency or reliability. The result shows that customer satisfaction is the most important driver to enhance customer loyalty for non-Muslim than Muslim customers. Further, result also implies that higher customer satisfaction leads to lower customer intention to switch a bank.

2.5 Brand Equity, Customer Satisfaction and Customer Loyalty

Important reviews relating to brand equity, customer satisfaction and customer loyalty are as under:

Yavas, Bilgin, and Shemwell (1997) investigated the effect of service quality on customer satisfaction, complaint behaviour and commitment. They measured service quality by using SERVQUAL instrument, satisfaction through five dimensions of SERVQUAL, complaint behaviour through two forms of complaints, i.e., private response and voice response. Likewise, commitment was operationalised through two items adapted from Shemwell and Cronin (1995) and Shemwell et al. (1994). Further, to analyse the effect of service quality on the above dimensions, two sets of analysis were done. Firstly, three bi-variate (simple regression) analysis was performed by using overall service quality scores as the independent and satisfaction, complaining behaviour and commitment as the dependent variables. The analysis of the result proved to be significant for all the three bi-variate regressions ($r^2 = 0.082$ for satisfaction, 0.028 complaining behaviour, and 0.72 commitment). Secondly, three stepwise regression models were run and in each model 5 service quality components served as independent and satisfaction, complaining behaviour, and commitment as the dependent variables. The results reveal that all the three models are significant.
Methlie and Nysveen (1999) studied factors that keep online customers loyal towards their bank on the basis of the data collected from customers of three banks through questionnaire accessible on the home page of their bank. The respondents filled out the questionnaire on their computer screens and returned the same via internet. 7-point scale was used to measure various constructs, viz., search costs, satisfaction, switching costs, loyalty, brand reputation. The findings of the study indicate that customer satisfaction and brand reputation are two most important determinants for both affective loyalty and conative loyalty.

Olsen (2002) examined the relationship between perceived quality performance, customer satisfaction, and repurchase loyalty within a relative attitudinal framework. Four different “generic” product categories of sea-food products (home frozen, frozen from supermarket, fresh from supermarket and fresh from sea food store) were selected. Data were collected from the persons responsible for preparing the family dinner in the households. Two versions of the questionnaire were developed containing questions about purchasing patterns and consumption frequency. Further, it contained questions relating to global and attribute evaluation and with some general information about the respondents. Perceived quality performance, customer satisfaction, loyalty and frequent behaviour were the constructs used in the questionnaire, where 7-point semantic differential scale anchored by “dissatisfied/satisfied” and “unpleasant/ pleasant” was used to measure customer satisfaction. The behavioural measure was adopted from Jacoby and Chestnut (1978). The results indicate that the relationship between satisfaction and loyalty is significant and positive but weaker than the relationship between quality and satisfaction.

In spite of considerable use of professional services in business organisations, less attention has been paid to professional business services than consumer services. So,
**Hong and Goo (2004)** proposed a causal model of customer loyalty in professional service firms and seek to test the model with a sample of listed and OTC companies in Taiwan. The study also investigated the relationship between service quality and customer satisfaction and firm’s image and customer loyalty. It has to be examined whether price of service has its effect on service quality and also with regard to customer satisfaction. Data were collected from the controllers (or CFOs) of all listed and OTC companies in Taiwan. 5-point Likert scale was applied to measure different constructs, i.e., service quality, customer satisfaction, firm’s image, and customer loyalty. All 19 variables of service quality were adapted from Parasuraman et al. (1998, 1991) which gave five-factor dimension of service quality, i.e., tangibles, reliability, responsiveness, assurance and empathy. Further, items of firm image and customer satisfaction were taken from Johnson and Gustafsson (2000) and Fornell et al. (1996). Items of price were borrowed from Mayhen and Winer (1992) and Winer (1986) whereas items relating to customer loyalty were taken from Zeithaml, Parasuraman, and Berry (1996). The findings of the study indicate that the SERVQUAL instrument with five-dimensions provide good measurement of service quality in context of professional accounting business. Further, service quality is positively associated with customer satisfaction and price of service delivery influences service quality and customer satisfaction. Customer satisfaction has a positive impact on firm’s image and customer loyalty and firm’s image has a significant impact of customer loyalty but no significant impact has been observed on customer satisfaction.

**Ehigie (2006)** examined how customer expectations, perceived service quality and satisfaction predict customer loyalty among bank customers in Nigeria. The study was conducted both as qualitative and quantitative research. For the qualitative study, 38
professional post-graduate students were selected who owned savings, current and electronic accounts. Out of which 20 were engaged in in-depth interview while 18 participated in the focus group discussion. Further, for quantitative research, 247 respondents responded to questionnaire items. Items relating to customer’s expectations, customer loyalty, customer satisfaction and perceived service quality were used in the questionnaire. A hierarchical regression analysis was used to test the significant relationship of customer loyalty, customer expectations, service quality perception and satisfaction. The results indicate that service quality and satisfaction are significant predictors of customer loyalty, but not customer expectations.

Tsiotsou (2006) examined the effects of perceived product quality and overall satisfaction on purchase intentions, along with the direct and indirect effects of values and involvement on purchase intentions on the basis of data collected from university students of Greek city selected through simple random sampling technique. Out of 226 questionnaires administered, 197 came up for proper analysis. The questionnaire consisted of four parts: Part I measured values, Part II perceived product quality, overall satisfaction and purchase intentions, Part III measured involvement with sport shoes whereas Part IV gathered demographic data. Further, to measure involvement with sport shoes, revised version of the Personal Involvement Inventory developed by Zaichkowsky (1985, 1994) and to measure values, a list of values (LOV) developed by Kahle (1986) was used. Part III consisted of three items based on 5-point Likert scale referring to perceived product quality, overall satisfaction and purchase intentions. The results indicate perceived product quality playing an important role in both consumer satisfaction and purchase intentions. Further, involvement with the product also shows direct positive impact on purchase intentions whereas values don’t have any significant impact on purchase intentions.
Liang and Wang (2007) developed and tested a model revealing the relationships among service quality, relationship bonding tactics, customer satisfaction, trust and commitment and customer behavioural loyalty. Data were collected from customers of one of the famous banks of Taiwan through self-administered questionnaire based on 5-point scale. The final sample with valid questionnaire constituted 396 from loan department, 431 from deposits department and 216 from credit cards department. Perceived relationship investment, relationship satisfaction and trust/commitment were used to measure relationship quality in the model. The model was tested using two stage structural equation modeling. In the first stage, confirmatory factor analysis was carried out in order to evaluate construct, convergent and discriminant validity and in the second stage, path analysis was performed to test various research hypotheses. It was found that social bonding tactics significantly influence perceived relationship investment, particularly in loan sections and perceived relationship investment by members of three departments does effect customer satisfaction. Further, it was revealed that trust and commitment in the three departments positively affect customer loyalty.

Macintosh (2009) empirically tested a model and examined the antecedents and outcomes of interpersonal rapport in a professional service context. The study also analysed the relationship between rapport and trust. Data were collected by 21 students who were invited to serve as data collectors where each student collected data from six participants, but five surveys were found to be non-useable, leaving an effective sample of 121 participants who were asked to respond with regard to their dental professional. 5-point Likert scale was used to measure the items except self-disclosure, common grounding and WOM. For mutual self-disclosure, the two self-disclosure items were summed to form an index ranging from 2 to 8 whereas an index
ranging from -6 to +6 was also formed for word-of-mouth by multiplying the two WOM items. Further, common grounding was measured with a single item capturing knowledge of a personal connection outside the business context. Confirmatory factor analysis was conducted using LISREL 8 to evaluate the factor structure, reliability and discriminant validity. The findings of the study indicate that relative fit index was 0.93, the comparative fit index was 0.97 and the root mean square residual was 0.058. All the measures were unidimensional including rapport, which was measured using Gremler and Gwinner’s (2000) scale. Further, the model had a good fit with the data and all the four potential antecedents of rapport, viz., familiarity, mutual self-disclosure, extras and common grounding, have been found to be related to rapport. Moreover, trust is also positively related to satisfaction and satisfaction is positively related to WOM.

Hu, Kandampully, and Juwaheer (2009) proposed a model that describes the relationship between service quality, satisfaction and perceived value, taking into account the effects of image on consumer behavioural intentions. Further, study investigated the relationship that exists between service quality and perceived value and how they impact customer satisfaction, corporate image and behavioural intentions. Data were collected from the customers belonging to three categories of selected hotels, viz., luxury, mid-scale, and economy hotels located in Mauritius. Structured questionnaires were prepared in both English and French to find out their perceptions of the quality of services offered by the hotel, perceived value, level of satisfaction, and their behavioural intentions regarding the services they perceived. Data were collected from 1500 respondents by means of personal interviews of the hotel customers during a 6-week period either at the hotel itself or at tourists’ attraction of Mauritius. In order to measure service quality, a multiple–item scale of
SERVQUAL (Parasuraman et al. 1988) was modified for the hotel setting with a 7-point Likert type scale ranging from 1 (completely disagree) to 7 (completely agree). For perceived value, three items were adapted from Cronin et al. (2000) and an additional item developed by the researchers on 7-point Likert type scale. In order to measure satisfaction, customers were asked to state their overall satisfaction with the services offered by the hotel on a 7-point Likert type scale with anchors of 1 (very dissatisfied) and 7 (very satisfied). Finally, to measure behavioural intentions, three categories, viz., repurchase intentions, willingness to recommend, and price sensitivity were included accompanying the 7-point Likert type scale (1= not all likely and 7= extremely likely). LISREL 8 was used to test the relationships presented in the conceptual model followed by structural equation modeling. The findings of the study indicate an excellent fit of the model. The study results indicate positive relationship between service quality and customer satisfaction, perceived value and customer satisfaction. Service quality has been found to have no effect on behavioural intentions whereas the relationship of perceived value with behavioural intentions and corporate image was significant. The results also reveal that corporate image has a strong impact on behavioural intentions. Lastly, the study indicates that customer satisfaction has a direct impact on image.

Deng et al. (2010) investigated the factors affecting customer satisfaction and loyalty of MIM in China. Data were collected via questionnaire regarding mobile phone user’s perceptions of mobile instant message. Items measuring customer value, including functional value, emotional value, social value, and monetary value were adapted from Sweeney and Soutar (2001). Items regarding perceived service quality were adapted from Shin and Kim (2008) whereas items measuring trust were taken from Gefen, Karahanna, and Straub (2003). Items measuring switching cost were
adapted from Gefen (2002) whereas customer satisfaction was measured by three items adapted from Cronin et al. (2000). Customer loyalty was measured by three items adapted from Lin and Wang (2006). Two pre-tests using MIM users and e-commerce researchers and practitioners were conducted with the help of preliminary questionnaire. In the summer of 2008, information about research objective was put on the campus BBS (Bulletin Board System) to invite respondents. The final questionnaires were sent to many ID email addresses. Finally, 541 usable responses were received. The structural equation modeling and confirmatory factor analysis was used to test the validity of the constructs, including item loading, construct reliability and average variance extracted. The findings confirm that trust, perceived service quality, and perceived customer value contribute to generate customer satisfaction with MIM. The results also reflect that trust, customer satisfaction and switching cost directly enhance customer loyalty.

2.6 Research Gap

The literature reviewed reveals that various studies have been conducted by eminent researchers but covered only limited aspects of brand equity and customer loyalty either for products or services. Most of the previous researches analysed the impact of service quality on customer loyalty; service quality on customer satisfaction and customer satisfaction on customer loyalty. However, there does not exist any study which takes into account all the dimensions of brand equity and customer loyalty with regard to both products and services. Thus, the proposed study fills this research gap by studying maximum dimensions relating to brand equity and customer loyalty. The dimensions of brand equity covered in the study are brand awareness, brand image, brand association, brand trust, brand loyalty, perceived service quality and four
dimensions of customer loyalty, viz., recommendation, patronage, complaining behaviour and price insensitivity. An attempt has been made to know the effect of brand equity and customer satisfaction on customer loyalty with regard to both product and service.
References


CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

The various aspects of research design and methodology followed in the present study, viz., need of the study, hypotheses formulation, framing of survey instrument, sample design, statistical tools, etc. are summarised as under:

3.1 Nature and Scope of the Study

The present study being both descriptive and evaluative in nature, examines various direct as well as indirect factors that lead to customer loyalty. The study confines only to the perceptions of ultimate customers. It will provide immense inputs to the management for taking decisions with regard to brand extensions, resulting into lower advertising costs, higher sales, greater revenues etc. Further, the study will provide new insights with respect to the impact of brand equity and customer satisfaction on customer loyalty, which can be extended to other categories of durable goods and services.

3.2 Need of the Study

The present study is an outcome of the review of related literature pertaining to customer satisfaction, customer loyalty and brand equity and the impact of brand equity on customer satisfaction, brand equity on customer loyalty and customer satisfaction on customer loyalty with respect to both product and service. The related literature appears to have examined either the impact of customer satisfaction on customer loyalty or the impact of service quality on customer loyalty; service quality on customer satisfaction and brand equity on customer loyalty. Some studies have investigated the impact of customer satisfaction and brand equity on customer loyalty with regard to either product or service. In this context, most relevant studies have
been considered for analysing the research gap and thus, establishing the basic rationale for conducting research pursuit in this direction.

Olsen (2002) examined the relationship between perceived quality performance, customer satisfaction and relative loyalty (frequent purchasing behaviour) in the seafood product items. However, the study ignored other multi-dimensional approaches of loyalty, viz., word-of-mouth communication, purchase intentions, price sensitivity and complaining behaviour. Thereafter, Beerli, Martin, and Quintane (2004) identified customer satisfaction and switching costs as the key factors affecting loyalty, for e.g., brand image and brand awareness. Further, Akbar and Parvez (2009) investigated the effects of customers’ perceived service quality, trust and customer satisfaction on customer loyalty, but overlooked other dimensions, viz., price perception and image, which greatly influence customer loyalty. Vanniarajan and Gurunathan (2009) examined the linkage between service quality and customer loyalty. However, the study ignored trust and image while analysing the customer loyalty. Jamal and Anastasiadou (2009) investigated the role of reliability, tangibility and empathy in predicting loyalty via satisfaction. However, advertising messages that depict tangible dimensions of service quality were not covered. In this context, the present study shall incorporate the dimensions that are related to advertising, viz., ‘brand awareness’.

Hume and Mort (2010) revealed that repurchase intention is largely based on satisfaction but did not explore other dimensions of customer loyalty, i.e., word of mouth, recommendation and complaining behaviour. Rousan, Ramzi, and Mohamed (2010) observed the strength of association between the variables of service quality and customer loyalty in the five-star hotels in Jordan but failed to recognise the power of customer satisfaction, as customer satisfaction is the strength of customer retention.
and loyalty. Kim and Lee (2010) revealed that corporate image, brand awareness, service price and service quality are the strong antecedents for establishing customer loyalty in mobile communication service markets but overlooked brand trust, which is an important factor significantly influencing customer loyalty. Ojo (2010) investigated the impact of service quality on customer satisfaction in the telecommunication industry. Thereafter, Ahangar (2011) examined the impact of five service quality (responsiveness, reliability, efficiency, privacy of information and easiness to use) on customer satisfaction. The present study analyses the impact of customer satisfaction on customer loyalty; brand equity on customer loyalty and brand equity on customer satisfaction.

On the whole, the study shall examine the impact of brand equity and customer satisfaction on customer loyalty.

3.3 Objectives of the study

The present study aims at achieving the following four objectives:

**Obj1**: To examine the effect of customer satisfaction on customer loyalty.

**Obj2**: To find out the effect of brand equity (i.e., brand awareness, brand trust, brand image and perceived quality) on customer satisfaction.

**Obj3**: To evaluate the impact of brand equity (i.e., brand awareness, brand trust, brand image and perceived quality) on customer loyalty.

**Obj4**: To examine the impact of brand equity and customer satisfaction on customer loyalty.
3.4 Hypotheses Formulation

Berry (2000) advocates that brand equity comprises of two components, i.e., brand awareness and brand image. Brand equity is created when a consumer has an awareness of a brand and an associated positive image that together create unique brand association (Keller 1993). Further, brand trust requires brand knowledge and thus, unless a consumer has a representation of the brand in memory, including awareness and a positive image, he/she cannot trust the brand (Esch et al. 2006). Brand trust is established through a combination of word-of-mouth advertising, familiarity and brand image and it results in achieving a sustainable competitive advantage (Garbarino and Johnson 1999). Ratnasingham (1998) showed that the image perceived by a consumer significantly affects his/her behaviour. In addition, image has a positive influence on consumer trust because it can diminish the risk perceived by consumers and simultaneously increase the probability of purchase at the moment of execution of transaction (Flavian, Guinaliu, and Torres 2005). Chen (2009) in his study also supported that brand image is positively associated with brand trust. Thus, we hypothesise that-

H1a: Brand awareness has a direct and positive effect on brand trust.

H1b: Brand image has a direct and positive effect on brand trust.

Delivery of high quality services is necessary for developing and nurturing trust (Henning-Thurau and Klee 1997). The better the perceived quality of service, the more likely the customer will gain confidence in the organisation and the more trust he/she reposes in that service provider (Doney and Cannon 1997). Garbarino and Johnson (1999) found that quality of service often deepens customer’s trust of an organisation in an off-broadway theater. Similary, Gounaris and Karin (2002)
revealed that service quality has a significant positive effect on customer trust. Furthermore, the association between perceived service quality and trust has also been highlighted in the study conducted by Chiou and Droge (2006). However, Yieh, Chiao, and Chiu (2007) found that although perceived service quality has a significant and positive influence on trust, but perceived product quality has no significant positive impact on trust. Poolthong and Mandhachitara (2009) confirmed the relationship between perceived service quality and trust in retail banking. Similarly, Omar et al. (2009) also revealed that perceived service quality has a positive impact on brand trust in a child care centre. Hence, we propose that-

H2a: Perceived service quality has a direct and significant effect on brand trust.

H2b: Perceived product quality has a direct and significant effect on brand trust.

Consumers’ perceptions regarding brand basically consist of brand awareness and brand image (Keller 1998). Awareness of a brand is not enough to ensure a brand’s success, as it is not sufficient to offer superior value to consumers and differentiate an offering from those of competitors, which is achieved by brand image (Simms and Trott 2006). So, company creates and translates its brand into the brand image as perceived by customers, leading to customer satisfaction (Gocek, Kursum, and Beceren 2007). In this regard, Kim, Kim, and An (2003) examined that strong brand awareness positively affects brand satisfaction to shape favourable attitude. Further, it is also supported by Kim and Kim (2004) in quick service restaurants and Kandampully and Suhartanto (2000) pointed out that a desirable image leads to customer satisfaction, while an undesirable image leads to dissatisfaction, which implies that there is a positive relationship between brand image and customer satisfaction. Chang and Tu (2005) found a positive relationship between brand image
and customer satisfaction. Lastly, Wu and Batmunkh (2010) found that brand equity has a direct and significant influence on customer satisfaction. Hence, the third set of hypotheses are-

**H3a: Brand awareness has a direct and positive effect on customer satisfaction.**

**H3b: Brand image has a direct and positive effect on customer satisfaction.**

Service quality is an antecedent of customer satisfaction (Cronin and Taylor 1992). In this context, Anderson, Fornell, and Lehmann (1994) pointed out that improved service quality results in a satisfied customer base and also suggested that to a large extent this relationship is intuitive. Zeithaml, Berry, and Parasuraman (1996) asserted that a customer’s perception of service quality is the main factor in predicting customer satisfaction. High service quality attracts new customers, retains existing customers and even lures customers away from competitors whose service quality is perceived to be lower (Babakus, Bienstock, and Scotter 2004). Sivadas and Baker-Prewitt (2000) found that service quality influences satisfaction whereas Olsen (2002) in his concluded that the relationship between quality and satisfaction is much stronger for comparative evaluation of several product alternatives, rather than as a non comparative or individual evaluation of products in sea food category (home frozen, frozen from supermarket, fresh from supermarket and fresh from seafood store). Further, Jamal and Naser (2002) found that both core and relational dimensions of service quality are linked to customer satisfaction. The study by Hong and Goo (2004) indicated that service quality is positively associated with customer satisfaction, which implies better the service quality, the higher the customer satisfaction in various industries like cement, food, banking and insurance industries. In this regard, Atilgan, Aksoy, and Akinci (2005) suggested that perceived quality
creates customer satisfaction and value by consistently and profitably meeting customers’ need in a beverage market of Turkey. Liang and Wang (2006) concluded that perceived relationship investment by members of three departments (i.e., credit card, deposit and loan) of the famous banks in Taiwan do have positive and significant effects on customer satisfaction. Ojo (2010) revealed that service quality has an effect on customer satisfaction and that there is a positive relationship between service quality and customer satisfaction. This leads to the following set of hypotheses:

**H4a: Perceived service quality has a positive effect on customer satisfaction.**

**H4b: Perceived product quality has a positive effect on customer satisfaction.**

For years, service quality has been recognised as a key success factor for competitive and differentiating products to obtain customer loyalty (Zeithaml, Berry, and Parasuraman 1996). Aydin and Ozer (2005) showed that perceived service quality is a necessary but not significant condition for customer loyalty. Further, Rousan, Ramzi, and Mohamed (2010) revealed that dimensions of service quality such as empathy, reliability, responsiveness and tangibility significantly predict customer loyalty. Wong and Sohal (2003) examined positive relationship of service quality with customer loyalty. Petrick (2004) found that service quality has a direct influence on repurchase intentions and is positively related to positive word-of-mouth whereas in the study by Cronin and Taylor (1992) service quality did not appear to have a significant (positive) effect on repurchase intentions. However, Clotey, Collier, and Stodnick (2008) found that if a customer perceives that the retailer’s products/services are of high quality, he/she will likely recommend the retailer to family and friends. Moreover, Yuen and Chan (2010) showed that only three dimensions of retail service
quality, viz., physical aspects, reliability and problem solving are positively associated with customer loyalty to staff. Recently, Mosahab, Mahamad, and Ramayah (2010) also affirmed that service quality has a direct relation with loyalty. Thus, we propose that-

**H5a: Perceived service quality directly and significantly influences customer loyalty.**

**H5b: Perceived product quality directly and significantly influences customer loyalty.**

Customer satisfaction is assumed to be formed through trust. Since trust can be measured on the basis of cue-based trust and experience based trust in relation to the pre-encounter and post-encounter with a seller respectively, cue based and experience based trust can, therefore, affect overall customer satisfaction (Wang, Beatty, and Foxx 2004). Further, Razzaque and Boon (2003) found a significant effect of trust on satisfaction. When a customers’ feeling of faith in the provider is satisfied, his satisfaction will increase over time (Chiou and Droge 2006). In this regard, Macintosh (2009) revealed that trust is related to dental patients’ satisfaction regarding their relationship with dental professionals and Ouyang (2010) found trust to be positively and significantly related to customer satisfaction in financial consultancy firms. Choi, Sohn, and Lee (2010) observed the significant effects of trust on customer satisfaction in relation to online stores. Lastly, Deng et al. (2010) revealed that trust has a positive effect on customer satisfaction in context to MIM (Mobile Instant Messages). Hence, sixth hypothesis-
H6: Brand trust has a direct and significant influence on customer satisfaction.

Trust is fundamental in developing customer loyalty (Morgan and Hunt 1994). When a customer trusts the service provider, he will continually use the service and even recommend the same to others. Garbarino and Johnson (1999) also demonstrated trust as an antecedent of loyalty. Corbitt, Thanasankit, and Yi (2003) confirmed a strong positive effect of trust on customer loyalty. Yieh, Chiao, and Chiu (2007) found that trust positively influences customer loyalty and Tariq and Moussaoui (2009) concluded that trust influences customer loyalty positively in Moroccan banking sector. Akbar and Parvez (2009) revealed that trust has a positive and significant correlation with customer loyalty. Lastly, Deng et al. (2010) also supported that trust influences customer loyalty. Thus, we propose that-

H7: Brand trust has a direct positive effect on customer loyalty.

Satisfaction is a necessary prerequisite for loyalty (Kandampully and Suhartanto 2000). In this context, Fornell (1992) stated that high customer loyalty is mainly caused by high customer satisfaction. Further, Anderson and Sullivan (1993) showed customer loyalty as the chief consequence of customer satisfaction. Oliver (1999) revealed that if a service provider can satisfy the needs of the customer better than its competitors, it is easier to create loyalty. Lam et al. (2004) revealed that the recommendation and patronage dimensions of customer loyalty are positively related to customer satisfaction in courier service industry and thus, such customers are willing to repeat patronising the service provider and recommend them to others. Further, Hong and Goo (2004) examined that customer satisfaction and loyalty are significantly and positively associated because satisfaction is a necessary prerequisite for loyalty in various industries like cement, food, banking and insurance industries.
Bennett and Rundle-Thiele (2004) analysed that the relationship between satisfaction and loyalty is positive but high levels of satisfaction do not always yield high levels of loyalty. Hence, the next hypothesis-

**H8: Customer satisfaction has a positive effect on customer loyalty.**

In a competitive market, consumers generally do not continue to purchase a brand towards which they are ambivalent or where they hold negative evaluations (Johnson and Fornell 1991). So, organisation’s image is an important variable that positively or negatively influences marketing activities. It also influences customers’ mind through the combined effects of advertising, public relations, physical image, word-of-mouth and their actual experiences with the goods and services (Kandampully and Suhartanto 2000). Further, image is considered to have the ability to influence customer’s perceptions of the goods and services offered. It also have an impact on customer’s buying behaviour (Zeithaml and Bitner 1996). Nguyen and Le Blanc (2001) revealed that image is related positively to customer loyalty in three sectors (telecommunication, retailing and education). Further, image serves as an important factor influencing customer loyalty and a favourable image influences repeat patronage (Andreassen and Lindestad 1998). Rust, Zeithaml, and Lemon (2000) stated that brand equity is likely to influence a customer’s willingness to stay, repurchase probability and likelihood to recommend the brand. Similarly, Vogel, Evanschitzky, and Ramaseshan (2008) highlighted that brand equity has a strong impact on loyalty intentions. Taylor, Celuch, and Goodwin (2004) found that brand equity is significantly related to attitudinal loyalty. Ogba and Tan (2009) confirmed that brand image has a positive impact on customer loyalty in China mobile phone market. Kim and Lee (2010) analysed image and brand awareness as strong
antecedents for establishing customer loyalty in mobile communication service market. Thus, the next set of hypotheses-

**H9a**: Brand awareness has a direct and positive effect on customer loyalty.

**H9b**: Brand image has a direct and positive effect on customer loyalty.

Brand awareness positively affects brand satisfaction to shape favourable attitude (Kim, Kim and An 2003). Further, image serves as an important factor influencing customer loyalty and a favourable image influences repeat patronage (Andreassen and Lindestad 1998; Nguyen and Le Blanc 2001; Ogba and Tan 2009). There exists a positive relationship of service quality with customer loyalty (Lee and Cunningham 2001; Wong and Sohal 2003 & Clottey, Collier and Stodnick 2008). Lau and Lee (1999) and Yieh, Chiao, and Chiu (2007) examined a link between customers trust in a brand and their loyalty and found a significant positive association between them. Further, Anderson and Sullivan (1993) and Bennett and Rundle-Thiele (2004) examined that the relationship between satisfaction and loyalty is positive. Hence, the last hypothesis-

**H10**: Higher the brand equity (brand awareness, brand image, perceived service quality, brand trust) and customer satisfaction, higher will be the customer loyalty

### 3.5 Collection of Data

Both primary and secondary sources relevant for gathering requisite information pertaining to the research problem in hand have been explored in the study. Primary data based on first hand information were collected from bank customers and persons who own or drive car through a self modified and well structured schedules (Annexure I and II). Secondary information was generated from books and journals,

3.6 Generation of Scale Items

The items under different variables covering almost all the aspects of customer loyalty, customer satisfaction and brand equity have been generated from different sources, like discussion with experts in the area of marketing and a perusal of relevant literature like Kim, Kim, and An (2003), Lassar, Mittal, and Sharma (1995), Bowen and Chen (2001), Ehigie (2006), etc., on the basis of which two schedules (Annexure I and II) were framed for the collection of requisite data. Some items were kept in negative form so as to have internal cross checking and to ensure the active involvement of respondents. The variables in both the schedules (Schedule I: car owner/driver, Schedule II: bank customers) are discussed as under:

1. **Brand Equity** - To determine the brand equity, dimensions such as brand awareness, brand association, brand image, brand trust, perceived quality and brand loyalty were included in the schedules (Annexures I and II). Brand awareness consisted of 10 items in both the schedules, which were extracted from Caceres and Paparoidamis (2007); Ruyter, Wetzels, and Lemmink (1996); Kim, Kim, and An (2003) and Wang (2009). Further, brand image contained 10 items borrowed from Lassar, Mittal, and Sharma (1995); Kim, Kim, and An (2003), etc., whereas brand association comprised of 9 items taken from Atilgan, Aksoy, and Akinci (2005); Lassar, Mittal, and Sharma 1995; Pappu, Quester and Cooksey (2005). Brand trust contained 16 and 11 items in Schedule I and II respectively, borrowed from Bansal, Irving, and Taylor (2004), Gustafsson,
Michhael, and Roos (2005), brand loyalty included 10 items adapted from Pappu, Quester, and Cooksey (2005) and Kim, Kim, and An (2003); perceived quality contained 20 and 18 items in Schedules I and II respectively which were borrowed from Kim, Kim, and An (2003); Ladhari and Morales (2008) and Li, Tan, and Xie (2002).

2. Customer Satisfaction - This dimension contained 15 items in Schedule I and 12 items in Schedule II, which were adapted from Bennett and Rundle-Thiele (2004); Robinson, Abbott, and Shoemaker (2005); Sachdev and Verma (2004); Naik, Gantasala, and Prabhakar (2010); Sarlak and Frad (2009).

3. Customer Loyalty: Customer loyalty in both the Schedules was measured through recommendation (3 items); patronage (2 items); price insensitivity (4 items) and complaining behaviour (5 items). Customer loyalty in general comprised of 5 and 6 items in Schedule I and II respectively, which were borrowed from Lam et al. (2004); Ganesh, Arnold, and Reynolds (2000); Bloemer, Ruyter, and Wetzels (1999).

3.7 Data Collection Forms

The information was gathered from bank customers and persons who own or drive car through two sets of schedules (Annexure I and II). In order to finalise the initial schedule, which consisted of 148 items in schedule I and 131 in Schedule II in total, a pilot survey was conducted during the end of 2007. The schedules were pretested with the help of first hand information gathered from 100 respondents. For the selection of respondents, a list was obtained from the office of PHE (Public Health Engineering), which consisted of 998 households excluding extension areas. Out of these households, 10% i.e., (100) were selected using random number table. Out of 100
respondents, 50 persons who own or drive car were selected, followed by 50 bank customers residing in Trikuta Nagar colony of Jammu city.

After analysing the data it was realised that two significant items, one pertaining to brand equity, viz., ‘overall brand equity is upto your expectations’ and other pertaining to customer loyalty, viz., ‘overall you feel loyal towards your brand/bank” were left out. Hence, in the process of finalising the construct, these items were included and considered for further analysis. On the other hand, 7 items and 2 items were found to be irrelevant in Schedule I (product) and II (service), thus deleted. This entire process resulted into the finalisation of two Schedules, having 143 items in Schedule I and 131 in Schedule II. Out of these 142 items in Schedule I, 6 pertained to demographic profile, 27 for general information and 109 items covering various aspects of brand equity, customer satisfaction and customer loyalty. Schedule II framed for bank consumers comprised of 131 items, 6 queries pertaining to demographic profile, 25 concerned with general information and 100 items covering various aspects of brand equity, customer satisfaction and customer loyalty for which 7-point Likert scale was used ranging from ‘Completely Agree’ (7) to ‘Completely Disagree’ (1).

3.8 Sample Design

For measuring the impact of customer satisfaction and brand equity on customer loyalty among customers of cars and banks vis-à-vis formulating strategic action plan for improving and maintaining competitively better services and brand equity, primary data were gathered from the car and bank customers residing in Jammu city (with a population of 71,600 as per Telephone Directory 2006-07).
To determine the sample size, a pilot survey of 100 respondents was used to work out the mean and variance in the population so as to determine the appropriate sample size with the help of following formula-

\[ n = \frac{(\sigma)^2 \times (z)^2}{D^2} \]

where, \( D \) = level of precision

\( \sigma \) = standard deviation

\( z \) = 1.96, where confidence level is 95%.

This resulted in determining the minimum sample size required for the study (Malhotra 2005, p. 347). The sample size came to be 369 for Schedule I and 659 for Schedule II, which was rounded off to 370 and 670. These 1040 respondents were selected from telephone directory (2006-07) of Jammu city through systematic sampling technique. The first respondent was selected purely on random basis and thereafter every 69th respondent was contacted for the collection of required data. To set the priority among the two schedules, chit-system was used, which resulted in the selection of Schedule I (product). So, 370 respondents were contacted for schedule I and thereafter, 670 bank customers were approached for Schedule II. Results of the final survey reveal that majority of respondents had Jammu and Kashmir Bank (JKB), Punjab National Bank (PNB) or State Bank of India (SBI) as their prime bank and thus, final analysis in case of services was confined to these three banks only. However, out of 370 respondents, 350 responded properly for Schedule I whereas for Schedule II, 650 responded completely.
3.9 Scale Purification

The multivariate data reduction technique of factor analysis has been used with the help of SPSS (15.0 version). Factor analysis is being the most appropriate for the present study as it involves examination of interrelationships among variables, and reduces large number of dimensions into few manageable and meaningful sets (Stewart 1981).

The study used principal component analysis with a varimax rotation (Kakati and Dhar 2000). Varimax rotation is the best orthogonal rotation procedure (Stewart 1981), which minimises the number of items with high loading on one factor, thereby enhancing the interpretability of the factors (Malhotra 2005). Further, the study used communality as a measure which studies the amount of variance a variable shares with all other variables being considered (Malhotra 2005). A relatively high communality indicates that a variable has much in common with other variables taken as a group (Zikmund and Babin 2007). The test of appropriateness of factor analysis has been verified through KMO measure of sampling adequacy, where value greater than 0.50 is considered as acceptable, between .50 to .70 is mediocre and .70 to .80 is good, .80 to .90 is great and above .90 is superb (Malhotra 2005), indicating thereby its relevance for further analysis. Further, Bartlett test of sphericity, which is also known as zero identity matrix, has been used to determine correlation among the variables (Hair et al. 2007).

3.10 Research Tools and Tests

The information obtained through two schedules has been processed and suitably analysed in order to bring out precise results with the help of appropriate statistical tools. The analysis has been carried out with the help of mean, standard deviation and
frequency distribution. Further, ANOVA has been used to examine the mean difference between three or more variables. Multiple regression has also been used to find the impact of various independent variables on the dependent variable (Malhotra 2005). The degree of association between dependent and independent variables has been calculated through coefficient of determination (Boyd, Westfall, and Stasch 1988).

For testing the hypotheses, regression has been used. Validity test, viz., convergent validity has been worked out, which involves the extent to which a measure correlates highly with other measure designed to measure the same construct (Cronin and Taylor 1992). The reliability or internal consistency of the data has been judged through split-half and Cronbach’s alpha. Split half has been examined by dividing the respondents into two equal halves to examine if the variation in both the halves is within the range of sampling error (Tull and Hawkins 1993). Further, Cronbach’s alpha value has been analysed in order to examine the internal consistency and comparability, wherein the value above .60 is generally considered as acceptable criterion for demonstrating internal consistency (Gerrard and Cunningham 2001).

### 3.11 Limitations

All the possible efforts have been made to maintain objectivity, validity and reliability of the study, yet certain limitations need to be kept in mind whenever its findings are considered for implementation. These are discussed as under:-

i) The study is limited to Jammu city only.

ii) The element of subjectivity might have not been completely checked as respondents might have responded on the basis of their own experience and perception regarding the items in the schedules.
iii) The present study confines only to one durable good and one service

iv) Due to involvement of large number of variables in brand equity, some variables might have been missed out, i.e., brand value, brand attitude and brand attachment.

3.12 Future Research

Future research should replicate the present study for other services, i.e., telecommunication, education, health care services, etc. and product categories such as computers, mobile handsets, televisions, etc. Future research can pursue more comprehensive analysis by applying Structural Equation Modeling. The relationship between advertising, brand personality and brand relationship quality can be considered for future research. Further, an in-depth study can be pursued to examine the relationship between customer complaint and customer expectations. Finally, future research efforts can concentrate on other variables that influence perceived service quality such as company incentives and communication programmes in general during the provision of service.
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CHAPTER 4

PREDICTING THE IMPACT OF CUSTOMER SATISFACTION AND BRAND EQUITY ON CUSTOMER LOYALTY IN AUTOMOBILES

4.1 Introduction

In today’s competitive environment, delivering superior quality products is essential for an organisational success and survival. So, success of an organisation depends on the high quality products accompanied by the efficient after sale services promised and offered to the customers, which determine increased customer satisfaction and enhanced loyalty. Further, firm’s image serves as an important factor influencing customer loyalty (Andreassen and Lindestad 1998), where product quality and customer satisfaction have been found to be positively related to customer loyalty. Thus, this chapter portrays the impact of brand equity and customer satisfaction on customer loyalty with regards to products.

4.2 Respondent’s Profile

The survey conducted to contact 350 persons who own or drive car in Jammu city reveal that majority of respondents were male (91%), with 40% holding graduate degree and 36% belonging to the age group between 20-30 years (Table 4.1). Further, 79% were married, 49% belonged to business class and 47% respondents falling in the income group of Rs 20,001-30,000 pm.
4.3 Car Brand Positioning

The data collected with the help of Schedule I indicate that about 21% respondents have Maruti Suzuki 800, followed by Alto (11%), Santro (9%) and Wagon R (8%). Further, it reveals that 55% of respondents own Maruti Suzuki, followed by Hyundai (12%) and Tata (9%), indicating thereby that Maruti Suzuki brand is the most preferred among all other brands. Furthermore, 25% customers would prefer Maruti Suzuki 800, followed by Santro and Alto (11% each) among the cars they had. Nearly 40% of the customers have been using their car/s from the past 5 to 10 years. However, among different models of Maruti Suzuki, 9% customers would like to buy Wagon R, Alto and Swift. Further, 9% respondents would prefer Santro, followed by Honda (7%) and SX4 (7%). This again confirms that Maruti Suzuki brand is the most preferable brand among other brands. Majority of respondents (96%) think that the prices of their brand are reasonable. However, 80% of the respondents are not in favour of paying extra price for their brand. So, it implies that companies should not hike the prices of their brand frequently and whenever they want to hike the prices, customers should be informed through proper media. Further, they should add some new features to their brand, which will attract the customers and hence, they will not think of switching to other brands. Majority of respondents (74%) think that advertising plays a vital role while buying the branded products. Thus, it implies that companies should pay special attention while selecting the type of media and make sure that messages reach the target buyers in the right way. About 63% of the respondents give priority to the features of the car rather than brands whereas only 19% give priority to both the brand as well as the features of their brand. Furthermore, it was found that 88% of the respondents are satisfied with the core services. Thus, it can be apprehended that car dealers have provided best services to their customers.
Majority of respondents (55%) could convince up to 5 friends/relatives/colleagues to buy their preferred brand, whereas 52% of them think that choosing a particular brand always saves time, cost and money. Hence, it can be concluded that switching to other brands includes heavy cost.

However, 76% of the respondents are in favour of trying other brands whereas 79% would like to buy some other model of the same brand, but in future they can also try different brands. Further, 43% of the respondents would like to buy Maruti Suzuki brand, followed by Hyundai (13%), Honda (11%) and Chevrolet (9%).

Among various features of a car, fuel efficiency (27%) has been found to be the most preferred factor, followed by space (15%), comfort (14%), performance, power-steering and design (7% each). Further, performance (34%), fuel efficiency (21%), space (13%) and comfort (12%) are the features, which motivated the respondents to buy their present car/brand.

4.4 Data Purification

For data purification, factor analysis was carried out using Statistical Package for Social Sciences (SPSS 15.0 version). In the first round, with 30 iterations, 30 factors having loadings above 0.50 appeared with 69% of variance explained. In the 2nd round, 12 items with factor loading less than 0.50 were dropped. In the 3rd and 4th rounds, 9 and 1 item with loading less than 0.50 were deleted. Further, in the 5th and 6th rounds, 5 and 2 items with loading less than 0.55 were deleted. Furthermore, in the 7th round, 50 items emerged having loading above 0.60, with 68% of variance explained. However, in 8th and 9th rounds, 47 and 39 items emerged having loading above 0.65 (Table 4.2). In the 10th and 11th rounds, 8 and 4 items with loading less than 0.65 were deleted. Finally, in the 12th round, 8 factors got extracted with 72%
variance explained. Thus, out of 109 items, 25 items got grouped under 8 factors. The value obtained in each round to measure KMO sampling adequacy proved meritorious, since it falls in the group ranging from 0.778 to 0.839.

4.5 Factor Analysis

The detailed analysis of eight factors, which emerged in this chapter, is as follows (Table 4.3):

4.5.1 Interpersonal Relations

This factor consists of six dimensions, viz., ‘well trained staff’, ‘telephonic entertainment of queries’, ‘maintenance of long term relations’, ‘patient hearing to individual requirement’, ‘sincere and reliable dealer’ and ‘knowledgeable and confident staff’. Out of these six dimensions, ‘well trained staff’ is contributing highest towards interpersonal relations (0.848) but customers are not highly contended with the training of the staff (5.27). Thus, on the one hand, company should motivate the employees and on the other hand, employees should also convince the company that training is very important to improve their current skills and to meet the diverse needs of customers on time (Yoo and Park 2007) Further, ‘telephonic entertainment of queries’ obtained second highest factor loading (0.804) and lowest level of mean score (5.17) as compared to other dimensions. Thus, it reflects that interaction on telephone restricts the evaluation of service delivery to such an extent that customers have to base their perception solely on the interpersonal traits of the contact employee. So, phone encounters, tangible issues such as contact employee dress and appearance don’t count and service quality is purely judged on the basis of the intrinsic dimensions (reliability, responsiveness, assurance and empathy) of various services. Thus, these intrinsic dimensions can be influenced
directly by customer contact employees (Malhotra and Mukherjee 2003). The third important dimension of this factor is ‘maintenance of long term relations’. Maintenance of long term relations is of utmost importance for firm’s competitiveness, as these relationships are connected to customer loyalty, which results into repeat purchases and increased business for a firm (Ladhari and Morales 2008). The next important contributor towards interpersonal relations is ‘patient hearing to individual requirement’ (0.771), followed by ‘sincere and reliable dealer’ (0.758). Respondents are also more satisfied with ‘patient hearing to individual’s requirement’ (5.33) than ‘sincere and reliable dealer’ (5.24), though the satisfaction level is not high. Lastly, ‘knowledgeable and confident staff’ received lowest factor loading (0.696). Moreover, sampled customers are also not very much satisfied with the knowledge and confidence of the staff (5.26). So, staff must possess expert knowledge and skills to deliver the specified service and an ability to deliver the right mix of services to meet customers’ needs (Vaughan and Shiu 2001).

4.5.2 Price Insensitivity

The second factor, viz., price insensitivity, consists of three variables, i.e., ‘non-price based buying decisions’ (Hamann, Williams, and Omar 2007), ‘no influence of price for brand loyalty’ (Jensen and Drozdenko 2008) and ‘no switching in case of attractive prices elsewhere’ (Xu and Chan 2010). Among these, ‘non-price based buying decisions’ obtained highest factor loading (0.925), followed by ‘no influence of price for brand loyalty’ (0.921). On the other hand, ‘no switching in case of attractive prices elsewhere’ obtained lowest factor loading (0.770), however it secured highest mean value (4.48) as compared to other variables. Thus, it can be concluded that for some customers, high price means better quality and prestige and they are
willing to pay more for high quality. Thus, higher price facilitates customers’ decision making and acts in a positive way (Jin and Sternquist 2003).

4.5.3 Brand Quality

This factor consists of four variables, viz., ‘superior/good quality’ (Baker, Cronin, and Hopkins 2009), ‘durability of brand’, ‘extremely high quality’ and ‘consistent quality’. Out of these four, ‘superior /good quality’ obtained highest factor loading (.851) and customers are also satisfied (6.02). Further, customers are satisfied with the ‘durability of brand’ (5.97), which emerged as the next significant contributor (.838). Thus, it can be concluded that in today’s world of intense competition, the key to sustainable competitive advantage lies in delivering superior quality of brand, which will in turn result in satisfied customers (Li, Tan, and Xie 2002). Further, ‘extremely high quality’ emerged as the next significant contributor (.748), followed by ‘consistent quality’ (.708). The mean values also indicate that customers are more satisfied with the ‘extremely high quality’ (5.80) as compared to ‘consistent quality’ (5.75). Thus, it can be concluded that customers’ perceptions about quality of the brand and its value can influence customer satisfaction and in turn, purchase intentions. So, managers should try not only to improve quality of the brand but also to find and manage other factors which are related to satisfaction (Lee, Lee, and Yoo 2000).

4.5.4 Recommendation

Recommendation consists of three variables, viz., ‘recommendation to others’ (Bontis, Booker, and Seranko 2007), ‘encouragement to buy own brand’ and ‘positive word-of-mouth’ (Foscht et al. 2009). Out of these three dimensions, ‘recommendation to others’ is contributing highest factor loading (.860). However, respondents have
averagely agreed that they recommend their brand to others (5.39). This recommendation is basically a function of their perception of both satisfaction and product quality. Moreover, a customer who has the intention to recommend is very likely to remain with the company (Kandampully and Suhartanto 2000). The next highest contributing variable came to be ‘positive-word-of-mouth’ (.779). The sampled customers are, however, averagely satisfied with the way they spread positive word-of-mouth for their product (5.59). Thus, companies must give due importance to positive word-of-mouth, as it is a critical factor of success in tangible goods and also it plays an important role in the product choice processes (Ladhari and Morales 2008). Lastly, ‘encouragement to buy own brand’ obtained lowest factor loading (.723). However, customers are slightly more satisfied with regard to ‘buying own brand’ (5.55) as compared to ‘recommendation to others’ (5.39). Thus, it reflects that loyal customers not only increase the value of the business but they also assist in lowering down the costs associated with attracting new customers (Beerli, Martin, and Quintana 2004).

4.5.5 Customer Loyalty

This factor consists of two variables, viz., ‘preference for own brand even in case of attractive discounts elsewhere’ and ‘preference for own brand irrespective of higher prices’. Out of these two, ‘preference for own brand even in case of attractive discounts elsewhere’ obtained higher factor loading (0.892) as compared to ‘preference for own brand irrespective of higher prices’ (0.883). However, customers are averagely satisfied with their own brand irrespective of higher prices (4.72) (Table 4.3), followed by ‘preference for own brand even in case of attractive discounts elsewhere’ (4.69). The whole analysis of customer loyalty reveals that loyal customers do not demand heavy promotional efforts for persuasion and they happily
pay premium prices for the benefits and quality of the brand that alternative brands cannot provide (Yoo 2009). Moreover, they will choose the preferred brand most of the time, regardless of the price, as they have strong preference for their brand attributes (Krishnamurthi and Raj 1991).

4.5.6 Brand Awareness

Brand awareness comprises of three variables, viz., ‘timely advertisement’, ‘effective advertising’ (Caceres and Paparoidamis 2007) and ‘effective promotion through posters and banners’ (Ruyter, Wetzels, and Lemmink, 1996). Out of these three, ‘timely advertisement’ received highest factor loading (.818), thus revealing its significance towards predicting brand awareness. However, customers are not very much contended with the timely advertisements of their brand (5.36), hence indicating the necessity for attractive and effective advertisements in television for consumers to visit their websites so that they can be timely made aware about the changes in the brand (Wang 2009). The second highest contributing dimension of brand awareness is ‘effective advertisements’ (.764), though customers are averagely satisfied with the same (5.45). Lastly, ‘effective promotion through posters and banners’ obtained lowest factor loading (.714) as well as lowest mean score (5.30) as compared to other variables. Thus, it implies that effective advertising overcomes many problems, especially in multi-ethnic societies or where there is a low level of literacy. Further, advertising can attract huge audience with simple messages that present opportunities to the receivers to understand what a product is, what its primary function is and how it relates to other similar products (Eun and Kim 2009).
4.5.7 Brand Trust

This factor consists of two dimensions, viz., ‘trustworthy brand’s quality’ and ‘due consideration to customers’ interest’. Out of these two dimensions, ‘trustworthy brand’s quality’ obtained higher level of mean score (5.77). It indicates that the characteristics of a company behind the brand and consumer knowledge strongly affect his/her assessment of the brand (Lau and Lee 1999). Further, ‘due consideration to customers’ interest’ obtained lower level of mean score (4.54) and factor loading (.882) as compared to ‘trustworthy brand’s quality’ (.896). Thus, it reflects that companies who are perceived as being concerned with positive customer outcomes will create strong customers’ confidence as compared to those who show their own welfare (Caceres and Paparoidamis 2007)

4.5.8 Customer Satisfaction

This factor comprises of two dimensions, viz., ‘satisfactory show room interiors’ (Raposo, Alves, and Duarte 2009) and ‘satisfactory buying decisions’ (Sachdev and Verma 2004). Out of these two dimensions, ‘satisfactory showroom interiors’ obtained higher factor loading (.820) as well as higher level of mean score (5.52). Thus, it indicates that tangible physical environment (i.e. physical facilities, equipments) plays a significant role in determining customer repatronage intentions and willingness to recommend. Moreover, brand/company managers must improve the tangible dimensions of the showroom by keeping physical environment clean and attractive (Olorunnuiwo, Hsu, and Udo 2006). Further, ‘satisfactory buying decision’ obtained lower level of factor loading (.809) and mean score (5.49) as compared to ‘satisfactory show room interiors’. So, managers must properly design satisfaction surveys, administer and analyse the same along with subsequent purchase behaviour.
It can be concluded that success of any company depends on its ability to satisfy customers and thus, process of monitoring customer satisfaction makes the difference between offering a mediocre product and an excellent quality (Pizam and Ellis 1999).

4.6 Demographic Profile-wise ANOVA Results

In order to measure the impact of different demographic variables on brand equity, customer satisfaction and customer loyalty, respondents were segregated under various groups on the basis of age, income, qualification and occupation (Table 4.4). The analysis done on the basis of ANOVA results is as under -

4.6.1 Age-Wise Analysis

The age of the respondents has been segregated into five groups, viz., below 20 years, 20-30, 31-40, 41-50 and above 50 years. The first group (below 20 years) contains only 1% of the respondents and thus, was neglected for further analysis. Majority of respondents fall in the age group of 20-30 years (36%). The third group (31-40 years) consists of next highest number of respondents, i.e., 28%, followed by 19% of the sampled customers between 41-50 years. While the last group, i.e., above 50 years, constitutes 16% of the total respondents. ANOVA has been used to know whether significant difference exists between respondents belonging to these four age groups and has been found to be insignificant (F=1.521, sig=.209). The respondents belonging to all the four groups accorded similar responses towards eight factors (Table 4.5). They awarded above average mean scores towards six factors, viz., customer satisfaction, interpersonal relations, brand quality, brand trust, recommendation and brand awareness. While customer loyalty and price insensitivity obtained average level of mean scores.
4.6.2 Qualification-wise Analysis

Qualification of the respondents has been segmented into five groups, viz., undergraduate, graduate, postgraduate, professionals and others (MPhil/PhD). The first group (undergraduate) consisted of 14% of the sampled customers while majority of respondents (40%) hold graduation degree. The third group (postgraduate) contains 27% and fourth group (professionals) consisted of 16% sampled customers. However, last group contains only 3% of the total respondents and hence, not considered appropriate for analysis. ANOVA classification reveals that the difference in the mean scores of these five groups (F=.945, sig=.419) is insignificant. On further analysis, it became evident that out of eight only three factors, i.e., brand awareness, brand trust and recommendation revealed significant difference (sig <.05) (Table 4.4). Sampled customers accorded above average mean values towards six factors, viz., interpersonal relations, recommendation, brand awareness, brand trust, brand quality and customer satisfaction (Table 4.5). While two factors, viz., price insensitivity and customer loyalty obtained average mean scores. Thus, it can be concluded that majority of respondents are satisfied with the interpersonal relations and the quality of their brand.

4.6.3 Income-wise Analysis

Income has been categorised into three groups, viz., below Rs 20,000, 20,001-30,000 and above 30,000 pm. Each of the group consists of significant number, thus deemed appropriate for final analysis. The first group (below Rs 20,000) comprises of 31% of the sampled customers, while majority falls in the monthly income group of Rs 20,001-30,000 (47%) and lastly, 22% fall in the last group (above Rs 30,000). Application of ANOVA reflects that there is no significant difference between the
responses of different income groups (F=.007, sig>.05). The respondents belonging to all the three groups attributed almost same responses towards eight factors (Table 4.6). They accorded above average mean values toward six factors, viz., interpersonal relations, brand trust, brand quality, recommendation, brand awareness and customer satisfaction. While customer loyalty and price insensitivity obtained average mean scores.

4.6.4 Occupation-wise Analysis

The occupation of the respondents has been divided into four groups, viz., service, business, professional and others (retired persons, students and housewives). Majority of respondents (49%) fall in the business group, followed by 32% belonging to service class, whereas 12% of the respondents belong to other category (i.e., retired persons and housewives) (Table 4.1). The last group comprises of only 7% of respondents, thus it was neglected for further analysis. Through ANOVA it became evident that there does not exist any significant difference in the mean scores of respondents belonging to three groups (F=.631, sig=.533). The respondents belonging to three groups attributed almost same responses towards eight factors. They accorded above average mean scores towards six factors, viz., customer satisfaction, brand quality, brand trust, interpersonal relations, recommendation, brand awareness. Further, two factors, viz., customer loyalty and price insensitivity obtained average mean values (Table 4.6). Thus, it can be apprehended that many car companies can overcome the limiting characteristics of their brand and build loyalty through brand quality, i.e., superior quality and interpersonal relations (Javalgi and Moberg 1997).
4.7 Hypotheses Testing

H1 through H9 were tested with the help of regression analysis whereas H10 was tested with the help of multiple regression. These results provide support for all the hypotheses, i.e., H1 through H10. Brand awareness exerts a positive influence on brand trust (H1a) (β=.234, sig=.000). Further, (H2b) stands accepted, i.e., perceived product quality has a direct and significant effect on brand trust (β=.178, sig=.001), Brand awareness also exerts a positive influence on customer satisfaction, hence accepting (H3a) (β=.211, sig=.000) (Table 4.7). This result also finds support from Kim, Kim, and An (2003); Kim and Kim (2004). Perceived product quality has a positive effect on customer satisfaction (H4b) (β=.244, sig=.000). This result is supported by Anderson and Sullivan (1993); Olsen (2002); Atilgan, Aksoy, and Akinci (2005); Qin, Prybutok, and Zhao (2010); Tsiotsou (2006). Furthermore, perceived product quality has a significant influence on customer loyalty (H5b) (β=.227, sig=.000), which is consistent with the findings of Clotey, Collier, and Stodnick (2008); Tsiotsou (2006). Brand trust has a direct and significant influence on customer satisfaction (H6) and customer loyalty (H7) (β=.197, .137; sig<.05 each) respectively. This result is consistent with the findings of Deng et al. (2010). Moreover, customer satisfaction has a positive and direct effect on customer loyalty (β=.244, sig=.000) (Table 4.7), thus accepting H8. This result is also supported by Akbar and Parvez (2009); Hong and Goo (2004). Also brand awareness has a direct and positive effect on customer loyalty (H9a) (β=.120, sig<.05), which is consistent with the findings of Kim and Lee (2010). Finally, brand equity and customer satisfaction have positive and significant (β=.192; .176 respectively, sig<.05) influence on customer loyalty. Hence, H10 stands proved (Table 4.8).
4.8 Overall Validity and Reliability

Convergent validity has been examined through correlation co-efficients among the items in each factor. The correlation co-efficients among the items of respective construct were found in the range of .453 to .531 for interpersonal relations, .657 to .874 for price insensitivity, .514 to .659 for brand quality, .477 to .598 for recommendation, .949 for customer loyalty, .383 to .508 for brand awareness, .287 for brand trust and .453 for customer satisfaction. Almost all the correlation co-efficients among the items of each factor were greater than .30. Thus, convergent validity stands established.

The internal consistency of the data collected has been judged through split half and Cronbach’s alpha. Split-half test was examined by dividing the respondents into two equal halves to judge if the variation in both the halves is within the range of sampling error. The data were proved reliable both before and after purification, as such both the groups accorded similar mean values (before factor analysis Group I: 5.36, Group II: 5.30 and after factor analysis Group I: 5.02 and Group II: 5.02). Further, Cronbach’s alpha value was analysed in order to examine the internal consistency and comparability. For individual factors also coefficient alpha values were authentic.

4.9 Conclusion-

Overall, it can be concluded that majority of respondents have Maruti Suzuki brand, followed by Hyundai and Tata. Further among different models of Maruti Suzuki, 9% customers would like to buy Wagon R, Alto and Swift. Majority of respondents think that the prices of their brand are reasonable. Among various features of a car, fuel efficiency has been found to be the most preferred factor, followed by space, comfort and performance, power steering and design. Moreover, of respondents think that
choosing a particular brand always save time, cost and money. Hence, it can be concluded that switching to other brand includes heavy cost. Further, customers want employees to be genuine, friendly, courteous and honest.

The analysis further reveals that for effective pricing decisions, an essential factor contributing to the success is pricing strategy, which needs the support of company’s general goals and strategies and contains an inbuilt flexibility, which makes it possible to make immediate adaptations and react to changes in the market and competitive behaviour.

The study also reveals that delivering superior service by maintaining high quality has been recognised as the most effective means of ensuring that a company’s offerings stand out from a crowd of look-competitive offerings. Further, leading organisations strive to maintain a superior quality of their brand in an effort to gain customer loyalty (Kandampully 1998).

The findings of the study highlight that loyal customers usually do not hesitate to recommend a company’s offerings to people in their surroundings. Moreover, loyal customers purchase the brand frequently because it is not worth their time and trouble to search for an alternative and are also normally less price sensitive than regular customers.

The analysis further reveals that drafting, designing or laying out commercial or business advertisements is an important art to promote sales at a business establishment. Interesting and meaningful advertisements are used to convey the messages, which should be simple and catchy. The messages should be brief and must be understood clearly by all the persons to whom it is intended for.
Finally, the findings show that beside service operation of the company, employees, environment and brand aroused feelings are important aspects to achieve customer satisfaction.
### Table 4.1: Brief Profile of Customers who Own or Drive Car

<table>
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<tr>
<th>Respondent Profile</th>
<th>Number</th>
<th>Percentage</th>
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<tbody>
<tr>
<td><strong>Gender</strong></td>
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<td></td>
</tr>
<tr>
<td>Male</td>
<td>320</td>
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<tr>
<td>Female</td>
<td>30</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Age (in years)</strong></td>
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<tr>
<td>Less than 20</td>
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<td>1%</td>
</tr>
<tr>
<td>20-30</td>
<td>126</td>
<td>36%</td>
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<tr>
<td>31- 40</td>
<td>98</td>
<td>28%</td>
</tr>
<tr>
<td>41- 50</td>
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</tr>
<tr>
<td>Above 50</td>
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<td>16%</td>
</tr>
<tr>
<td><strong>Qualification</strong></td>
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</tr>
<tr>
<td>Under graduate</td>
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</tr>
<tr>
<td>Graduate</td>
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<tr>
<td>Post graduate</td>
<td>95</td>
<td>27%</td>
</tr>
<tr>
<td>Professionals</td>
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</tr>
<tr>
<td>Others</td>
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</tr>
<tr>
<td><strong>Occupation</strong></td>
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<tr>
<td>Service</td>
<td>115</td>
<td>32%</td>
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<tr>
<td>Business</td>
<td>171</td>
<td>49%</td>
</tr>
<tr>
<td>Profession</td>
<td>26</td>
<td>7%</td>
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<tr>
<td>Others</td>
<td>38</td>
<td>12%</td>
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<tr>
<td><strong>Marital Status</strong></td>
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<tr>
<td>Single</td>
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<tr>
<td>Married</td>
<td>275</td>
<td>78.6%</td>
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<td>Others</td>
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<td><strong>Income (pm)</strong></td>
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<tr>
<td>Below 20,000</td>
<td>107</td>
<td>31%</td>
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<tr>
<td>20,001-30,000</td>
<td>166</td>
<td>47%</td>
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<td>No. of Factors Extracted</td>
<td>Variance Explained</td>
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</tr>
<tr>
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<td>3</td>
<td>18</td>
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<tr>
<td>12</td>
<td>8</td>
<td>72.294</td>
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<td>Mean</td>
</tr>
<tr>
<td>--------</td>
<td>------------------------</td>
<td>------</td>
</tr>
<tr>
<td>F1</td>
<td>Interpersonal Relations</td>
<td>5.22</td>
</tr>
<tr>
<td>PQ17</td>
<td>Well trained staff.</td>
<td>5.27</td>
</tr>
<tr>
<td>PQ16</td>
<td>Telephonic entertainment of queries.</td>
<td>5.17</td>
</tr>
<tr>
<td>PQ18</td>
<td>Maintenance of long term relations.</td>
<td>5.30</td>
</tr>
<tr>
<td>PQ15</td>
<td>Patient hearing to individual’s requirement.</td>
<td>5.33</td>
</tr>
<tr>
<td>PQ19</td>
<td>Sincere and reliable dealer.</td>
<td>5.24</td>
</tr>
<tr>
<td>PQ13</td>
<td>Knowledgeable and confident staff.</td>
<td>5.26</td>
</tr>
<tr>
<td>F2</td>
<td>Price Insensitivity</td>
<td>4.32</td>
</tr>
<tr>
<td>PS4</td>
<td>Non-price based buying decisions.</td>
<td>4.25</td>
</tr>
<tr>
<td>PS3</td>
<td>No influence of price for brand loyalty.</td>
<td>4.22</td>
</tr>
<tr>
<td>PS1</td>
<td>No switching in case of attractive prices elsewhere.</td>
<td>4.48</td>
</tr>
<tr>
<td>F3</td>
<td>Brand Quality</td>
<td>5.89</td>
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<tr>
<td>PQ8</td>
<td>Superior/ good quality.</td>
<td>6.02</td>
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<td>PQ9</td>
<td>Durability of brand.</td>
<td>5.97</td>
</tr>
<tr>
<td>PQ10</td>
<td>Extremely high quality.</td>
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<td>PQ7</td>
<td>Consistent quality.</td>
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<td>Recommendation</td>
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<td>Rec3</td>
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<td>Rec2</td>
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<td>4.71</td>
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<td>CL3</td>
<td>Preference of own brand even in case of attractive discounts offered by other brands.</td>
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<td>CL2</td>
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<tr>
<td><strong>BAW4</strong></td>
<td>Timely advertisement.</td>
<td>5.36</td>
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<tr>
<td><strong>BAW6</strong></td>
<td>Effective promotion through posters and banners.</td>
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<table>
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<td><strong>BTC4</strong></td>
<td>Trustworthy brand’s quality.</td>
<td>5.77</td>
<td>.688</td>
<td>.896</td>
<td>.820</td>
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<td><strong>BTC6</strong></td>
<td>Due consideration to customer’s interest.</td>
<td>4.54</td>
<td>1.55</td>
<td>.882</td>
<td>.786</td>
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<td><strong>CS11</strong></td>
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<td>.701</td>
<td>.820</td>
<td>.738</td>
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<td>.751</td>
<td>.809</td>
<td>.742</td>
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**Abbreviations:** F.L- Factor Loading, S.D- Standard Deviation, V.E- Variance Explained, Comm- Communalities
<table>
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<tr>
<th>Factors</th>
<th>Age wise F</th>
<th>Age wise Sig.</th>
<th>Qualification wise F</th>
<th>Qualification wise Sig.</th>
<th>Occupation wise F</th>
<th>Occupation wise Sig.</th>
<th>Income wise F</th>
<th>Income wise Sig.</th>
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<td>.659</td>
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<td>31-40 yrs</td>
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<td>Graduate</td>
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<td>5.597</td>
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<td>5.414</td>
<td>5.503</td>
<td>5.187</td>
</tr>
<tr>
<td>Interpersonal Relations</td>
<td>5.312</td>
<td>5.103</td>
<td>5.305</td>
<td>5.399</td>
<td>5.404</td>
<td>5.347</td>
<td>5.125</td>
<td>5.201</td>
</tr>
<tr>
<td>Factors</td>
<td>Income</td>
<td>Occupation</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Below Rs20,000 N=107</td>
<td>Rs.20,001-30,000 N=166</td>
<td>Above Rs.30,000 N=77</td>
<td>Service N=115</td>
<td>Business N=171</td>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price Insensitivity</td>
<td>M 4.352</td>
<td>M 4.307</td>
<td>M 4.257</td>
<td>M 4.042</td>
<td>M 4.423</td>
<td>M 4.368</td>
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<tr>
<td>Brand Quality</td>
<td>5.794</td>
<td>5.907</td>
<td>5.948</td>
<td>5.893</td>
<td>5.865</td>
<td>6.028</td>
<td></td>
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<tr>
<td>Recommendation</td>
<td>5.616</td>
<td>5.455</td>
<td>5.476</td>
<td>5.553</td>
<td>5.547</td>
<td>5.429</td>
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<tr>
<td>Customer Satisfaction</td>
<td>5.551</td>
<td>5.427</td>
<td>5.616</td>
<td>5.526</td>
<td>5.523</td>
<td>5.434</td>
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<tr>
<td>Brand Trust</td>
<td>5.187</td>
<td>5.130</td>
<td>5.188</td>
<td>5.22</td>
<td>5.13</td>
<td>5.18</td>
<td></td>
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<tr>
<td>Brand Awareness</td>
<td>5.379</td>
<td>5.373</td>
<td>5.392</td>
<td>5.449</td>
<td>5.298</td>
<td>5.486</td>
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<tr>
<td>Interpersonal Relations</td>
<td>5.334</td>
<td>5.194</td>
<td>5.321</td>
<td>5.219</td>
<td>5.307</td>
<td>5.300</td>
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### Table 4.7: Hypotheses Testing through Regression Analysis in case of Product

<table>
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<tr>
<th>Hypotheses</th>
<th>β-value</th>
<th>Sig.</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Brand awareness → Brand trust</td>
<td>.234</td>
<td>.000</td>
<td>Yes</td>
</tr>
<tr>
<td>H2: Perceived product quality → Brand trust</td>
<td>.178</td>
<td>.001</td>
<td>Yes</td>
</tr>
<tr>
<td>H3: Brand awareness → Customer satisfaction</td>
<td>.211</td>
<td>.000</td>
<td>Yes</td>
</tr>
<tr>
<td>H4: Perceived product quality → Customer satisfaction</td>
<td>.244</td>
<td>.000</td>
<td>Yes</td>
</tr>
<tr>
<td>H5: Perceived product quality → Customer loyalty</td>
<td>.227</td>
<td>.000</td>
<td>Yes</td>
</tr>
<tr>
<td>H6: Brand trust → Customer satisfaction</td>
<td>.197</td>
<td>.000</td>
<td>Yes</td>
</tr>
<tr>
<td>H7: Brand trust → Customer loyalty</td>
<td>.137</td>
<td>.011</td>
<td>Yes</td>
</tr>
<tr>
<td>H8: Customer satisfaction → Customer loyalty</td>
<td>.244</td>
<td>.000</td>
<td>Yes</td>
</tr>
<tr>
<td>H9: Brand awareness → Customer loyalty</td>
<td>.120</td>
<td>.002</td>
<td>Yes</td>
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</table>

### Table 4.8: Model Summary of Regression in case of Product

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised Coefficients</th>
<th>Standardised Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.236</td>
<td>.526</td>
<td>4.254</td>
</tr>
<tr>
<td></td>
<td>Brand equity</td>
<td>.291</td>
<td>.081</td>
<td>.192</td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction</td>
<td>.250</td>
<td>.076</td>
<td>.176</td>
</tr>
</tbody>
</table>

a: **Dependent Variable**: Customer loyalty

b: **Predictors (Constant)**: Brand equity (brand awareness, brand quality, interpersonal relations and brand trust) and customer satisfaction.
References


CHAPTER 5
PREDICTING THE IMPACT OF CUSTOMER SATISFACTION AND BRAND EQUITY ON CUSTOMER LOYALTY IN THE BANKING SECTOR

5.1 Introduction

Today’s highly competitive and dynamic corporate environment compels banking institutions to have satisfied customers and retain them in order to survive and compete with competitors. So, in order to gain competitive advantage, brand equity has strategic roles. Strong brand awareness positively affects satisfaction (Kim, Kim, and An 2003) whereas brand image has a positive impact on customer satisfaction and customer loyalty (Ogba and Tan 2009). Further, satisfaction influences the likelihood of recommending a bank as well as repurchase intentions (Sivadas and Baker-Prewitt 2000). Thus, this chapter portrays the impact of brand equity and customer satisfaction on customer loyalty with regard to banking services.

5.2 Respondents profile

The information gathered from 650 randomly selected bank customers of Jammu city reveals that majority of them are male (96%), with 50% holding graduate degree and 31% belonging to the age group of 30-39 years. Further, 84% are married, 54% belonging to business class, followed by 28% service class customers and majority (51%) belonging to the income group of Rs. 20,001-30,000 pm (Table 5.1).

5.3 General Information

The data collected with the help Schedule II indicate that 33% of respondents are loyal to JKB, followed by PNB (16%) and SBI (15%), thereby indicating that JKB is
the most preferred bank. Nearly 39% sampled customers have opened deposit account along with ATM facility and about 35% respondents just opened deposit account. This reveals that customers prefer ATM facility because of 24-hours availability of cash and that too without visiting the branch office of their prime bank. Further, the most important consideration for bank preference is convenient location (40%), followed by fast service (17%). 35% of the respondents and their family would prefer JKB bank all the time, followed by PNB (20%) and SBI (17%). Thus, indicating again that most of the customers prefer JKB over other options available. On the other hand, 25% of the respondents would prefer SBI after switching, followed by PNB (21%) and JKB (18%). Further, 38% of the sampled customers could convince up to 10 friends/relatives/colleagues to avail services from their preferred bank.

Information obtained on dichotomous scale reveals that 95% respondents are satisfied with the services of their bank, 92% satisfied with the prompt and timely services, and 91% with timely action to their complaints. Further, majority of respondents (73%) think that choosing a particular bank always save time, cost and money, and 97% of the respondents are in favour of visiting same bank in future, indicating respondents staying intentions as switching involves huge costs. 94% of the respondents are satisfied with the core services provided by the prime bank, but 55% of them visit other banks due to convenient location. This reflects that customers prefer that bank which is not far away from their place. Hence, it can be concluded that a bank must have at least one branch in a convenient area so that customers do not switch mainly due to inconvenience. Among various features of a bank, service quality has been found to be the most preferred one (53%), followed by convenience (36%).
5.4 Data Purification

After proper editing and adjustments (responses obtained against negative statements were reversed), the data so collected from the respondents were purified through factor analysis using SPSS. In the 1\textsuperscript{st} round within 155 iterations, 26 factors having loadings above 0.50 appeared with 65% variance explained. In the 2\textsuperscript{nd} round, 7 items with factor loading less than 0.50 were dropped and 18 factors having loadings above 0.50 appeared, with 64% variance explained. In the 3\textsuperscript{rd} and 4\textsuperscript{th} rounds, 2 and 3 items with loading less than 0.50 were deleted. In the 5\textsuperscript{th} round, 55 items emerged having loading above 0.55. In 6\textsuperscript{th} round, 53 items emerged having loading above 0.55 with 65% variance explained. Further, in the 7\textsuperscript{th} and 8\textsuperscript{th} rounds, 7 and 3 items with loading less than 0.60 were deleted. Furthermore, in 9\textsuperscript{th} and 10\textsuperscript{th} rounds, 12 and 11 factors having loading above 0.65 came up. In the 11\textsuperscript{th} round, 35 items emerged having loading above 0.65. In the 12\textsuperscript{th} and 13\textsuperscript{th} rounds, 29 and 28 items emerged having loading above 0.65 with 68% and 69% variance explained respectively. Finally, in the 14\textsuperscript{th} round, 8 factors got extracted with 71% variance explained within 6 iterations. Thus, out of 100 items, 26 items got grouped under 8 factors. The value obtained in each round to measure KMO sampling adequacy came up as meritorious, as it falls in the group ranging from 0.82 to 0.893 (Table 5.2).

5.5 Factor Analysis

The detailed analysis of eight factors which emerged in this chapter is as follows (Tabble 5.3):

5.5.1 Price Insensitivity

This factor contains five dimensions, viz., ‘no switching in case of attractive prices elsewhere’, ‘not price based buying decisions’, ‘no influence of price for bank
loyalty’, ‘continuous dealing even at competitive prices’ and ‘preference for own bank irrespective of cheaper rates elsewhere’. Out of these five dimensions, ‘no switching in case of attractive prices elsewhere’ and ‘not price based buying decisions’ obtained highest factor loadings (0.933 each), whereas mean score of ‘no switching in case of attractive prices elsewhere’ arrived at 5.08, which is slightly higher than ‘not price based buying decisions’ (5.06). Further, ‘no influence of prices for bank loyalty’ obtained second highest factor loading (0.926), followed by ‘continuous dealing even at competitive prices’ (0.909). Lastly, ‘preference for own bank irrespective of cheaper rates elsewhere’ obtained lowest factor loading (0.792). However, customers have not completely agreed that they should prefer their own bank if other banks provide services at cheaper rates (5.04). Thus, it can be apprehended that price perception directly influences customer satisfaction, the likelihood of switching and recommendation to others. So, dimensions that constitute the determinants of price satisfaction, viz., quality ratio, price fairness, price transparency, price reliability and relative prices should be taken into consideration while framing the interest rate structure because half of the customers switch because of poor price perception when compared to competitors (Matzler, Wurtele, and Renzl 2006).

5.5.2 Brand Awareness

This factor consists of five dimensions, viz., ‘organising cultural and social programmes’, ‘organising awareness programmes’ (Kim, Kim, and An 2003), ‘advertisements regarding schemes, discounts at right time’ (Kalafatis and Denton 2000), ‘attractive advertising messages’ (Clark, Doraszelski, and Draganska 2009) and ‘effective promotion through posters and banners’ (Wright and Nancarrow 1999). Out of these five dimensions, ‘organising cultural and social programmes’ received
highest factor loading (0.829), thus revealing its significance towards predicting brand awareness. However, customers are not very much contended with ‘organising cultural and social programmes’ (5.19). Thus, it indicates that besides TV commercials or magazine advertising, bank management should support charity activities in social, cultural or any other kind of public events that can improve a bank’s brand awareness (Kim, Kim, and An 2003). Further, the next contributor came to be ‘organising awareness programmes’ (0.826), which include education to taxpayers, conducting workshops/seminars, training and development of employees, health awareness programmes etc. However, customers are more satisfied with organising awareness programmes (5.24) than organising specifically cultural and social programmes. The next important contributor towards brand awareness is ‘advertisements regarding schemes, discounts at right time’ (0.776), followed by ‘attractive advertising messages’ (0.774) and ‘effective promotion through posters and banners’ (0.754). However, customers have not revealed their high level of agreement towards these three aspects of brand awareness. Thus, it indicates that bank management should concentrate on advertising, as it plays a very important role in providing information to customers and reducing uncertainty (Yoo and Donthu 2002). Further, effective advertising does not just increase sales but also protects existing sales through reinforcing habits, allowing bank to change more or gain the respect of non-users (Ambler 1997).

5.5.3 Efficient Staff and Effective Complaint Handling

The third factor, i.e., efficient staff and effective complaint handling, consists of four variables, viz., ‘knowledgeable and confident staff’ (Kim, Kim, and An 2003), ‘well trained staff’ (Bodla 2005), ‘satisfactory information regarding banking needs’ (Sureshchandar, Rajendran, and Anantharaman 2002), and ‘effective and efficient
handling of complaints’ (Ehigie 2006). Out of these four, ‘knowledgeable and confident staff’ received highest factor loading (0.772), but sampled customers are not highly contended with the knowledge and confidence of the staff. The next contributor came to be ‘well trained staff’ (0.747) (Table 5.3). Here, the customers are quite satisfied as this component obtained highest mean score (5.70) as compared to other variables. Thus, it reflects that management must emphasise on training to its employees for building customer-oriented climate so that contact staff can deliver services more efficiently and effectively, acknowledging thereby acquiring and retaining customers as the very essence of marketing (Ehigie 2006). Next contributor came to be ‘satisfactory information regarding banking needs’ (0.739). However, customers are not very much satisfied with the information regarding the banking needs. Banks provide abundant information regarding the number of schemes, which makes it difficult for the customers to compare the information provided to them and thus, to assist customers in their information search and to reduce the search cost, banks should offer additional information services that help the customers in availing the benefits of various schemes (Pederson and Nysveen 2001). Lastly, ‘effective and efficient handling of complaints’ obtained lowest factor loading (0.737). However, customers are slightly more satisfied with the complaint handling (5.59) rather than satisfactory information regarding banking needs. Thus, it indicates that delivery and prompt response to customer’s concern and enquiries are important means of reducing dissatisfaction and increasing customer satisfaction (Yang, Peterson, and Cai 2003).

5.5.4 Complaining Behaviour

This factor consists of three dimensions, viz., ‘registering complaints for service failures’ (Reynolds and Harris 2005), ‘concern towards bank’s weaknesses’ and ‘complaints only in case of frequent failures’ (Casado-Diaz and Gonzalbez 2009). Out
of these three, ‘registering complaints for service failures’ received highest factor loading (0.816), thus revealing its significance towards predicting complaining behaviour. However, customers are not very much contended with ‘registering complaints for service failures of their bank’ (5.22). Thus, it can be apprehended that management should convey to customers that by complaining directly to the bank, they are providing an opportunity to the organisation to improve its service quality and to remain competitive (Ndubisi and Ling 2007). The second highest contributing dimension of complaining behaviour is ‘concern towards bank’s weaknesses’ (0.813). ‘Concern towards bank’s weaknesses’ means thinking positively about the bank and exhibiting one’s loyalty. So, this aspect also facilitates enough opportunity for the bank to take corrective actions and deliver better service performance. Moreover, internal complaining response also indicates customer’s confidence on the responsiveness of the bank to customer grievances than external complaining (Jaiswal and Niraj 2007). Lastly, ‘complaints only in case of frequent failures’ received lowest factor loading (0.792) as compared to other variables. However, customers are eager to complain only in case of frequent failures (5.34) rather than registering complaints for occasional failures. Thus, it can be concluded that complaints can inform a bank about its customers’ existing needs and provide an opportunity for discussion about future needs. Further, complaining is very useful for the banks in discovering and correcting product problems, increasing customer satisfaction and retaining the customer as an active purchaser (Donoghue and Klerk 2006).

5.5.5 Brand Trust

This factor consists of two dimensions, viz., ‘due consideration to customers’ interest’ (Garbarino and Johnson 1999) and ‘customer caring attitude’ (Lassar, Mittal, and Sharma 1995). Out of these two, ‘due consideration to customers’ interest’ obtained
slightly higher factor loading (0.896) as compared to ‘customer caring attitude’ (0.875). However, respondents have averagely agreed that their bank gives due consideration to customer interest (5.00) and has a customer caring attitude (4.62). Thus, in order to meet and fulfill the customers’ needs and expectations, bank must keep its promises through the way the product/service is developed, produced, sold, serviced and advertised. Hence, brand manager must invest great deal of resources in building customer trust in their bank, as trust is a major component of a customer brand relationship (Filo, Funk, and Alexandris 2008). Further, brand trust can be developed through providing complete information, fairness, safe and secure transaction and error free billing.

5.5.6 Recommendation

This factor contains two variables, viz., ‘strong recommendation to others’ (Homburg and Giering 2001) and ‘encouragement for transacting with prime bank’. Out of these two dimensions, ‘strong recommendation to others’ obtained higher factor loading (0.88), thus revealing its significance towards predicting recommendation. However, customers are not very much contended with the ‘recommendation to others’ (5.25), thus indicating recommending intentions as the best metric of predicting not only customers’ recommending behaviour, but also their re-purchasing intentions (Keiningham et al. 2007). Further, ‘encouragement for transacting with prime bank’ is the second significant contributor towards recommendation (0.85). Here, the customers are quite satisfied as this component obtained highest mean score (5.68) as compared to ‘recommendation to others’ (5.25), thus reflecting that positive word-of-mouth increases bank’s reliability and decreases customer’s perceived risks. Moreover, loyal customers indeed spread positive word-of-mouth and make recommendations (Bowen and Chen 2001).
5.5.7 Customer Satisfaction

This factor contains two variables, viz., ‘satisfactory advertisement’ and ‘satisfactory publicity’. Out of these two dimensions, ‘satisfactory advertisements’ obtained higher factor loading as well as higher level of mean score. Thus, it indicates that advertising is one of the most popular tools used by the banks to convince and communicate with the target buyers who are sometimes ignorant and unaware about the existing services offered by the bank. Thus, advertising acts as an important tool to attract customers’ attention and to inform them about various services offered by the bank (Idris, Yajid, and Khatibi 2009). Further, ‘satisfactory publicity’ obtained slightly lower level of mean score as well as factor loading as compared to ‘satisfactory advertisements’. Thus, it reflects that customers are more satisfied with the advertisements of their bank than the publicity of their services and schemes. Apparently, promotion generates frequent visits, but keeping target customers informed of new services also reinforces their satisfaction level. Advertising and information should be visually appealing and the bank should continuously inform about interesting activities, products and offers (Anselmsson 2006).

5.5.8 Brand Image

This factor consists of two dimensions, ‘popularity among friends’ (Lassar, Mittal, and Sharma 1995) and ‘popularity among family members and relatives’ (Chattopadhyay, Shivani, and Krishnan 2009). Out of these two, ‘popularity among friends’ received comparatively higher factor loading (0.847), thus revealing its significance towards predicting brand image. However, the mean score of ‘popularity among family members and relatives’ (5.66) is higher as compared to ‘popularity among friends’ (5.20). Thus, it reflects that a strong brand image facilitates personnel-customer interaction, minimises defame towards the corporate name, positively
affects the internal climate of the bank, facilitates hiring of valuable employees, attracts investors etc. Considering all the above, it is logical for banking sector to first establish and develop the main dimensions of brand identity and then communicate it to customers so as to eventually generate a favourable brand image (Moisescu 2007).

5.6 Demographic Profile-wise ANOVA Results

In order to measure the effect of different demographic variables on brand equity, customer satisfaction and customer loyalty, respondents were segregated under various groups on the basis of age, income, qualification and occupation. The analysis done on the basis of ANOVA results is as under (Table 5.4):

5.6.1 Age-wise Analysis

The respondents were divided into five age groups, viz., less than 30 years, 30-39, 40-49, 50-59, and more than 60 years (Al-Ashban and Burney 2001). Maximum respondents (31%) fall in the age group of 30-39 years. The first group, i.e., less than 30 years consists of 27% while 132 respondents fall in the age group of 40-49 years and lastly, 11% respondents each were in the age group of 50-59 and more than 60 years. ANOVA was used in order to test the significant difference between the perceptions of respondents belonging to these age groups. ANOVA result towards eight factors was found to be significant (F=2.973, sig=.019). Thus, each group of respondents has been analysed separately. On further analysis it became evident that out of responses toward eight factors only one factor, i.e., brand image, is significant at 5% level of significance (F=2.727, sig<.05) (Table 5.4).

Less than 30 years- The respondents belonging to the age group of less than 30 years attributed above average mean scores to six factors, viz., efficient staff and effective complaint handling (5.68), recommendation (5.50), complaining behaviour (5.40),
brand image (5.32), and customer satisfaction (5.30), brand awareness (5.03) (Table 5.5). While only two factors, viz., brand trust (4.88) and price insensitivity (4.76) obtained average level of mean scores. Thus, it can be inferred that respondents belonging to this group are highly satisfied with the services of their bank as compared to other groups and they recommend it to others.

30-39 years- This group attributed average mean scores to six factors, viz., efficient staff and effective complaint handling (5.61), recommendation (5.43), brand image (5.42), complaining behaviour (5.38), customer satisfaction (5.37) and brand awareness (5.25). However, two factors, viz., price insensitivity (4.89) and brand trust (4.84) scored average level of mean values.

40-49 years- This group accorded above average mean scores to six factors, viz., efficient staff and effective complaint handling (5.52), complaining behaviour (5.47), brand image (5.39), recommendation (5.35), customer satisfaction (5.29) and brand awareness (5.16). Average mean scores were attributed to price insensitivity (4.79) and brand trust (4.60).

50-59 years – The respondents belonging to this age group accorded above average mean scores to six factors, viz., efficient staff and effective complaint handling (5.66), brand image (5.62), recommendation (5.55), complaining behaviour and customer satisfaction (5.28 each) and brand awareness (5.15). Further, only two factors, viz., brand trust (4.89) and price insensitivity (4.88) obtained average level of mean scores.

More than 60 years- The bank customers falling in this age group attributed above average mean scores to seven factors, viz., efficient staff and effective complaint handling (5.67), brand image (5.58), recommendation (5.59) customer satisfaction (5.52), complaining behaviour (5.52), price insensitivity (5.36) and brand awareness
whereas only one factor, i.e., brand trust (4.88) obtained average level of mean score. Thus, it can be apprehended that customers belonging to this group are comparatively more satisfied with the image of their bank and thus, don’t want to switch to other banks merely due to pricing factor.

5.6.2 Qualification-wise Analysis

Respondents were also divided into five groups on the basis of their qualification, viz., undergraduate, graduate, post graduate, professional qualification and others. Almost 20% of the respondents were from the first group, i.e., undergraduate level, while majority of the respondents (50%) hold graduation degree. The third group (post graduate) contains 20% of respondents, whereas 9% of the respondents had professional degree and lastly, 1% of the respondents possessed M Phil/ Ph D degree. Due to negligible number of sampled customers (9) in the last group, it has not been considered appropriate for analysis. ANOVA values reveal no significant difference between mean scores of these four groups (F=.684, sig=.562). The respondents of all the four groups attributed almost same responses towards eight factors. They accorded above average mean values to six factors (Table 5.5), viz., brand awareness, efficient staff and effective complaint handling, complaining behaviour, recommendation, customer satisfaction and brand image. While two factors, viz., price insensitivity and brand trust obtained average mean scores. Thus, it becomes clear that there is not much difference between the responses of four groups. Hence, it can be concluded that efficient staff and effective complaint handling affect customer satisfaction, image of the bank and customers positive intentions to recommend their prime bank to others (Hu, Kandampully, and Juwaheer 2009).

5.6.3 Income-wise Analysis
Respondents have also been divided into four groups on the basis of their monthly income, viz., Rs 5001-10,000, 10,001-20,000, 20,001-30,000 and above Rs 30,000. Majority of the respondents (51%) fall in the income bracket of Rs 20,001-30,000, followed by 37% respondents in the income group of Rs 10,001-20,000 and only 10% of the total respondents have earnings above Rs 30,000. Due to negligible number of sampled customers (2%), the first income group (Rs 5,001-10,000) has not been considered appropriate for further analysis. ANOVA was used to know whether significant difference exists in the mean scores of respondents belonging to these four groups (F=1.437, sig=.238). It became evident that out of eight factors only one, i.e., brand trust is found to be significant (F=11.49, sig=.000) at 5% level of significance. The respondents belonging to all the groups attributed almost same responses towards seven factors. They accorded above average mean values to seven factors, viz., brand trust, efficient staff and effective complaint handling, complaining behaviour, recommendation, customer satisfaction, brand image, and brand awareness. While only one factor, viz., price insensitivity obtained average mean scores (4.91- 4.98) (Table 5.6).

5.6.4 Occupation-wise Analysis

The occupation-wise classification of respondents into four groups, viz., service, business, profession and others (i.e., housewives, students and retired persons), reveals that majority of respondents (54%) are running their own business, followed by 28% belonging to service class, and 12% belonging to other category. Due to negligible number of sampled customers (6%), the professional category has not been considered appropriate for further analysis. ANOVA was performed to know whether significant difference exists in the mean scores of respondents belonging to these three groups (F= 3.330, sig =.036). The significance level indicates significant differences between
respondents with regard to three factors, viz., brand trust, recommendation, price insensitivity. Thus, each group of occupation has been analysed separately (Table 5.6)

**Service Group**- Service employees attributed above average level of mean scores towards six factors, viz., efficient staff and effective complaint handling (5.59), complaining behaviour (5.41), brand image (5.39), customer satisfaction (5.37), brand awareness (5.11), recommendation (5.34). Average mean scores were attributed towards two factors, viz., brand trust (4.93) and price insensitivity (4.51). Thus, it can be apprehended that respondents of this group are highly satisfied with the services of their bank and complaint handling mechanism. This may be due to the reason that they don’t operate their account daily and visit the bank only for deposit or withdrawal of their salary. Moreover, they are also not much concerned about the discounts and related schemes of the bank.

**Business Group**- This group accorded above average level of mean scores to seven factors, viz., efficient staff and effective complaint handling (5.63), recommendation (5.50), brand image (5.42), complaining behaviour (5.40), customer satisfaction (5.31), brand awareness (5.12), and price insensitivity (5.01). While only one factor obtained average mean score, i.e., brand trust (4.68). Thus, it becomes evident that although business respondents recommend their prime bank to others and are also highly satisfied with the services of their bank including complaint redressal, but the level of satisfaction is low as compared to other groups.

**Others**- This group (i.e., retired persons, students, and housewives) gave quite significant mean scores to seven factors, viz., efficient staff and effective complaint handling (5.71), recommendation (5.58), brand image (5.49), complaining behaviour (5.42), customer satisfaction (5.40), brand awareness (5.25), price insensitivity (5.12). Only one factor, viz., brand trust (4.97), obtained average level of mean score. Thus,
it can be apprehended that delivering high quality service can result in achieving high customer satisfaction, thus affecting the firm’s image (Hu, Kandampully, and Juwaheer 2009).

5.7 Hypotheses Testing

H1 through H9 were tested with the help of regression analysis whereas H10 was tested with the help of multiple regression. These results provide support for all the hypotheses, i.e., H1 through H10. Brand awareness and image exert a positive influence on brand trust (H1a and H1b) (β=.243; .040 and sig=.000 each) respectively. The hypothesis 2a stands accepted, i.e., perceived service quality significantly influences brand trust (β=.194, sig=.000), which is consistent with the findings of Gounaris and Karin (2002); Yieh, Chiao, and Chiu (2007); Poolthong and Mandhachitara (2009); Omar et al. (2009). Brand awareness has a direct and positive effect on customer satisfaction (H3a) (β = .426, sig=.000). Further, H3b also stands accepted, i.e., brand image has a direct and positive influence on customer satisfaction (β=.253, sig=.000). This result is consistent with the findings of Kandampully and Suhartanto (2000); Gocek, Kursum, and Beceren 2007; Chang and Tu 2005. Perceived service quality has a positive effect on customer satisfaction (H4a) (β=.310, sig. =.000). This result also finds support from Hong and Goo (2004); Ojo (2010). Furthermore, perceived service quality has a significant influence on customer loyalty (H5a) (β=.227, sig. =.000), which finds support from Aydin and Ozer (2005), Wong and Sohal (2003); Yuen and Chan (2010). H6, i.e., brand trust significantly influences customer satisfaction (β = .151, sig =.000), is consistent with the literature of Razzaque and Boon (2003); Chiou and Droge (2006); Macintosh (2009). Brand trust also has a positive effect on customer loyalty (H7) (β=.107, sig<0.05). This result is supported by Corbitt, Thanasankit, and Yi (2003); Yieh, Chiao, and Chiu (2007);
Macintosh (2009). Customer satisfaction exerts a positive influence on customer loyalty \((H_8)\) \((\beta=.151, \text{sig}=.000)\). This result also finds support from Bennett and Rundle-Thiele (2004), Lam et al. (2004); Liang, Wang, and Farquhar (2009). \(H_9a\) and \(9b\) were tested to investigate the impact of brand awareness and brand image on customer loyalty. Brand awareness has a positive and direct effect on customer loyalty \((\beta=.137, \text{sig}=.000)\) \((\text{Table 5.7})\), supporting \(H_9a\). Further, \(H_9b\), i.e., brand image has a positive and direct impact on customer loyalty \((\beta=.106, \text{sig} =.000)\), also stands accepted. This result is also consistent with the findings of Kandampully and Suhartanato (2000); Ogba and Tan (2009). Finally, \(H_{10}\) reveals that brand equity and customer satisfaction have positive and significant \((\beta=.052; .044 \text{ respectively, sig}<.05)\) effect on customer loyalty. Hence, \(H_{10}\) is also accepted \((\text{Table 5.8})\).

### 5.8 Overall Validity and Reliability

Convergent validity has been examined through correlation co-efficients among the items in each factor. The correlation values among the items of respective construct were found in the range of .690 to .937 for price insensitivity, .544 to .716 for brand awareness, .446 to .470 for efficient staff and effective complaint handling, .483 to .513 for complaining behaviour, .639 for brand trust, .577 for recommendation, .661 for customer satisfaction, and .469 for brand image. All the values of correlation co-efficients are above .30, which is a desired level of acceptability. Thus, convergent validity stands established.

Measurement of differences in the scores of respondents towards three constructs, viz., customer loyalty, brand equity and customer satisfaction, has been done through split half reliability, by dividing the respondents into two equal halves. The data have been proved valid both before and after purification, as both the groups have accorded
similar mean values (before factor analysis: group I=5.44, group II=5.46 and after factor analysis: group I=5.06 and group II=5.00). Further, in order to check the internal consistency and comparison of the entire data, Cronbach’s alpha has been computed. For individual factor coefficient alpha has also been proved authentic.

5.9 Conclusion

On the whole, the study leads to a number of conclusions. Majority of customers are in favour of continuous visit to same bank in future also, as they are satisfied with the quality of financial information they get and are also contended with its location. However, in case of inconvenient location, about 55% of respondents can think of switching their prime bank. Among various features of a bank, service quality has been found to be the most preferred one, followed by convenience. Further, only 27% customers have agreed that they can switch to another bank in case of attractive prices, whereas 379 customers are not being affected by the prices or interest rates of other banks.

Further, study highlights that the pricing of a bank is related to price transparency, price quality ratio and the relative price, as customers will be confident only if they are able to evaluate the price of a product/service and if this price is favourable, customers shall not always process price information actively and extensively. Thus, these dimensions of price give honest and complete information regarding products/services and as a consequence, these dimensions are highly effective at increasing satisfaction, trust and sales (Dan and Silvia 2008). The analysis further reveals that advertising plays an important role in providing product/service information to reduce uncertainty (Yoo and Donthu 2002). The study indicates that satisfactory advertisements not only effectively communicate the desired messages, but the
individual audience is also willing to “buy into” the desired message. In other words, for the advertisement to be effective, the communication must be sent and received.

Similarly, the analysis of service quality reveals that recruiting trained and knowledgeable staff, who have the ability to give each customer a personal attention, create conditions that make customers feel safe while carrying out their transactions and have an understanding of their specific needs. Moreover, complaints give a chance to remove dissatisfaction and strengthen true loyalty through a successful recovery.

The study also reveals that banks must care about their customers’ needs. They must use marketing research to track and understand those needs. Further, based on the findings of the study, it can be concluded that loyal customers will not only repeat the purchases but also bring their friends and family with them (Hoq and Amin 2010).

Finally, the analysis of brand image indicates that having a strong brand image implies upper hand over competitors and thus, preventing customers from shifting one bank to another.
<table>
<thead>
<tr>
<th>Table 5.1: Brief Profile of Bank Customers</th>
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<tbody>
<tr>
<td><strong>Respondent Profile</strong></td>
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<tr>
<td>Female</td>
</tr>
<tr>
<td><strong>Age (in years)</strong></td>
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<td>30-39</td>
</tr>
<tr>
<td>40-49</td>
</tr>
<tr>
<td>50-59</td>
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<tr>
<td>More than 60</td>
</tr>
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<td><strong>Qualification</strong></td>
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<tr>
<td>Graduate</td>
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<tr>
<td>Post graduate</td>
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<td>Professionals</td>
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<tr>
<td>Others</td>
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<td>Profession</td>
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<td>Others</td>
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</tr>
<tr>
<td>Rs 10,001-20,000</td>
</tr>
<tr>
<td>Rs 20,001-30,000</td>
</tr>
<tr>
<td>Above Rs 30,000</td>
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Table 5.2: Factorial Profile of Brand Equity, Customer Satisfaction and Customer Loyalty in case of Services

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<tr>
<th>Rounds</th>
<th>No. of Factors Extracted</th>
<th>Variance Explained</th>
<th>Items emerged</th>
<th>Iterations</th>
<th>No. of items Deleted</th>
<th>Extent of Factor loading</th>
<th>KMO</th>
<th>Bartlett Value</th>
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<td>68</td>
<td>155</td>
<td>32</td>
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<td>.893</td>
<td>22886.549</td>
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<td>2</td>
<td>18</td>
<td>64.420</td>
<td>61</td>
<td>11</td>
<td>7</td>
<td>Above 0.50</td>
<td>.883</td>
<td>15348.955</td>
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<td>16</td>
<td>65.170</td>
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<td>Above 0.50</td>
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<td>14322.963</td>
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<td>Above 0.50</td>
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<td>14</td>
<td>8</td>
<td>71.145</td>
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<td>Above 0.70</td>
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<td>Comm</td>
<td>% of V.E.</td>
<td>Cronbach Alpha</td>
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<td>No switching incase of attractive prices elsewhere.</td>
<td>5.08</td>
<td>2.00</td>
<td>0.933</td>
<td>0.885</td>
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<td>PS4</td>
<td>Not price based buying decisions.</td>
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<td>0.864</td>
<td>18.677</td>
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<td>No influence of price for bank loyalty.</td>
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<td>Continuous dealings even at competitive prices.</td>
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<td>1.69</td>
<td>0.909</td>
<td>0.74</td>
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<td>5.04</td>
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<td>0.655</td>
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<td>12.877</td>
<td>.890</td>
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<td>BAW4</td>
<td>Organising awareness programmes.</td>
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<td>0.712</td>
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<td>BAW3</td>
<td>Advertisements regarding schemes, discounts at right time.</td>
<td>4.97</td>
<td>1.27</td>
<td>0.776</td>
<td>0.659</td>
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<td>BAW7</td>
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<td>1.14</td>
<td>0.774</td>
<td>0.684</td>
<td>9.561</td>
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<td>Effective promotion through posters and banners.</td>
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<td>1.26</td>
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<td><strong>F3</strong></td>
<td><strong>Efficient Staff and Effective Complaint Handling</strong></td>
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<td>0.685</td>
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<td>0.84</td>
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<td>Bi8</td>
<td>Popularity among friends.</td>
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<td>0.96</td>
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<td>0.755</td>
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<td>Popularity among family members and relatives.</td>
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<td>0.86</td>
<td>0.817</td>
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**Abbreviations:** F.L- Factor Loading, S.D- Standard Deviation, V.E- Variance Explained, Comm- Communalities
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<td>.851</td>
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<td>M</td>
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<td>------------------</td>
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<td>M=5.47</td>
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<td>Customer Satisfaction</td>
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<tr>
<td></td>
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<td></td>
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**Table 5.6:** Income and Occupation-wise ANOVA Results in case of Services
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<th>Hypotheses</th>
<th>β-value</th>
<th>Sig.</th>
<th>Support</th>
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<tr>
<td>H1: Brand awareness → Brand trust</td>
<td>.243</td>
<td>.000</td>
<td>Yes</td>
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<tr>
<td>H1b: Brand image → Brand trust</td>
<td>.040</td>
<td>.000</td>
<td>Yes</td>
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<tr>
<td>H2: Perceived service quality → Brand trust</td>
<td>.194</td>
<td>.000</td>
<td>Yes</td>
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<tr>
<td>H3a: Brand awareness → Customer satisfaction</td>
<td>.426</td>
<td>.000</td>
<td>Yes</td>
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<tr>
<td>H3b: Brand image → Customer satisfaction</td>
<td>.253</td>
<td>.000</td>
<td>Yes</td>
</tr>
<tr>
<td>H4a: Perceived service quality → Customer satisfaction</td>
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<td>.000</td>
<td>Yes</td>
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<td>H5: Perceived service quality → Customer loyalty</td>
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<td>.000</td>
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<td>H6: Brand trust → Customer satisfaction</td>
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<td>.000</td>
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<td>H7: Brand trust → Customer loyalty</td>
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<td>H8: Customer satisfaction → Customer loyalty</td>
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<td>.000</td>
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</tr>
<tr>
<td>H9: Brand awareness → Customer loyalty</td>
<td>.137</td>
<td>.000</td>
<td>Yes</td>
</tr>
<tr>
<td>H9b: Brand image → Customer loyalty</td>
<td>.106</td>
<td>.000</td>
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Table 5.8: Model Summary of Regression in case of Services

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised Coefficients</th>
<th>Standardised Coefficients</th>
<th>t</th>
<th>Sig.</th>
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<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
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<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.893</td>
<td>.272</td>
<td>14.291</td>
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<td></td>
<td>Brand equity</td>
<td>.095</td>
<td>.044</td>
<td>.052</td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction</td>
<td>.155</td>
<td>.052</td>
<td>.044</td>
</tr>
</tbody>
</table>

a: **Dependent Variable**: Customer loyalty

b: **Predictors (Constant)**: Brand equity (brand awareness, efficient staff and complaint handling, and brand trust, brand image) and Customer satisfaction
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CHAPTER 6

CONCLUSION, SUGGESTIONS AND MANAGERIAL IMPLICATIONS

This chapter focuses on the major findings pertaining to customer satisfaction, brand equity and customer loyalty towards both product and services. Further, suggestions and managerial implications have been specified regarding both product and services.

6.1.1 Findings in Case of Product (Cars)

1. 350 persons were contacted who own or drive car in Jammu city, out of which 91% were male, 40% holding graduate degree and 36% belonging to the age group between 20-30 years. Further, 49% belonged to business class and 47% respondents falling in the income group of Rs 20,001-30,000 pm.

2. The survey reveals that 55% of respondents own Maruti Suzuki, followed by Hyundai (12%) and Tata (9%), indicating thereby that Maruti Suzuki is the most preferred among all other brands.

3. 40% of the customers have been using their car/s from the past 5 to 10 years. However, among different models of Maruti Suzuki, 9% customers would like to buy Wagon R, Alto and Swift. Further, 9% respondents would prefer Santro, followed by Honda (7%) and SX4 (7%).

4. About 63% of the respondents give priority to the features of the car rather than brands whereas only 19% give priority to both the brand as well as the features of their brand.
5. Principal component analysis resulted into eight factors, viz., interpersonal relations (5.22), price insensitivity (4.32), brand quality (5.89), recommendation (5.53), customer loyalty (4.71), brand awareness (5.37), brand trust (5.16) and customer satisfaction (5.51)

6. ANOVA was used to measure the impact of different demographic variables on brand equity, customer satisfaction and customer loyalty; respondents were segregated under various groups on the basis of age, income, qualification and occupation.

7. The findings of the ANOVA reveal that respondents belonging to the different age, income group, qualification and occupation have similar views pertaining to eight factors.

6.1.2 Findings in Case of Services (Banking Services)

1. The information gathered personally from 650 randomly selected bank customers of Jammu city reveals that majority of them are male (96%), with 50% holding graduate degree and 31% belonging to the age group of 30-39 years. Further, 54% belonged to business class, followed by 28% service class and majority of respondents (51%) falling in the income group of Rs. 20,001-30,000 pm.

2. The findings of the study indicate that 33% of respondents are loyal to JKB, followed by PNB (16%) and SBI with 15% loyal customers, thereby indicating JKB being the most preferred bank.

3. Majority of the respondents (73%) think that choosing a particular bank always save time, cost and money and 97% of them are in favour of visiting same bank
in future, indicating that respondents are not in favour of switching their bank as it involves huge costs.

4. Information obtained on dichotomous scale reveals that 95% of respondents are satisfied with the services of their bank, 92% satisfied with the prompt and timely services, and 91% with timely action to their complaints.

5. Among various features of a bank, service quality has been found to be the most preferred one (53%), followed by convenience (36%).

6. PCA resulted into eight factors, viz., price insensitivity (4.89), brand awareness (5.59), efficient staff and effective complaint handling (5.62), complaining behaviour (5.41), brand trust (4.81), recommendation (5.46), customer satisfaction (5.47) and brand image (5.43).

7. The findings of the ANOVA reveal that there is no significant difference between mean scores of sampled customers belonging to four levels of qualification (undergraduate, graduate, post graduate, professional qualification) and three groups of income category (Rs 10,001-20,000, 20,001-30,000 and above Rs 30,000). However, significant difference exists between the age groups (less than 30 years, 30-39, 40-49, 50-59, and more than 60 years) and occupation category, viz., service, business, and others (i.e., housewives, students and retired persons).

6.1.3 Conclusion

Eight factors emerged for both product and services, where price insensitivity, recommendation, brand awareness, brand trust and customer satisfaction were common factors. Further, analyses reveal that in case of product, recommendation, customer satisfaction and brand trust obtained higher mean scores whereas price
insensitivity and brand awareness scored higher mean values in case of services. Brand equity and customer satisfaction have a significant impact on customer loyalty for both product and services. However, the $\beta$ value for product (Car: $\beta = .192; .176$ respectively, sig<.05) is comparatively higher than services (Bank: $\beta = .052; .044$ respectively, sig<.05). So, it can be concluded that the impact of brand equity and customer satisfaction on customer loyalty is higher in case of products than services.

**6.2.1 Suggestions in Case of Products (Cars)**

1. **Interpersonal Relations**

   The interpersonal adaptability of service personnel is of major relevance to the organisations. So, employees need to have the capability of interpreting customer needs quickly, adjusting their behaviour timely, and alleviating customer complaints appropriately. Training in skill, leadership, customisation, information-sharing, process of development and performance management will provide better problem-solving capability and adapt work routines in response to a variety of circumstances (Yoo and Park 2007).

2. **Price Insensitivity**

   Companies must concentrate while crafting the right pricing strategies, as they will not only strengthen the business but also generate long term profitability, especially in industries with an intense competition. Moreover, inappropriate pricing strategies can shrink profitability, wrap customer relationships, and destroy even a well known brand.
3. Brand Quality

It is important for the firms to develop high quality products and services to gain a competitive edge in marketplace by quality management, as it has to be an integral part of the business strategy in order to improve business performance. Quality appears in eight different forms, including performance, features, reliability, conformance, serviceability, aesthetics, durability and perceived quality. Therefore, firms must not attempt to excel in all dimensions but assess what customers want and then select specific dimensions that enhance ‘durability of brand’ and ‘superior quality’. So, firms should invest resources and time to develop quality capabilities that fit into their business strategy (Chang et al. 2003).

4. Recommendation

Word-of-mouth communications and non paid publicity are more difficult for the marketers to control, so all attempts must be made to manage such communications. For example, positive-word-of-mouth can be stimulated by offering incentives to existing customers; to recommend the product to others, while negative word-of-mouth can be diffused by crafting sound product recovery policies that encourage customers to complain when there is a problem (O’Cass and Grace 2003).

5. Customer Loyalty

To build customer loyalty, the company should apply a more standardised and consistent approach to marketing in order to attract majority of customers. Consistent service quality, with no extra amenities but customised services to important groups of customers, seems to preserve the brand image and enhance brand loyalty. Furthermore, the company should not only offer good value for money but also make
its product and services different in order to achieve high customer loyalty (Osman, Hemmington, and Bowie 2009).

6. Brand Awareness

Managers must create a separate unit in marketing department to do advertisement, design the proper advertising banners and brochures by which suitable information on how to use the product is given to the customers; as well as obligating the managers to distribute the brochures to the customers and/or creating a teller telephone line explaining an organisation’s services and products for the customers.

7. Brand Trust

In order to survive in the cut throat competition, companies should understand the needs and desires of the customers (Robinson, Abbot, and Shoemaker 2005) and accordingly design suitable products and also maintain quality standards so as to maintain a good image and establish trust toward their brand.

8. Customer Satisfaction

Companies should provide satisfactory show room interiors and if the staff is lacking in it or if the services they are offering are unfriendly or if the atmosphere in the store is not appealing, it does not matter how good products they are selling, the image of the company will not be good. Thus, companies should focus on physical environment, such as facility aesthetics, layout accessibility, cleanliness, seating comfort, electronic equipment and display because they have a significant effect on customer satisfaction. Moreover, companies must aim to identify cultural, social, personal and psychological factors in order to make more attractive and interesting product/brand as per the customer’s buying decisions.
6.2.2 Suggestions in case of Services (Banking Services)

1. Price Insensitivity

It is generally found that banks decide to cut their prices out of sheer one idea that lower prices will retain and attract their customers’ wavering devotion and ultimately make the bank better off. But cutting off prices voluntarily by banks has hardly any significant effect on customers. Thus, customers are not much concerned with switching in case of attractive prices elsewhere. So banks should focus more on delivering the right quality, at the right price and on treating the customers fairly than focusing on competitor’s prices (Matzler, Wurtele, and Renzl 2006).

2. Brand Awareness

Banks must organise cultural and social programmes to make their customers aware about their services, as increasing brand awareness through various promotional and communication strategies increase financial performance. Moreover, the information provided through advertising regarding the latest schemes, discounts, and facilities plays an integral role in attracting new and retaining existing customers. Also, higher advertising expenditure leads to higher brand awareness.

3. Efficient Staff and Effective Complaint Handling

Banks should classify employees into technical staff (backroom personnel) and frontline staff (contact personnel) as both can contribute towards the total services provided to their customers. The frontline staff must be prepared to deal with different options, which can help customers in providing satisfactory information regarding banking needs. Moreover, employees should be courteous (which involves politeness, respect and consideration), give attention, instill confidence in customers, and deal with them in a caring fashion. Further, the backroom personnel respond indirectly via
the contact personnel to customers’ requests and needs. Thus, frontline and backline staff should recognise that an important factor to satisfy and retain customers is to develop a culture of service relationship. Therefore, managers should establish, maintain and enhance the relationship with customers (Ladhari and Morales 2008).

4. Complaining Behaviour

Bank management must provide media (toll-free numbers, web sites, etc.) for customers to channel their complaints. Bank management needs to improve the core services of the bank that would appeal to the needs of the customers and complainants. Moreover, bank should design a comprehensive recovery strategy that can handle complaints effectively, resolve complaints quickly, and learn from the recovery experiences. Further, bank managers should also take steps to reward employees who have successfully handled the complaints made by bank customers through various incentives, which will motivate bank staff to take a willing part in the processes of handling customer complaints, effectively managing complaints and improving the quality of the services offered by the bank (Kitapci and Dortyol 2009).

5. Brand Trust

Brand Trust can be enhanced by considering customers’ interest in mind. For this, managers should take steps with regard to service encounters or “moments of truth” relating to the caring and individualised attention that a bank gives to customers. Consequently, understanding customers’ specific needs and having their best interest at heart send a powerful signal to customers as to the quality and performance of the service delivered to customers. Thus, management can play a critical role in enhancing contact employees’ service delivery process by setting high performance standards,
enabling contact employees to meet these standards and appraising and rewarding them accordingly (Wong and Sohal 2003).

6. Recommendation

Bank managers should design programmes that increase customer likelihood of recommending the bank to others. Incentive programmes (special discounts, gifts or bring a friend to the bank) or advertisements that encourage customers to recommend their bank to friends/relatives or at least promote the product/service through favourable word-of-mouth (Sivadas and Baker-Prewitt 2000) should be introduced.

7. Customer Satisfaction

It is advisable for banks to make investment on advertising, publicity and other approaches to communicate bank related information (Xie and Peng 2010). Managers can use advertising messages that will not only lead to customer satisfaction but also depict tangible dimensions of service quality. Moreover, banks should improve the effectiveness of services through advertising, as this helps in reducing amount of uncertainty associated with not being able to touch or examine the service (Jamal and Anastasiadou 2009).

8. Brand Image

In order to maintain relationship with bank, which tends to be long lasting, individuals appreciate aspects like reputation or confidence rather than the services that an organisation can provide at a specific moment in time. So, bank managers have to adopt marketing strategies considering individual’s previous experience with the bank in order to enhance the image of the bank. To survive in the present world, banking institutions have to develop strong brands that, with a different image, provide competitive advantage. Moreover, marketing communication must consider the
peculiarities of these groups (i.e., customers and non-customers of banks) of individuals and allocate resources to transmit a higher impact on brand image (Bravo, Montaner, and Pina 2009).

6.3.1 Implications in case of Products (Cars)

The factors and their dimensions that emerged in the study provide an insight of constituents of brand equity, customer satisfaction and customer loyalty for automobiles. Promotion is critical in developing equity, so companies have to provide a valuable product that will get used or seen by other people. Thus, in order to promote their product, companies should offer e-books, free pens, t-shirts, caps, bags to their customers, as these are great examples of things people use and expose their brand to others. Further, social networking sites can be used to put reviews about favourite cars, their videos and reviews about different cars features, which can be placed to enable prospects for making comparisons and purchase decision.

Managers should recognise that well-structured and valuable communication has a strong effect on consumer perceptions, which leads to trust, satisfaction and loyalty. All customer contact points should be analysed for the qualities of communication and its outcomes. These contact points can include mass communications, personalised written or digitised communications, and contact with company personnel. All such communications can be used as relationship enhancers, offering the customer a useful and needed advice and information, packaged in such a way that the customer finds it easy to understand.

Managers still have to depend upon a high degree of contact between the staff and customers. Special attention needs to be placed on managing the physical evidence carefully. This could be done by making sure that the physical surroundings are
visually pleasing, the contact personnel dress neatly and overall atmospherics reinforce the company’s positioning statement.

Trust is the crucial factor in the development and maintenance of relationships and thus, it is widely established in the field of marketing strategy. Companies have to increase their customers’ positive affect by building and sustaining their credible reputation such as being reliable, competent and having integrity in business conduct.

Moreover, it is essential for companies to encourage existing customers to ‘spread good words’ by actively promoting the reward system and commensurate amount of efforts must be utilised in reducing negative word-of-mouth of unhappy customers.

6.3.2 Implications in case of Services (Banking Services)

The study has confirmed the importance of studying brand equity, customer satisfaction and customer loyalty in banking sector. To survive in the present world, banking institutions have to develop strong brands with a different corporate image in order to provide competitive advantage. Firstly, bank management has to pay attention towards banking staff skills, knowledge and attention to customer needs so that fast and efficient services are provided to their customers. Moreover, in order to enhance the timeliness of their services and ease the access of customers, banks have to invest significant sums on new technologies, e.g., video banking, internet banking, telephone banking.

To gain loyalty, bank management ought to satisfy their customers. This can be best implemented when customers’ needs are known and machineries are put in place at getting them satisfied. Moreover, loyal customers are the most important asset to a bank, so bank managers have to adopt the strategy of ‘customer is always right’. This attitude will tell the customer that he and his suggestions have valuable importance for
the bank. Customers look for respected attitude from the staff of their bank. Hence, bank management must display humble and respected attitude to each and every customer whether he/she is new or old, which will build the image of the bank in return. Therefore, bank managers have to communicate efficiently with the customers and be highly responsive when dealing with their complaints. Brand trust needs to be considered as a strategic variable, and present in all organisational activities. Further, trust depends on the individual’s perception of several factors, viz., formal line of communication, privacy, security and reputation. Hence, bank management has to take care about all these factors while interacting with their customers. Finally, advertising through media is the best way to deliver the message to the target audience. It can create a good rapport between customers and product. So, bank managers have to take care that messages they are providing to the customers through advertising are accomplished, as this will generate trust and satisfaction towards their bank.
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