



Perceived quality, perceived risk and customer trust affecting customer loyalty of environmentally friendly electronics products



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ABSTRACT

At present, industrial business competition causes producers to be aware of quality, price, and variety in developing new products to meet the consumers' needs. This research reviewed the literature on green marketing and proposes a new conceptual framework of customer loyalty. It uses four constructs—perceived quality, perceived risk, customer trust, and customer loyalty—in the context of environmentally friendly electronics products in Thailand. This research employed an empirical study using the questionnaire survey method to verify the hypotheses. Data were obtained from 420 consumers who bought and used environmentally friendly electronic products, particularly mobile phones, computers, and laptops using a purposive sampling method. The data were analyzed using confirmatory factor analysis (CFA) and structural equation modeling (SEM). The results showed that perceived risk and customer trust had a direct effect on customer loyalty while perceived quality had an indirect effect on customer loyalty via customer trust. Furthermore, perceived quality had direct effects on perceived risk and customer trust. The results from the final SEM model were used to confirm the proposed relationships among the variables.

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Introduction

The idea of natural reserves has become an important matter, and globalization has pressured various industries to be motivated to improve their environmental operations (Lee, 2008). Furthermore, the increase in regulations applied to many industrial factories, including social regulations concerning environmental sustainability, reinforces the importance of environmental strategies as a source of competitive advantage.

In addition, there must be a customer loyalty base for a product or service that is ready to support products,

services, and marketing activities with the intention to purchase and to repeatedly purchase, as well as word of mouth to maintain the customer base and to continuously expand. Businesses should have an interest in the environmentally friendly market or so-called “green marketing” to add value to products where a customer's perceived value and reduced perceived risk have an influence on the consumer's decision. Studying consumers' behavior is very important to meet green market principles. Nevertheless, a significant factor to driving a sustainable business is customer loyalty, which is related to the success and profit of the company. Loyalty keeps the old consumers and builds new interactions which are a challenge that the business must face. A company needs to adjust its loyalty trend to set up a consumer-tied strategy that can help the marketing efforts of the company.

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Perceived quality, perceived risk, and customer trust are very important factors concerning green marketing management and influence the consciousness of being responsible and encouraging participation in environmental activities for beneficial social effects. A review of prior studies indicated that researchers have studied the relationship between perceived quality, perceived risk, and customer trust on customer loyalty (Aydin & Özer, 2005; Chang & Chen, 2008; Chen & Chang, 2013; Hu, 2012; Lai-Ming Tam, 2012; Li, 2011; Sarwar, Abbasi, & Pervaiz, 2012; Snoj, Korda, & Mumel, 2004; Tuu, Olsen, & Linh, 2011). Although the literature on the relationships among perceived quality, perceived risk, customer trust, and customer loyalty is rich, no work has been done on the relationship of the mentioned variables on the customer loyalty of environmentally friendly electronics products in Thailand. The forces of going green are now extending to the Asian region, where environmental threats are alarming local governments and citizens. Consequently, consumers pay more attention to rising environmental protection activities, and green consumption has gained more momentum for environmental protection. It is necessary to investigate the relationship of these variables in the Thai context.

Thus, the researcher was interested in studying the influence of the above variables of perceived quality, perceived risk, customer trust, and customer loyalty with regard to environmentally friendly electronics products.

Literature Review

This study presents a review of the empirical literature and the theoretical framework. Specifically, perceived quality, perceived risk, customer trust, and customer loyalty were selected after an extensive review of the marketing literature.

Perceived Quality

Perceived quality is defined as the consumers' judgment about an entity's services containing overall excellence or superiority (Snoj et al., 2004). Chen and Chang (2013) proposed a novel construct, "green perceived quality", although environmental consciousness is more popular. This research suggested a six-dimensional construct of perceived quality using performance, durability, attention, worthiness, reliability, and product safety.

Perceived Risk

Prior literature argues that a reduction in perceived risk leads to an increase in purchase probability, so a decrease in perceived risk is useful for increasing customer trust (Chang & Chen, 2008). Perceived risk has been measured by functional risk (Chen & Chang, 2012, 2013; Hu, 2012), performance risk (Chen & Chang, 2012, 2013; McCorkle, 1990), psychological risk (McCorkle, 1990), social risk (Chen & Chang, 2013; Hu, 2012), financial risk (Chang & Chen, 2008; Hu, 2012; McCorkle, 1990), and physical risk (Chen & Chang, 2013). This research suggested a six-dimensional construct of perceived risk using functional

risk, performance risk, physical risk, psychological risk, social risk, and financial risk.

Customer Trust

Trust development is more suitable for trade when considering the business-to-consumer market. Customers trust more highly reputable organizations, and marketing organizations need more emphasis on corresponding organizational distinctiveness than on the product features (Keh & Xie, 2009). Customer trust has been measured by reputation (Chang & Chen, 2008; Chen & Chang, 2012; Chen, 2010), performance (Chang & Chen, 2008; Chen & Chang, 2012; Chen, 2010), claims (Chen & Chang, 2012; Chen, 2010), expectation (Chen & Chang, 2012; Chen, 2010), and commitment (Chang & Chen, 2008; Chen & Chang, 2012; Chen, 2010). This research suggested a five-dimensional construct of customer trust using reputation, performance, claim, expectation, and commitment.

Customer Loyalty

Customer loyalty is defined as a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts that have the potential to cause switching behavior. Tuu et al. (2011) defined customer loyalty as a cumulative construct including both the act of consuming (action loyalty) and expected consumption (future repurchasing). Most studies measure loyalty outcomes using behavioral loyalty dimensions such as word-of-mouth communication, purchase intention, price insensitivity, and complaint behavior (Bloemer & Odekerken-Schröder, 2002; Ibrahim & Najjar, 2008). Another way customer loyalty can be measured is by repurchase intention (Li & Green, 2011; Li, 2011; Marakanon & Panjakajornsak, 2013). This research suggested a four-dimensional construct of customer loyalty using repurchase intention, complaint behavior, price insensitivity, and word-of-mouth.

Previous research indicated that there is a relationship between perceived quality and customer loyalty (Aydin & Özer, 2005). The subsequent hypothesis explains the relationship between perceived quality and customer loyalty:

H1. There is a significant association between perceived quality and customer loyalty.

Previous research indicated that there is a relationship between perceived quality and perceived risk (Chang & Chen, 2008; Snoj et al., 2004) because consumer behavior involves risk in the sense that any action of a consumer will produce consequences that the consumer cannot anticipate with any approximating certainty, and some of those consequences are likely to be unpleasant. The subsequent hypothesis explains the relationship between perceived quality and perceived risk:

H2. There is a significant association between perceived quality and perceived risk.

There was evidence to support a relationship between perceived quality and customer trust (Aydin & Özer, 2005;

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