



The antecedents of customer loyalty: A moderated mediation model of customer relationship management quality and brand image



Munyaradzi W. Nyadzayo^{a,*}, Saman Khajehzadeh^b

^a Swinburne University of Technology Department of Marketing and Management Cnr Wakefield and William Streets Hawthorn, Victoria 3122, Australia

^b Griffith University, Griffith Business School, Gold Coast Campus, QLD 4222, Australia

ARTICLE INFO

Article history:

Received 3 July 2015

Received in revised form

8 February 2016

Accepted 8 February 2016

Available online 23 February 2016

Keywords:

Service quality

Customer satisfaction

Customer value

Customer relationship management

Brand image

Customer loyalty

Car dealerships

ABSTRACT

This study examines the mediating role of customer relationship management (CRM) quality to better explain the effects of service evaluation variables (service quality, customer satisfaction and customer value) on customer loyalty. The study also investigates the moderating effect of brand image on these mediated relationships. The mediating role of CRM quality on the relationship between the service evaluation variables and customer loyalty is supported. Further, it is found that the indirect effect of customer satisfaction on customer loyalty via CRM quality is stronger when perceived brand image is high than when it is low. The results have implications for relationship managers, brand managers and scholars who use service evaluation and relational metrics to predict customer loyalty.

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1. Introduction

Marketing scholars and practitioners recognize the importance of customer loyalty as a strategic objective in all service industries (Cooil et al., 2007; Gustafsson et al., 2005; Reichheld, 1996). In particular, loyal customers are critical assets in the automotive industry where customers are involved in comparatively deeper and long-term relationships with the firm. This is because the average product (car) costs over US\$30,000 and unlike other products, buyers often do not return to the market for an average ownership cycle of five years or longer (Gorzelay, 2011). Accordingly, firms, especially car dealerships, need to build and develop sustainable and high quality customer relationships that can deliver beyond the core product (Zineldin, 2006).

Prior research highlights the importance of understanding the factors that contribute to customer loyalty (Zeithaml et al., 1996). However, despite managers' emphasis on customer loyalty, it remains one of the most challenging issues facing firms in the modern business era that is characterized by intense competition. Although more attention has been paid to the antecedents of customer loyalty, extant literature fails to provide consistent explanations regarding

what variables influence customer loyalty (Bolton, 1998; Kumar et al., 2013). Particularly, further research is needed to investigate other mediators and moderators that can play a role in enhancing customer loyalty (Kumar et al., 2013). In recognition of these insights, the main purpose of this study is to investigate the potential mediator and moderator variables that engender customer loyalty in the automotive industry.

Existing literature supports the *simultaneous* investigation of the service evaluation variables namely; service quality, customer satisfaction and customer value, on outcome variables such as loyalty (Cronin et al., 2000; Ostrom and Iacobucci, 1995). These service evaluation variables are key antecedents to customer loyalty (Babin and Attaway, 2000; Bolton and Drew, 1991). However, most research has focused mainly on simple direct effects between these variables and customer loyalty which may disguise true relationships (Lai et al., 2009). On the other hand, although prior research identifies several variables that can mediate and moderate the effects of the service evaluation variables on customer loyalty, the findings are equivocal (Seiders et al., 2005). Research suggests that a high service quality evaluation *per se* is insufficient to drive customer loyalty suggesting that the quality of customer relationship management (CRM) is fundamental (Chen and Hu, 2013; Fullerton, 2005; Zeithaml and Bitner, 2000). Also, brand image is one marketplace-specific variable that has not received much attention as a moderator despite its importance in enhancing loyalty (Hsieh and

* Corresponding author.

E-mail addresses: mnyadzayo@swin.edu.au (M.W. Nyadzayo), s.khajehzadeh@griffith.edu.au (S. Khajehzadeh).

Li, 2008; Wang and Yang, 2010). Research attests that a customer's attitude towards the brand image is crucial in driving commitment and trust that in turn enhances customer loyalty (Chen and Ching, 2007).

This study therefore develops and empirically tests an integrated model that investigates the simultaneous effects of the service evaluation variables (service quality, customer satisfaction and customer value) on customer loyalty mediated by CRM quality (commitment and trust) and moderated by brand image. The remainder of the paper begins by presenting the theoretical framework of the study. This is then followed by a literature review of the main constructs and hypotheses development. Next, the research methodology and findings are presented. The paper concludes by discussing theoretical and managerial implications, limitations and areas for future research.

2. Conceptual model, literature review and hypotheses development

There are converging views that service evaluation variables including service quality, customer value and customer satisfaction are the key customer judgments that influence behavioral intentions (Cronin et al., 2000; Garbarino and Johnson, 1999; Zeithaml et al., 1996). However, the efficacy of the link between customer satisfaction and customer loyalty has come into question, with some researchers suggesting that firms should not solely focus on satisfaction as the main and direct driver of customer loyalty (Kamakura et al., 2002; Rust et al., 1995). In fact, evidence suggests that satisfaction accounts for less than 25 percent of the variance in repeat purchase behavior (Szymanski and Henard, 2001), explaining why some satisfied customers defect (Jones and Sasser, 1995). Moreover, research shows that customer value is an important antecedent to outcome variables such as word-of-mouth and repeated behavior (Leroi-Werelds et al., 2014; Woodruff, 1997); yet, our knowledge of how customer value is related to behavioral intentions is still fragmented.

Although prior research supports the positive direct effect of service quality on customer loyalty (Iacobucci, 2006; Zeithaml et al., 1996), there is an emerging stream of research that focuses more on the conditions under which the quality-loyalty link is stronger or weaker (Fullerton, 2005; Wang, 2010). As a result, several studies have merged service evaluations and relationship marketing insights (Fullerton, 2005; Morgan and Hunt, 1994) to argue that CRM quality comprising of trust and commitment is crucial in building and maintaining long-term relationships and enhancing customer loyalty (Gwinner et al., 1998). Overall, the links between the three service evaluation variables, CRM quality, brand image and outcome measures such as customer loyalty are still unclear (Cronin et al., 2000; de Matos and Rossi, 2008; Lai et al., 2009).

Consistent with the extant research above, we acknowledge the direct effects of the service evaluation variables on customer loyalty. However, to leverage the efficacy of these variables on customer loyalty our conceptual model posits that (i) CRM quality plays a mediating role on these relationships and (ii) the mediated relationship between each of the three service evaluation variables and customer loyalty via CRM quality is moderated by brand image. Thus, we specify a moderated mediation relationship pattern among the constructs (see Fig. 1). The proposed hypotheses are explicated in the following sections.

2.1. Customer relationship management (CRM) quality

Grounded in the Relationship Marketing (RM) theory, the concept of CRM is based on the premise that developing

relationships with customers is the best way to retain them and generate loyalty, and that loyal customers are more profitable than non-loyal customers (Zeithaml et al., 1996). CRM is defined as a process of managing the whole relationship between a firm and its customers, with all its various contacts, interactive processes and communication elements (Grönroos, 2007). The main objectives of CRM include attracting, developing and maintaining successful customer relationships over time (Berry, 1995); targeting the right customer with the right product or service through the right channel at the right time (Swift, 2001); and building customer profitability and loyalty (Grönroos, 2007; Reinartz and Kumar, 2006). Relationship investments such as CRM initiatives are crucial in driving customers' tendency to feel committed to and maintain the relationship, as such CRM investments signal the firm's efforts to maintain the relationship (Balaji, 2015).

Trust and commitment are considered as two key dimensions of CRM quality that play a central role in building and maintaining successful relationships (Garbarino and Johnson, 1999; Morgan and Hunt, 1994). Prior research shows that trust is directly and positively related to behavioral intentions as well as self-reported behaviors (Chaudhuri and Holbrook, 2001; Sirdeshmukh et al., 2002). Similar to trust, commitment has a direct positive influence on behavioral intentions. That is, the customer with greater levels of commitment is inclined to remain in the relationship (Chaudhuri and Holbrook, 2001). In the present study, trust is conceptualized as customer's confidence in the quality and reliability of the services offered by a firm. To assess the level of customers' commitment to the firm, this study adopts the attitudinal and affective components of commitment (Chaudhuri and Holbrook, 2001). Therefore, the present study operationalizes CRM quality as a two-dimensional construct that comprises of trust and commitment. According to Morgan and Hunt (1994, p. 22) trust and commitment are crucial because they "...lead directly to cooperative behaviors that are conducive to relationship marketing success". Morgan and Hunt (1994) also developed the key mediating variable (KMV) model of relationship marketing using the commitment-trust theory. Trust and commitment are also recognized as potential mediators of the effects of service evaluation factors on customer loyalty (Hennig-Thurau et al., 2002).

2.2. Customer loyalty

Customer loyalty is probably one of the best measures of success in any organization. Hence, the development, maintenance and enhancement of customer loyalty remain a central focus of the majority of firms' marketing activities (Dick and Basu, 1994). By definition, loyalty is a deeply held commitment to constantly re-buy or repatronize a specific product or service in the future, resulting in repetitive consumption of the same brand (Oliver, 1999). Loyal customers help firms to lower marketing costs, solicit more customers, effectively increase market share and are willing to pay premium prices (Aaker, 1996; Dick and Basu, 1994; Reichheld, 1996). Thus, the enhancement of customer loyalty is a critical area of focus among marketing scholars and practitioners (Zeithaml and Bitner, 2000).

Loyalty has been conceptualized in terms of service loyalty and brand loyalty (Chaudhuri and Holbrook, 2001; Gremler and Brown, 1999). Service loyalty explains the degree to which a customer exhibits repetitive purchasing behavior from a service provider, showing a positive attitudinal disposition toward the provider, and thereby considering using the services of the provider when a need arises (Gremler and Brown, 1999). Whilst, brand loyalty entails the behavioral outcome of a customer's preference for a particular brand or selection of similar brands, over a period of time (Chaudhuri and Holbrook, 2001). According to Aaker (1991) it is the customer's level of attachment to a brand. Overall, prior research suggests that loyalty

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