Impact of Customer Value, Public Relations Perception and Brand Image on Customer Loyalty in Services Sector of Pakistan

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Abstract

Purpose: The purpose of this study is to find an empirical relationship between customer values, Public Relations Perception, Brand Image and to investigate these variables impact on customer loyalty within insurance companies of Pakistan.

Significance: This study attempts to contribute the knowledge that, how Services provider companies especially Insurance companies in Pakistan can retain their customers by making them loyal through CV, PRP, and BI. This study is also significant because it extends previous research by examining the role of BI, CV and PRP in services sector of Pakistan.

Design/Methodology/Approach: Positivism paradigm used in this study. The sample size selected for research constitutes from 367 respondents and these respondents belongs from two major cities of Pakistan Lahore and Islamabad. All respondents were using insurance services of different companies in Pakistan. Overall deductive approach used for this research. Questionnaire was adopted. Cronbach’s Alpha test used to check the reliability. Multiple regression and correlation coefficient were used to examine hypothesized relationship.

Findings: Regression analysis reveals that customer value, Public relation perception, and Brand image bring 58.0% change on customer loyalty. There is a strong positive significant relationship between Public relations perception and customer loyalty. Customer Value and Brand image have also positive and significant impact on customer loyalty.

Research Limitations/Implications: Further research is indicated, to identify impact of these variables on other services companies of Pakistan excluding insurance companies. Insurance companies in Pakistan should pay more attention toward the Public relations perception, Customer Value, and Brand image of their company in order to enhance the customer loyalty.

Keywords: Customer value; Public relations perception; Brand image; Customer loyalty

Introduction

Today insurance company’s big challenge is how to build strong customer relationship for the survival in competitive market. Relationship between public relation perceptions and customer loyalty are two key drivers for strong customer relationship management. Brand image is also important in few studies brand image has moderating effect on public relation perception and customer loyalty. According to previous studies it has been proved that the impact of public relations perception (PRP) on customer loyalty is stronger and more significant when the brand image is favorable. If it is unfavorable, the effect of PRP on customer loyalty is negligible [1].

Loyalty toward a firm’s products or services is generally seen as the central thrust of marketing activities [2]. Loyalty factors are an organization’s most reliable success indicators [3]. Ledingham and Bruning [4] note that the consumer’s awareness of organization-customer relationships could raise their loyalty toward the corporation, which would in turn increase company income, enhance market share, and achieve other corporate objectives. Although past researches have not produced consistent findings on the dimensions of establishing relationship quality [5], empirical results indicate that the relationship between corporations and customers is increasingly intimate, and this would benefit the enhancement of customer loyalty in the long run [6].

Brands are inherently visual; brand logos, product design, packaging, brand identity, and brand marketing campaigns each draw upon visual materials to create distinctive brand images, yet marketing scholarship has seemed reluctant to embrace the art world’s potential contributions to branding knowledge [7]. Walsh et al. [8] define customer-based reputation (CBR) as “the customer’s overall evaluation of a firm based on his or her reactions to the firm’s goods, services, communication activities, interactions with the firm and/or its representatives or constituencies (such as employees, management, or other customers) and/or known corporate activities”. Companies having good reputation easily build trust and commitment among their customers and this commitment play the role of mediator between identification of customers and their behavioral intentions [9].

Some researchers prove that the favorable corporate reputation and image has positive and direct influence on its customers in return increasing their loyalty towards firm. Such image and good reputation of the company yield financial benefits for the company [10]. Tsai and Yang [11] describe these three proportions of corporate reputation “i.e., citizenship, credibility and image (both product and service) are all positively related to organizational attractiveness”. According to Nguyen and Leblanc [12] customer loyalty increase if perception of customer about corporate image and corporate reputation is good and

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favorable; and customer loyalty is also affected by the extrinsic factors like contact personnel and the physical environment where services are being delivered. Concerning with the worth of corporate reputation, Shamma and Hassan [13] find corporate reputation’s importance along with the behavioral intentions for customer loyalty and commitment.

Customer satisfaction, in turn, is hypothesized to be influenced by perceived value. Perceived value, as it has been defined herein, is the ratio of benefits received from providers relative to the costs sacrificed by customers. In essence, it is a variable that reflects the net utility derived from a provider. Customer satisfaction, meanwhile, is defined as an overall positive or negative feeling about the net value of services received from a supplier [14]. If a customer’s outcome-input ratio corresponds to his or her own reference outcome–input ratio, the experience of inner fairness results [15].

This study attempts to contribute to the knowledge how Services provider companies especially Insurance companies in Pakistan list mentioned in appendices can retain their customers by making them loyal through CV, PRP, and BI. This study is also significant that it extends previous research by examining the role of BI, CV and PRP in services sector of Pakistan.

Literature Review

Public relations can be examined from a variety of frameworks, including systems, critical, and rhetorical perspectives [4]. Public Relations is a piece of some whole and the challenge is to continue to search to discover the whole and public relations’ place in it” [16]. Relationship marketing is the use of a wide range of marketing, sales, communication, service and customer care approaches. A company could describe relationship marketing to identify a company’s named individual customers, create a relationship between the company and its customers that stretches over many transactions, and manage that relationship to the benefit of the Customers and the company [17].

Grunig [18] Often cited as the first attempt to survey theory in public relations, groundbreaking conference paper analyzed articles published in Public Relations Review during the 9 years from its inception in 1975 [19]. Ferguson identified three categories of research (not of theory): social responsibility/ethics, social issues and issues management, and public relationships (Figure 1).

The first book-length effort at synthesizing research and theory lessons out of the public relations literature base is What Research Tells Us. Although not a theory book as such, Pavlik’s book summarized theoretic lessons from the body of public relations work. Botan and Taylor [19] the first systematic approach to public relations theory, as distinct from discussions of what had been researched to date, appears to have been an edited book, Public Relations Theory [20] Consistent with the social science perspective [19].

Vasquez and Taylor [20] authored a chapter in Communication Yearbook 24 in which they concluded that “public relations is both a social science field of study and a professional practice”. Unlike all of the other bibliographic works discussed here, they included work in one major nonpublic relations journal, Journalism and Mass Communication Quarterly [19]. Vasquez and Taylor reported seven areas of public relations research. Consumers perceive the people behind the brand as caring and genuine. Conversely, consumers’ reaction to PR depends on their levels of self-congruence and how their expectations match the company’s properties presented through PR efforts [21]. If consumers’ self-concept and perception of characteristics, associations and values are identical to the company conducting PR activities, consumers attach a higher degree of acceptance of the company.

H1: Public Relations Perception has a Direct Impact on Customer Loyalty

Customer loyalty

Customer Loyalty aim is retaining and making the customers loyal towards a brand or a product [22]. Several aspects of customer loyalty have been of interest in marketing research. Businesses have admitted that customer loyalty plays an important role in adding value to their business. Furthermore, building loyalty among old customers costs much less than making new ones. Most importantly, customer loyalty has a direct influence on the word of mouth advertisement for the business [23]. Customer loyalty helps enlarge premium price sales, market share [24] and profitability for the business.

Customer loyalty is regarded as necessary for successful competition in all types of businesses: manufacturers, services and retailers [2]. However, consumer behaviors have been changed a great deal due to the customers’ own values, together with the social development and marketing processes. Most of local traditional retail shops which used to provide all types of consumer products are now confronting a tough and threatening competition by the modern trade malls and hyper marts which are growing rapidly and penetrating in even small neighborhoods. Loyalty intentions can be viewed as a customer’s psychological disposition toward an object.

In a purchase situation, loyalty intentions reflect favorable attitudes toward the brand or firm [2]. The drivers of loyalty are complex and dynamic, and they change and evolve over time [25]. In general, loyalty development has been an objective traditionally aimed at by managers [26]. Since it enables higher future purchase intention, loyalty may be defined as a customer’s intention or predisposition to purchase from the same organization again [27] that result from the conviction that the value received from one seller is greater than the value available from other alternatives [28].

As a consequence, loyalty has been considered to be a key factor in order to achieve company success and sustainability over time [28]. More specifically, loyalty may be considered as a non-random behavior, expressed over time, which depends on psychological processes and closeness to brand commitment [29], and it has been analyzed from two different perspectives: attitudinal and behavioral [28]. This fact
implies that the concept of loyalty includes a psychological link, based on customer feelings that motivate a general attachment to the people, products or services of an organization [29] and a behavioral component, based on aspects such as the frequency of visits to a store or the percentage of expense [30]. In this work, we focus on attitudinal loyalty since: (1) it refers to the customers’ intentions to stay with and be committed to the organization and (2) the behavioral dimension is simply the manifestation of that affective state [31].

Brand image

A brand is a distinguishing name and/or symbol (such as logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors. A brand thus signals to the customer the source of the product, and protects both the customer and the producer from competitors who would attempt to provide products that appear to be identical [32]. Brands provide the basis upon which consumers can identify and bond with a product or service or a group of products or services.

From the customer’s point of view, a brand can be defined as the total accumulation of all his/her experiences, and is built at all points of contact with the customer [33]. A successful brand is an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant, unique added values which match their needs most closely [34]. Brand identity is a unique set of brand associations implying a promise to customers and includes a core and extended identity.

Core identity is the central, timeless essence of the brand that remains constant as the brand moves to new markets and new products. Core identity broadly focuses on product attributes, service, user profile, store ambience and product performance. Extended identity is woven around brand identity elements organized into cohesive and meaningful groups that provide brand texture and completeness, and focuses on brand personality, relationship, and strong symbol association. To be effective, a brand identity needs to resonate with customers, differentiate the brand from competitors, and represent what the organization can and will do over time [32].

To excel, a brand image must be well planned, nurtured, supported, and vigilantly guarded. One key to successful brand-building is to understand how to develop a brand identity – to know what the brand stands for and to effectively express that identity [32]. A brand is a distinctive identity that differentiates a relevant, enduring, and credible promise of value associated with a product, service, or organization and indicates the source of that promise [35]. Companies that present a cohesive, distinctive, and relevant brand identity can create a preference in the marketplace, add value to their products and services, and may command a price premium. When brand faces aggressive competition in marketplace, brand personality and reputation of the brand help it distinguish from competing offerings. This can result in gaining customer loyalty and achieve growth. A strong brand identity that is well understood and experienced by the customers helps in developing trust which, in turn, results in differentiating the brand from competition. A company needs to establish a clear and consistent brand identity by linking brand attributes with the way they are communicated which can be easily understood by the customers. Brand strengths associated with beliefs and values are the most powerful and most difficult to imitate. Further in this study we will try to prove the relationship between Brand image and customer loyalty thus the second hypothesis is as follows.

H2: Brand Image has a Direct Impact on Customer Loyalty

Customer perceived value

Customer value is considered a concept that includes many heterogeneous components [36]. Sheth et al. [37] argued that a customer’s purchase choice was influenced by a multiple consumption value dimension, and they developed a framework of five dimensions of value: functional value, conditional value, social value, emotional value, and epistemic value. Different dimensions have different roles in the user’s decision. For example, functional value and social value determine whether to use this service or another and emotional value is the key to using the selected service. Perceived values occurs throughout the purchasing process of customer, one-time purchase or repurchase [14].

Perceived value has its root in equity theory, which considers the ratio of the consumer’s outcome/input to that of the service provider’s outcome/input [15]. The equity concept refers to customer evaluation of what is fair, right, or deserved for the perceived cost of the offering [38]. Perceived costs include monetary payments and nonmonetary sacrifices such as time consumption, energy consumption, and stress experienced by consumers. In turn, customer-perceived value results from an evaluation of the relative rewards and sacrifices associated with the offering. Customers are inclined to feel equitably treated if they perceive that the ratio of their outcome to inputs is comparable to the ratio of outcome to inputs experienced by the company [15]. And customers often measure a company’s ratio of outcome to inputs by making comparisons with its competitors’ offerings. Customer value is “the fundamental basis for all marketing activity”.

H3: Customer Value has a Direct Impact on Customer Loyalty

Methodology

Participants: Participants of the study were Insurance companies’ customers and they belong to Islamabad and Lahore. Adopting convenience sampling, we asked consumers to respond to questions according to the insurance companies they are familiar with. The reason behind selecting convenience sampling was that because in this, the most easily accessible customers were chosen as subjects of research and it was the quickest, convenient and less expensive technique used. Positivism paradigms used in this study the reason behind to adopting this because it fulfills the assumption that required for the result of this study.

Sample size: The sample size selected for this research purpose constituted of 367 customers though structured questionnaire, in the natural environment. Only 260 usable responses were received. The reason for the selection of this sample size is that in previous study done by [1] they used the same sample size. Data was collected by selecting age group (20-25, 26-35, 46-55, 55 and above) and gender (male, female) as nominal scale. The majority of respondents (41.6 per cent) were 26-35 years old, while those between 46 and 55 years old made up 35.2 per cent of the total sample.

Data analysis technique: To analyze the data, regression analysis was run on SPSS.18.00. The correlation was also run to see the intensity of relationship between variables.

Scale development: To measure variables of customer value, Public Relation Perception, and Brand Image on a five point likert scale was used in which 1=strongly disagree and 5=strongly agree. The variables
adopted from different researchers by selecting different numbers of items, reliability of these variables reported in the previous researches is also mentioned in the Table 1.

Reliability test: All scales have acceptable values ranging from 0.70 to 0.72 (Table 2). The answers of the questions given by respondents through questionnaires were checked for their reliability. Interval scale was used for collection of data from respondents. These scales ranged from the interval of strongly agree and proceeded to strongly disagree. The digit 5 stood for strongly agree, 4 indicated agree, 3 indicated neutral, 2 stood for disagree while 1 was meant for showing strongly disagree state of respondents. Customer Perceived Value, customer loyalty, Public relation perception, and Brand Image were checked for reliability and all were accepted. The reliability of all variables was also good as exhibited by the above table.

Pearson correlation: Pearson correlation is used for the data analysis. According to the Table 3, there is a positive relationship between customer loyalty (CL) and customer value (CV), Brand Image (BIM), and Public relation perception (PRP). The correlation is moderately positive for customer loyalty with customer value. There is a weak positive relationship of Brand image and PRP as compared to other variables.

Regression analysis: To test the hypothesis of this research we have used multiple regression analysis. The results obtained by applying multiple regression technique on the three independent variables can be seen in Table 4. R is the correlation of three independent variables with customer loyalty. R-square is the variance. This model summary shows that there is 58% relationship among our dependent variable and three independent variables.

The value of F as can be observed through the Table 5 came out to be 48.009%, which mean that the model was best fitted by this much. The value of F must be more than 12% for the model to be fitted. This model summary shows that there is 58% relationship among our dependent variable and three independent variables.

Table 1: Results of reliability analysis.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Number of Items</th>
<th>Reported Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Relation Perception (Deveillis, 1991):</td>
<td>8</td>
<td>0.91</td>
</tr>
<tr>
<td>Customer Loyalty (Zielhaiml et al., 1996)</td>
<td>5</td>
<td>0.97</td>
</tr>
<tr>
<td>Brand Image (Park et al., 1986)</td>
<td>3</td>
<td>0.91</td>
</tr>
<tr>
<td>Customer Perceived value (Levesque and McDougall, 1996)</td>
<td>4</td>
<td>0.80</td>
</tr>
</tbody>
</table>

Table 2: Reliability (alpha) of variables.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Relations Perception</td>
<td>0.71</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>0.70</td>
</tr>
<tr>
<td>Brand Image</td>
<td>0.70</td>
</tr>
<tr>
<td>Customer Perceived value</td>
<td>0.72</td>
</tr>
</tbody>
</table>

Table 3: Pearson correlation.

<table>
<thead>
<tr>
<th>CV</th>
<th>BIM</th>
<th>PRP</th>
<th>CL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>0.404**</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.480**</td>
<td>0.000</td>
<td>0.239*</td>
<td></td>
</tr>
<tr>
<td>0.748**</td>
<td>0.000</td>
<td>0.227*</td>
<td>0.526**</td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.05 level (2-tailed)
**Correlation is significant at the 0.01 level (2-tailed)
N=260

Table 4: Model summary.

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>DF</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.528</td>
<td>3</td>
<td>2.509</td>
<td>48.009</td>
<td>0.000*</td>
</tr>
<tr>
<td>5.018</td>
<td>96</td>
<td>0.052</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.546</td>
<td>99</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5: ANOVA.

<table>
<thead>
<tr>
<th>Model</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>2.384</td>
<td>0.019</td>
<td></td>
</tr>
<tr>
<td>CV</td>
<td>0.677</td>
<td>8.488</td>
<td>0.000</td>
</tr>
<tr>
<td>BIM</td>
<td>0.309</td>
<td>2.995</td>
<td>0.003</td>
</tr>
<tr>
<td>PRP</td>
<td>0.211</td>
<td>2.867</td>
<td>0.005</td>
</tr>
</tbody>
</table>

Table 6: Coefficients.*

value was significant at significant level of 0.000 and it was signified by value of F because its value was more than 12%.

Relationship of dependent and independent variables is seen through the value of t. It shows by amount the impact of independent variables on the customer loyalty (i.e., the dependent variable). In this research study as the value of t for CV is high, this showed that it has more impact on customer loyalty comparatively.

The value of t for customer PRP is also significant. As we can see in Table 6 the variable possessing a higher t also has greater beta (rate of change), which means that those variables bring a greater change in the dependent variable. Logically all hypothesis are acceptable in this coefficient table.

Analysis and Discussion

Maintaining healthy relationships between a company and the public is perceived to contribute to a corporation’s ability to be a leader within a product category. Brown [23] also demonstrates that development of brand equity via socially responsible actions can be used to generate competitive advantages. Hsieh and Li [1] empirically explains that company dedication to the proactive of PR is worthwhile because PR can definitely enhance customer loyalty. The findings imply that insurance companies should emphasis on creating a good brand image, PRP, CV in order to ensure customer loyalty.

It was found that PRP, BIM and CV have strong and significant effect on customer loyalty. In the first research problem, we found that PRP has a positive influence on customer loyalty. Whether PR is a form of strategic relationship management or a tactical publicity function is still under scholastic debate. This study is interested in consumers’ perception of PR. In today’s highly competitive and rapidly changing environment, how to maintain or even enhance consumer loyalty has become an important success indicator for company’s. Empirical results of this study shows that company’s dedication to the practice of PR is worthwhile because PR can definitely enhance customer loyalty.

In the second and third research problem, results indicate that the impact and effect of CV and BIM with customer loyalty is significant and strong. Brand image could support or destroy consumers’ beliefs about value gained, thereby indirectly influencing customer attitude and behavior. BIM is also of great importance when improving or building customer loyalty. Favorable BIM will attract more customers and will result in customer satisfaction and loyalty, which in the end will be highly profitable for the organizations, not in form of profitability but also for customer retention. These results were consistent with the
results of [12], customer loyalty increase if perception of customer about brand image and customer value is good and favorable.

Hypothesis 1, Public relation perception has a direct effect on customer loyalty is acceptable because it has significant relationship. Hypothesis 2, Brand image has a direct effect on customer loyalty is acceptable because it has significant relationship with customer loyalty. Hypothesis 3, Customer value has a direct effect on customer loyalty has also significant relationship on customer loyalty so we can say that the entire model is acceptable and applicable in insurance sector.

Conclusion and Recommendations

The driving purpose behind pursuing this research study was to determine the relationship of customer value, customer perceived value, and brand image with customer loyalty. In the first research problem, we find that PRP has a positive influence on customer loyalty. Managerial implications for the practice of PR have emerged from the study. In today’s globally competitive market, insurance companies have to seek ways to enhance the company’s brand image and to gain customer loyalty. This study clearly proves that customer loyalty is quantitatively and qualitatively influenced by PRP, however the effect varies widely, and the halo effect of brand image appears to carry over to the evaluation. It is incredibly necessary for the executives and brand managers to understand the customers’ needs and making them satisfied as much as possible by working on mentioned independent variables in the services industry, as a result of these customers will remain stick with the organization on long term basis as an important part of the organization.

Limitations and Future Research

Like other research works, this study also has some limitations. This study is done without any moderating or mediating variable that can alter the relationship. Future research should attempt to replicate this study in any other context. Future research can also include other important moderating or mediating variables that contribute to the well-being and growth of firms by retaining more customers or by enhancing customer loyalty in service sector of Pakistan.

References


