THE INFLUENCE OF EMPLOYEE EFFORT, PERCEIVED QUALITY AND CORPORATE IMAGE ON CUSTOMER LOYALTY IN THE CELLULAR INDUSTRY

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Abstract: The purpose of this study is to demonstrate how employee effort, perceived quality and corporate image affect customer loyalty in the cellular industry. Regression analysis was used to test the significance of the relationships that exist between the constructs. The findings indicate that perceived quality has the strongest impact on customer loyalty, followed by corporate image and then employee effort. Corporate image, in turn, is influenced by both employee effort and perceived quality, with perceived quality having a stronger impact on corporate image. Employee effort also has a significant influence on perceived quality. The findings are useful to managers because they will be able to manage what the company does internally through employees and what the company does externally through corporate image to enhance customer loyalty. The findings are also useful to researchers because this study combines the branding effort and employee effort in a model and demonstrates the impact.

Key phrases: cellular industry, corporate image, customer loyalty, employee effort, perceived quality

1 INTRODUCTION

The majority of South Africans have access to cellphones. This is proven by the penetration rate in the South African cellular industry which has reached 100% (Frost & Sullivan 2010:6) and this has implications for marketing. Thus the key marketing focus in the cellular industry is no longer just on acquiring new customers as was the case in 1994 when the industry was established. The focus is now on retaining the current customers, and this can only be achieved when such customers are loyal. Customer loyalty is thus critical in the South African cellular industry. The management dilemma currently is that managers need to retain customers in a highly saturated market.

Customer loyalty is increasingly being considered by marketing managers because of its importance in the success of a company (Loureiro & Kastenholz 2010:575; Vesel & Zabkar 2009:396). Chiou (2004:686) points out that companies are moving away from focusing on satisfaction alone and are more and more focusing on cultivating loyalty. One of the reasons why customer loyalty should be considered in business, is because the cost of acquiring a new customer in a competitive environment is higher than the cost of retaining an existing customer (Deng *et al.* 2010:289, 290). Lai *et al.* (2009:980) mention furthermore that company performance is said to improve if the focus is more on retaining existing customers than on acquiring new ones. According to Lin and Wang (2006:272),

other benefits of customer loyalty include reduced marketing costs, higher trade leverage, increased new customers and developing a sustainable competitive advantage. The construct of customer loyalty has received much attention from researchers (Eshghi 2007; Flint, Blocker & Boutin Jr. 2010; Garland & Gendall 2004; Kumar & Shah 2004; Meyer-Waarden 2007; Sweeney & Swait 2008; Verona & Emanuela 2002). The critical role of loyalty in the South African cellular industry means that marketing managers must have thorough knowledge about the antecedents of customer loyalty and proposed possible relationships between antecedents (Deng *et al.* 2010: 290) so that they can formulate marketing strategies which will enable them to build loyalty.

The formation of customer loyalty was explained by researchers through various models. Most studies demonstrated that customer value, customer satisfaction and perceived quality (Chen & Tsai 2008; Chiou 2004; Deng *et al.* 2010; Lin & Wang 2006; Vesel & Zabkar 2009) are important to the formation customer loyalty. Other studies added corporate image (Brodie *et al.* 2009; Kim & Hyun 2010; Lai *et al.* 2009) to the antecedents of loyalty. Some studies demonstrated that employee effort is important for the formation of customer satisfaction (Mohr & Bitner 1995) and loyalty (Payne & Webber 2006; Salanova *et al.* 2005).

Research which investigates the influence of corporate image, perceived quality and employee effort on customer loyalty in one model is limited and thus the focus of this article. Corporate image is considered because it represents a mental picture that a customer has about the company and is fashioned by communication programmes (Gray & Balmer 1998:697). Employee effort is considered because of its impact on the actual experience that customers have with the company internally. Finally, perceived quality is considered because it influences the judgments that customers make about the service that they receive. Corporate image, perceived quality and employee effort are brought together in this research because of the critical role they play in influencing customer perceptions, which, in turn, influence customer decisions and behaviour. Secondly, several research projects demonstrated, that corporate image, perceived

quality and employee effort influence customer loyalty positively, but these variables have not before been brought together in a single study.

The research question of this study is, what role do corporate image, perceived quality and employee effort play in the formation of customer loyalty in the cellular industry? Since the company implements both external effort through corporate image and internal effort through employee effort and perceived quality, it is important to have an understanding of how these impact on customer loyalty. The discussion which follows will present the literature review on customer loyalty, corporate image, perceived quality, employee effort as well as the formulation of the hypotheses. The hypotheses for the study are demonstrated in Figure 1. The methodology which explains how the survey was carried out will then be discussed and the findings of the study will follow thereafter and finally the managerial implication and conclusion will be presented.

Employee Effort

H₅

Corporate image

H₁

Customer loyalty

Perceived Quality

FIGURE 1 HYPOTHESES OF THE STUDY PERTAINING TO THE POTENTIAL IMPACT OF EMPLOYEE EFFORT, PERCEIVED QUALITY AND CORPORATE IMAGE ON CUSTOMER LOYALTY

Source: AUTHOR

2 CUSTOMER LOYALTY

According to Oliver (1999:34), customer loyalty can be defined as "a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts that have the potential to cause switching behaviour." Customer loyalty has also been defined as ongoing purchase behaviour and expression of favorable attitude towards a company, irrespective of competition (Wallace et al. 2004:251). Meyer (2008:325) mentions that customer loyalty can be viewed as an indication of deeply held customer attitudes, which do not embrace negative information about the company and which influence relational exchange.

Customer loyalty originates from the concept of commitment which was introduced through the theory of social exchange (Sweeney & Swai 2008:182). Commitment explains consistent behaviour or cognitions as influenced by social and psychological factors. For the purpose of marketing, commitment explains the ongoing relationship that exists between the company and the customer. Such commitment enhances positive future intentions such as loyalty (Sweeney & Swai 2008:182, 183). While it is accepted that commitment is useful in understanding loyalty, some researchers have noted that the extent to which customers commit or become loyal to a company varies. From the theory of social identity, it has been confirmed that a customer's loyalty to the company is strongest in instances where a company satisfies self-definitional needs such as self-enhancement and self-distinctiveness (Ken & Xie 2009: 733). In this instance customers use the offer of the company to develop their social identity with the intention of enhancing their sense of self (Ken and Xie 2009: 733).

Previous research has prioritised two aspects of customer loyalty, namely, behavioural loyalty and attitudinal loyalty (Bandyopadhyay & Martell 2007:37). Behavioural loyalty refers to how often the customer purchases the brand while attitudinal loyalty observes the preferences of the brand (Atilgan *et al.* 2005:239). Customer loyalty in this study is measured from the perspective of behavioural intention of customers to use their

current cellular service provider continually, their intention to recommend their cellular service provider to others and the extent to which they are satisfied with their current cellular service provider. The reason for this approach is that customers who are loyal are more likely to be satisfied (Oliver 1999:34). Other research studies demonstrated that a loyal customer would recommend the brand to others (Zeithaml *et al.* 1996) and resist switching intention (Walsh *et al.* 2006).

3 CORPORATE IMAGE

Corporate image refers to the overall impression and perceptions of the company in the minds of customers (Souiden *et al.* 2006:830, 831). Lai *et al.* (2009:981, 982) extend this definition by mentioning that corporate image influences the perceptions that customers have of the operation of the company. These perceptions that customers hold about corporate image influence their willingness to support a company (Gray & Balmer 1998:697). It can then be concluded that if customers hold a negative view of the image of a company they will be unwilling to support such a company and as a result, sales and profit will be negatively affected.

According to the theory of signaling, brands motivate companies to deliver on their promises consistently and convince customers to believe and trust in them (Sweeney & Swait 2008:181). Thus the credibility of corporate image plays an essential role in maintaining the ongoing relationship between the customer and the company. Furthermore, the information economics paradigm suggests that corporate image enables customers to reduce the risk of consumption, decision-making costs (Sweeney and Swait 2008:180), and to differentiate services and products (Cretu & Brodie 2007:232). For the business, corporate image is an important branding dimension because it ensures that communication is efficient (Keller & Aaker 1997) and it has a positive impact on sales, market share and maintenance of customer loyalty (Souiden, et al. 2006:831).

Through corporate image, a company is able to address market information asymmetries and uncertainty about maintaining the relationship with the company

(Sweeney & Swait 2008:180). For example, in instances where a company fails to fulfil its promises, perceived instability may result. However, Sweeney and Swait (2008:180) have observed that through corporate image, a company can effectively address the uncertainty resulting from failure to fulfil promises by providing "comfort" to the customers through the relationship they have with corporate image. This "comfort" results from the fact that customers have been found to develop relationships with corporate image because of its influence on the development of their identification (Ken & Xie 2009:733,734). This is so because corporate image has similarities with the personalities of customers (Ken & Xie 2009).

There seems to be coherence among researchers that corporate image does have an impact on the behaviour of customers (Bigne *et al.* 2001; Chen & Gursoy 2001; Chen & Tsai 2007; Prendergast & Man 2002). The studies conducted by Souiden, *et al.* (2006) and Zins (2001) demonstrated that corporate image, as one of the branding dimensions, has a direct, positive influence on customer loyalty. According to the research results of Ryu *et al.* (2008) corporate image has a direct positive effect on behavioural intentions. Prendergast and Man (2002) revealed that the psychological attributes (emotional-eliciting qualities of the brand) of corporate image in a restaurant business has a direct, positive influence on loyalty to the store. Based on these findings, it is expected that corporate image will have a positive influence on customer loyalty. The following hypothesis is therefore formulated:

H₁: Corporate image has a positive effect on customer loyalty

4 PERCEIVED QUALITY

The difference between customers' expectations of service performance and the actual service performance is what constitute perceived service quality (Kuo *et al.* 2009:888). Netemey *et al.* (2004: 210) define perceived quality as the overall judgment of the brand, relevant to competing brands. The means-end chain theory postulates that customers base their perception of the quality of the services provided by the company either on information stored in memory or direct experience with the brand (Netemey et

al. 2004: 210). This information is a critical differentiating tool for the customer because the similarity of services offered by the cellular service providers makes it challenging to differentiate between the companies and as a result the loyalty that customers have might be spurious, leading to insignificant attitudes (Mandhachitara & Poolthong, 2011:124). As a result, perceived quality is more of a key in differentiating between the offers made by the cellular service providers.

The concept of perceived quality is viewed as having two components which are technical (outcome of a service) and functional (how you get the service). The former refers to how prompt and accurate the service is. The latter refers to the interpersonal and relational aspect of a service (Soderland & Rosengren 2010: 162). The section on employee effort will deal more fully with the functional aspect of perceived quality.

Research findings demonstrated that customers are said to be unwilling to compromise the quality they receive and would rather pay a higher price to ensure that they get satisfactory quality (Liukko *et al.* 1997). The research conducted by Cronin & Taylor (1992) suggest that using perceived service quality to measure service quality will produce results which are more reliable, valid and predictive. This is because the concept of quality largely depends on the perception of quality in the minds of customers. This is even more applicable in a service business (Mandhachitara & Poolthong 2011:129). The study by Lewis and Soureli (2006), reported that the inseparable nature of the service and customers' participation in the service as it is being rendered results in the evaluation of the service rendered being more personal and emotional. This interaction leads to the development of a relationship between the cellular service provider and the customers and, in turn, such customers are less likely to switch their brand (Javalgi & Moberg 1997 in Mandhachitara & Poolthong 2011:123).

Perceived service quality is one of the attributes which enable a company to retain its customers as was demonstrated by Babakus *et al.* (2004). Cater & Cater (2010) confirm that perceived quality had a positive direct influence on commitment towards the brand, attitudinal loyalty and behavioural loyalty. Perceived service quality has been accepted

by researchers as one of the key components of customer loyalty (Caruana & Ewing 2010; Mandhachitara & Poolthong 2011). It has also been found that perceived service quality has an impact on the behaviour of customers and overall impression of the company (Kassim & Abdullah 2008).

The discussion of branding by Berry (2000) illustrated that perceived service quality represents the experience that helps customers form perceptions about the meaning of corporate image. Furthermore, Tong & Hawley (2009:9) state that perceived service quality helps customers to differentiate between different corporate images. Customer experience through perceived service quality, is the leading cause of corporate image (Ostrowski *et al.* 1993). Lai *et al.* (2009) found, from their research, that perceived service quality has a direct positive influence on corporate image in the cellular industry. The discussion above suggests that a relationship exists between perceived quality and customer loyalty; and between perceived quality and corporate image. This then leads to the formulation of the following hypotheses:

H₂: Perceived quality has a positive effect on customer loyalty

H₃: Perceived quality has a positive effect on corporate image

5 EMPLOYEE EFFORT

The perception of the behaviour of employees towards customers is defined as perceived effort (Mohr & Bitner 1995:240). When customers perceive employees' behavioural effort as being positive, then their behaviour is positively influenced (Mohr & Bitner 1995:241). Employee effort thus influences customers' willingness to purchase and the development of positive perception about the company (Vesel & Zabkar 2009:398,399). This view is supported by Gil *et al.* (2010:922) who verified that the extent to which customers experience satisfaction with the service is largely dependent on employees' actions during the service encounter. Such actions would include personal connection, friendliness, trustworthiness and courteous behaviour (Soderlund and Rosengren 2010:162).

During the service encounter, an employee is expected to demonstrate both task competence and interaction competence (Gil et al. 2010:922). Task competence means that the employee should be knowledgeable about the task in order to fulfil it. Interaction competence on the other hand means that an employee should be able to communicate in a manner that embraces interpersonal relationship. This notion is supported by the interpersonal needs theory. According to the interpersonal needs theory, customers expect their interactions with employees to meet certain needs and if indeed such needs are met the customers will perceive such interactions as rewarding (Brexendorf 2010: 1149). The needs which customers would expect to be met during interaction would include respect during interaction, authority to make the decision, cooperation and willingness to be assisted and genuine concern (Gil et al. 2010:922). Employees' failure to meet such needs is detrimental for the company as noted in the study of Donavan and Hocutt (2001) which demonstrated that, when customers are treated negatively, they will not hesitate to switch the brand.

Earlier studies indicate that customers who are treated well by employees will be satisfied (Brown & Lam 2008; Salanova *et al.* 2005; Van Dolen *et al.* 2002). Since researchers agree that satisfaction is an important antecedent of customer loyalty, it can be assumed that employee effort will have an important impact on customer loyalty. This assumption is confirmed by Salanova *et al.* (2005) whose study in the hotel industry demonstrated that employee effort has a direct positive effect on customer loyalty. Brown & Lam (2008) and Donavan & Hocutt (2001) also reported that employee effort influences customers' commitment to the brand. Brexendorf *et al.* (2010:1149) also verified that when customers are satisfied with the interaction competence of employees, they will mostly likely be loyal to the company.

It has been shown that employee effort has an impact on customers' perception of corporate image (Brodie *et al.* 2009). Gray and Blamer (1998:698,700) indicated that employees should not be overlooked as they represent the image of the company to various external stakeholders. When employees treat customers well, then such

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customers tend to have a positive view of the company as Blau (1964) demonstrated. It has also been observed that positive behaviour of employees positively influences the image of the company (Payne & Webber 2006) and customers' attitude towards the company (Brown and Lam 2008).

The manner in which employees deliver the service to customers influences perceived service quality positively (Brown & Lam 2008; Bitner and Hubbert 1993, Bolton and Drew 1992 & Parasuraman *et al.* 1994). Finally, Brown and Lam (2008) argue that the interaction between employees and customers impacts perceived quality significantly. The following hypotheses are formulated based on these research projects:

H₄: Employee effort has a positive effect on customer loyalty

H₅: Employee effort has a positive effect on corporate image

H₆: Employee effort has a positive effect on perceived quality

6 METHODOLOGY

6.1 Sampling and data collection

Data was collected from cellphone users at shopping malls. The advantage of using shopping malls is that different demographic groups could be represented. The data was collected in the Free State Province and the sample size was 518. The non-probability sampling technique used was convenience sampling in choosing the malls and the respondents who were willing to participate in the questionnaire. To ensure that different demographics were represented in the sample, judgment sampling was used. The data were collected over a period of six days in the morning, lunch time and later in the afternoon.

6.2 Measurement

The items used were adopted from previous studies as indicated in table 2. The questionnaire was pre-tested with 20 respondents and other researchers. This was done to ensure that all items are clear and that the questionnaire is the right length. The questionnaire measured the demographic variables and five-point Likert scales were

used to measure customer loyalty, corporate image, perceived quality and employee effort (1 = strongly disagree, 2 = disagree, 3 = uncertain, 4 = agree and 5 = strongly agree).

6.3 Statistical method

The programme used to analyse the data was SPSS. As already mentioned, there were 518 respondents. The demographic data of the respondents is reflected in table 1. Exploratory factor analysis was conducted to ensure that the items used did not reflect crossloadings, while regression analysis was used to test the hypothesized relationships.

TABLE 1 DEMOGRAPHIC DATA

Demographic variable Gender	N	%
Male	258	49.81
Female	260	50.19
Total (N)	518	100.00
Employment		
Employed	375	72.39
Unemployed	143	27.61
Total (N)	518	100.00
Income		
> R 1000	164	31.66
R 1000 – R 4999	163	31.47
<r 5000<="" td=""><td>191</td><td>36.88</td></r>	191	36.88
Total (N)	518	100.00
Age		
15 – 24	191	36.87
25 – 34	211	40.73
35 and older	116	22.39
Total (N)	518	100.00

Source: AUTHOR

7 RESULTS

The Cronbach Alpha values were all above the required 0.7 value, as indicated in Table 2. This indicates that the measurement instrument was reliable. Exploratory factor analysis in table 2 confirmed that the items used did not have crossloadings. This means that the items used only measured the construct they were intended to measure. Principal Component Analysis was the extraction method used, while Verimax with Kaiser Normalisation was the rotation method used.

TABLE 2 EXPLORATORY FACTOR ANALYSIS

Rotated Component Matrix ^a						
Trouted Component matrix	Compon		α			
Perceived Quality(Yoo et al. 2000; Deng et al. 2010:293)	1	2	3	4	0.896	
PQ1: The brand meets my expectations PQ2: The brand guarantees quality PQ3: The brand is of high quality PQ4: The brand is concerned about continuously improving performance quality	.795 .806 .747 .807	.293 .318 .251 .291	.232 .211 .091 .070	006 .111 .279 .141		
Employee effort (Vesel & Zabkar 2009:400) EE:1 The personnel is always willing to help EE:2 The personnel attends to my complains EE:3 The personnel behaviour instills confidence in me	.153 .323 .178	.727 .809 .846	.198 .087 060	.213 .069 .104	0.873	
EE:4 The personnel treats me as a special and valued client	.294	.824	.050	.096		
Brand Loyalty					0.772	
BL:1 I am satisfied with my chosen brand (Kim & Hyun 2010)	.488	008	.628	.282		
BL:2 I would recommend this brand to others (Deng et al. 2010:293)	.480	035	.727	.225		
BL:3 I will not switch this brand for another one (Lin & Wang 2006:279)	004	.179	.851	.122		
Corporate image Bl:1 This brand is fashionable (Cretu & Brodie 2007:238)	.119	.168	.145	.883	0.783	
BI:2 I would consider this brand as a brand leader (Kim & Hyun 2010)	.193	.166	.239	.812		
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalisation. α: Rotation converged in 6 iterations.						

Source: AUTHOR

The results of the regression analysis are shown in figure 2. From figure 2 it follows that corporate image had a significant impact on brand loyalty (t = 10.290; p < 0.001). Perceived quality also had a significant impact on brand loyalty, which was slightly higher than the impact of corporate image (p < 0.001; t = 11.839). The least impact on customer loyalty was by employee effort, which was also significant (t = 2.291; p < 0.01). According to these results, H_1 , H_2 and H_4 are accepted.

The results further revealed that corporate image is impacted positively by both perceived quality and employee effort. Perceived quality's impact was higher (t = 6.377; p < 0.001) than that of employee effort (t = 4.669; p < 0.001). H₅ and H₃ are therefore accepted. Finally, employee effort also had a significant impact on perceived quality (t = 16.277; p < 0.001), meaning that H₆ is also accepted.

8 DISCUSSION

The results of the study indicate that the constructs of perceived quality, corporate image and employee effort play a critical role in the formation of customer loyalty and corporate image is impacted by both perceived quality and employee effort. More effort should be directed to perceived quality as it had the strongest impact on customer loyalty and corporate image. As already mentioned, perceived quality represents the experience that customers enjoy from the company. It is, therefore, important to make sure that customers' expectations are met and even exceeded where possible. This effort will play an important role in ensuring that competitive advantage is created for the company.

Emphasis should not only be on ensuring that quality service is delivered; company managers need to ensure that customers also perceive the service as such. Since perceived quality also affects corporate image, it means that the kind of quality customers get from a company form part of the perceptions that customers have about the company. This means that as the service is being rendered, the image of the company as well as attitude and behaviour of customers are being impacted.

Embarking on perceived quality will assist customers in differentiating one company from the other.

Corporate image had a significant influence on customer loyalty, which was slightly lower than that of perceived quality. Because corporate image is important in the formation of customer loyalty, managers need to ensure the image that customers have about the company in their minds is one that customers are comfortable to relate to. This is because customers are not only loyal to companies they can distinguish from the rest, but tend to be loyal to companies they are comfortable relating to and those which match their personalities. As managers strengthen corporate image, customers will be more willing to support the company. Corporate image must therefore be protected all the time to ensure that customers continue being loyal to the company.

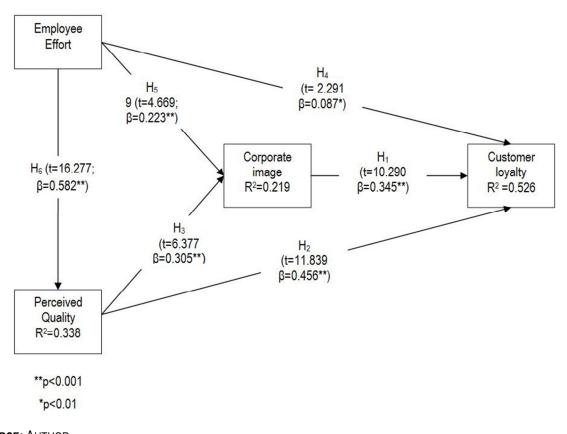


FIGURE 2 REGRESSION ANALYSIS RESULTS

Employee effort had the strongest impact on perceived quality. It also had a positive impact on corporate image and customer loyalty. It is important to note that although employee effort has the least impact on customer loyalty, it has a strong impact on perceived quality, which, in turn, has the strongest impact on customer loyalty. What is essential to note about employee effort is that employees play a role in ensuring that customers enjoy a positive experience from the service rendered and this, in turn, will ensure that customers have a positive image about the company in their minds and will ultimately reward the company by engaging in loyal behaviour towards the company.

9 MANAGERIAL AND RESEARCH IMPLICATIONS

The findings are useful to both managers and researchers. To managers, information is provided which will assist in ensuring that there is consistency between what the company communicates through corporate image and the experience that customers get from within the company through perceived quality and employee effort. A balance between internal effort (through employee effort and perceived quality) and external effort (through corporate image) will ensure that the company has loyal customers and thus experiences the many benefits of customer loyalty. These results are also applicable to other service industries. To the researchers, this paper presents a unique contribution of the role of employee effort towards customer loyalty as compared to perceived quality and corporate image. Previous studies have observed the role of employee effort.

10 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

This study was carried out only in the Free State Province and made use of a convenience sample. Future studies should also consider other provinces to verify the results. Only three constructs were observed as the determinants of customer loyalty. Researchers are encouraged to add more constructs, such as customer value, customer satisfaction, corporate reputation and brand attachment in future studies. This will give more insight into which constructs are more important in building customer

loyalty in the cellular industry. Moderators such as gender and involvement should also be considered in future studies.

11 CONCLUSION

The aim of this paper, which was to observe the influence of corporate image, perceived quality and employee effort on customer loyalty, was achieved. Perceived quality had the strongest influence on customer loyalty, followed by corporate image and then employee effort. Corporate image was also mostly influenced by perceived quality and then employee effort. Employee effort, in turn, had a strong influence on perceived quality. Internal effort (through perceived quality and employees) and external effort (through corporate image) need to be managed consistently to ensure that the company reaps customer loyalty and as a result its benefits too.

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