

Identifying and prioritizing the factors affecting customer loyalty to a brand (Case study: insurance industry)

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Abstract

In 1994, Society for Marketing Science put brand concepts in general and brand loyalty in particular as one among ten prioritized research topics in the most important research topics list for practitioners and students. Present paper seeks to design and explain consumer loyalty evaluation model based on Iranian brands and also identify and prioritize factors influencing customers' loyalty in insurance industry. Main research instrument for evaluation of the model and research hypotheses was a comprehensive questionnaire with 42 questions and measures developed by other major scholars in this field were used. Statistical population of research consisted of all clients of insurance services visited one of the offices belonged to Iran, Asia, Karafarin and Parsian insurance firms in Kerman city. Questionnaires were randomly distributed to 600 ones and completed as a structured interview. To confirm validity of research questionnaire, factor analysis method was used and in order to assess reliability of questionnaire, Cronbach Alpha was estimated. Results showed validity and reliability of the research instrument. Results showed that the factors cognitive belief, affective belief, brand creditability and brand commitment all influence loyalty of customers to the brand. Also according to research model, it was tried to provide an applied pattern for evaluation of consumers' loyalty to the brand. Finally based on research results, suggestions and strategies were provided to increase loyalty of insured people to insurance services and insurance firms. Finally some recommendations for future research were provided.

Keywords: customer loyalty, insurance industry, brand creditability, brand commitment.

Introduction

Some brands are unknown to people and other ones such as Levis, Ford, Disney etc. are known to all. Using brand name by potential and actual customers is often a criterion for quality and superiority of that product or service. Brand enables producers to distinguish their goods and services from those of others and help customers to choose a set of products and services (Rowley, 1997, 12).

Brands are of significant importance. Their importance is beyond that one may think. Is there a greater and more significant success for a firm than a successful brand? What is the reason for success of the firms who succeeded to replace the original name of the product by their product name? Yes! Creation of a brand name and adoption of a formalized strategy for it is the key for success of these firms. In other words, "being the first one is much more important than being the best one". Miracle of brand has already led to success and failure of many producers. Those who chose an appropriate brand and did not let their competitors to being the first one today are among the most successful businesses of the world.

Research background

A major question marketers faced with is that how consumers can make more loyal to a brand. Evidence of importance of customer loyalty in marketing is reflected in recent growth of interest in and activities associ-

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ated with customer relationship management (CRM). Brand loyalty can be of great benefits for both consumer and firm. On consumer side, the very fact of feeling loyalty to a brand can be a signal for meeting their expectations. Because of presenting familiar and favorable qualities by a brand, consumer can purchase it easily and with great confidence and believes that the brand meets his\her expectations (Kotler, & Andreasen, 1992).

Research by Bine and Coe and Richheld and Teal (2001) show that an increase by five percent in customer loyalty can increase firm profitability by 40-90 percent and a one percent increase in customer loyalty is associated with a 10 percent decrease in costs.

Advertising and loyalty to brand is considered as a profitable and mutual relationship. According to Smith and Swinyard (1983, as cited in Kotler, & Andreasen, 1992), advertising influence formation of brand loyalty by establishing source credibility and preparation of the ground for a favorable experience having effect on later purchases. Dayton (1984) argued that advertising can function as a framework for experience of using brand which directly relates to formation of brand loyalty.

Previous research mostly focused on operational definitions for behavioral aspects of brand loyalty (i.e. repeat purchase) but since one study by Jacoby and Chestnut in 1978, brand loyalty was studied from both behavioral and attitudinal perspectives. Relationship between behavioral and attitudinal loyalty motivated recent efforts to develop significant and outstanding conceptual frameworks to distinguish true brand loyalty from false one (e.g. commitment, brand sensitivity, commitment and confidence).

True brand loyalty can be considered as a behavior based on brand loyalty attitude while false brand loyalty can be defined as repeat purchase with neutrality and with little or without loyalty attitude toward brand.

Present research is based on above-said distinction between true and false brand loyalty and aims to provide a model to explain psychological process of brand loyalty formation. It does not claim that the proposed model is the only model in this field but it shows that how true brand loyalty may be created in various conditions. The study begins with review of the literature related to each proposed structure. Then data and findings from main part of study are provided together with a theoretical discussion and managerial applications.

The significance of the study

There is not adequate research on identifying and prioritizing factors influencing customers' true brand loyalty and their purchase willingness in Iranian context.

Research Objectives

Regarding the purposes behind this study, we can mention the followings:

- The study of the effects of brand credibility on cognitive belief and affective belief in a brand.
- The study of the effects of cognitive belief and affective belief on strength of attitude toward a brand.
- The study of the effects of cognitive belief and affective belief on brand commitment.
- Determining major characteristics influencing true brand loyalty in customers.
- Determining major characteristics influencing brand commitment in customers.
- Providing a model to evaluate customers' brand loyalty.

Also, sub-purposes of present research are as follows:

- Providing an appropriate model to evaluate true brand loyalty and commitment.
- Addressing little research in the field of factors influencing true brand loyalty of customers and their purchase willingness in Iranian context.
- Applying research model to service industry (insurance) instead of consumer products.
- Extending model developed by Morris, *et al.* (2002).

Research Conceptual model

According to previous discussions, nine hypotheses of the study are provided in Figure 1. The model theoretically argues that true brand loyalty which is different with neutrality is a result of brand commitment (i.e. brand loyalty intention) and brand commitment is a result of having a positive and strong attitude towards brand (i.e. attitude strength) together with cognitive\ affective belief in brand which their levels can be explained by brand credibility to a great extent. Uniqueness of present model lies in the fact that by incorporating the belief in brand and the attitude strength rarely considered in previous research about consumers, the model enhances our knowledge about brands. In addition to this, present model distinguishes true loyalty to brand from false one. Including brand commitment as a part of brand loyalty and using brand credibility as the beginning structure of brand loyalty formation process are also among other distinctive characteristics of the model.

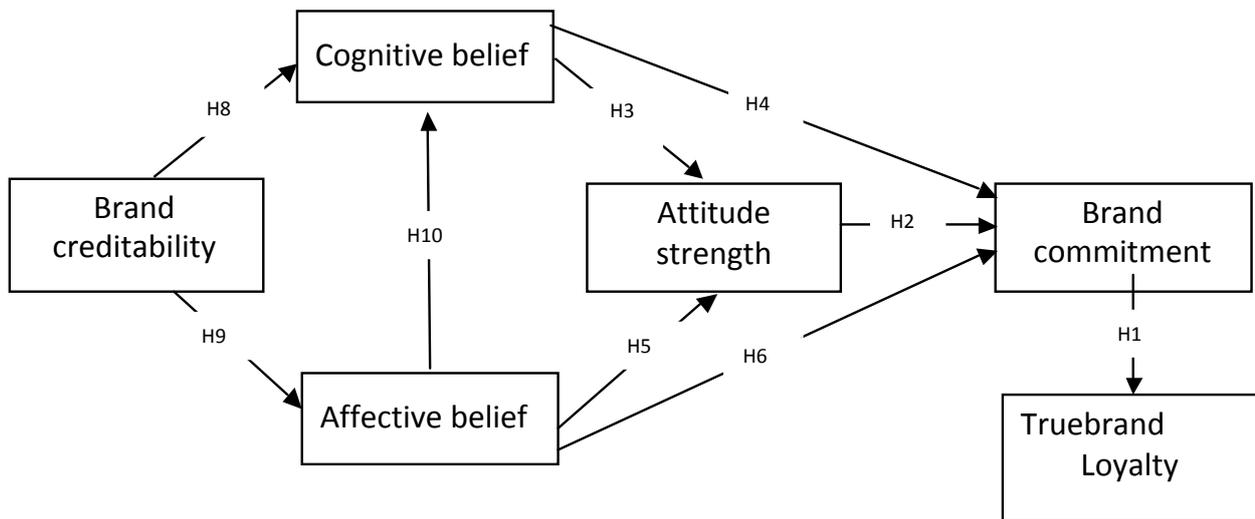


Figure 1. Null hypotheses of the study

Research Hypotheses

By taking the objectives of this study into account, the following hypotheses can be raised:

H1: There is a significant relationship between brand commitment and consumers' true brand loyalty.

H2: There is a significant relationship between brand commitment and attitude strength.

H3: There is a significant relationship between cognitive belief in brand and attitude strength.

H4: There is a significant relationship between cognitive belief in brand and brand commitment level.

H5: There is a significant relationship between affective belief in brand and attitude strength level.

H6: There is a significant relationship between affective belief in brand and brand commitment level.

H7: There is a significant relationship between cognitive belief in brand and brand creditability.

H8: There is a significant relationship between affective belief in brand and brand creditability.

H9: There is a significant relationship between affective belief in brand and cognitive belief in brand.

Methodology

Research Spatial Territory

Spatial territory of present research consisted of all offices of Iran, Asia, Parsian and Karafarin insurance firms in Kerman city.

Statistical Population and Sample

Statistical unit is the most basic level in every research study and is the main society member which data and information is acquired through it (Abed, 2002). In order to conduct final tests of hypotheses

and research model, statistical population was considered as all clients visited insurance offices of the above said firms on days in which questionnaires were completed. Sample was selected in a random way and subjects completed questionnaires so that data and information can be obtained from them.

Regarding the sample, it consisted of people have taken measures to purchase policy and use insurance services related to it. According to the relevant formulae at confidence level of 95 percent, a sample size of 600 is adequate and finally 600 questionnaires were distributed to statistical sample and final analysis was conducted on data derived from these questionnaires.

Design

Present research was a descriptive-survey one with respect to data collection. It was a descriptive research because it sought to describe variables, conditions and phenomena influencing brand commitment and brand true loyalty and willingness to purchase policies in insurance customers. Since the nature and the relationship between variables influencing brand commitment and brand true loyalty were studied in present research, thus it was of survey type. Also cross-sectional methods are used in survey research.

With respect to the fact that present research aims to provide a model and enhance current knowledge on customers' true loyalty and their willingness to purchase services provided by an insurance firm compared to other ones and also the results from present study are applicable to all decision making cases for practitioners and managers, thus present research was an applied one with respect to its purpose.

Data Collection Method

Research data were acquired using questionnaire distributed to a number of insurance customers visited various offices of selected insurance firms in Kerman city. Also library method was used to gather information on related literature.

Instrument

With respect to research purpose, in present study survey approach was used. Main instrument for this approach is questionnaire. Thus because of spatial and temporal limitations in present research questionnaire was used as the main instrument. But it was tried to use other data gathered from other research instruments such as interviews with insurance experts so that they were not ignored in data analysis.

Data Analysis

In order to test hypotheses, exploratory and confirmatory analysis, structural equation modeling, hierarchical regression and ANOVA correlation were used. Factor analysis method was used to obtain basic variables and primary data for this method was the matrix of correlation between variables. Structural equation modeling is a powerful multi-variable technique and its main focus is on latent variables in turn being influenced by other observable variables.

Standardization Analysis of Research Constructs

Before conducting analyses related to model validation, validity and accuracy of surveyed information should be assured so that validity of subsequent statistical inferences is guaranteed. Thus in order to validate standardization of research constructs, exploratory and confirmatory analyses were simultaneously used. Thus first all constructs were subjected to exploratory factor analysis and then based on factor loadings and results from Kaiser-Meyer-Olkin test and Bartlet test, required modifications were performed for measures. Then the extracted factor structure was subjected to confirmatory analysis and according to model fitness indicators, final modification was conducted. Summary of analytical results are provided in Table 1.

Values of fitness indicators reflect appropriateness of factor structure and also strongly confirm validity of research variables. Variable reliabilities were also studied by Cronbach Alpha which values of it were at very appropriate levels because of enhanced validity of variables and also because of appropriate design of questionnaire. Values calculated for Cronbach Alpha value was calculated above 70 percent for all research variables. Thus it can be concluded that questionnaire had appropriate reliability.

Table 1. Confirmatory and exploratory analyses.

Variable	exploratory analyses		confirmatory analyses		
	KMO	Bartlet	RMSE	P-Value	χ^2/df
True brand Loyalty	2/21	0	0/043	0.000	.804
Brand commitment	0/56	0/57030	0/000	0.000	0.832
Attitude strength	0/000	1/00000	0/000	0.000	.0.640
Brand creditability	1/4	0/19747	0/026	0.000	.890
Cognitive belief	2/16	0/00077	0/044	0.000	.903
Affective belief	0/000	1/00000	0/000	0.000	.500

Analysis of Research Final Model

Today customer loyalty and repeat purchase intention are among the most important ingredients of a corporate strategy. Because of intensified competition among brands belonging to public and private insurance firms and necessity of retaining existing customers, creation of loyalty and induction of repeat purchase intention in customers become the most important tasks of every successful marketing manager. In order to extract research final model, first after a literature review factors influencing loyalty and repeat purchase intention were identified

and then the proposed model was formed based on the causal relationships between the identified factors as research primary variables. Based on research conceptual framework, brand creditability was considered as independent variable and the variables cognitive belief, affective belief, attitude and loyalty were considered as mediators. Loyalty was considered as dependent variable of present research.

Then variables influencing dependent variable were extracted using Pearson correlation coefficient, regression model and collected data. Then structural equation modeling was conducted using

extracted variables based on causal relationships of proposed model via Lisrel software.

Results and Discussion

Result section in present research was formed based on research design provided. Research discussion was formulated based on results from test of hy-

potheses. According to research results provided in Chapter 4, the following questions were answered.

- Are the obtained results of a particular importance?
- Are the obtained results consistent with those of other research?
- Should the theory and model proposed based on the obtained results be modified?

Table 2. The results of Spearman correlation coefficient.

H	Variables Relationship	Spearman correlation coefficient	P	Results
	Positive relationship between commitment and loyalty	0.796	0/ 000	Accepted
2	Positive relationship between commitment and attitude	0.789	0/ 000	Accepted
3	Positive relationship between cognitive believes and attitude	0.702	0/ 000	Accepted
4	Positive relationship between cognitive believes and commitment	0.715	0/ 000	Accepted
5	Positive relationship between cognitive affective and attitude	0.746	0/ 000	Accepted
6	Positive relationship between cognitive affective and commitment	0.730	0/ 000	Accepted
7	Positive relationship between cognitive believes and creditability	0.750	0/ 000	Accepted
8	Positive relationship between cognitive affective and creditability	0.750	0/ 000	Accepted
9	Positive relationship between cognitive affective and cognitive believes	0.779	0/ 000	Accepted

Table 3. The results of regression analysis.

Regression	Beta	t-value	Significant level	Results
commitment and loyalty	0.749	27.644	0/ 000	Accepted
commitment and attitude	0.671	22.137	0/ 000	Accepted
cognitive believes and attitude	0.594	18.040	0/ 000	Accepted
cognitive believes and commitment	0.672	22.185	0/ 000	Accepted
cognitive affective and attitude	0.667	21.868	0/ 000	Accepted
cognitive affective and commitment	0.738	26.720	0/ 000	Accepted
cognitive believes and creditability	0.702	24.121	0/ 000	Accepted
cognitive affective and creditability	0.756	28.220	0/ 000	Accepted
affective and cognitive believes	0.753	28.001	0/ 000	Accepted

Results and research inferences were provided based on research literature, methodology provided in table 2, 3 and findings of present research.

Then:

H1. There is a significant relationship between brand commitment and consumers' true brand loyalty.

H2. There is a significant relationship between brand commitment and attitude strength.

H3. There is a significant relationship between cognitive belief in brand and attitude strength.

H4. There is a significant relationship between

cognitive belief in brand and brand commitment level.

H5. There is a significant relationship between affective belief in brand and attitude strength level.

H6. There is a significant relationship between affective belief in brand and brand commitment level.

H7. There is a significant relationship between cognitive belief in brand and brand creditability.

H8. There is a significant relationship between affective belief in brand and brand creditability.

H9. There is a significant relationship between affective belief in brand and cognitive belief in brand.

Conclusions and Recommendation

According to research findings obtained from literature review, hypotheses and research model, the following conclusions were obtained:

- Present research presented various theoretical and managerial concepts to professional and researchers in marketing field. On theoretical side, sociopsychological theory of attitude was accepted which in addition to its applicability to this field; it is rarely used in studies on brand loyalty.
- Focus of previous research was primarily on operational definitions of behavioral aspects of brand loyalty i.e. repeat purchase but in present research brand loyalty was studied from both behavioral and attitudinal aspects.
- In present research we established a balance between cognitive and affective views. As affection and cognition were demonstrated to have distinct attitudinal structures in many studies, thus simultaneous study of both structures provided a more theoretical rationality to the proposed model.
- From managerial view point, findings of present research particularly in relation to essential and distinctive roles played by cognitive belief in brand and attitude can be exploited in development of brand messages, advertising and other marketing activities.
- We found that consumers rely on their affection and feelings about a particular brand in addition to dimensions of cognitive belief in brand. Also we found that affective belief in situations with low involvement influences cognitive belief. This strong finding suggests that brand messages should emotionally being consistent with brand features and this enhances affective quality of brand creditability.
- Consumers are in positive and occasionally negative relationships with purchased brands (Foumier, & Mick, 1998). Results showed that relationship with brand is a driver for consumers' behavior (not switching, positive word of mouth) and has a positive and valuable effect on marketing relationships.
- Attitude has various degrees of effect on brand and in various situations with different levels of belief. The effect was higher for high belief groups compared to low belief ones. Thus results showed that advertising messages are more effective for consumers with cognitive and affective beliefs. This reflects the idea of customer based brand equity defined as "the differential effect which a brand has on response of a customer to marketing of that brand". In Keller's belief, a brand with a customer-based brand equity

for customers favoring brand extension leads to lower sensitivity to increases in prices and lower advertising supports in other new distribution channels. Present study may be exploited to explain the real source of customer-based brand equity. Findings of present study show that consumers with higher cognitive and affective belief in brand are more likely to accept marketing campaigns for that brand.

- Results showed that brand is what perceived by customers not what is claimed by firms. All marketing campaigns of firms should be directed towards influencing and/or changing consumers' perception of brand and subsequently their loyalty.
- In relationship marketing, brand is a symbol and sign for consumers' perception about a product or firm. Relationship marketing theory argues that firms seek to create relationships with customers to be able to protect themselves against competition and changing market. Also relationship between brand and consumers and brand commitment level are considered as focus of relationship marketing. Firms allocate a great deal of resources to create and retain a relationship between their brand and customers. Because of this strong psychological power which creates a relationship between brand and consumer, brand commitment to consumer is considered as the main factor in creating brand strategies and marketing plans.
- Since creation and retention of cognitive and affective beliefs influence consumer, it can be concluded that long-term success of a firm and brand requires appropriate cognitive and affective belief in its brand.
- Brand loyalty and commitment are resulted from brand creditability, attitude, cognitive belief and affective belief. Insurers can incorporate special features in their services or provide after-sale services appropriate for customers and in this way create value for customers. Thus it can be said that bases of perceived value can include such factors as customer needs, general satisfaction, service advantages and the way of evaluation by consumer.
- Research findings show that positive experience with brand leads to true loyalty and commitment. The result of positive experience is to purchase and consume the brand.
- Creation and retention of loyalty to brand leads to reduced risk of market participation and increased profits for firm.
- Relationship marketing emphasizes extension of customer life-time value through strategies focused on retaining target customers. Results of present re-

search showed that importance of brand attitude and brand commitment lie in their effects on creation of long-term relationships with customers and in turn on loyalty and repeat purchase intention. Thus the role played by marketing and branding is not specific to marketing department of firm but is a task which all organizational departments involve in.

- Appropriate advertising and promotional campaigns for consumers may persuade consumers to try the services. But according to Bansal *et al.* (2004), if customer experience with brand is disappointing, communication of negative experiences to customers is more likely than positive ones.

- Relationship marketing strategy should be formed based on confidence in long-term success of brand. Brand commitment and loyalty can be formed through management and control of customers. For example, service strategy should be formed based on a process in which feedback from customers are considered before offering services to the market (marketing philosophy) instead of offering services and then trying to sell it to customers (sales philosophy). Therefore identifying consumer needs before process of service development leads to increase in customer satisfaction based on brand attitude, cognitive and affective belief in brand credibility and in turn brand loyalty.

Suggestions for Future Research

Present research tried to provide a model for evaluation of loyalty and in this way some insights were obtained noting them in this part of the paper may be of benefit in addressing related issues and they are listed in the following:

- 1) Present research sought to study factors influencing true loyalty of customers of service organizations (insurance service). Thus it is recommended to replicate the same study for products and the results are compared.

- 2) Present research did not address to the effect of demographic characteristics (age, gender, education ...) on true loyalty. It is recommended to study the role of demographic factors as control variables in future research on true loyalty.

- 3) It is recommended to evaluate model fitness in other service and/or manufacturing industries. In other words effect of industry on true loyalty model should be studied. Thus conducting more complete research on the difference between true loyalty models in various industries can provide beneficial insights.

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