

A study on examining interrelationships among customer satisfaction, loyalty, and switching intent in industrial food suppliers

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ABSTRACT

Brand loyalty is one of the most important concepts in brand literature. Customer's loyalty toward brand can increase firm's share price. In addition, firms' market share maintains close relationship with net profit and capital used return. Company efforts to motivate customers to switch from competitive brands to their own or to induce them to repurchase their own brands are very important in their marketing activities. Therefore, investigating customer variety-seeking orientation and level of involvement in decision-making plays essential role in explaining customers' product selection activities. This study intends to examine interrelationships among customer satisfaction, loyalty, and switching intent in industrial food suppliers and verifies the moderating effect of customer variety-seeking orientation and purchase decision involvement. The findings indicate that, the impact of purchase involvement was lower than variety seeking and the satisfaction had the highest negative impact on switching intent of customers.

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1. Introduction

Brand loyalty is one of the most important concepts in brand literature (Bloch et al., 1993; Aaker, 2004). Customer's loyalty toward brand can increase firm's share price (Gregory & Wiechmann, 1997). In addition, firms' market share maintains close relationship with net profit and capital used return (Arora & Stoner, 1996; Bharadwaj et al., 1993). Company efforts to motivate customers to switch from competitive brands to their own or to induce them to repurchase their own brands are very important in their marketing activities (Ambler et al., 2002). Therefore, investigating customer variety-seeking orientation and level of involvement in decision-making plays essential role in explaining customers' product selection activities (Auh & Johnson, 2005; Alloza, 2008). There are literally various associated with brand loyalty.

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Bigne and Blesa (2003), for instance, investigated market orientation, trust and satisfaction in dyadic relationships: a manufacturer-retailer analysis. According to Mandel and Nowlis (2008), consumers who make predictions about uncertain events enjoy observing those events substantially less than those who do not make any predictions, in spite of consumers' expectations to the contrary. Berry (2000) presented a service-branding model, which underscores the salient effect of customers' service experiences in brand formation. The author reported that branding was not just for tangible products; it was a principal success driver for service organizations. Bitner (1992) presented a typology of service organizations and gave a conceptual framework for exploring the effect of physical surroundings on the behaviors of both customers and employees. Bitner (1990) performed an investigation on evaluating service encounters by looking in the effects of physical surroundings and employee responses. Chaudhry and Walsh (1996) performed an assessment of the effect of counterfeiting in international markets.

2. The proposed study

This study intends to examine interrelationships among customer satisfaction, loyalty, and switching intent in industrial food suppliers and verifies the moderating effect of customer variety-seeking orientation and purchase decision involvement. The population of this study includes all customers who purchase foods from industrial food services in city of Tehran, Iran. The sample size is calculated as follows,

$$N = Z_{\alpha/2}^2 \frac{p \times q}{e^2}, \quad (1)$$

where N is the sample size, $p = 1 - q$ represents the probability, $z_{\alpha/2}$ is CDF of normal distribution and finally ε is the error term. For our study we assume $p = 0.5$, $z_{\alpha/2} = 1.96$ and $e = 0.05$, the number of sample size is calculated as $N = 384$. The study uses a questionnaire consists of 20 questions and Fig. 1 shows details of the proposed study,

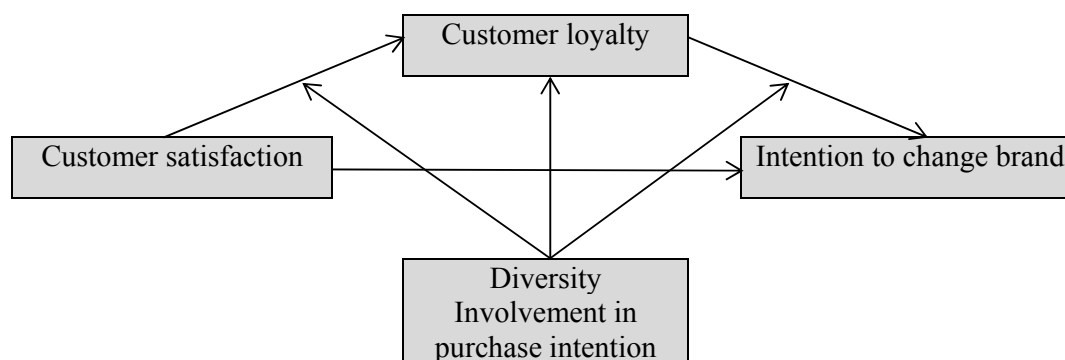


Fig. 1. The proposed study

Based on the framework of Fig. 1 the following five hypotheses are considered.

1. Customer satisfaction influences positively on customer loyalty (Chaudhuri, 1999).
2. Customer satisfaction negatively influences on customer's intention to change brand.
3. Customer loyalty negatively influences on customer's intention to change brand.
4. Customer's interest in diversity mediates the relationship among customer satisfaction, loyalty and customer intention on change brand.

5. Customer’s involvement mediates the relationship among customer satisfaction, loyalty and customer intention on change brand.

The study uses structural equation modeling to examine the hypotheses of the survey and the implementation is executed on LISREL software package. Cronbach alpha for customer satisfaction, loyalty, change intention, diversity and involvement are calculated as 0.86, 0.89, 0.90, 0.86 and 0.89, respectively. Table 1 shows details of some statistical observations.

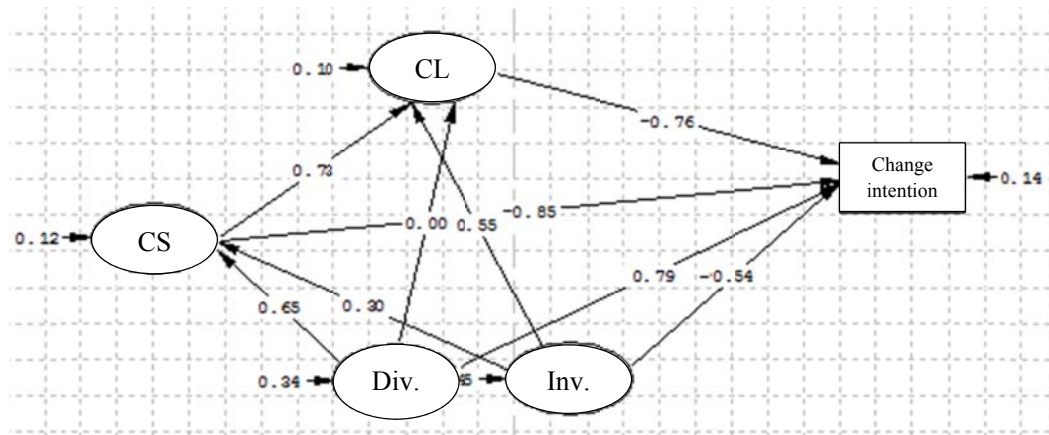
Table 1
The summary of some statistical observations

Criterion	The results	Desirable value
Chi-Square/df	2.3	< 3.0
Goodness of fit index (GFI)	0.94	>0.90
Root Mean Square Estimated (RMSEA)	0.001	< 0.1
Certified Factor Index (CFI)	0.92	>0.90
Normalized Factor index (NFI)	0.97	>0.90
NNFI	0.95	>0.90

As we can observe from the results of Table 1, all statistical observations were well above the acceptable limit and we therefore may examine the hypotheses based on the results of SEM implementation.

3. The results

In this section, we present details of our findings on testing various hypotheses based on SEM implementation shown in Fig. 2 as follows,



CS: Customer satisfaction, CL: Customer loyalty, Div.: Customer intention for diversity, Inv.: Customer involvement

Fig. 2. The results of standard coefficients

Table 2 summarizes the results of our findings, which confirms all hypotheses of the survey.

Table 2
The summary of standard coefficients

Hypothesis	β	t-value	Sig.	Result
First	0.73	3.97	0.000	Confirmed
Second	-0.81	4.91	0.000	Confirmed
Third	-0.72	3.3	0.000	Confirmed
Fourth	0.79	2.17	0.000	Confirmed
Fifth	-0.54	2.97	0.000	Confirmed

4. Conclusion

In this paper, we have presented an empirical investigation to examine interrelationships among customer satisfaction, loyalty, and switching intent in industrial food suppliers. The results of our survey have confirmed that customer satisfaction influences positively on customer loyalty ($\beta = 0.73$, t -value = 3.97), customer satisfaction negatively influences on customer's intention to change brand ($\beta = -0.81$, t -value = 4.91), customer loyalty negatively influences on customer's intention to change brand ($\beta = -0.72$, t -value = 3.3). In addition, in our survey, customer's interest in diversity mediates the relationship among customer satisfaction, loyalty and customer intention on change brand ($\beta = 0.79$, t -value = 2.17) and finally, customer's involvement mediates the relationship among customer satisfaction, loyalty and customer intention on change brand ($\beta = -0.54$, t -value = 2.97).

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