

Full Length Research Paper

Customer satisfaction, brand trust and variety seeking as determinants of brand loyalty

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Loyalty is without doubt a crucial construct in marketing and has major implications for any businesses, since in the modern world it is not sufficient to merely attract new customers – retention and re-purchase is a key component of success. One of the most common determinants of loyalty is customer satisfaction and although it plays a major role, there are other variables, especially intrinsic to the consumer, which also affect loyalty and repurchase behaviour. This paper shows that customer loyalty can be explained by customer satisfaction, perceived value, trust and variety seeking, and shows the direct and indirect effects among those constructs and other constructs. The model suggested by this study may be seen as an extension of the American/European customer satisfaction index (CSI) model. Within the limitations of the study, the theoretical and managerial implications of these findings are discussed.

Key words: Customer loyalty, customer satisfaction, perceived value, brand trust, variety seeking, brand switching, structural equation modelling (SEM).

INTRODUCTION

The world is changing. Instantaneous availability of information, globalisation of businesses, cross-border competition, and interdependence of economies - all have a profound effect on the requirements for business success. In today's world, companies have to fight harder in order to win and keep a share of the global profit pie. The rules of the game are simple: understand what customers want better than the competition can and then make them want to come back for more. In marketing terms, the two rules translate into customer acquisition and customer retention.

Brand loyal customers are often considered the cornerstone of long-term business success. Loyalty of customers is extremely important to any business because it is considered to be one of the main determinants of the business success, particularly because loyal customers exhibit repurchase behaviour and consequently, spend more money with the organisation (Divett et al., 2003). Due to this reason, one of the main goals of

a business entity is to retain its customers and keep them loyal in order to maximise and benefit from customer lifetime value.

New customer acquisition will not ensure long-term success if it is not backed up with customer retention. More specifically, it is imperative that acquisition is balanced with customer retention and customer development in order to optimise performance and value in the long run (Duffy, 2003). In view of that, marketers heavily utilise all available resources to attract, interact, offer value, build and maintain a profitable and coherent relationship with customers all with one purpose - to breed a loyal customer. It is therefore important for a marketing practitioner to understand the factors that have an effect on loyalty of a particular individual or a group of people in order to be able to leverage those factors.

Numerous authors state that there is a positive relationship between loyalty and customer satisfaction (Anderson and Fornell, 2000; Edvardsson et al., 2000; Cassel and Eklöf, 2001; Fornell, 1992). This relationship will be one of the factors to consider in the proposed research. Customer satisfaction and loyalty studies are plenty in the United States and Europe, and the results

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are being used for practical business applications. One of such applications is benchmarking – in the United States, the American customer satisfaction index (CSI) was developed as a measure of “market-based performance for firms, industries, economic sectors and national economies” (Fornell et al., 1996). Similar studies have been undertaken in Europe (Cassel and Eklöf, 2001) which resulted in the development of the European Customer Satisfaction Index (ECSI).

Other authors indicated that loyalty is also affected by such factors as variety-seeking behaviour (Kahn et al., 1986; Yoon and Kim, 2000), personality (for example, optimism) (Newman and Werbel, 1973), customer complaints (Fornell et al., 1996; Fornell, 1992; Anderson and Fornell, 2000), as well as many other factors beyond the scope of this paper. Particularly of interest is the variety-seeking behaviour of consumers, which is usually manifested in the form of innovative uses, search for differences in services and products as well as switching behaviour patterns. Inadvertently, such behaviour affects the loyalty status of customers and places managers and marketers in a difficult situation of managing loyalty programs. Consequently, the effect of variety seeking and customer satisfaction on loyalty needs to be established.

Therefore, the purpose of this paper is to look into customer loyalty in an industry of choice in South Africa, and to develop a structural model which will include variables such as customer satisfaction, variety seeking, switching behaviour, and trust. One of the aims of such a model will be to provide a way to distinguish the kinds of loyalty in customers with the hope that marketing communication can be adjusted so as to stimulate repurchase behaviour in a more efficient manner.

THE RESEARCH MODEL AND ITS THEORETICAL FOUNDATIONS

Brand loyalty

The importance of loyalty to businesses is intrinsic to the definition of this phenomenon. In order to understand the value of loyalty, gratifications of running a business must first be considered. Such gratifications stem from the main objective of a commercial enterprise, which is to generate profit.

All commercial enterprises derive their income by selling a product or a service that addresses a specific client need. In free market economies, this is done in competition with other suppliers, therefore, one of the ways of ensuring profit stability is creating a customer base that, given equal product availability, is consistently choosing products of the business in question over similar competitor products (McMullan and Gilmore, 2008). Such customer behaviour is invaluable to the businesses as it reduces business risks, ensure greater profit stability and a potential reduction in cost of marketing

communications, as loyal customers are more likely to continue consuming the product without much marketing efforts (Rowley, 2005). Hence, it has even been suggested in some studies that it is more profitable to retain customers than to acquire new ones (Hogan et al., 2003; Lee-Kelly et al., 2003).

The repeat consumption captures the very essence of the behaviour observable on the surface, and as such, the term ‘loyalty’ is often used interchangeably with ‘repeat purchase’. In fact, one of the early and rather widely accepted definitions of loyalty (McMullan and Gilmore, 2008) has been suggested by Jacoby and Kyner (1973), who primarily focused on repeat purchase and defined loyalty as a “biased behavioural (that is, purchase) response, expressed over time ...”. In a broader context, loyalty encompasses attitudes towards a product or an organisation. In this way, Divett et al. (2003) quoted Buchanan to define loyalty as a “feeling of affection for and attachment to the organisation”. Similarly, Dick and Basu (1994) are often quoted when definitions of loyalty are discussed (McMullan and Gilmore, 2008; Rowley, 2005). According to their view, customer loyalty is defined as the “strength of the relationship between an individual’s relative attitude and repeat patronage”.

Dick and Basu (1994) elaborated further on this construct by designing an integrated framework for customer loyalty. The key to this framework is that loyalty is conceptualised as the relationship between the relative attitude toward an entity (brand/service/store/vendor) and patronage behaviour, thus highlighting two main components (Hallowell, 1996) that together define what is meant by a loyal customer: positive attitudes towards the brand / product, often expressed through consciously promoting the product (for example, amongst friends and family); and repurchase behaviour. This two-dimensional view of loyalty was also supported by Oliver (1999) and various other authors (Santouridis and Trivellas, 2010).

At this point, it is fit to introduce another concept: switching behaviour. It requires little explanation as it is the opposite of repurchase behaviour discussed earlier. Such opposite behaviour may be viewed as the decision to exit the relationship and stop consuming the product / service (Bolton and Bronkhurst, 1995). Initial studies focusing on switching behaviour suggest that it should be conceptualised as a dynamic process that evolves over time, culminating in exit (Bejou and Palmer, 1998; Hocutt, 1998; Stewart, 1998). Furthermore, Shukla (2009) states that brand switching occur with diminishing brand loyalty as well as “increase in consumer willingness to try alternative brands”. Such switching may be motivated by factors both intrinsic (for example, attribute satiation or curiosity) and extrinsic to the consumer. Insofar as extrinsic factors are concerned, Keaveney (1995) identified eight major categories of service problems that could prompt customers to exit a service / stop buying a product, and emphasised five major factors: core service failures, service encounter failures, service recovery

failures, inconvenience and pricing. However, academics have cautioned that the unique characteristics of switching behaviour might be masked when generalised models are directly applied to specific service contexts (Colgate and Hedge, 2001; Mittal and Lassar, 1998).

Best and Adreasen classified problems encountered by customers into two types, manifest and judgmental (Colgate and Hedge, 2001). In a manifest problem, the customer believes that the issue will be resolved effectively if complained about. However, in the case of a judgemental problem, the customer's uncertainty leads to the perception of a difference of opinion between him and the service provider concerning the resolution of the problem. An investigation into what role formal complaining plays in the switching behaviour was undertaken by Bolton and Bronkhurst (1995). Colgate and Hedge (2001: 209) in their quest to determine whether the same factors influence both complaining and switching behaviour found that "although, the majority of defecting customers voice problems to the firm and expect effective resolution of these complaints they are still staying silent about certain issues that are actually influential on their decision to switch".

It may be quite difficult to accurately determine what causes car owners to switch brands or repeat purchase and therefore, it may help to classify different loyalty types in order to differentiate between the factors that have most effect on customers exhibiting different loyalty types. Based on the attitude - behaviour definition of loyalty, Dick and Basu (1994) identified four loyalty types:

- i. Latent loyalty – associated with high relative attitude, but low repeat patronage;
- ii. Spurious loyalty represents a low relative attitude, with high repeat patronage;
- iii. Loyalty – signifies correspondence between attitude and patronage; and
- iv. No Loyalty – low relative attitude combined with low repeat patronage.

Some authors (Jones and Sasser, 1995; Curasi and Kennedy, 2002) further classified loyalty based on the level of satisfaction or dissatisfaction that the customers exhibit, although, it may be argued that satisfaction is not the only factor that may be of assistance in placing customers into homogenous groups. The authors identify that customers may be seen as loyalists / apostles, defectors / terrorists, mercenaries and hostages. Customers, who are completely satisfied and keep returning to the company, form part of the loyalist group. Within the loyalist group, however, the authors identify customers whose expectations are exceeded to such an extent that they feel the need to share their strong feelings about the company with others – they are apostles. Curasi and Kennedy (2002) further indicated that apostles exhibit personal commitment to the company, thus, their loyalty is characterised by strong

emotional bonds. Similarly, Rowley (2005) has also suggested a classification that aims to split loyal customers by introducing concepts of inert and positive into behavioural and attitudinal dimensions of loyalty framework. Her model defines two groups of customers that would both score positively on the attitudinal scale - "committed" and "contended". Such customers would be similar to apostles and loyalists in many respects.

Defectors and terrorists show low to medium level of repurchase behaviour with low to medium levels of satisfaction (Jones and Sasser, 1995). Terrorists differ from defectors in the same way as apostles differ from loyalists, that is, they go out of their way to tell other people about their bad experiences with the company thereby inflicting more damage on the business. Mercenaries refers to yet another type of customers, who exhibit high levels of satisfaction, yet no or low loyalty (Jones and Sasser, 1995). These customers may exhibit variety-seeking behaviour and "seek change for the sake of change". The last type of customer according to classification of Jones and Sasser (1995) are the hostages or as Curasi and Kennedy (2002) refer to them, prisoners.

These customers exhibit re-purchase behaviour, with low to medium satisfaction. Such customers are not able to switch from one provider to another due to no alternatives in the market. Rowley's (2005) "captives" are similar in many respects, except satisfaction levels are not mentioned in the description – the key in her classification lies in lack of alternatives, high costs of switching or other barriers. Curasi and Kennedy (2002) also suggest that there is another type of customers, which are close to hostages in that they cannot or do not want to switch, due to high costs associated with it. The authors refer to such customers as detached loyalists.

Coyles and Gokey (2005) take a slightly different approach in investigating loyalty and suggest dividing the existing customer base into loyalists and downward migrators. The difference between the two groups is that the product spent by the former increases or stays constant over time. Customers are therefore involved in a migration between the two extremes. Managing migration not only affords companies the opportunity to curb the downward course before customers defect but also assists them to influence upward migration earlier (Coyles and Gokey, 2005). Their research proves that since there are more migrators than defectors, companies should place greater emphasis on the latter who also accounts for larger changes in value.

From the afore discussion, it is evident that many factors may be used to customers into loyalty segments and to link such segments with manifestations of switching behaviour. Relative attitudes towards the company and its products, customer satisfaction, convenience (Rowley, 2005), product offerings as well as numerous intrinsic factors all come into play. One of such intrinsic factors is variety-seeking.

Variety-seeking

One way to describe the concept of variety-seeking is to equate it to the fact of purchasing of different brands (Bawa, 1990; Kahn et al., 1986). Such definition, however, only describes the essential and simplest process and does not take into account the intentions of the customer. Thus, a more complete definition would emphasise a deliberate tendency by the customer to switch brands in the next purchase occasion (Kahn et al., 1986). Another highly intuitive definition was given by Beldona et al. (2010), who viewed variety-seeking as a tendency of customers to seek diversity in their purchasing decisions. Therefore it may be mentioned that the key component that differentiates variety-seeking from switching behaviour is the intent on diversity.

Variety-seeking construct is often explained using the optimum stimulation level (OSL) theory (Chuang et al., 2008; Michaelidou and Dibb, 2009). According to the OSL framework, variety-seeking is a special case of exploratory behaviour, which is in itself, aimed at modifying the stimulation towards the optimum level (Orth and Bourrain, 2005). Thus, whenever a discrepancy exists between the actual stimulation level that an individual experiences, and the optimum stimulation level that such individual possesses under particular circumstances, for example, in a particular environment or when dealing with a particular product category, the individual may engage in variety-seeking in order to resolve the discrepancy (Van Trijp, 1996).

It is important to emphasise a so-called true or directly motivated variety-seeking behaviour (Kahn et al., 1986; Van Trijp et al., 1996). The distinction between the true and its opposite - derived - behaviours is dependent on the source motivation, which can be intrinsic or extrinsic (Van Trijp et al., 1996). Thus, true variety-seeking is an intrinsic characteristic of an individual customer which is inherently satisfying (McAlister and Pessemier, 1982) and may only exist towards a certain product class. Therefore, it is possible that an individual would seek varied consumption in one product class and try to avoid variety in another (Givon, 1984). Berné et al. (2001) further argued that true varied behaviour can be motivated by either satiation with a product's attribute, search for novelty or the need to hedge against uncertainty. Derived variety-seeking behaviour, however, follows from an individual's search for different instrumental or functional value of alternatives (Berné et al., 2001).

Such behaviour is easier to explain and predict and therefore, the marketer has greater control over it, because the functional value of the product is directly dependent on its producer. It should be pointed out that even though intrinsic and extrinsic motivations lead to brand switching, the underlying causes and marketing implications are different (Van Trijp et al., 1996). A number of studies have been undertaken in search for factors, influencing the probability of the consumer to exhibit

variety-seeking behaviour. Factors such as the following were identified: satiation of attributes (McAlister, 1982), purchase quantity and timing (Simonson, 1990), positive affect / mood states/emotions (Chuang et al., 2008; Kahn and Isen, 1993; Lin and Lin, 2009), context and environment (Menon and Kahn, 1995) and decision about public consumption (Ratner and Kahn, 2002). Clearly, researchers were interested in internal as well as external factors to explain varied behaviour.

Lastly, it is also worth noting that literature also discusses the opposite of variety-seeking: the reinforcement behaviour. It is defined as a "deliberate tendency to stay with the brand" (Kahn et al., 1986). The same behaviour has also been referred to in literature as "last purchase loyalty" (Morrison, 1966), "inertia" (Jeuland, 1979), or "variety-avoiding" (Givon, 1984), all of which are likely to be confused with the representations of loyalty in practical applications.

Variety-seeking, especially its true form, may be an important factor that could assist in explaining and predicting loyalty in customers, however it is not the only factor that could assist in this regard. Customer satisfaction is also frequently associated with customer loyalty (Anderson et al., 1994) and thus, needs to be discussed in more detail in this context.

Customer satisfaction

According to Bloemer and Kasper (1995), the relationship between customer satisfaction and customer loyalty is not straightforward and may involve multiple moderating factors. Value attainment and positive mood were the two factors consequently investigated by De Ruyter and Bloemer (1999) in relation to customer satisfaction. Results of the study suggested that if the two factors were not present, it was the customer satisfaction that positively influenced the likelihood of repurchases behaviour.

Thus, research continually confirms a significant relationship between satisfaction and repeated buying, greater brand loyalty and spreading a positive word (Dubrovski, 2001). Moreover, customer satisfaction is the cornerstone of the marketing concept.

Cadotte et al. (1987) define overall satisfaction as "an affective state that is the emotional reaction to a product or service experience". Oliver (1997) defined satisfaction as a "pleasurable fulfilment response" experienced towards the consumed product (Yoshida and James, 2010). Thus, the definition of customer satisfaction implies a positive emotional state experienced as a reaction to the consumption of the product.

Boulding et al. (1993) differentiated between transaction-specific satisfaction and cumulative satisfaction. Thus, on one hand, one can view satisfaction as an "evaluative judgement" that occurs after a specific purchase occasion. On the other hand, satisfaction may

be seen as evaluation of the complete set of experiences related to purchases over time and not on one particular occasion (Fornell, 1992). Anderson et al. (1994) further state that cumulative satisfaction is a holistic indicator of historic and possibly, future performance of the company, while measuring satisfaction after a particular transaction could only provide limited insight. It may further be argued that it is the cumulative satisfaction that motivates companies' investment in satisfaction.

The satisfaction concept is closely linked to the concept of customer expectations. The following situations are possible as far as expectation is concerned (Dubrovski, 2001):

- i. Confirmed, when the product or service met customers' original expectations before trying / using the product;
- ii. Negatively unconfirmed – happens when the product is worse than expected, or in other words the performance measured is below expectations;
- iii. Positively unconfirmed, when the product's performance (quality) exceeds customers' pre-purchase expectations.

Dubrovski (2001) also emphasised that dissatisfaction is the result of negative disconfirmation. In the case of confirmed expectations, the two situations are possible. Firstly, the expectations may be low and the performance of the product adequate. Secondly, the expectations may be much more demanding and the performance of the product still adequate. It is important to understand that while in both cases the expectations are met. The second scenario is a more difficult situation as higher performance levels are required to reach the level of expectations. This notion well demonstrates why expectations should be included in the satisfaction model.

According to the findings of Johnson and Fornell as indicated by Fornell (1992), customer satisfaction is a function of pre-purchase expectations and product performance, which is measured at post-purchase stage. According to the authors, both of these are expected to have a positive effect. Fornell (1992) argues further that meeting expectations cannot guarantee satisfaction, for example when low product quality / performance is expected but nevertheless purchased.

It is apparent from the discussion of expectations that satisfaction is also a function of quality. Zeithaml (1988) broadly defines quality as "superiority" or "excellence". The author further indicates that there is a difference between objective quality and perceived quality. For the purposes of this paper, the quality will be defined according to Andersen et al. (1994) as "a global judgement of suppliers' current offering", which may be seen in two distinct ways:

- i. As dependent on the level of product attributes. In this case quality is defined according to two primary dimensions: Fitness for use – in other words how the products

fulfils its purpose and Reliability – to what extent is the product is free from deficiencies. Later Fornell, Johnson, Anderson, Cha and Bryant (1996) added another element to the dimension – customisation (the degree to which the product or service can be or is customised to the heterogeneous needs of buyers);

- ii. As an overall assessment of the product / service.

On the point of reliability, Boulding et al. (1993) have indicated that reliability is the key dimension in determining the overall perceptions of service quality, which is what this paper is concerned with.

The last antecedent in the satisfaction model is value. The term value is a multidimensional construct, which seems difficult to define. De Chernatony and Harris (2000) acknowledged the problems in defining value and rather opted for the added value perspective by studying its nature, roles and sustainability. Their study still revealed a lack of precision as to the meaning of added value and existence of a multidimensional definition. The most common associations in the study were "pricing/ value for money" and "relative to competitors". Zeithaml (1988) identified patterns of consumer responses when defining value as follows:

- i. Value defined through price – sometimes customers closely link value concept to the price of the product / service and if a low price is offered, high value is achieved;
- ii. Value defined through utility – the author argues that another possible view on value is very similar to the economic definition of utility or benefit. This view is highly subjective as it deals with "usefulness" of the product / service as perceived by the consumer;
- iii. Value defined through quality given the price paid;
- iv. Value defined through the benefit received for the price paid.

From the mentioned patterns, one can deduce the two components - giving and receiving (Zeithaml, 1988). The author further states that consequently, value may be defined through these two components, thus, being the overall experience and benefits the customer receives for the price paid for the product / service. Eggert and Ulaga (2002) later suggested that the two components represent a trade-off between benefits and sacrifices as perceived by the customer. The authors suggest that perceived benefits may include some product / service attributes as well as after-sales support available in relation to the use situation. Perceived sacrifices, however, are often described in monetary terms (Anderson et al., 1994). It is also possible to define sacrifices more broadly not having to link them to price. Such sacrifices, for example, may include: acquisition costs, transportation, installation, order handling, repairs and maintenance, risk of failure or poor performance (Ravald and Grönroos, 1996).

Consistent with the ongoing, Fornell et al. (1996) define value in the context of satisfaction as “perceived level of product quality given the price paid”. The authors argued that “adding the perceived value incorporates price information into the model and increases the comparability of the results across firms, industries and sectors”. Eggert and Ulaga (2002) mention that Monroe indicated that a reduction in sacrifices is valued more by customers than an increase in benefits. It is suggested that this is so because consumers may perceive sacrifices as more real and imminent than the benefits they would receive after the purchase of the product / service.

De Chernatony and Harris (2000) further indicate that the meaning of added value is slightly different from the meaning of perceived value. Ravald and Grönroos (1996) describe value-adding as manipulating the components of customer value, such as increasing benefits or reducing sacrifices.

Brand trust

When investigating relationship and loyalty models, many researchers consider trust as an important determinant thereof (Ball et al., 2003; Chaudhuri and Holbrook, 2001; Delgado-Ballester and Munuera-Alemán, 1999; Sirdeshmukh et al., 2002). Trust may be viewed as a cornerstone of long-term relationships (Spekman, 1988) and the concept itself originates from the analysis of personal relationships.

Brand trust may result in brand loyalty because it creates exchange relationships that are highly valued (Morgan and Hunt, 1994). This is further supported by Moorman et al. (1992) who define trust as “willingness to rely on an exchange partner in whom one has confidence” and link such trust to commitment to the organisation exhibited by the customer. Indeed, clients who do not have trust in the service provider will not be loyal (Ball et al., 2003).

Another definition viewed trust as confidence that one will find what is desired from another, rather than what is feared (Delgado-Ballester and Munuera-Alemán, 2005). Such trust may be seen as the confidence that weaknesses of exchange partners will not be exploited. Brand trust thus, means that there is an expectation that dealings / experiences with the brand will result in a positive outcome for the consumer.

Chaudhuri and Holbrook (2001) hypothesised that brand trust affects both attitudinal and behavioural components of loyalty, in that trusted brands should both be purchased more often and should evoke a higher degree of attitudinal commitment.

It is logical to suppose that the trust in the brand is likely to be based on customer experiences with the brand (Delgado-Ballester and Munuera-Alemán, 1999). Therefore, it will be influenced by consumers’ evaluation of any direct or indirect contact with the brand, which

leads to the conclusion, that among other things, brand trust may be impacted by antecedents of customer satisfaction - perceived quality and perceived value, or customer satisfaction itself (Ganesan, 1994). Thus, satisfaction may be viewed as a condition for trust (Hess and Story, 2005).

It is commonly believed that trust is a two dimensional concept that involves credibility and benevolence (Doney and Cannon, 1997; Ganesan, 1994). Delgado et al. (2003) refer to the same intentions as brand reliability and brand intensions. The former dimension explores feelings that the brand accomplishes its value promise (Doney and Cannon, 1997; Morgan and Hunt, 1994), while the latter deals with consumers’ belief that the service provider interacts in ways that hold consumers’ interests at heart. An overall measure of brand trust has therefore been included in the final model investigated in this paper.

Developing a loyalty model

Having discussed various constructs, it is time to put them together into a holistic model. The original satisfaction-loyalty model as suggested by Fornell et al. (1996), Anderson et al. (2000) and Cassel and Eklöf (2001) is given in Figure 1. The model includes three latent variables as determinants of customer satisfaction: expectations, quality and value as well as a latent variable for customer satisfaction that directly affects loyalty.

The model has been extensively tested and is being used in United States to calculate the American Customer Satisfaction Index as well as the European Customer Satisfaction Index. Although European and American models are conceptually similar, the European model also includes an image variable, which affects perceived quality. However, image is not included in the model proposed in this study as the concept of brand image is complex and multi-dimensional, in itself containing satisfaction, trust, etc. For this reason, its evaluation is deemed to fall outside of the scope of this paper.

Given the relationship between variety-seeking tendencies, trust and loyalty as explored by various authors, the customer satisfaction model presented above will be expanded to contain the mentioned constructs. The proposed model is given in Figure 2.

Each of the relational links in the model may thus be formulated as the following alternative hypotheses:

H₁: Customer Expectations have a direct positive effect on Perceived Quality

H₂: Customer Expectations have a direct positive effect on Perceived Value

H₃: Customer Expectations have a direct positive effect on Customer Satisfaction

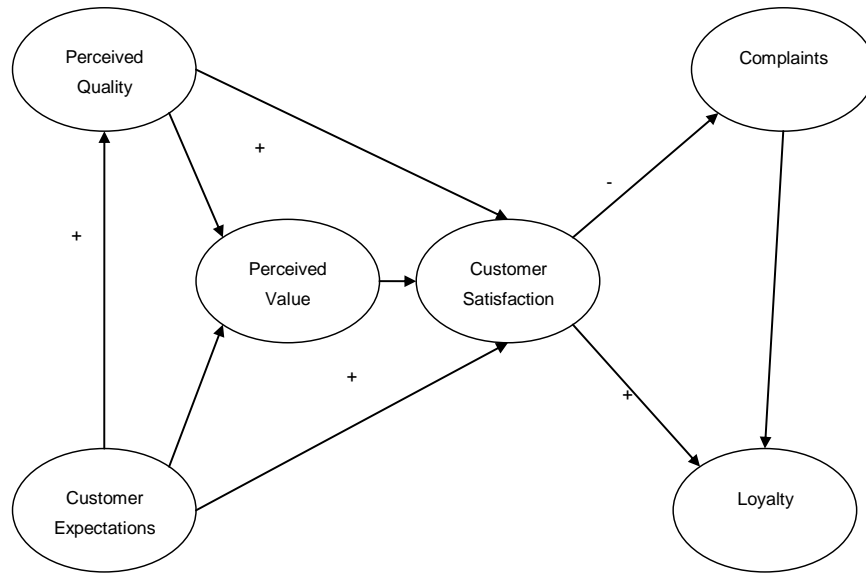


Figure 1. Theoretical model of customer satisfaction (adapted from: Fornell et al., 1996; Eklof, 2001).

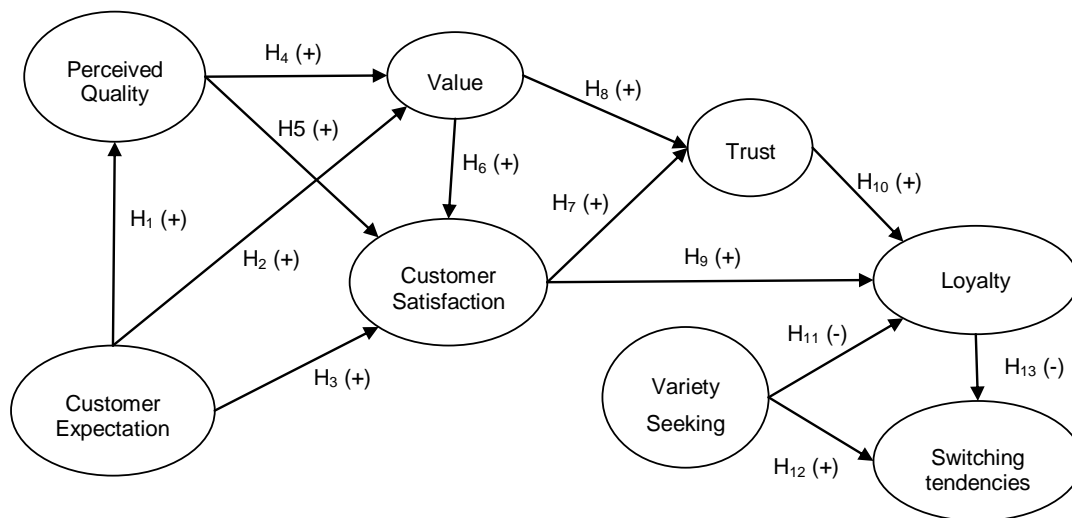


Figure 2. Proposed model for investigation (adapted from: Fornell et al., 1996).

- H₄: Perceived quality has a direct positive effect on Perceived Value
- H₅: Perceived quality has a direct positive effect on Customer Satisfaction
- H₆: Perceived Value has a direct positive effect on Customer Satisfaction
- H₇: Customer Satisfaction has a direct positive effect on Trust
- H₈: Perceived value has a direct positive effect on Brand Trust
- H₉: Customer satisfaction has a direct positive effect on Customer Loyalty manifestations

- H₁₀: Brand Trust has a direct positive effect on Customer Loyalty manifestations
- H₁₁: Variety seeking tendencies have a direct negative effect on customer loyalty manifestations
- H₁₂: Variety seeking tendencies increase the likelihood of brand switching
- H₁₃: Customer loyalty decreases the likelihood of brand switching

The proposed extended satisfaction-loyalty model thus includes eight latent variables representing each construct, two of which are exogenous (expectations and

variety seeking).

RESEARCH METHODOLOGY

Population, research and sampling design

The research deals with established concepts, which have been previously studied by the author as well as various researches in a relatively great detail. However, loyalty and variety seeking have not been linked in South Africa to provide a more comprehensive model. Therefore, the relevant field has a high degree of crystallisation, and the study can be classified as formal. The study involves measuring the key constructs previously described, and therefore interrogation methods of data collection are applicable. Since the study is concerned with identifying relationships between respective constructs it can be classified as a causal study through ex post facto analysis. This study was undertaken in a cross-sectional time frame but additional research opportunities were identified after its completion.

For the purposes of this study, the following population is to be considered: passenger vehicle owners in South Africa who purchased a new vehicle from one of the franchised dealerships of any manufacturer selling their vehicles within the borders South Africa, who have access to e-mail / Internet, and whose vehicle cannot be classified as a luxury or a leisure vehicle. Luxury manufacturers are assumed to be Audi, BMW, Mercedes-Benz and Volvo. Leisure vehicles (RV's) are Land Rover and Mitsubishi. The majority of customers in the total passenger vehicle market have internet and / or e-mail access. Hence, even though this is a limiting factor in interpretation of the results, the bias towards people with Internet / e-mail access is going to be minimal, if the total passenger market is considered.

The method used was stratified random sampling. The population was sub-divided according to the brand of the vehicle in proportion to the market share of each brand during the total sales period covered by the available sampling frame. The sampling frame was a list of people that are part of the target population. The sampling frame was divided into the strata (by vehicle brand) and a simple random sample was drawn from each stratum. It must be noted that the sample will be pseudo-random and not truly random, due to uses of computer software to generate random numbers. The number of records drawn randomly was in proportion to the expected hit rate based on the Internet research.

For the purposes of this study, e-mail / internet self-completion survey was utilised. Pre-selected respondents were emailed an electronic invitation to complete the survey with the link to the web-based questionnaire inserted in the e-mail.

Instrument development

The scale to measure loyalty was adapted from Zeithaml et al. (1996), who have developed a behavioural intentions battery with one of the underlying dimensions being customer loyalty, for which the reliability coefficient was 0.935.

With regard to variety seeking, Raju (1980) has identified 39 items measuring exploratory tendencies in consumers. Based on that scale, Baumgartner and Steenkamp (1996) have developed a battery, which is more closely related to the concept of variety seeking, called exploratory buying behaviour tendencies (EBBT). The instrument consists of two underlying dimensions, namely exploratory acquisition of products (EAP) and exploratory information seeking (EIS). Furthermore, Baumgartner and Steenkamp (1996) clearly indicate that "variety seeking behaviour is often regarded as a manifestation of consumers' desire for exploration (Raju, 1980), and exploratory purchase behaviour explicitly measures a person's

tendency to engage in variety seeking". It is also suggested that variety seeking is more strongly correlated with EAP than with EIS (Baumgartner and Steenkamp, 1996). Van Trijp et al. (1996) note that the EAP scale has been validated in terms of psychometrical properties and term the variable responsible for variety seeking as a need for variety. The ten-point EAP scale was adapted to fit the automotive industry and used in this study.

For the purposes of measuring switching tendencies, Raju (1980) has identified a dimension of brand switching and provided attributes to measure such behaviour. This scale was adapted to measure the manifest variables for switching behaviour.

Concerning customer satisfaction, value, expectations and quality, measurement scales have been proposed and used by Fornell et al. (1996) for all of the main determinants of customer satisfaction according to the American Customer Satisfaction Index model. The authors used the ten point scale to minimise skewness of the responses, which is generally negative and is observed in most customer satisfaction studies. The scales were adopted for the purposes of this study. Lastly, in relation to the trust concept, an overall measure of brand trust was used.

The final instrument was pre-tested several times. First, several respondents were given paper copies of the final questionnaire. The respondents were asked to go through the questionnaire and make comments, while the author was observing the process and making notes of any problems. Once the feedback from the first pre-test had been collected, the instrument was adjusted to ensure that descriptions and instructions on the paper questionnaire were clear, following which it was loaded onto the web-based system and re-tested again.

RESULTS

Sampling results and descriptive statistics

Through online self-completion questionnaires, invitations were sent to 1068 respondents that were randomly selected in accordance with the process outlined earlier.

The data were screened using the SAS System (Version 9.2). A list wise deletion of missing cases was undertaken and outliers were examined to ensure that extreme values did not influence the results. After cleaning of responses, a grand total of 338 usable responses were recorded, which equates to a response rate of 31%. With regards to the demographic characteristics, 67% of respondents were male, 70% were married, 67% had children and nearly 80% were under the age of 50 years (and over 19). All of the respondents were owners of passenger vehicles that they have purchased new up to one year before the survey.

Table 1 provides a summary of the basic statistics for the manifest items and sheds some light on the distribution of the collected data. It is apparent from the descriptive statistic that the items do not follow a normal distribution around the mean and that the distribution of most items is negatively skewed. The next step in the analysis was to evaluate the reliability of the scales.

Reliability analysis and CFA

Reliability is concerned with consistency. Internal

Table 1. Descriptive statistics for manifest items.

Var	Description	Latent variable	N	Mean	Std. dev	Median	Skewness	Kurtosis
V1	Expectation: Quality	Expectations	338	8.70	1.39	9	-1.50	3.45
V2	Expectation: Customisation	Expectations	338	8.67	1.32	9	-1.40	2.65
V3	Expectation: Reliability	Expectations	338	9.08	1.28	9	-2.56	10.37
V4	Actual: Quality	Quality	338	8.18	1.65	8	-1.43	2.75
V5	Actual: Customisation	Quality	338	8.34	1.57	9	-1.58	3.35
V6	Actual: Reliability	Quality	338	8.06	2.20	9	-1.65	2.39
V7	Reasonable costs	Value	338	7.20	2.07	8	-0.95	0.69
V8	Value for money	Value	338	7.42	1.96	8	-1.14	1.28
V9	Overall satisfaction	Satisfaction	338	8.28	1.99	9	-1.78	3.17
V10	Comparison to ideal	Satisfaction	338	7.54	2.03	8	-1.20	1.22
V11	Exp. Disconfirmation	Satisfaction	338	7.78	1.91	8	-1.57	2.64
V12	I would tend to buy the same kind of vehicle every time I decide to get a new one	Variety-seeking	337	4.47	2.73	4	0.69	-0.67
V13	I would stay with the make of the vehicle I have, rather than trying one I am not sure of	Variety-seeking	337	4.52	2.89	4	0.60	-0.88
V14	I would not be afraid of giving a new vehicle make a try	Variety-seeking	337	7.23	2.60	8	-0.78	-0.43
V15	I would enjoy buying a different make just to get some variety	Variety-seeking	337	6.07	2.84	6	-0.30	-1.03
V16	Say positive things about your vehicle's make to other people	Loyalty	336	8.27	2.05	9	-1.72	2.85
V17	Recommend your vehicle's make to someone who seeks your advice?	Loyalty	336	8.17	2.19	9	-1.70	2.55
V18	Encourage friends and relatives to buy the same make as your vehicle?	Loyalty	336	7.75	2.46	9	-1.35	1.08
V19	Consider the make of your vehicle as the first choice when you decide to buy a new vehicle?	Loyalty	336	7.36	2.80	8	-1.03	-0.10
V20	Purchase more vehicles of the same make as your current one in the next few years?	Loyalty	336	6.92	2.90	8	-0.83	-0.54
V23	I trust the make I drive	Trust	336	8.35	2.09	9	-1.80	3.03
V26	How likely are you to switch to another make of vehicle next time you purchase one?	Switching propensity	337	6.22	2.89	7	-0.31	-1.16
V27	How likely are you to buy a different make that offers a better price?	Switching propensity	337	6.77	2.92	8	-0.56	-0.99

consistency of the scales was confirmed using Cronbach's alpha coefficient. Validity is concerned with establishing that the instrument is measuring what was intended. Convergent validity is present when several indicators are associated with one another. It means that multiple measures of the same construct operate in similar ways (that is, reasonably but not overly correlated). Divergent or discriminant validity is the opposite of convergent validity. It means that the indicators of one construct are associated with one another, but are also negatively associated with the opposing

constructs. Confirmatory factor analysis was performed to confirm that the factor structure within the multi-dimensional scales holds as indicated by the theory.

The results of Cronbach alpha analysis "shown in Table 2" revealed that most scales displayed acceptable internal consistency, although, some items had a relatively low item-to-total correlation. Expectation scale had the lowest internal consistency of 0.66, which was identified as an area of concern. All other scales had an alpha coefficient greater than 0.7, which could be considered

acceptable for established scales (Nunnally and Bernstein, 1994).

Further analysis consisted of two major steps, starting with first validating the measurements measurement model by performing confirmatory factor analysis and then examining the hypothesized relationships shown. Before going into the detail of the results, it is necessary to first outline the rules guiding the interpretation of the model fit since unlike most inferential statistical methods, there is no single overall measure of the model's quality - various statistical tests are performed

Table 2. Cronbach's alpha and CFA loadings for manifests.

Var	Description	Latent variable	Cronbach alpha	Item to total correlation	CFA loading
V1	Expectation: Quality	Expectations		0.538	0.74
V2	Expectation: Customisation	Expectations	0.66	0.526	0.73
V3	Expectation: Reliability	Expectations		0.375	0.43
V4	Actual: Quality	Quality		0.776	0.83
V5	Actual: Customisation	Quality	0.84	0.714	0.85
V6	Actual: Reliability	Quality		0.833	0.79
V7	Reasonable costs	Value		0.835	0.83
V8	Value for money	Value	0.90	0.835	1.00
V9	Overall satisfaction	Satisfaction		0.838	0.92
V10	Comparison to ideal	Satisfaction	0.92	0.821	0.83
V11	Exp. Disconfirmation	Satisfaction		0.868	0.91
V12	I would tend to buy the same kind of vehicle every time I decide to get a new one	Variety-seeking		0.538	0.79
V13	I would stay with the make of the vehicle I have, rather than trying one I am not sure of	Variety-seeking	0.72	0.619	0.89
V14	I would not be afraid of giving a new vehicle make a try	Variety-seeking		0.381	0.30
V15	I would enjoy buying a different make just to get some variety	Variety-seeking		0.511	0.48
V16	Say positive things about your vehicle's make to other people	Loyalty		0.812	0.91
V17	Recommend your vehicle's make to someone who seeks your advice?	Loyalty		0.876	0.97
V18	Encourage friends and relatives to buy the same make as your vehicle?	Loyalty	0.93	0.855	0.91
V19	Consider the make of your vehicle as the first choice when you decide to buy a new vehicle?	Loyalty		0.919	0.77
V20	Purchase more vehicles of the same make as your current one in the next few years?	Loyalty		0.799	0.75
V23	I trust the make I drive	Trust			1.00
V26	How likely are you to switch to another make of vehicle next time you purchase one?	Switching propensity		0.711	0.95
V27	How likely are you to buy a different make that offers a better price?	Switching propensity	0.83	0.711	0.74

to determine model fit. Each of these measures compares the data-model fit in slightly different ways and must be evaluated together in order to determine model's appropriateness (Browne and Cudeck, 1993; Hu and Bentler, 1999; Joreskog and Sorbom, 1993).

Most obvious theoretical statistic in structural equation modelling is the χ^2 statistic, which ascertains the discrepancy level between the proposed model and the data that it is intended to represent (Mayfield and

Mayfield, 2008). When substantial differences exist, the test is significant, thus a non-significant statistic value indicates a good fit of the model to the data (that is, no evidence of the differences between the model and sample covariance data). The adequacy of this statistic is, however, questionable as it becomes easy to reject a model with the growth of the sample size (Hu et al., 1992). In practice, non-significant χ^2 statistic is also the least used as a goodness-of-fit index as it is the most difficult to achieve, because it accounts for all possible relationships between constructs and indicators. Thus, the more constructs appear in the model, the higher the statistic is expected to become, resulting in an apparent poor model fit (Cheng, 2001). Researchers addressed the χ^2 limitations by developing goodness-of-fit indices that take a more pragmatic approach to the evaluation process.

One of the commonly used indices is χ^2/df ratio. A value of the ratio lower than two indicates an acceptable fit (Tabachnick and Fidell, 2001; Joreskög and Sörbom, 1993). Standardised root mean square residual (SRMR) and the root mean square error of approximation (RMSEA) are other commonly used indices. The SRMR is a summary of the average of residual variances and covariances. Values below 0.05 generally indicate an acceptable fit (Hu and Bentler, 1999). The RMSEA statistic provides an estimate of how well the model with the parameter values derived from the sample could be expected to fit the population covariance matrix; it is a function of the fitting function value relative to the degrees of freedom (Browne and Cudeck, 1993). Values of RMSEA less than 0.06 once again, indicate a good fit (Hu and Bentler, 1999:27).

In referring to other popular fit indices, Hu and Bentler (1999: 2) state that such measures can be classified into two groups – absolute and incremental. RMSEA and SRMR are as such absolute indices since they do not take into account any reference model, but try to estimate how well an a priori model reproduces sample data. Other commonly used absolute indices include goodness-of-fit index (GFI) and adjusted GFI (AGFI). The recommended values for these indices to indicate a good fit are greater than 0.95 and 0.90 respectively. Incremental fit indices are contrasted with the absolute measures in that they measure proportionate improvement of the a priori model with a more restrictive null model, in which all observed variables are uncorrelated. Commonly used incremental indices include normed fit index (NFI), Tucker–Lewis non-normed fit index (NNFI) and comparative fit index (CFI). The recommended values for these relative indices are greater than 0.95 (Hu and Bentler, 1999).

In summary, the following indices were used to indicate a good model fit: $\chi^2/df < 2$, RMSEA < 0.06, SRMR < 0.05, GFI \geq 0.95, AGFI \geq 0.9, NFI > 0.95, NNFI >

0.95, CFI > 0.95. Subsequent to Cronbach's alpha analysis, a measurement model (CFA) was evaluated in LISREL 8.72. Since the analysis was performed on a non-normal data, robust maximum likelihood method of estimation using asymptotic covariance matrix was used on the data in order to correct non-normality bias. Although, all factor loadings were found to be significant (t-value > 1.95, that is, 90% significance level), the goodness of fit measures showed that the measurement model did not fit the data well ($\chi^2=911$, df=204, RMR = 0.06, RMSEA = 0.083, GFI=0.8, AGFI=0.74). When modification indices for the λ -X matrix were examined (Joreskög and Sörbom, 1993), it was found that a lot of the items are expected to cross-load onto other factors. It was clear that in order to make the measurement model acceptable, the factor structure needed to be altered and some items with low loadings needed to be dropped in order to remove exception cross-item correlation in the model. The model was thus adjusted as follows:

- i. The reliability variable was removed from both expectations and quality sub-scales as items with the lowest factor loading and item-to-total correlation in order to improve internal consistency. This goes hand in hand with the dynamics of the industry in question – reliability of the new vehicles is not a question, but a given, therefore it could be expected that its manifestations are not as strong as in other industries;
- ii. satisfaction was reduced to be represented by the overall satisfaction component, as it was found that 'expectation disconfirmation' and 'comparison to ideal' items (V11 and V10) were loading heavily on expectations and quality factors;
- iii. items V12 and V13 were removed from the variety seeking scale as they introduced fit problems if combined with items V14 and V15. The latter two items were chosen as they are actually phrased in terms of variety seeking, while the former two were phrased in terms of variety avoiding (and as a result had to be inverted).
- iv. the loyalty latent variable was split into two components – attitudinal and behavioural – as it became clear after the first run of the measurement model that two factors are distinctly evident in the data pattern. As such, the H_9 , H_{10} and H_{11} hypotheses needed to be revised into $H_{9a} + H_{9b}$, $H_{10a} + H_{10b}$ and H_{11a} and H_{11b} for satisfaction, trust and variety seeking impact on attitudinal and behavioural loyalty components respectively.
- v. Switching was reduced to be represented by the likelihood of only one switching item (V26) in order to remove the noise. Indeed, the second item (V27) deals with switching given a better price, which is not as prominent in the automotive context, where customers are not as price sensitive as in FMCG or other markets.

These modifications to the model yielded a much more prominent data structure and the measurement model

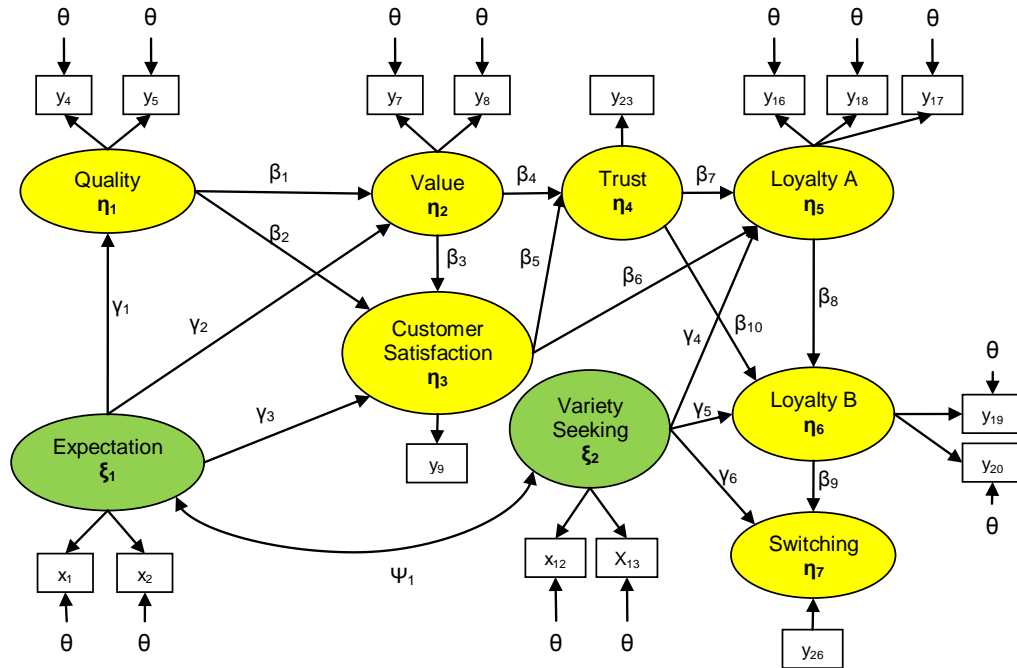


Figure 3. A priori structural model (model A).

was found to fit the data well ($\chi^2=121$, $df=70$, $SRMR = 0.02$, $RMSEA=0.03$, $GFI=0.95$, $AGFI=0.91$, $NNFI=0.99$, $CFI=0.99$).

Structural model evaluation

Having confirmed the measurement model, a full structural model needed to be re-specified as the loyalty construct was divided into two. The adjusted model is represented in Figure 3. In order to interpret the parameters of the model, it is necessary to consider how such a model is specified:

$$\eta_i = B\eta_i + \Gamma\xi_i + \zeta_i$$

$$y_i = \Lambda_x\eta_i + \varepsilon_i$$

$$x_i = \Lambda_y\xi_i + \delta_i$$

In this model, specification eta (η_i) parameters refer to endogenous latent variables (dependent), while xi (ξ_i) represents exogenous (independent) variables. Similarly, Y's stand for endogenous manifests and X's for exogenous manifests respectively, with λ representing the factor loadings. Zeta, epsilon and delta variables represent the error terms in the linear equation

specification.

The first *a priori* model, Model_a, was estimated using LISREL 8.72. Goodness-of-fit measures for the model did not reveal an excellent fit, while considering the discussion above, the fit could be considered borderline acceptable ($\chi^2=173$, $df=87$, $SRMR = 0.06$, $RMSEA=0.04$, $GFI=0.93$, $AGFI=0.90$, $NNFI=0.99$, $CFI=0.99$). It was apparent, however, that this was not the best fit to the data and that the model needed to be re-specified in order to obtain a more robust solution. Furthermore, several beta/gamma coefficients were found to be non-significant with 95% confidence, namely: expectations-value (γ_3), value – satisfaction (β_3), trust – behavioural loyalty (β_{10}) and variety seeking – attitudinal loyalty (γ_4). Since, there was no evidence that there is a significant relationship as indicated by the links in question, H_2 , H_6 , H_{10b} and H_{11a} are rejected and as such, those relational links were removed from the model. Removal of non-significant links does not improve a model fit, so further modifications were performed. Since value's impact on satisfaction was not confirmed in this model, it was hypothesised that value may affect the attitudinal loyalty component (model_b). This link was found to be significant (while the link of value with behavioural loyalty was not found significant). However, the adjusted model still displayed a SRMR of 0.05, even though RMSEA and χ^2 were improved.

To further improve the fit, the expectations - quality link was replaced with a covariance link, thus transforming

Table 3. Summary of fit for evaluated models.

Model	Description	χ^2 (df)	χ^2/df	SRMR	RMSEA	AGFI	CFI	PGFI
Model-1	One-factor measurement model	3053(324)	9.4	0.0871	0.1318	0.52	0.92	0.51
Model-M	Measurement model	121 (70)	1.7	0.0261	0.0329	0.91	0.99	0.49
Model _a	Original proposed model	173 (89)	1.9	0.0586	0.0413	0.90	0.99	0.61
Model _b	Adjusted model: less non-significant links: H ₂ , H ₆ , H _{10b} and H _{11a} + Value->Loyalty A	164 (92)	1.8	0.0516	0.0356	0.91	0.99	0.63
Model _c	Final model	156 (91)	1.7	0.0359	0.0332	0.92	0.99	0.63

expectations and quality variables into exogenous. Since this change yielded a better SRMR, it is supposed that the data supports the notion of quality and expectations being correlated, rather than a one-way causal relationship as is implied by the original model. Indeed, Chitty et al. (2007) likewise suggested that if the customer had experience with the product before, the expectations are affected by previous experiences with the same product, rather than experiences with different products / brands. Therefore, the model where quality is represented by an exogenous variable may be more appropriate.

The adjusted model was accepted as the final model with the best fit ($\chi^2=156$, $df=91$, SRMR = 0.03, RMSEA=0.03, GFI=0.95, AGFI=0.92, NNFI=0.99, CFI=0.99). The covariance paths were all less than 0.7, which provides evidence of discriminant validity of the constructs (Chitty et al., 2007).

Table 3 provides a summary of fit indices for all evaluated models. Comparing the indices, it is evident how the model fit was improving through the model adjustment process and the final model is definitely superior, as it displays recommended index values across all indices.

The final model is presented in Figure 4 with all the coefficient values provided in Table 2. Further, the implications of the findings are discussed, limitations are pointed out, managerial implications are suggested and the conclusion is presented.

DISCUSSION

Hypotheses and other findings

Through the analysis process, the following hypotheses were not rejected by the t-test:

H₅: Perceived quality has a direct positive effect on customer satisfaction ($\beta_2=1.03$)

H₄: Perceived quality has a direct positive effect on perceived value ($\beta_1=0.77$)

H₇: Customer satisfaction has a direct positive effect on trust ($\beta_5=0.48$)

H₈: Perceived value has a direct positive effect on trust ($\beta_4=0.35$)

H_{9a}: Customer satisfaction has a direct positive effect on attitudinal component of customer loyalty ($\beta_6=0.33$)

H_{10a}: Brand trust has a direct positive effect on attitudinal component of customer loyalty ($\beta_7=0.44$)

H_{11b}: Variety seeking tendencies have a direct negative effect on behavioural component of customer loyalty ($\gamma_5=-0.22$)

H₁₂: Variety seeking tendencies increase the likelihood of switching ($\gamma_6=0.39$)

H₁₃: Customer loyalty decreases the likelihood of brand switching ($\beta_9=-0.50$)

The following hypothesis had a significant t-test in the model, but was rejected due to the direction of the relationship, which turned out to be negative rather than positive:

H₃: Customer expectations have a direct positive effect on customer satisfaction ($\gamma_3=-0.19$).

The following hypotheses were rejected by the t-test and are taken as non-significant:

H₁: Customer expectations have a direct positive effect on perceived quality (not completely rejected)

H₂: Customer expectations have a direct positive effect on perceived value

H₆: Perceived value has a direct positive effect on customer satisfaction

H_{9b}: Customer satisfaction has a direct positive effect on the behavioural component of customer loyalty

H_{10b}: Brand trust has a direct positive effect on the behavioural component of customer loyalty

H_{11a}: Variety seeking tendencies have a direct negative effect on the attitudinal component of customer loyalty

One of the interesting results that should be highlighted is the fact that customer expectations showed a negative relationship with customer expectations, which goes contrary to the original ACSI model suggested by Fornell et al. (1996). Anderson et al. (1994) argued that customer expectations should have a positive relationship on customer satisfaction due to the cumulative nature of the expectations in question. Hence, even though the expectation disconfirmation concept states that higher

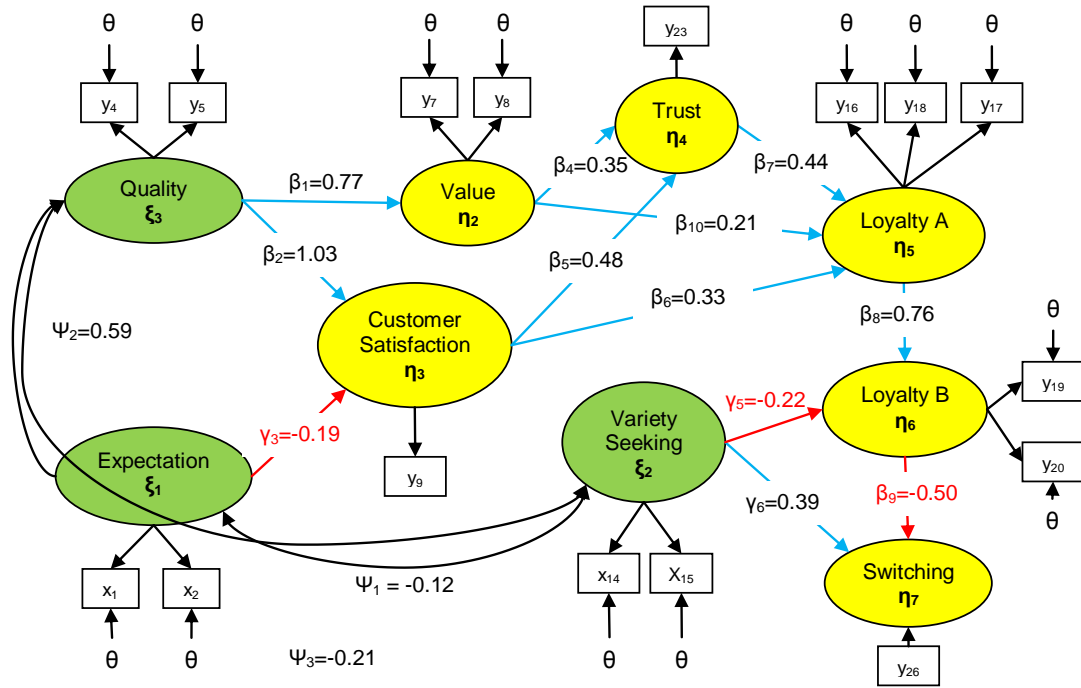


Figure 4. Final structural model (model C).

expectations may lead to lower satisfaction, as they would be more difficult to match with actual quality, over time, the effect of disconfirmation would be marginal. Due to the aggregation process (past experiences aggregate over time), expectations become reflective of past levels of perceived quality/value rather than dominated by effects of the current quality gap (expectation disconfirmation), thus, resulting in a positive relationship between expectations and satisfaction. In the model suggested by the study, however, expectations are shown to negatively affect satisfactions. Although, the absolute extent of the relationship is much lower than the effect of perceived quality on satisfaction, it is nonetheless seen as significant, thus indicating that higher expectations before the purchase could lead to decreased customer satisfaction in the automotive market. A negative relationship may be indicative of the fact that in some cases global brand image of an automotive brand may result in high expectations, yet performance delivered by the local dealers falls short.

Although, the relationship between expectations and perceived quality was confirmed by the t-test, the hypothesis was still listed as rejected, because a more superior model was adopted, which treated expectations as an endogenous variable. Therefore, it must be noted that it is still believed that there is a positive relationship between expectations and quality, which goes hand in hand with the notion of aggregation of customer experience as discussed earlier. The relationship between expectations and quality is thus, believed to be bi-directional and more complex than a one way causal

relationship. Expectations will thus be high when the market has experienced high quality, yet looking from another angle, quality is likely to be high given high expectations – expectations could be acting as a predictor for quality.

It was no surprise that the relationship between value and expectations was not confirmed. Fornell et al. (1996) themselves reported that relationship between expectations and perceived value was unclear. Türkyilmaz and Özkan (2007) also confirmed no significant relationship between the two constructs. However, the fact that there was no significant relationship between perceived value and customer satisfaction is an unexpected result considering prior theoretical studies. It is believed that the nature of the industry once again plays a role – automotive customers are likely to be less price-sensitive, therefore the concept of value had no bearing on satisfaction. Indeed, customers look for specific gratifications from their vehicles, whether psychological or functional and may find similar gratifications in vehicles across different price segments. As such, a customer may want a powerful vehicle, yet could only afford an entry-level car, which delivers on the power promise. Such a customer could be as satisfied with the vehicle as a customer who is able to afford a higher priced vehicle delivering on the same power promise. It was further found, however, that perceived value impacts the attitudinal component of loyalty both directly and through brand trust as a mediating variable. Thus perception of value plays a role in a bigger loyalty model, but this relationship is direct and not mediated by satisfaction as postulated in the

theoretical foundations reviewed in this study.

Furthermore, consistent with the theoretical expectations attitudinal loyalty component was strongly linked with the behavioural loyalty component. The data supported the one-way causal link with attitudinal loyalty positively affecting behavioural loyalty, and not vice versa.

As may also be expected, variety seeking was found to only affect the behavioural loyalty component. Although, it was not hypothesised initially, this is an important finding. Inevitably, people with variety seeking tendencies are more likely to switch, but not because they are dissatisfied with the product or because they do not feel emotional attachment towards it, but purely for the sake of switching.

Overall, it may be said that the theoretical model was found to hold, although with a few exceptions. Trust seems to be an important moderating variable and variety seeking may not be ignored in loyalty modelling.

MANAGERIAL IMPLICATIONS

The goal of this study was to explore the determinants of loyalty and suggest a way forward in understanding customer loyalty in the South African automotive market. The study has that, although customer satisfaction is central to the notion of loyalty, customer value seems to have a bigger impact in the automotive market. The South African automotive industry is historically strong in customer satisfaction measurement and it may be time to dedicate more attention to the relationship between perceived value and loyalty. Brand trust has also been introduced into the model and found to be important both as a direct impact and as a mediating variable. Furthermore, it is pointed out that not all customers can be loyal in a sense of repurchase behaviour, but even variety seekers may be seen as brand advocates as despite switching behaviour, they may still play an important role in spreading the word about the brand if they had positive experiences with it, potentially resulting in customer acquisitions for the brand.

LIMITATIONS AND FUTURE RESEARCH

The results of this study are largely in accord with the theoretical expectations. It is however further necessary to expand the study to cover additional variables, such as brand image, that may play a major role in explaining loyalty. One of the limitations imposed on the results is the fact that such results may only be applicable to the automotive industry, specifically excluding luxury vehicles. A similar model should be explored in the luxury automotive market, as it may happen that the dynamics could prove to be different. Furthermore, the concept of brand image should be introduced into the model with relevant measures as there are indications that brand

image is strongly tied into the model. Barriers of exit / entry should be studied in order to fully account for the unexplained switching / re-purchase behaviour. Lastly, it could also be beneficial to build a model measuring the outcomes of loyalty over a period of time, instead of a snapshot of re-purchase intentions. A measure of profitability / ROI could also be added to the model to make it more appealing for marketing / business managers.

Another limitation affecting this study is common to all studies, utilising structural equation modelling in cross-sectional designs (Ball et al., 2006). Such modelling treats all effects as linear, but it may not necessarily be the case. Cross-sectional research cannot fully capture the dynamic, interactive, and non-linear nature of so many relationship variables.

Conclusion

This study reviewed a well-known and tested customer satisfaction – loyalty model as applied by the American and European customer satisfaction indices. The model was adjusted with an addition of variety seeking as an intrinsic tendency / trait of consumers. Brand trust was also added to the model in an effort to predict loyalty behaviour.

It was found that the theoretical models hold and that customer satisfaction, perceived value, brand trust are all strongly tied in with the concept of attitudinal loyalty. Furthermore, it was found that treating attitudinal and behavioural loyalty components separately, relationships become stronger and the model displays an overall better fit. The behavioural loyalty predictor seems to be affected by attitudinal loyalty, which is in line with the expectations. Furthermore, variety seeking was found to be an important determinant of both behavioural loyalty and intention to switch next time a similar purchase is made.

Even though this study is subject to some limitations with regard to interpretations, the model provides insight into loyalty dynamics in the automotive market in South Africa.

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