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Relationship between Customers' Loyalty and Income: Preliminary Research

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Abstract

Customer relationship management has a great role in customers' loyalty and satisfaction. However, it is questionable if companies are facing their customers with adequate care. Research that analyzes income and its impact to customers' loyalty, especially in post-transition countries is scarce. This paper investigates customers' attitudes towards selected loyalty determinants. In order to achieve the goal, empirical research on the sample of Croatian customers has been conducted. The respondents were classified into three groups regarding income level and then compared using Kruskal-Wallis test.

Keywords: customer relationship management, economics, customer loyalty management

JEL main category: C1, D3, M00

Introduction

There are many definitions of loyalty, which can be presented through brand loyalty, behavioral loyalty and situational loyalty (Mascarenhas et al., 2006). Brand loyalty presents re-buying preferred product constantly in the future. Attitudinal loyalty is connected with a brand, accustomed by positive client attitudes towards specific brand. Behavioral loyalty is presented by revealed buying and usage behavior, accustomed by client satisfaction. Situational loyalty depends upon shopping and purchasing situation at one specific moment (Flint, Blocker, Boutin, 2011; Uncelsu et al., 2003). Although, there are different explanations, loyalty can be defined as dedication to purchase preferred product no matter of situational changes or marketing effort (Oliver, 1999). There are no much researches which analyze income and its impact to customers' loyalty, especially in post-transition countries. The main goal of the paper is to investigate customers' attitudes towards selected loyalty determinants. In order to achieve the goal, empirical research has been conducted. The questionnaire has been sent to 900 email address in Croatia. The respondents were classified into three groups regarding income level and then compared using Kruskal-Wallis test and post-hoc Mann Whitney test.

The structure of the paper is following. The first section is Introduction. In the second section methodology and data are presented. Results are explained in the third section of the paper. The fourth section concludes the paper.

Methodology

Data about customers' attitude towards loyalty determinants are collected through on-line survey, using random sample of individuals older than 18. The survey has been sent to 900 email address using random choice method on data from one Marketing agency database. Out of the total of 900 individuals, 479 respondents

participated in the research, which forms a response rate of 53,22%. Out of 479 respondents, more than a half belongs to the age group between 25 to 41 years (56%). Most of the respondents secondary education (39%) and third of them have University degree (32%).

Investigating and analyzing other research results and scientific knowledge we define conceptual model in order to present customers' attitudes towards loyalty determinants. Table 1 presents the research instrument description that is based on several previous researches (e.g. Kaplan, Norton, 2010; Khan, 2012; Anić, Rajh Piri, Rajh, 2010; Grbac, Lončarić, 2010; Bašić Buzaljko, 2011; Monji, Ortlepp, 2011). In this research we will also investigate some other determinants regarding brand such as: image, expected value, value for money and effective and efficient service.

Table 1
Research instrument description

Code	Item	Total	Cronbach' s alpha
Product related factors (PROD)			
PROD1	Product quality (Likert 1-5)	4,52 (.828)	0,913
PROD2	Service quality (Likert 1-5)	4,41 (.814)	
PROD3	Product price (Likert 1-5)	4,32 (.895)	
PROD4	Sales staff kindness (Likert 1-5)	4,27 (.827)	
Brand related factors (BRAND)			
BRAND1	Image (Likert 1-5)	3,79 (.980)	0,825
BRAND2	Expected value (Likert 1-5)	4,09(.913)	
BRAND3	Value for money (Likert 1-5)	4,11 (.958)	
BRAND4	Effective and efficient service (Likert 1-5)	4,23(.832)	
BRAND5	Quick pay and installment (Likert 1-5)	4,02 (.930)	
Post-sales related factors (POST)			
POST1	Easy and quick response to customer complaints (Likert 1-5)	4,19 (.907)	0,725
POST2	Effectively deal with customer complaints (Likert 1-5)	4,18 (.864)	
POST3	Courtesy in dealing with customer complaints (Likert 1-5)	4,16 (.943)	

Note: Mean values of the importance estimate of the item (1- Totally unimportant, 5-Very important), standard deviations in parenthesis

Source: Authors

Research instrument consists of three groups of loyalty determinants. Through Likert scale (1=completely irrelevant; 5=completely relevant) respondents evaluate each determinant. In Table 1 selected and most important loyalty determinants are presented. Among all 12 determinants the highest average value has determinant Product quality (4,52), while the lowest average value has determinant Image (3,79). In the first group named *Product related factors* the highest average value has determinant Product quality (4,52), while the lowest average value is for determinant Sales staff kindness (4,27). In the second group named *Brand related factors* the highest average value has determinant Effective and efficient service (4,23), while the lowest average value is for determinant Image (3,79). In the third group named *Post-sales related factors* the average values for all three determinants are very similar: Easy and quick response to customer complaints (4,19), Effectively deal with customer complaints (4,187) and Courtesy in dealing with customer complaints

(4,16). In the first research phase, Cronbach alfa coefficients were conducted in order to test reliability of customers' attitude towards different loyalty determinants. The results of Cronbach alfa test are higher than 0,7 for all three groups of loyalty determinants, which justify usage of selected determinants.

The starting point of the research is that customers' loyalty depends upon income level. In other words, for different group of customers there are different determinants which influence on their loyalty. In order to group respondents into different groups regarding level of income we used data for 2012. Average income in Croatia in 2012 for active working people was 7.875,00 kuna (DZS, 2012). In the first group are respondents with above-average income and they earn more than 10.405,50 kuna monthly ($7.875,00 + 2.530,50 = 10.405,50$). In the third group are respondents with under-average income and they earn less than 5.344,50 kuna ($7.875,00 - 2.530,50 = 5.344,50$). Respondents with average income are those in the second group and they earn between 5.344,50 and 10.405,50 kuna a month. In our calculation we used gross income while net income can be calculated only approximately because of different taxes in different counties in Croatia. More than half respondents have average income (53%) and only 11% of respondents have above average income. Third of respondents (36%) has under-average income (Table 2).

Table 2

Structure of respondents regarding level of income

Level of income	Salary range	Structure in %
Under-average	< 5.345,00	36%
Average	5.345,00 - 10.405,50 kuna	53%
Above-average	> 10.405,50	11%
Total		100%

Source: Authors calculation based on DZS data (DZS, 2012)

We used two stage approaches to analyze attitudes towards customers' loyalty according to the income level. First, customers' attitudes towards loyalty determinants were compared according to their income level, using Kruskal-Wallis test for different groups. Second, post-hoc Mann-Whitney test was conducted for different groups of income level.

Results

Table 3 show average values of customers' attitudes towards loyalty determinants. We have compared all respondents' groups (under-average income, average income and above-average income) and got following results. The highest average value is for *Product related factors* (Product quality, Service quality and Product price). The lowest average value is for *Brand related factors* (Image, Quick pay and installment and Expected value). The highest difference among average values of loyalty determinants is for the determinant *Product price* which has the second highest average value in under-average income group. However, for those respondents with above-average income, *Product price* is not important loyalty determinant.

Table 3

Customers' attitudes towards main loyalty determinants

Code	Level of income		
	Under-average income	Average income	Above-average income
Product related factors (PROD)			
PROD1	4.50 (.902)	4.55 (.756)	4.39 (.918)
PROD2	4.39 (.901)	4.45 (.719)	4.29 (.944)
PROD3	4.40 (.842)	4.34 (.894)	3.98 (1.010)
PROD4	4.25 (.832)	4.34 (.796)	4.00 (.917)
Brand related factors (BRAND)			
BRAND1	3.86 (.945)	3.76 (.981)	3.75 (1.093)
BRAND2	4.09 (.880)	4.10 (.910)	4.06 (1.047)
BRAND3	4.17 (.892)	4.12 (.962)	3.89 (1.090)
BRAND4	4.23 (.842)	4.26 (.807)	4.02 (.905)
BRAND5	4.04 (.920)	4.09 (.892)	3.61 (1.060)
Post-sales related factors (POST)			
POST1	4.10 (.947)	4.25 (.875)	4.14 (.917)
POST2	4.10 (.859)	4.24 (.860)	4.14 (.895)
POST3	4.09 (.960)	4.21 (.936)	4.18 (.919)

Note: Mean values of the importance estimate of the item (1- Totally unimportant, 5-Very important), standard deviations in parenthesis

Source: Authors

When the Kruskal-Wallis test leads to statistically significant results, then at least one of the samples is different from the other samples. In Table 4 data about different groups of respondents are presented and the results show that there is statistically significant difference in customers' attitudes towards loyalty determinants in 1% for the determinants *BRAND5 Quick pay and installment* (p-value=0.008) and in 5% for the determinants *PROD3 Product price* (p-value=0.016) and *PROD4 Sales staff kindness* (p-value=0.033).

Table 4

Kruskall-Wallis test for different groups

Code	Kruskall-Wallis		
	Different groups		
	Chi-Square	df	Asymp. Sig.
Product related factors (PROD)			
BR1	1.161	2	.560
BR2	0.483	2	.786
BR3	8.312	2	.016**
BR4	6.850	2	.033**
Brand related factors (BRAND)			
GP1	0.075	2	.963
GP2	1.650	2	.438
GP3	3.395	2	.183
GP4	9.590	2	.008***
GP5	1.242	2	.537
Post-sales related factors (POST)			
AS1	3.039	2	.219
AS2	3.067	2	.216
AS3	2.067	2	.356

Note: *** statistically significant at 1%, ** statistically significant at 5%, * statistically significant at 10%

Source: Authors

Conclusion

Results showed that the highest average values have determinants product and service quality and product price from the first group named *Product related factors*. The lowest average values have determinants image, expected value and value for money from the second group named *Brand related factors*.

There is also difference between respondents with under-average versus above-average income. Respondents with under-average income consider price as very important loyalty determinant, while those respondents with average and above-average income consider product quality as important loyalty determinant.

Research results confirmed that level of income has significant influence to customers' attitude towards loyalty determinants in Croatia. There is significant statistical difference for following determinants: (i) product price, (ii) sales staff kindness and (iii) quick pay and installment. It can be concluded that statistical significant difference is confirmed for determinants regarding product and brand factors and it is not confirmed for determinants regarding post-sales factors.

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