Relationship between Customer Satisfaction and Loyalty Among Small Passenger Car Users (An Empirical Study Conducted in Bangalore City among small passenger car users)

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Abstract: *Customer satisfaction is the extent to which a product's perceived performance matches buyer's expectations. If the product's performance falls short of expectations, the customer is dissatisfied. If it matches expectations, the customer is satisfied. If it exceeds expectations, the customer is highly satisfied or delighted.*

The marketing companies, who want to be successful in the long run go out of the way to keep their customers satisfied and delighted. They strive to match customer expectations with company performance. Some companies aim to delight customers by promising only what they can deliver, than delivering more than they promise.

This paper aims to emphasize the Relationship between satisfaction and loyalty of customers with specific reference to small passenger car brands like the Maruti, Hyundai and Chevrolet. To succeed in the business and to compete effectively, the firms must build long lasting relations with customers and also aim to create superior customer value. Loyalty comes out of satisfaction and loyal customers are likely to patronize a company's products and services for a long time. Therefore to attract and retain customers, an organization should constantly seek ways to deliver superior customer value and satisfaction.

Key words: *Customer satisfaction, Loyalty, after-sales service.*

Introduction:

Product performance determines consumer satisfaction. A consumer compares the actual benefits. After this appraisal process, positive or negative feelings and emotions occur. Customer satisfaction is the outcome of positive opinions on products or service.

The benefits from the product usage and good customer service experiences leads to satisfied customers. Satisfied customers are the bases on which loyalty builds.

During the millennium, the Small passenger car market has globalized because of the foreign Companies starting their operations in the Indian market because of vast potential foreseen by these companies. CRISIL conducted a study during 2009, which indicated that Honda plans to launch Jazz in 2009. Ford Motors plans to double its existing capacity by 2010. The additional capacity will concentrate on manufacturing small/compact cars.

CRISIL Research expects the annual domestic passenger car sales to touch around 2.32 million units in 2012-13. Rising affordability due to the fall in the car prices with the launch of ultra low cost cars and new model launches are likely to boost demand.

Although hardening interest and augmenting fuel prices may impact demand as it would increase the ownership cost, the expected launch of low cost and growth in incomes will support growth.

Domestic demand is a function of affordability, determined by threshold income and players action in terms of price change. Rising affordability through the launch of ultra low cost cars and increase in disposable income will boost demand. The Automotive mission plan (2006-16) aims at the following:

- Aims to double the automobile sector contribution to GDP by increasing its turnover to $145 Billion in 2016 from the current $36 hillion with special emphasis on export of small cars.
- Creation of automobile hubs near Mumbai, Chennai, Kolkata, Delhi and Bangalore, each equipped to handle 0.5 million vehicles annually by 2015.
- Global players such as Toyota, ford, and Honda are extending their presence in India across products as part of their strategy to enhance the country's contribution to total global sales. This along with the entry of new players such as Bajaj and Nissian signals the impending rise in competition in Indian Car Industry.
- As a result of this Intensifying competition, prices are forecast to full. A shift in the product mix in favor of small cars is also in the offing.

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While International players are venturing into the mainstream small car segments. Process improvements and rising scale of operations factors that have majorly to the Industry's profitability in the past 5 years are expected to yield significant benefit upto 2012-13.

- In short the Indian Small Passenger car industry profitability will be determined by the following factors:
  - State of competition
  - Change in the product mix.
  - Productivity improvements-scale/prices.
  - Cost increases.

These factors made to undertake the research in the area of automobile with respect to small passenger cars with specific area of customer satisfaction and loyalty.

Literature Review:

Edward Conlon, Sarv Devaraj, Khalil F Matta (2001) in this paper, relationship between quality represented by consumer rating and quality related activities by the consumer, represented by maintenance activities in the automotive industry.

Based on several converging theoretical perspectives, a model is presented and it is tested, relating vehicle initial quality ratings to consumers' routine maintenance. Three types of data were collected for the study: (1) vehicle service records at a local dealership, (2) primary date from a survey of vehicle owners, (3) consumer reports data on quality ratings and initial purchase prices. Results of structural equation analysis of the proposed model indicate significant link between quality and consumers' quality behavior. This link has important strategic implications for both automotive manufacturers and distributors particularly as "leasing" become more prevalent in the industry.

Audhesh K Paswan, Nancy Spears and Gopala Ganesh (2007) the purpose of this study is to focus on the feeling associated with being rejected by the preferred service brand, and its effect on consumer assessment of the alternate brand. Data for this study were collected using self-administered questionnaire in the context of higher education services targeted at the international market. Findings revealed that consumers who do manage to get their preferred service brand tend to be more satisfied with the features of the obtained brand and exhibit higher level of brand loyalty towards that brand. Managers should ensure that one's service brand is high in the consideration set. This has implications for service branding and brand positioning as well fulfilling service brand promise through services elements. It also has implications pertaining to winning over new customers and retaining through superior service delivery-particularly the service augmentation elements, and the selection and training of service delivery personnel.

Bernt Krohn Solvang (2007) through this paper develops and tests model to explain the variation is repurchase behavior between customers shopping for grocery products and furniture. The analysis and results of the research is based on interview data collected from 400 adult consumers in four different stores in Kristiansand, Norway.

While researching the question of what were the main differences in the factors influencing repurchase in grocery stores compared to the furniture stores. The furniture branch is a service branch, dependent on relations between the staff and the customer to a higher degree than a grocery shop. Accordingly, the service quality has stronger effects on satisfaction in the furniture branch than the grocery branch. This study revealed that the effect of service quality on the repurchase is clearly stronger in the furniture branch compared to the grocery branch.

Larry P Pleshko, Samar M. Bager (2008) this study investigates the relationships among customer satisfaction, customer loyalty and market share in a sample of students pertaining to their usage of health club. Data for the study was gathered from a buyer group in a large university town in Southeast USA. Sampling framework comprised of

Relationship between customer satisfaction and loyalty under graduate business students. The data are from self-administered questionnaire. 5 health clubs are included for the study based on their membership strength. The spearman rank correlation coefficient is used to analyze the association between the variables in the model. Results of the study indicate that the model is not a broad ranging as might be expected since one of the three proposed relationships are not supported. Findings also suggest that there is a positive relationship in health clubs between loyalty and market share. It is also found that there is

Relationship between customer satisfaction and loyalty negative relationship between satisfaction

and market share. This is not totally unexpected in service where smaller volumes allow for better customer service.

John Andy Wood (2008) in this paper explains the influence of environmental factors on organizational buyers' satisfaction with service providers using survey data from a cross section of organizational types in a business research context. This research introduces and tests on explicit conceptual connection between perceptions of the environment and buyers' assessments of satisfaction through the evaluation ser of alternatives in a structural equation model. Further, the model tests the positive relationship between satisfaction and intention to continue in the exchange relationship. Anchoring the study with customer loyalty or intentions to remain in the relationship, as a direct outcome of a buyer's satisfaction with the service relationship, family grounds the research into the existent literature.

The model demonstrates that if the customer is not satisfied, then his or her intention to continue with that supplier is not reinforced and the customer will increase his or her search for a viable alternative. This model also provides insights into the influence of a buyer's perceptions of both the internal and external environment. The supplier must also be aware that perceptions of external environmental uncertainty will cause buyers to increase the search for available alternatives. It is also possible that as conditions of uncertainty decreases; the perceived value of the alternative will increase to the point that they become viable substitutes for the existing service provider. Thus this model indicates that in a business service contest, customer satisfaction is still a viable indicator of relationship status.

To conclude, the literature review highlights studies based on consumer buying behavior with special reference to cars. In the Indian context such studies are very few in numbers. There are innumerable studies on Customer Satisfaction and Loyalty. But it is also very significant that such studies have not been conducted in India especially in the context of purchase of cars.

Gaps Identified

To address the gaps mentioned above this study will aim to explore the buying behavior of car purchasers in the Indian context. Customer satisfaction in the context of purchase process, after sales service will be explored. An attempt is undertaken to understand consumers' expectations and customer satisfaction and its effect of loyalty towards the Next purchase.

Objectives of the Research

Based on Research Literature Review and Gaps identified, the objectives of the research study undertaken is as follows:

1. To study the significance between gender and purchase process.
2. To explore the relationship between Income and loyalty of small passenger car users.
3. To find out the association between age and number of years to change the car by the small passenger car users.

Scope of the study

The study will be conducted among small car owners of Maruti, Hyundai and Chevrolet. These are the three prominent players in the small car segment. The brand owners of Swift, Alto and Zen from the Maruti Udyog Limited will be considered for the study.

Owners of Santro, Getz and i10 from the Hyundai stable will be the respondents for the study. From Chevrolet owners of Spark, Aveo and Aveo U-VA will be third set of

Respondents. Car owners from each company adding up to a total of 450 respondents and 50 respondents from Tata Nano will be emphirically tested for the study. Owners of more than two years and less than six years are considered for the study, as they are the potential customers who will plan to either go in for a new car in the same segment

Small cars or will plan to upgrade from a small car to a medium size/luxury car. Samples will be restricted to Bangalore.

Methodology

Questionnaire was constructed addressing to the objectives of the study. Reliability was checked for the instrument.

- Research Design: An exploratory study followed with Descriptive study.
- Sampling Method: Convenience Sampling method was used.
- Sample size: for the pilot study, the sample size was 50 customers. For the main study, the sample size will be 500.
- Through Regression analysis conceptual model will be verified to find out the effect of satisfaction during purchase process,

satisfaction on after sales service and satisfaction on performance of the car and perceived value and its effects on Loyalty.

Limitation of study

Since the study is conducted only in Bangalore the results might not be representative of all small car owners throughout India.

Analysis

A Pilot Study was undertaken for 50 customers (Users) of Small Car. The actual sample for the final study will be 500 Small Passenger Car Users. As a thumb rule 10% of the Sample i.e. 50 was selected for Pilot Study. The Questionnaire was administered to 50 Selected sample. Detailed Statistical Analysis was carried out using SPSS Software. Some of the Results of Pilot Study are discussed in Further Section of this paper.

Reliability Analysis Results

The Results of reliability test are as shown in Table 2 Cronbach alpha is the coefficient of reliability of test score for a sample of respondents. Cronbach alpha will generally increase as the inter-correlations among the test items increase and is thus known as consistency estimate of reliability of test scores. In general a value of 0.7 is acceptable

Table 1 - Indicating Reliability Values

Cronbach's Alpha	Internal Consistency
$\alpha > .9$	Excellent
$.9 > \alpha > .8$	Good
$.8 > \alpha > .7$	Acceptable
$.7 > \alpha > .6$	Questionable
$.6 > \alpha > .5$	Poor
$.5 > \alpha$	Unacceptable

(George D.A.Mallery.P. (2003). SPSS for Windows step by step: A simple guide and reference 11.0. Update (4th ed.). (Boston Allyn & Bacon). According to above Table cronbach value of 0.7 is acceptable. The scores, which are within the limits of the acceptable range, are used for further statistical applications.

From Table 2 it can be seen that the alpha value for the first variable viz. Purchase Process to the fifth variable perceived value before purchase is within the acceptable range, i.e. the alpha values were good.

Inference: The range of alpha values for all the variables is between 0.7 and 0.9. Thus the instrument was highly reliable.

Table 2 - Indicating Cronbach alpha values for variables

Sl.No	Variables	No of items	Cronbach alpha value
1	Feedback on Dealer: Purchase Process	7	.8643
2	After sales service	6	.8143
3	Vehicle performance and perceived value	10	.8620
4	Loyalty	10	.7472
5	Perceived value before purchase	8	.9058

Table 3 Indicating combined means, SD, Variance, Skewness and Kurtosis Values of Q9-Q13

Variables in Q9-13	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Purchase process	28.36	3.885	15.092	-.586	.337	-.019	.662
After sales service	22.58	3.928	15.432	-.309	.337	-.491	.662
Vehicle performance and perceived value	39.16	5.449	29.688	.103	.337	-.802	.662
Loyalty	38.24	4.805	23.084	-.270	.337	-.568	.662
Perceived Value Before Purchase	35.76	9.352	87.451	-.789	.337	-.276	.662

The Table 3 indicates the analysis of descriptive statistics for the variables that are reliable. The variables from Question 9-13 Includes the purchase process (Includes 7 sub variables), after sales service (Includes 6 sub variables), vehicle performance and perceived value (Include 10 sub variables), loyalty (Includes 10 sub variables), perceived value before purchase (Includes 8 sub variables).

From the above Table 3 it is evident that combined means of the variables except purchase process and after sales service is between 35 and 39. This indicates that the majority of customers are quite happy with these factors i.e. vehicle performance, loyalty, and perceived value before purchase with respect to the Brands Maruti, Hyundai and Chevrolet.

Skewness measures to what extent a distribution of values deviates from symmetry around the mean. A value of Zero (0) represents a symmetric or evenly balanced Distribution. A positive skewness indicates a greater number of smaller values and a negative value of skewness indicates a greater no of larger values and a value between 1 .0 is considered excellent for most psychometric purposes. From the above Table 3 it is seen that except variable 11, all the other variables have negative skewness value. It indicates that the variables have greater number of larger values. Kurtosis is a measure of the peakedness or flatness of a distribution. A kurtosis value near zero indicates shape close to normal. A positive value of the Kurtosis indicates a distribution more peaked than normal. A negative value of Kurtosis indicates a shape flatter than normal. A kurtosis value of 1 is considered excellent for most psychometric purposes.

Finally from the above Table 3, it is indicative that all the variables have a value of Kurtosis, which is negative and one of the values are towards zero. The negative value indicates that the curve is more peak. The first variable i.e. Purchase process has a value which is closer to zero.

T-Test Results

- **Hypothesis 1**

There is significant difference in mean rating of gender and Purchase Process

Table 4: T Test_Gender and Purchase Process

	t value	df	Sig (P Value) 2-tailed	Sig 1-tailed
Equal variance assumed	1.495	48	.142	.07
Equal variance Not assumed	1.680	22.883	.107	.05

Results: The one tailed test for the above hypothesis was done at 95% significance level. The t value of 0.07for the hypothesis statement is not significant. Hence the hypothesis is rejected.

Discussion: The level of confidence was set at 95% and hence the level of significance would be 0.05. Since the P value of 0.07 is greater than the signifance value of 0.05 the hypothesis is rejected.

Interpretation: Hence it can be interpreted that there is no significant difference when it comes to gender and purchase process.

ANOVA Results

Hypothesis 2: There is difference in variance between loyalty and Income of the small passenger car users.

Table 6- ANOVA for Significant Difference between Income and Loyalty of small passenger car users

	Sum of Squares	df	Mean Square	F Value	P Value
Between Groups	5.911	2	2.956	.123	.884
Within Groups	1125.209	47	23.941		
Total	1131.120	49			

Results: The one tailed test for the above hypothesis was done at 95% significance level. The t value of 0.07for the hypothesis statement is not significant. Hence the hypothesis is rejected.

Discussion: The level of confidence was set at 95% and hence the level of significance would be 0.05. Since the P value of 0.07 is greater than the signifance value of 0.05 the hypothesis is rejected.

Interpretation: Hence it can be interpreted that there is no significant difference when it comes to gender and purchase process.

Hypothesis 3:

There is significant association between Age of the user with respect to the change of car.

Table 7- Chi Square Test for association between Age with respect to change of car

Age	Change of Car			Total	Chi-square Value	P value
	No Changed	Below 5 years	Above 5 years			
20-30	4 (30.8%) [44.4%]	3 (23.1%) [18.8%	6 (46.2%) [24%]	13	6.897	0.041**
30-40	5 (8.3%) [11.1%]	5 (66.3%) [50%]	11 (25%) [12%]	21		
40-50	0 (0%) 0%	8 (50%) 50%	8 (50%) 32%	16		
Total	9	16	25	50		

Note: 1) The value within ( ) refers to Row Percentage

2) The value within [ ] refers to Column Percentage

Results: The Hypothesis is tested with the help of Chi-square Technique. The Hypothesis is accepted at 95% significance level.

Discussions: The hypothesis is tested at 95% significance level and from the above table it can be seen that P value is less than 0.05 and hence the hypothesis is accepted. It suggests that, there is significant association between Age and change of car with respect to small passenger car users.

Interpretation: Youngsters in the age group of 20-30 years, change their car before 5 years, compared to middle age and old aged customers, who prefer to change their cars after 5 years.

Findings: The following are some of the key findings of the study

- The purchase process dimensions variable influences the customer's decision on the purchase of the brand of a particular small passenger car.
- The small passenger car users give due importance to the perceived value before purchase.
- Loyalty is one of the variable influencing purchase dimensions.
- The variables such as after sales service and vehicle performance influences customer satisfaction.
- There is a significant difference between gender with respect to the variable purchase process.
- There is a significant difference between Income and loyalty of small passenger car users
- Finally there is an association between gender and change of car.

Conclusions:

The study is indicative that there is a relationship between customer satisfaction and loyalty with respect to small passenger users. The variables involved in the dimensions of purchase such as purchase process, after sales service, vehicle performance and perceived value, loyalty and perceived value before purchase also influences overall customer satisfaction.

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