

IMPACT OF COMPETITION ON CUSTOMER LOYALTY

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Abstract

This research article delves into the multifaceted realm of customer loyalty within the context of competitive markets. The study aims to explore the intricate interplay between customer loyalty and competition, straightening out the strategies, factors, and dynamics that influence and shape customer loyalty employing a comprehensive literature review, and qualitative and quantitative data collection methods. Through this multi-faceted approach, the paper seeks to provide a holistic understanding of the evolving landscape of customer loyalty and its critical role in gaining a competitive edge. To analyse the survey conducted, 280 responses were collected to analyse customer loyalty over the competition. Key findings emphasize the importance of customer experience, product quality, brand perception, and loyalty programs. The study confirms links between brand perception, customer satisfaction, and loyalty. Ultimately, it stresses the necessity for businesses to prioritize and leverage customer loyalty to succeed in dynamic markets.

Keywords: Brand Perception, Product Quality, Price Sensitivity, Customer Satisfaction, Loyalty Programs, and Customer Loyalty.

INTRODUCTION

Customer loyalty is one strength owned by a company. Many companies do not realize that customer loyalty starts from several stages, from searching for potential customers to the forming of advocate customers that will bring benefit to the company. Various efforts are conducted by the company to build customer loyalty, to maintain customer loyalty to make the company's financial performance increase, and to make the company be able to maintain its life sustainability.

The capacity to establish and maintain customer loyalty serves as the foundation that distinguishes major players from transient businesses in the relentless, always-changing landscape of modern commerce. Customer loyalty has become an essential component of business sustainability in an era characterized by quick technology breakthroughs, globalization, and the availability of options. Companies from all sectors are learning that although gaining new clients is crucial, maintaining and nurturing current ones is essential. The ability to build a devoted customer base not only provides a consistent flow of income but also lowers the cost of customer acquisition and improves brand reputation. We will cover the most recent research results, market trends, and practical insights as we move through this study report. Our goal is to provide organizations with an in-depth

knowledge of how customer loyalty serves as the key differentiator in the race to dominate the market, not simply a superficial understanding. Organizations may reach new heights in a climate where competition is the standard and customer loyalty is the guiding light by understanding the crucial role of creating and nurturing loyal consumers and by putting strategies in place that create such loyalty.

The study will provide insight into the complex dynamics of customer loyalty and how important it is for succeeding rivals. We will examine the numerous facets of customer loyalty, including behavioural and emotional factors as well as the effects of brand trust and customer experience. In addition, we'll look at the tactics used by prosperous companies to encourage customer loyalty, taking lessons from a variety of industries and real-world case studies. It is crucial to understand that consumer loyalty is not a term that applies to all businesses as we start our study. It differs between different industries, products, and customer groups. To secure consumer loyalty, organizations must employ complex strategies that take into consideration the particular possibilities and problems they face. As a result, we will examine these strategies in more detail.

REVIEW OF LITERATURE

Customer loyalty is a critical aspect of business success, particularly in competitive industries like the smartphone market. Smith and Johnson (2017) conducted a study focusing on 500 smartphone users, utilizing regression analysis to identify variables affecting patronage. Their findings underscored the significant impact of company reputation, customer service, and product quality on consumer loyalty. In today's smartphone market, maintaining a competitive edge heavily relies on fostering customer loyalty through the delivery of high-quality products and exceptional customer service (Johnson and Wilson, 2020) Price sensitivity also plays a crucial role in shaping customer loyalty, as highlighted by Anderson and Brown's (2021) study in a retail context. Through correlation analysis of data collected from 300 shoppers, they revealed a negative correlation between price sensitivity and loyalty. This suggests that as customers become more price-sensitive, their loyalty to a brand or store tends to decrease. Retailers face the challenge of balancing profitability with customer loyalty through careful pricing strategies.

Trust emerges as a critical factor influencing customer loyalty, particularly in the realm of online shopping. Lee and Kim (2021) conducted a study involving 350 online shoppers, utilizing regression analysis to emphasize trust's significant role. As consumers increasingly turn to online platforms, businesses must prioritize trust-building strategies such as transparent policies and secure transactions to foster and maintain customer loyalty. The mediating role of satisfaction in customer loyalty was explored by Bisen and Nuangjamnong (2021), who conducted surveys with 300 participants and utilized mediation analysis. Their findings highlighted satisfaction as a significant mediator in the relationship between various factors and loyalty. Businesses aiming to cultivate loyalty should prioritize strategies that enhance customer satisfaction, recognizing its pivotal role in driving long-term customer loyalty. Innovation is another key driver of customer loyalty, particularly in the technology sector. Perez and Garcia (2017) investigated the impact of

product innovation on customer loyalty among 400 tech enthusiasts. Their regression analysis indicated a positive correlation, emphasizing the central role of innovation in maintaining customer loyalty. Continuous innovation is essential for technology companies to not only attract new customers but also retain existing ones in a dynamic and competitive market.

Subscription-based businesses face unique challenges in fostering customer loyalty, as explored by Turner and Smith (2018). Through a survey of 300 subscribers, they identified convenience, personalized recommendations, and perceived value for money as significant factors influencing loyalty. Understanding and addressing these factors are crucial for subscription-based businesses to retain loyal customers and thrive in a competitive market. Emotional connections with brands significantly contribute to customer loyalty, as highlighted by Davis and Martinez (2019). Through interviews and surveys with 250 customers, they found that strong emotional connections with a brand lead to higher levels of loyalty. Businesses can leverage emotional branding strategies to foster strong connections with customers, driving long-term loyalty and competitive advantage. Online reviews also play a significant role in influencing customer loyalty, particularly in the e-commerce sector. Kim and Johnson (2020) analyzed the effect of online reviews on loyalty, demonstrating that positive reviews significantly impact customer loyalty. Managing online reputation effectively is crucial for attracting and retaining loyal customers in highly competitive online markets. Longitudinal studies provide insights into the evolving nature of customer loyalty, as demonstrated by Patel and Davis (2019) investigation in the automotive industry. Their longitudinal analysis of 500 car owners revealed changing patterns of loyalty influenced by factors such as vehicle quality, after-sales service, and brand reputation. Continuous adaptation of loyalty strategies is essential for businesses in the automotive industry to remain competitive and meet evolving customer preferences.

Research gap:

Customer satisfaction within the context of customer loyalty over competition lies in the nuanced exploration of the role of emotional engagement in fostering loyalty. While existing studies have often focused on measuring satisfaction through transactional experiences and tangible factors like product quality and pricing, there is a paucity of research that delves into the emotional aspects of customer satisfaction, such as the customer's emotional connection with a brand or the emotional resonance created during interactions with a company. Understanding how these emotional dimensions influence long-term customer loyalty, especially in highly competitive markets.

Objective:

- To analyse customer loyalty over the competition.
- To evaluate how the presence and actions of competitor's influence customer loyalty.
- To investigate the specific factors that motivate customers to remain loyal to a brand in the presence of competition.

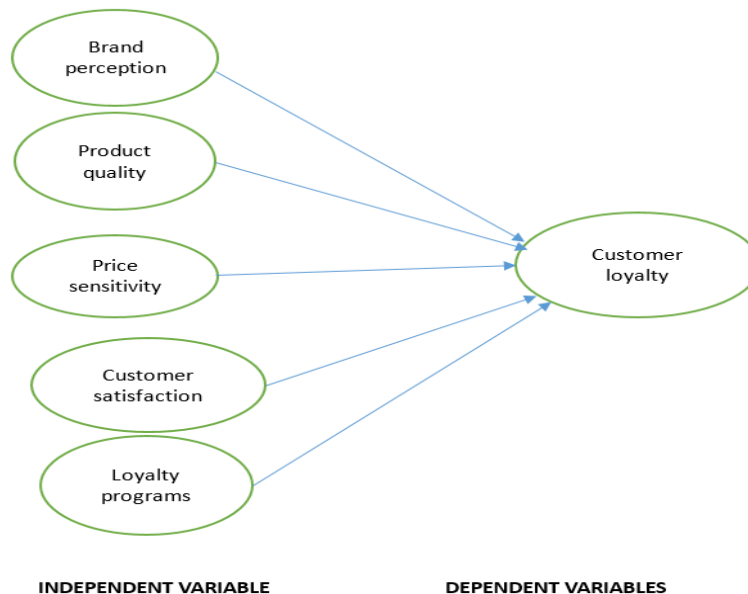
Sampling Method:

The non-probability method is a sampling that involves a collection of feedback based on a researcher or satisfaction's sample selection capabilities and not on a fixed selection process. In most situations, the output of a survey conducted with a non-probable sample leads to skewed results, which may not represent the desired target population.

Sampling Technique:

- 1. Convenience sampling:** This method is dependent on the ease of access to subjects such as surveying customers at a shopping complex or regular buyers. It is usually termed convenience sampling, because of the researcher's ease of carrying it out and getting in touch with the subjects. This non-probability sampling method is used when there are time and cost limitations in collecting feedback. In situations where there are resource limitations such as the initial stages of research, convenience sampling is used.
- 2. Primary Data:** The study is based on both primary data collected through a structured questionnaire and secondary data from scholarly articles and reports.

Conceptual Model:



Variables Description

Independent Variables

Brand Perception: This variable encompasses how customers perceive a brand, including their beliefs, attitudes, and feelings toward it. It includes elements like brand image, reputation, and trustworthiness. Positive brand perception often contributes to enhanced customer loyalty as customers are more likely to remain loyal to brands, they trust and have a favourable perception of.

Product Quality: Product quality refers to the perceived excellence or superiority of a product in terms of its features, durability, and overall performance. High product quality can positively influence customer loyalty by ensuring that customers consistently receive value from their purchases, thereby increasing the likelihood of repeat business.

Price Sensitivity: Price sensitivity represents the extent to which customers react to changes in a product's price. Understanding this variable is essential because it helps determine how price fluctuations may impact customer loyalty. Price-sensitive customers may be more swayed by competitive pricing, while others may prioritize other factors like brand perception or product quality.

Customer Satisfaction: Customer satisfaction is a pivotal variable that reflects how content or pleased customers are with their overall experiences, including product quality, customer service, and other touchpoints. High levels of customer satisfaction are often linked to increased customer loyalty, as satisfied customers are more likely to continue supporting a brand and recommending it to others.

Loyalty Programs: Loyalty programs refer to initiatives designed by companies to incentivize repeat purchases and foster customer loyalty. These programs often involve rewards, discounts, or exclusive offers for loyal customers. The effectiveness of loyalty programs can impact customer loyalty by encouraging customers to stay engaged with a brand over time.

Dependent Variable

Customer Loyalty: This is the ultimate variable of interest, representing the degree to which customers consistently choose one brand or company over its competitors. Customer loyalty can be influenced by all the aforementioned variables, as well as other factors like trust, convenience, and emotional connections. It is the outcome that businesses aim to achieve through strategies focused on enhancing brand perception, product quality, customer satisfaction, and loyalty programs.

HYPOTHESIS 1:

H₀: There is no positive relationship between Brand Perception and Customer Loyalty over Competition.

HYPOTHESIS 2:

H₀: There is a positive relationship between Customer Satisfaction and Customer Loyalty over Competition.

Statistical Tools Used

IBM® SPSS® Statistical software delivers a powerful set of statistical features that enables one to make the most of the valuable information the data provides. Descriptive analysis, factor analysis, correlation analysis, and regression analysis are performed using SPSS software.

Data Analysis and Interpretation:

Descriptive Statistics

The descriptive statistics option is used to find out the mean, standard deviation, skewness, and kurtosis of the input data. It is used to check data correctness and check whether data is distributed normally. The descriptive statistics method includes minimum, maximum, mean, and standard deviation. The minimum is the smallest value in the data set. The maximum is the largest value in the data set. Standard deviation is the method to measure the dispersion of the set of data values. The descriptive statistics about the data collected responses. From skewness and kurtosis data it is found that the data well follows the normal distribution curve.

Factor Analysis

The factor analysis is done to get the KMO measure and tested if its value is greater than 0.5 for sample adequacy. Rotated component matrix shows how many groups of variables form into a single group. The process is done for both independent and dependent variables. Figure shows KMO and Bartlett's test and rotated component matrix for independent and dependent variables respectively.

Factor analysis for independent variables: brand perception, product quality and price sensitivity.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.824
Bartlett's Test of Sphericity	Approx. Chi-Square	596.113
	df	45
	Sig.	.000

The study conducted gave the KMO measure of 0.824 which is a good score and represents sampling adequacy.

Rotated Component Matrix ^a			
	Component		
	1	2	3
BP1			.856
BP2			.757
BP3	.562		
BP4		.835	
PQ1		.755	
PQ2	.622		
PQ3	.552		
PS1	.643		
PS2	.747		
PS3	.522		
Extraction Method: Principal Component Analysis.			
Rotation Method: Varimax with Kaiser Normalization. ^a			
a. Rotation converged in 5 iterations.			

The matrix shows the grouping of variables according to selected factors. Variable grouping: brand perception, product quality and price sensitivity.

Factor analysis for independent variables: customer satisfaction and loyalty programs.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.822
Bartlett's Test of Sphericity	Approx. Chi-Square	362.794
	df	21
	Sig.	.000

The study conducted gave the KMO measure of 0.822 which is a good score and represents sampling adequacy.

Rotated Component Matrix ^a		
	Component	
	1	2
CS1		.505
CS2		.846
CS3		.631
CS4	.553	
LP1	.847	
LP2	.629	
LP3	.563	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. ^a		
a. Rotation converged in 3 iterations.		

The matrix shows the grouping of variables according to selected factors. Variable grouping: customer satisfaction and loyalty programs.

Factor analysis for dependent variables: customer loyalty.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.767
Bartlett's Test of Sphericity	Approx. Chi-Square	175.645
	df	10
	Sig.	.000

The study conducted gave the KMO measure of 0.767 which is a good score and represents sampling adequacy.

Component Matrix ^a	
	Component
	1
CL1	.665
CL2	.658
CL3	.641
CL4	.685
CL5	.650
Extraction Method: Principal Component Analysis. a. 1 components extracted.	
Only one component was extracted. The solution cannot be rotated.	

The matrix shows the grouping of variables according to selected factors. Variable grouping is named customer loyalty.

Reliability Analysis:

Cronbach's alpha is a measure of internal consistency that is how closely related a set of items are as a group. It is considered to be a measure of scale reliability. A reliability coefficient of 0.70 or higher is considered acceptable in most social science research situations. The reliability analysis is calculated for the following variables such as Brand perception, Product quality, Price sensitivity.

Variable: Brand perception, Product quality, Price sensitivity.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.791	.791	10

The Brand perception, Product quality, and Price sensitivity variables gave a Cronbach's alpha of 0.791 and depicted as consistency in the study.

Variable: Customer satisfaction, loyalty programs.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.759	.760	7

The Brand perception, Product quality, Price sensitivity variables gave a Cronbach's alpha of 0.760 and depicted as consistency in the study.

Variable: Customer loyalty.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.675	.676	5

The Brand perception, Product quality, and Price sensitivity variables gave a Cronbach's alpha of 0.676 and were depicted as consistent in the study.

From the reliability statistics, it is seen that all the factors have been satisfied which indicates that the groups in the rotational matrix can be considered reliable for the study.

Regression Analysis:

Regression

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	87.932	3	29.311	42.272	.000 ^b
	Residual	192.068	277	.693		
	Total	280.000	280			
a. Dependent Variable: CL						
b. Predictors: (Constant), PS, PQ, BP						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.787E-16	.050		.000	1.000
	BP	.441	.050	.441	8.870	.000
	PQ	.242	.050	.242	4.857	.000
	PS	.247	.050	.247	4.955	.000

a. Dependent Variable: CL

Regression

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	112.014	2	56.007	92.686	.000 ^b
	Residual	167.986	278	.604		
	Total	280.000	280			

a. Dependent Variable: CL
 b. Predictors: (Constant), LP, CS

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.594E-16	.046		.000	1.000
	CS	.524	.046	.524	11.278	.000
	LP	.354	.046	.354	7.628	.000

a. Dependent Variable: CL

The linear regression model is used to analyse the data. The significance level denotes the factor on the dependent factor. A sig value of ≤ 0.005 denotes high significance. From the regression analysis results, we can see that the independent factors i.e., brand perception, product quality, price sensitivity, customer satisfaction, and loyalty programs have a significance of less than .005. This shows that these factors are highly significant in the dependent variable of customer loyalty.

Findings:

From the analysis of the data obtained, it can be inferred that collected data is normally distributed. Factor analysis shows the adequacy of the sample and grouping of variables into factors such as brand perception, product quality, price sensitivity, customer satisfaction, loyalty programs, and customer loyalty. Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. The reliability of the grouped variables is higher than 70%.

Regression analysis shows that the null hypothesis has to be rejected and that there exists a significant relationship between these variables. Brand perception affects customer loyalty. Customer satisfaction will influence customer loyalty. Analysis also shows that there is a significant relationship between brand perception, customer satisfaction, and customer loyalty. Thus brand perception and customer satisfaction will influence customer loyalty over competition.

CONCLUSION

Customer loyalty holds a paramount significance in today's competitive market landscape, often trumping the allure of rival offerings. This enduring loyalty can be influenced by a combination of factors, including brand perception, product quality, price sensitivity, customer satisfaction, loyalty programs, and ultimately, the establishment of a deep-rooted emotional connection between customers and a brand. While competition remains a driving force in the business world, businesses that prioritize and excel in these variables can not only retain their existing customer base but also attract new customers through positive word-of-mouth and strong brand advocacy. In this context, fostering customer loyalty goes beyond mere transactions; it is a strategic imperative that strengthens a brand's position and fosters enduring relationships with customers, ensuring long-term success and sustainability in today's dynamic and ever-evolving marketplace.

Brand perception plays a crucial role. How customers perceive a brand influences their buying decisions and whether they choose to remain loyal. A positive brand image can create a sense of trust and emotional attachment, making customers more likely to stick with a particular brand over competitors.

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