FACTORS AFFECTING BRAND LOYALTY IN SMALL ENTERPRISES: EVIDENCE FROM KUMASI, GHANA

[1]EMMANUEL OPPONG-MENSAH, [2]EBENEZER ADAKU

[1]Texila American University, [2]Ghana Institute of Management and Public Administration (GIMPA)
E-mail: [1]emmanueloppong310@gmail.com, [2]eadaku@gimpa.edu.gh

Abstract - This study uses the factors of brand loyalty model (i.e. customer satisfaction, brand image and brand perceived quality) to assess its impact on brand loyalty in small enterprises: evidence from Kumasi in Ghana. The data for the study was collected from managers or owners of small enterprises and customers as well. Stratified random sampling and simple random sampling were used to select managers and customers respectively. In all, 400 respondents (85 owners or managers and 315 customers) participated in the study. This served as for the administration of the questionnaire. The findings suggested that customer satisfaction is significantly related to brand loyalty in small enterprises as explained Ordinary Least-Squares (OLS) regression. Nevertheless, brand image and brand perceived quality are not significantly related to brand loyalty in small enterprises.

Keywords - Brand Loyalty, Customer Satisfaction

I. INTRODUCTION

Brand Loyalty is the expression of biased behavioural response over a period of time (Fournier and Yao 1997). MellensDeKimpe and Steenkamp (1996) defined brand loyalty as the extent of the faithfulness of consumers to a particular brand as a result of positive affection towards the brand. When consumers become committed to brand they make constant purchases over time, (Cunningham, 1956; Day, 1969; Olson and Jacoby 1971; Jacoby and Chestnut, 1978; Aaker, 1991; Wilkie, 1994; Oliver, 1997; Smith, 2003) irrespective of the marketing pressure generated by the competing brands. Brands indicate consumers' perceptions and feelings about a product (service) and its performance (Kotler and Keller, 2006), the real value of a strong brand is its ability to capture customer preference and loyalty. Certainly, the capacity of a company to succeed depends largely on attraction of consumers towards its brand. Small and Medium enterprises (SMEs) play an significant role in a nation's job creation, export performance and sometimes contribute significantly to a country's gross domestic product of which Ghana is no exception (Kayanula and Quartey, 2000; Culkin and Smith, 2000). In Ghana, according to the Registrar-General, about 90 % of registered companies are SMEs, accounting for about 80% of the private sector and 92% of businesses in Ghana (Abor and Beikpe, 2006). SME marketing is disorganized and informal because of the way the owners or managers carry out business (Gilmore et al., 2001) without planning, therefore, decision-making occurs in a chaotic way. Storey (1994) suggested the main characteristic distinguishing small from large firms is the high failure rates of the small businesses. According to the 'Enterprise and Small Business' only a small percentage of SMEs make it in a competitive market in the long-term, and over two thirds close a short while after they were opened (Carter and Jones-Evans, 2006). Whereas the world of brand loyalty is clearly conquered by big businesses: what is less guaranteed is how small enterprises properly fit into this world? How brand loyalty can add to a small enterprises ability to grow? Brand loyalty in small enterprises has been marked as a rarely studied fact. This study satisfies this research gap by adding to our understanding how to keep customers loyal and understand the customer preferences. There is a must to determine the relation of Perceived Brand Quality, Customer Satisfaction, and Brand Image with customer's brand loyalty.As a central objective of marketing activities, maintaining and enhancing brand loyalty has attracted noteworthy interest (Aaker, 1991; Baldinger and Robinson, 1996; Aman 2015). According to Ahonen and Moore 2005) the practice of branding in small enterprises is vital as brand loyalty increases the sustainable value of both the company and its products and services.

1.2 Research Objective

The objective of the research is to investigate the impact of perceived determinants on Brand loyalty in small enterprises,the impact of Customer satisfaction, Perceived Brand Quality and Brand Image on brand loyalty.

1.3 Research Questions

1. How does Customer satisfaction impact on brand loyalty?
2. How does a Perceived Brand Quality impact on brand loyalty?
3. How does Brand Image impact on brand loyalty?
4. Which of the independent variable influence most on brand loyalty?

1.4 Hypothesis

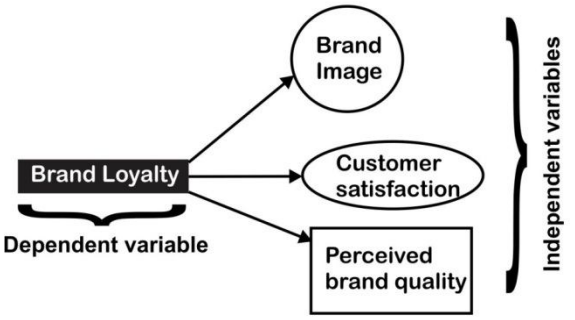
H_1: Customer satisfaction has a significant influence on brand loyalty.

H_2: Brand Image has a positive influence on brand loyalty.

H_3: Perceived Brand Quality has a strong influence on brand loyalty

II. LITERATURE REVIEW

The literature structured in the following way. Overall conceptual framework presented first, and then in section 2.1 theoretical discussions on the dependent variable "brand loyalty". On section 2.2 brand image, on section 2.3 customer satisfaction and on section 2.3perceived brand quality, are independent variables discussed in detail.



2.1 Brand loyalty

Brand loyalty as a concept has its origins in the 1920s (Bennett 2001, p.3).The most commonly used definition of brand loyalty is "The biased (non-random) behavioral response (purchase) expressed over time by some decision-making unit with respect to one or more alternative brands out of a set of brands and is a function of psychological processes" (Jacoby 1971, p.25). Fournier and Yao (1997) described the centre of companies‟ marketing strategies is the development and maintenance of consumer brand loyalty. The phenomenon is especially seen in markets with tough competition, highly unpredictable and low product differentiation. Carroll and Ahuvia (2006) suggested that Brand love, in turn associated to higher levels of brand loyalty and positive word-of-mouth.Importance of brand loyalty is paramount for marketers and consumer researchers (Aaker, 1991; Reichheld, 1996).In services context, many scholars focused on importance and significance of brand loyalty (Asuncianet al., 2004; Bloameret al., 1999; Caruana, 2002). The organization that have pool of brand loyalists have greater market share and higher rates of return on investments, in turn. Many other researchers favored this (Buzzellet al., 1975; Raj, 1985; Jensen and Hansen, 2006). Such results persuademarketing officials to generate and up-hold brand loyalists. To attain such targets, information about variables which causes brand loyalty becomes a core issue. Anderson et al. (2004) argued a loyal and contented customer base helps to increase the organizations‟ relative bargaining power regarding suppliers,partners and channels. So, customer loyalty should affect shareholder value in a positive manner by reducing instability and associated risk with expected future cash flows. Dick and Basu (1994) hold a view that customer loyalty creates positive WOM communication (word of mouth) and competitive strategies are resisted by loyal customers. Such findings appeal to strategists and marketers to build and hold strong customer loyalty. Oliver (1999) agreed with Dick and Basu that customer loyalty is engaged in affirmative word of mouth communication. Kotler and Keller (2005) said that "based on a 20-80 principle, the top 20% of the customers may create 80% of profit for a company". Thus a favorable connection between a company and its customers is lucrative for the business.

2.2 Brand image

Brand image play an important role in brand building, especially in customer dependability. As Reichheld (2001, qtd in Hsieh and Li, p.529) perceptively state thatpreferable brand image will lead consumers to conceive a perception of an organization's public relationship practice, which matches the corporate reputation better. With this in mind, customers are more likely to retain optimistic faith, attitude, and action. It must be therefore be acknowledged that customer loyaltygrows fast through approving brand image. Enterprisers should pay more attention on the relationship of brand loyalty and brand reputation. Reference to Selnes (1996, p.19) reveals that, brand reputation is one of the most significant driver of brand loyalty, so it is efficient to pursue reputation for better consumer reliability. To put it briefly, having a good reputation means that customers are preferable for this product on attitude; hence, they will take action to buy this products. That is to say, brand reputation contributes to brand loyalty by increasing willingness and belief so that the attitude may change to behavior.

2.3 Consumer satisfaction

In most literature related to behavioral intentions, overall satisfaction was integrated as a dominant factor of purchase intentions with reference to brand loyalty (Sprenget al., 1996). In the viewpoint of Bloamer and Kasper (1995), customer loyalty is one of the considerable paths with which customer satisfaction about product or services received is expressed. For this reason brand loyalty is at heart of strategic marketing. Soloman (1994) explored that purchase decisions of loyal costumer may become a habit in nature, even quite simple and provide satisfaction with current brand(s) as a result. Many scholars concluded that satisfaction is one of the important determinants of customers‟ loyalty (Jamal and Anastasiadou, 2007; Bearden and Teel, 1983; Dick and Basu, 1994). Bontiset al. (2007) conducted the research and found that customer satisfaction improves reputation in the services markets. Reputation partially intervene the relationship between satisfaction and loyalty and the relationship between satisfaction and recommendation. Tovikkai and Jirawattananukool (2001) pointed out that realizing the fact that retaining existing consumers are easier than finding new consumers. Consumers

who have high purchase frequency are most likely considered as satisfied with the products.

2.4 Perceived Brand Quality

Churchill and Surprenant (1982) defined quality as belief statements or attribute performance. Meanwhile, perceived quality is defined as the consumers' judgment about an entity's (service's) overall excellence or superiority (Rowley, 1998; Zeithaml, 1988). Perceived quality is basically the overall customer's perception about the quality of a product. Evidence from prior studies has indicated that there is a positive and direct relationship between perceived quality and customer satisfaction (Ha et al., 2011, 2009; Parasuraman, et al., 1994). Anderson et al., (1994) noted that quality as a significant predictor of customer satisfaction and that this relationship, over the long term, was an important predictor of superior economic returns through repeat sales. Perceived quality of a product or service is related to but not the same as satisfaction resulting from comparison of expectations with a perception of performance (Rowley, 1998). It also suggested that when the perceived quality of a particular product rises, customer satisfaction is expected to increases (Fornellet al., 1996) and ultimately can lead to brand loyalty (Ha et al., 2011, 2009). In short, satisfied customers are more loyal.

III. RESEARCH METHODOLOGY

3.1 Sampling the Population

The present study sampled managers and business owners as well as customers in the small enterprises within Kumasi in Ghana. The sample was restricted to Kumasi because that is where most of the small enterprises are located in Ghana. Quantitative method is used to meet the purpose of this study, estimate the quantitative effect of the causal variables upon the variable that they influence. The data was gathered using survey questionnaires and by conducting personal interviews with owners-managers of small enterprisesin various industries as well as customers. The questionnaire is drawn from the theoretical information provided from the literature review and the objectives of the research. The questionnaire was pilot tested to ten respondents and changes suggested by the respondents are incorporated. The reason for choosing small enterprises owners and managers is that they are usually the overseers of business information.They hold the heart of the business and take key decisions regarding the daily activities of the business. The present study was also made up of customers because their inclusion is very important as the study aims to confirm the results from brand loyalty.

The population of study was made up of small enterprises in Ghana as well as various consumers of small enterprises products. Currently there is no comprehensive data on the specific number of small enterprises operating in Ghana. However, this study used information available from a database provided by the Association of Ghana Industries (AGI) and the National Board for Small Scale Industries (NBSSI). The various categories of small enterprises operation were in trade, agriculture and manufacturing.In all, 400 respondents participated in the study. This made of 85 owners or managers of SMEs, indicating a response rate of 21.25%, and 315 customers, indicating a response rate 78.75%. In order to ensure that various sectors of small enterprises were covered, stratified random sampling was used. However, a simple random sampling method was used in the selection of customers.

IV. DATA ANALYSIS AND DISCUSSION

4.1 Demographic Characteristics

Table 1 indicates that majority of small enterprises are into trade. 58.25(n=233) of the sample were into trading, 23% (n=92) were into manufacturing. These results of the study endorsed trading to be dominated business in Ghana as far as small enterprises are concerned. The result shown92.25% (n=369) of small enterprises traded in soft goods which is the highest. These revealed hard goods are capital intensive than soft goods. Majority of the small enterprises do not have the financial resources to venture into such business of hard goods in Ghana. The results show that, the sampled SMEs have been in operation for approximately 15 years on the average. With a relatively wide standard deviation of 15.33, it can be observed that the small enterprises sector are growing rapidly and the number of small enterprises are increasing by day.

Item	Frequency (n)	Percentage (%)
Types of Business		
Manufacturing	75	18.75
Agriculture	92	23
Trading	233	58.25
Total	**400**	**100**
Types of Goods		
Soft	369	92.25
Hard	31	7.75
Total	**400**	**100**
Business Duration	**Mean**	**Standard deviation**
	12.54	15.33

Table 1: Demographics characteristics

4.2 Construct Reliability and Validity

To examine the reliability of the scales, the Cronbach's alpha test was used. Cronbach's alpha for all the construct was calculated and found to be .917, indicating satisfactory internal consistency reliability

(Francis, 2001; Robinson et al., 1991). Content validity was achieved by having a comprehensive literature review and small enterprises owners and managers opinions inputted in the survey.

Cronchbach's alpha	Number of item
.917	28

Table 2: (Overall Reliability Statistics)

H_1: Customer satisfaction has a significant influence on brand loyalty

Customer satisfaction is the result of purchase expectation and post purchase experience comparison with incurred cost Serkan andGökhan (2005). There is a positive relationship between customer satisfaction and brand loyalty in small enterprises. Table 1 below indicates that there is significant and positively relate to the brand loyaltyin small enterprises (0.000). At the .05 level of significance, customer satisfaction (M = 13.57, SD = 3.53) increases as brand loyalty (M = 20.75, SD = 4.02) increases. This relationship clearly proved that consumers are satisfied when small enterprises become loyal to their brand. Many scholars concluded that satisfaction is one of the important determinants of customers' loyalty (Jamal and Anastasiadou, 2007; Bearden and Teel, 1983; Dick and Basu, 1994). In line with scholars' research, if small enterprises are loyal to their brand consumers become loyal and improve the reputation in the service markets stated by Bontiset al. (2007). According to Tovikkai and Jirawattananukool (2001) realizing the fact that retaining existing consumers are easier than finding new consumers. It is explained clearly that the tendency for small enterprises to retain their existing consumers is to satisfy them through brand loyalty. Therefore, small enterprises should be aware that consumers who have high purchase frequency are most likely considered as satisfied with the products.In 2013, J Lee states that the relationship between customer satisfaction is positive and most significant with loyalty because more satisfied a customer tends to be, the higher is the actual loyalty (J Lee,2013)

Response	Mean	Standard deviation	R	Significance
Customer satisfaction	13.57	3.53		0.000
Brand loyalty	20.23	4.02	0.636	

Table 1: Relationship between Customer Satisfaction and Brand Loyalty

H_2: Brand Image has a positive influence on brand loyalty

Brand image plays an important role when consumer evaluates service and product and it is a driving force for customer brand loyalty Chen and Myagmarsuren (2001). According to them brand image influence attitudinal and behavioral response of customers toward brand, company and services. Kwon and Lennon (2009) also state that brand image create strong company patronage intention among customers, and they are willing to pay premium prices and strong feeling and affiliation.

Table 2 shows the relationship between brand image and brand loyalty. From the study, it was revealed that positive relationship exists between brand image and brand loyalty with a correlation value of (0.698) as well as significant value of (0.000). At the .05 level of significance, brand image (M = 61.57, SD = 13.51) increases as brand loyalty (M = 20.33, SD = 4.07) increases. This really means that any increase in brand image will lead to an increase in brand loyalty in small enterprises. As Reichheld (2001, qtd in Hsieh and Li, p.529) perceptively state that preferable brand image will lead consumers to conceive a perception of an organization's public relationship practice, which matches the corporate reputation better. With this in mind, customers are more likely to retain optimistic faith, attitude, and action. It must be therefore be acknowledged that customer loyalty grows fast through approving brand image. Small enterprises should pay more attention on the relationship of brand loyalty and brand image. Reference to Selnes (1996, p.19) reveals that, brand image is one of the most significant driver of brand loyalty, so it is efficient to pursue brand image for better consumer reliability.

Response	Mean	Standard deviation	R	Significance
Brand Image	61.57	13.51		0.000
Brand loyalty	20.33	4.02	0.698	

Table 2: Relationship between Brand Image and Brand Loyalty

H_3: Perceived Brand Quality has a strong influence on brand loyalty

Brand perceived quality is defined as the consumers' judgment about an entity's (service's) overall excellence or superiority (Rowley, 1998; Zeithaml, 1988).The study reveals that there is relationship between brand perceived quality and brand loyalty. From the study (Table 3), it was revealed that there exists positive relationship between brand perceived quality and brand loyalty with a correlation value of (0.622) as well as significant value of (0.000). At the .05 level of significance, perceive quality (M = 22.43, SD = 3.27) increases as brand performance (M = 21.75, SD = 4.07) increases. This proves that any increase in brand perceived quality of the goods or services will lead to an increase in brand loyalty in small enterprises.It is suggested that when the perceived quality of a particular product rises, customer satisfaction is expected to increases (Fornellet al., 1996) and ultimately can lead to brand

loyalty (Ha et al., 2011, 2009). Considering the statement of the researchers, small enterprises should improve the quality of their products or services to satisfy consumers to make them loyal.

Response	Mean	Standard deviation	R	Significance
Brand Perceived Quality	61.57	13.51		0.000
Brand loyalty	20.33	4.02	0.698	

Table 3: Relationship between Brands Perceived Quality and Brand Loyalty

Regression analysis of most independent variable impact on brand loyalty in small enterprises

The model summary indicates independent variables have strong relationships with dependent variables. R square indicates the degree of independent variables variation explaining the dependent variable Albert (2001).The regression analysis confirms the following independent variables are insignificantly influencing brand loyalty in small enterprises; brand perceived quality (0.851 >0.05) and brand image (0.932 > 0.005). Customer satisfaction is the only independent variable that significantly influence (0.000 <0.005) brand loyalty in small enterprises. It means that if the customer satisfaction is increased by a unit the brand loyalty increase by 0.243. It provided sufficient evidence that customer satisfaction is among the factor that finds brand loyalty in small enterprises, which is in line with the argument of Youl and John (2010).The satisfied customer will purchase the same brand in the future and patronized the brand. Additionally, they will develop a positive attitude and feeling since it is hard to conceptualize dissatisfied customers will have a positive attitude towards the brands. Satisfaction is the combination of cognitive response to using experience that is stated by Gilbert and Carol Surprenant (1982). A customer using experience is the important element of customer satisfaction. It is the result of a brand specific attribute that customers easily identify.

Variables	Coeffici ents	Standard Error	T-Statistics	p-value
Constants	9.286	1.012	9.005	0
Customer Satisfaction	0.435	0.61	3.437	0
Brand Image	0.112	0.035	0.041	0.932
Brand Perceived Quality	0.215	0.07	0.18	0.851
R-squared	**0.523**			

Table 4: Regression estimation of Customer Satisfaction, Brand Image and Brand Perceived Quality

CONCLUSION

Conclusively, the study expounds the important factors that playsignificant and centralrole in the development of brand loyalty in small enterprises. Different brand loyalty factors such as Brand image, customer satisfaction and brand perceived qualitydiscussed in current study. The findings suggest that brand loyalty can be created through improving customer satisfaction and offering high brand value. The analysis from multiple regression shows that 43.5% change in dependent variable brand loyalty is explained by independent variable customer satisfaction so that the customer satisfaction has positive relationship with brand loyalty in small enterprises. The key contribution of this thesis is using the existing knowledge on brand loyalty and applied to small enterprises context. Small enterprises are dynamic not stable and mature. It is considered as short product life and new market actors are dominant. This study provides theoretical and administrative implications for managers and marketing practitioners of small enterprises to undertake various managerial action and marketing campaign with the focal aim on the impact of customer satisfaction on brand loyalty for retention of existed customers to avoid the loss of their customers to competitive brands.They should understand customer-specific needs, provide good quality products, and have the capacity to address customer complaints or problems in a friendly manner.

FURTHER RESEARCH DIRECTION

This study is limited only to Kumasi and further research should be conducted across the spectrum of small enterprises in regions of Ghana to better understand the implications and to narrow down the factors that are crucial for the successful brand loyalty in small enterprises.

REFERENCES

[1] Aaker, D. A., 1991, Managing Brand Equity, The Free Press, New York.

[2] C. W. Lamb Jr, J. F. Hair Jr, C. McDaniel, C. Boshoff, and N. S. Terblanche, Marketing, 3rd ed. OUP Southern Africa: Oxford University Press. ISBN: 9780195765885, 2008.

[3] Fournier, S. and Yao, J. (1997). Reviving Brand Loyalty: A Reconceptualisation within the Framework of Consumer-Brand Relationships, International Journal of Research in Marketing, Vol. 14, No. 5, pp. 451-472.

[4] Mellens, M., DeKimpe, M. G., Steenkamp, E. M., A Review of Brand-Loyalty Measures in Marketing, Journal of Economic Management, Volume 4, 1996.

[5] Cunningham, R.M., 1956b. Brand Loyalty - What, Where. How Much?.Jourrlnl of~\.Ial.keti~ ig2 1, 2, 206.

[6] Day. G.S., 1969, A Two-Dimensional Concept of Brand Loyalty, Jozrr?~nolj'Adver/isiilgXesearclz9, 3, 29-35.

[7] J. Jacoby and R. W. Chestnut, Brand loyalty: Measurement and management, 1st ed.: Wiley: Indiana University, ISBN: 0471028452, 1978.

[8] Jacoby, j. and Olson, J.C., lY'7U, An Att~tud~nMalodel of Brand Loyalty: Conceptual Underpinnings and Instrumentation Research, Paper Presented at the University of Illinois Confere~lceo n Attitude Research and Consumer Behavior, Urbana, Illinois, (Available 3s Purdue Papers in Cn~ii~mPcsrychology. 159).

[9] Jacoby J, Kyner DB (1973). Brand Loyalty vs. Repeat Purchasing Behavior. J. Mark. Res., 10:1–9.

[10] Oliver RL (1999). Whence Consumer Loyalty? J. Mark., 63: 33–44.

[11] Smith, R., (2003), Profiling the Loyal Customers in the Financial Sector. PhD Dissertation.
[12] Buzzell, R. D., Gale, B. T. & Sultan, R. G. M. (1975). Market share – a key to profitability. Harvard Business Review, 53, 97-106.
[13] Bloemer, J., de Ruyter, K. &Wetzels, M. (1999). Linking perceived service quality and service loyalty: a multidimensional perspective. European Journal of Marketing, 33(11/12), 1082-1095.
[14] Caruana, A. (2002). Service loyalty: the effects of service quality and the mediating role of customer satisfaction.European Journal of Marketing, 36(7/8), 811-828.
[15] Dick, A. S. &Basu, K. (1994). Customer loyalty towards an integrated framework. Journal of the Academy of Marketing Science, 22(2), 99-113.
[16] Kotler, P. & Keller, K.L. (2005). Marketing Management. 12th ed., Prentice-Hall, Englewood Cliffs, NJ.
[17] Reichheld, F.F. (1996). The Loyalty Effect: The Hidden Force behind Growth, Profits, and Lasting Value, Harvard Business School Press, Boston, MA.
[18] Anderson, E. W., Fornell, C., Sanal K. & Cheryl, M. (2004). Customer satisfaction and shareholder value. The Journal of Marketing, 68(4), 172-185.
[19] Spreng, R.A. &Mackoy, R.D. (1996). An empirical examination of a model of perceived service quality and satisfaction. Journal of Retailing, 72(2), 201- 214.
[20] Raj, S. P. (1985). Striking a balance between brand popularity and brand loyalty. Journal of Marketing, 49, 53-59.
[21] Jacoby, J. (1971, June). A model of multi-brand loyalty. Journal of Advertising Research, 11, 25–31.
[22] J. M. M. Bloemer and H. D. P. Kasper, "The complex relationship between consumer satisfaction and brand loyalty," Journal of Economic Psychology, vol. 16, pp. 311-329, 1995.

★★★