ABSTRACT: Current study puts light on the role of service quality, customer satisfaction and customer value on customer loyalty. Customer relationship management (CRM) quality plays the role of a mediator and brand image as a moderator in the study. The purpose of this study is to examine how service quality, customer satisfaction and customer value affect customer loyalty. Analyses of a sample of 370 customers, collected from different frozen food restaurants from Multan city, explored interesting findings. Regression analysis is used to conduct a mediation study. Service quality, customer satisfaction and customer value were found significant in predicting customer loyalty also CRM quality found significant in predicting customer loyalty being having a positive relation. Further to this, service quality, customer satisfaction and customer value found directly related to CRM quality. Product category wise examination of the model in this study adds new horizons and findings in the future. Previous studies on customer loyalty have mainly focused on simple models at any given time. However, researchers increasingly claim that a complex model may give the better understanding of customer loyalty. To the best of the authors’ knowledge, this is a unique study to address a complex structure of the proposed variables.

Keywords: Service Quality, Customer Satisfaction, Customer Value, Customer Relationship Management, Customer Loyalty

I. INTRODUCTION

Researchers and practitioners know the importance of customer loyalty as a strategic objective in all service industries (Cooil et al., 2007; Gustafsson et al., 2005; Reichheld, 1996). In particular, loyal customers are considered as most important assets in the automotive industry where customers are involved in comparatively long-term relationships with the organizations. Reason behind this can be the average product (e.g. car) costs over US$30,000 and distinct from other products, buyers usually do not return to the same market for an average ownership cycle of five years or longer (Gorzelany, 2011). Furthermore, firms, especially in food business and car dealerships, need to build and develop sustainable and high quality customer relationships that can provide beyond the core product (Zineldin, 2006).

Handsome amount of researches can be traced which highlight the importance of understanding the factors that contribute to customer loyalty (Zeithaml et al., 1996). However, customer loyalty remains the major issue in the eyes of many managers. Despite managers’ stress on customer loyalty, still it is one of the most challenging issues facing by most of the firms in the modern business era. Even though much attention has been paid to the factors affecting customer loyalty, extant literature fails to provide consistent explanations regarding. What are the main factors influencing customer loyalty is a big question for today’s organizations (Bolton, 1998; Kumar et al., 2013). As (Kumar et al., 2013) suggested that further researches needed to investigate other mediators and moderators that can play a role in enhancing customer loyalty, this study adds in predicting theses factors. In recognition of these insights, the main purpose of this study is to investigate the potential mediating variable affecting customer loyalty in the frozen food service provider restaurants.

Previous literature supports the simultaneous investigation of the service evaluation variables as service quality, customer satisfaction and customer value, on outcome variables such as loyalty (Cronin et al., 2000; Ostrom and Iacobucci, 1995). Above mentioned variables are considered as the key antecedents to customer loyalty (Babin and Attaway, 2000; Bolton and Drew, 1991). However, most researches have focused mainly on a simple direct effects model between these variables and customer loyalty, which may disguise true relationships.
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(Lai et al., 2009). In contrast, although prior research identifies several variables that can mediate or moderate the effects of the service evaluation variables on customer loyalty, the findings are confusing and incomplete (Seiders et al., 2005). Therefore, researchers suggest that a high service quality evaluation is insufficient to drive customer loyalty. In addition, many researchers suggest that the quality of customer relationship management (CRM) is fundamental (Chen and Hu, 2013; Fullerton, 2005; Zeithaml and Bitner, 2000). Therefore, complex models of customer’s loyalty needed to be studied as in this study.

Similarly, brand image is one of the most important variable affecting customer loyalty especially in food service provider restaurants that has not received much attention as a moderator despite its importance in enhancing loyalty (Hsieh and Li, 2008; Wang and Yang, 2010). Research proves that a customer’s attitude towards the brand image is important in driving commitment and trust, which enhances customer loyalty (Chen and Ching, 2007).

Current study therefore develops and tests an integrated model investigating the simultaneous effects of the service evaluation variables (service quality, customer satisfaction and customer value) on customer loyalty where CRM quality is a mediator where moderated by brand image. Further, paper starts by presenting the theoretical framework of the study followed by a literature review of the main constructs and development of the hypotheses. In addition to this, the paper concludes by discussing theoretical and managerial implications, limitations and future directions.

II. LITERATURE REVIEW

There are many studies suggesting service evaluation variables including service quality, customer value and customer satisfaction are the key customer judgments that influence customer loyalty intentions (Cronin et al., 2000; Garbarino and Johnson, 1999; Zeithaml et al., 1996). However, the link in between customer satisfaction and customer loyalty has come into question. Some researchers suggest that firms should not only focus on satisfaction as the main and direct driver of customer loyalty conversely, it should be studied as a mediator too (Kamakura et al., 2002; Rust et al., 1995). Actually, evidence suggests that satisfaction accounts for less than 25 percent of the change in the repeat purchase behavior or loyalty (Szymanski and Henard, 2001). Similarly, (Jones and Sasser, 1995) explored that even some satisfied customers defect. In addition, many researches show that customer value is an important antecedent to outcome variables similar to word-of-mouth and repeated behavior (Werdelis et al., 2014; Woodruff, 1997); yet, author’s knowledge of how customer value is related to behavioral intentions is still broken.

Although previous researches support the positive effect of service quality on customer loyalty (Iacobucci, 2006; Zeithaml et al., 1996), there is an evolving stream of research that focuses on the settings under which the quality loyalty link is stronger or weaker (Fullerton, 2005; Wang, 2010). Resulting, numerous studies have merged service evaluations and relationship marketing insights (Fullerton, 2005; Morgan and Hunt, 1994). Further, they argued that CRM quality consisting trust and commitment is important in building and maintaining long-term relationships as well as in enhancing customer loyalty (Gwinner et al., 1998). In general, links between factors affecting loyalty (e.g. CRM quality, brand image and outcome measures such as customer loyalty) are still uncertain (Cronin et al., 2000; de Matos and Rossi, 2008; Lai et al., 2009).

Keeping in view the above given researches, author acknowledges the direct effects of the service evaluation variables on customer loyalty. Nevertheless, to leverage the efficacy of these variables on customer loyalty conceptual model of the current study posits that (i) CRM quality plays a mediating role on these relationships and (ii) the mediated relationship between each of the three service evaluation variables and customer loyalty while CRM quality is moderated by brand image. Thus, in the study a moderated mediation relationship pattern among the constructs is specified (see Fig. 1). The proposed hypotheses are explained in the sections below.

2.1. Customer Relationship Management (Crm) Quality

Customer relationship management (CRM) is defined as a process of managing the relationship between an organization and its customers, with all its various contacts, interactive processes and communication elements, simply by all means (Grönroos, 2007). Referring relationship marketing (RM) theory, the concept of CRM is based on the principle that developing relationships with customers is the only way to retain them and create loyalty, and that loyal customers are more profitable (Zeithaml et al., 1996). Some of the main functions of CRM include attracting, developing and maintaining successful customer relationships over time (Berry, 1995). In addition, (Swift, 2001) found that targeting the right customer with the right product or service through the right channel at the right time is also a function of the CRM; and building customer profitability and loyalty as well (Grönroos, 2007; Reinartz and Kumar, 2006). Investments in the relationship building such as CRM initiatives are crucial in driving customers’ inclination to feel committed to and maintain the relationship; as such CRM investments acts as a symbol of the firm’s efforts to maintain the relationship (Balaji, 2015). On these insights, we can hypothesize

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2 | Page
H1: CRM quality is positively related to customer loyalty

![Conceptual Model](image)

**Figure 1: Conceptual Model**

### 2.3. Service Quality

Service quality is defined as customers’ judgment about the level of a service provider's performance (Zeithaml et al., 2006). The quality of service tells about the ability of the firm to define correctly customer expectations and to deliver the service at a level, which meets those expectations (Brink and Brendt, 2004). According to Zeithaml et al. (2006), specific dimensions influencing perceived service quality are five. First dimension is reliability, which is explained as providing customers with accurate service the first time. The second dimension is responsiveness, which is explained as providing customers with accurate service the first time. The third dimension is assurance, which is explained as the employees' personal willingness to help the customer as quickly as possible. Similarly, assurance, empathy and tangibility are the other dimensions. In general, if service assurance team in any firm takes actions that improve these quality dimensions, they will reap the benefits of customer loyalty for the long term (Bansal and Taylor, 1999; Zeithaml et al., 1996).

Customers are unlikely to return or recommend a service firm that falls short of their expectations of service quality and it will negatively affect customer loyalty (Zeithaml et al., 1996). Similarly, Polk's explored that in the automotive industry quality perception is the number one driver of customer repurchases (Zetu and Miller, 2010), further, he suggested service quality as a crucial driver of customer loyalty. Furthermore, past research suggests that customer's service quality perceptions positively affect behavioral intentions directly as well as indirectly and play an important role in creating customer loyalty (Cronin et al., 2000). Providing these evidences, we may hypothesize that:

**H2: Service quality positively affects customer loyalty through the mediating role of CRM quality.**

### 2.4. Customer Satisfaction

In service or product settings, customer satisfaction can be defined as a desired outcome of service encounters that involves an evaluation of whether the service has met the customer's needs and expectations or not (Orel and Kara, 2014). Satisfaction is also important with respect to customer's post purchase evaluations of both tangible and intangible brand attributes and a basic determinant of customer loyalty (Krystallis and Chrysochou, 2014). Previous studies found the positive influences of satisfaction on behavioral and attitudinal loyalty outcomes in the form of customer referrals, purchase intentions, service usage as well as relationship length (e.g. Seiders et al., 2005; Zeithaml et al., 1996). Furthermore, it is found that both product and service satisfaction positively drive customers’ intentions to repurchase the brand (Mittal, 1999). In addition, it is found that the impact of service satisfaction is lower than that of product satisfaction and it is the case with the loyalty (Mittal et al., 1999). Moreover, Oliver (1999) argues that customer loyalty is conditional on some factors such as competitors’ strategies, suggesting that satisfaction is unlikely to be the direct predictor of loyalty (but an indirect predictor of loyalty) (Reichheld, 1996). In addition, because customer satisfaction is based on direct past experience with a firm, satisfaction-loyalty link is expected to be mediated by other variables, such as CRM quality. Thus, it can be hypothesize that...
H3: Customer satisfaction positively affects customer loyalty through the mediating role of CRM quality.

2.5. Customer Value

Customer value is defined as a trade-off between the benefits of consuming products or services and the costs perceived by the customers (Slater and Narver, 1994). It is observed that value is a complex concept similar to service quality perceived by the customer. Therefore, customers have the power to define the product/service's value, not the supplier (Vargo and Lusch, 2004). In addition, customer value are based on personal characteristics as prior product knowledge, financial resources and circumstances such as time frame and the location of purchasing or using a product/service (Leroi et al., 2014). In isolation, providing customers with value is regarded a strategic tool to attract and retain customers, building customer loyalty, thereby contributing meaningfully to the success and benefit of the service providers (Wang et al., 2004; Zeithaml et al., 1996). Therefore, it is expected that by offering higher customer value, service providers can create trust and commitment that eventually develop customer loyalty (Wang et al., 2004). Further, Wang et al. explained that by driving CRM quality, service firms are capable of providing superior customer value that is important in building and sustaining customer loyalty. In addition, many researchers suggest that perceived customer value has a positive, indirect effect on behavioral intentions and customer loyalty (Cronin et al., 2000). Thus, it can be hypothesize that

H4: Customer value positively affects customer loyalty through the mediating role of CRM quality.

2.6. The Moderating Role of Brand Image

A positive brand image supports firms to create a brand's position, strengthen the brand's market performance and protect the brand from competitors (Aaker, 1996). Further, brand image can be defined as “how a brand is perceived by consumers” (Aaker, 1996, p. 71) which relates to the set of brand associations in consumers’ perceptions (Bian and Moutinho, 2011). Such associations are affected by the consequences of using a brand, product attributes as well as brand personality (Plummer, 2000). In addition, brand image plays a very important role in helping customers to decide whether to buy the brand and thereby affects their repurchase behavior ultimately their loyalty with the brand (Bian and Moutinho, 2011). Furthermore, it also serves as a defensive marketing tool to retain satisfied customers therefore driving loyalty, particularly in the context of services where the services brand are deemed synonymous (Berry, 2000; Sweeney and Swait, 2008).

Researchers also found that brand image plays moderating role in the explanation of the effect of customer loyalty and purchase intentions (Wang and Yang, 2010). It is more obvious in service firms (Lai et al., 2009). Similarly, Hsieh and Li (2008) determined that the effect of a firm's public relations practices on customer loyalty is stronger where perceived brand image is positive. In addition, brand image also moderates the relationship between brand credibility and customers’ loyalty (Wang and Yang, 2010). Moreover, customer satisfaction plays very important role in changing loyalty when considered along with customer value and brand image (Lai et al., 2009). Therefore, a good brand is an important relational tool for any organization’s CRM quality as brand credibility affects customer loyalty (Sweeney and Swait, 2008). In addition, previous research shown that CRM practices produces a cross-functional integration of resources (e.g. marketing capabilities) (Payne and Frow, 2005). Therefore, following hypotheses can be made

H5: The mediating effect of service quality on customer loyalty through CRM quality is moderated by brand image such that this effect is stronger for brands with higher image
H6: The mediating effect of customer satisfaction on customer loyalty through CRM quality is moderated by brand image such that this effect is stronger for brands with higher image.
H7: The mediating effect of customer value on customer loyalty through CRM quality is moderated by brand image such that this effect is stronger for brands with higher image.

1.1 Research Question:

1. What is the impact of service quality on customer loyalty?
2. What is the impact of service quality on customer loyalty through the mediating role of CRM quality?
3. What is the impact of customer satisfaction on customer loyalty through the mediating role of CRM quality?
4. What is the impact of customer value on customer loyalty through the mediating role of CRM quality?
5. What is the impact of service quality on customer loyalty through CRM quality is moderated by brand image such that this effect is stronger for brands with higher image?
6. What is the impact of customer satisfaction on customer loyalty through CRM quality is moderated by brand image such that this effect is stronger for brands with higher image?
7. What is the effect of customer value on customer loyalty through CRM quality is moderated by brand image such that this effect is stronger for brands with higher image?

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The research objective is to identify the effect of service quality, customer satisfaction and customer value on CRM quality and customer loyalty attached with various frozen food customers where brand image plays role of the moderator in this study.

III. RESEARCH METHODOLOGY

3.1. Method
A sample of 370 customers from different restaurants of frozen food from Multan city was approached directly, during various occasions, for data collection purpose. Customers were given a questionnaire to answer the questions related to variables in this study.

3.1 Sample Characteristics
From 370 customers taken as a sample, 350 useful responses were selected for analysis. Out of 370 twenty questionnaires were excluded due to missing values and non-serious response. Average age of the respondents was around 27 years. Two sixty-five respondents from 370 respondents were females, which constitute 77% of the sample where males were 88 in number that constitute 23% of sample.

Table 1: Overall Reliability of the scales

<table>
<thead>
<tr>
<th>Variable / Scale</th>
<th>Cronbach Alpha (α)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality</td>
<td>0.825</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.716</td>
</tr>
<tr>
<td>Customer Value</td>
<td>0.654</td>
</tr>
<tr>
<td>CRM Quality</td>
<td>0.897</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>0.774</td>
</tr>
</tbody>
</table>

IV. RESULTS

In this section, the results obtained from the analysis of data are presented and findings along with its possible implications are discussed. Multiple Regressions are conceded having service quality, customer satisfaction and customer value as independent variables and customer loyalty as dependent variable. The results are summarized in Tables 2, 2a and 2b.

4.1 Statistics and Data Analysis
4.1.1 Service quality, customer satisfaction and customer value —CRM quality Relationship
Model summary reveals that service quality, customer satisfaction and customer value and CRM quality predict 59.1% variation in customer loyalty. ANOVA table entails that prediction is statistically significant at p < 0.05. Service quality, customer satisfaction, CRM quality and customer value are significant in predicting cognitive dissonance having t-values 6.223, 4.345, 4.117 and 5.875 respectively at p < 0.05 (Table 2b). Beta coefficients presented in table 2b show that service quality, customer satisfaction, CRM quality and customer value have direct relationship with customer loyalty with β values 0.098, 0.096, 0.289 and 0.235 respectively. Statistical results shown in Table 2b approve hypotheses H1, H2, H3 and H4.

Table2: Regression Analysis Summary

<table>
<thead>
<tr>
<th>Mode</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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<tbody>
<tr>
<td>1</td>
<td>.591</td>
<td>.350</td>
<td>.342</td>
<td>.41054</td>
</tr>
</tbody>
</table>

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

Table2a: ANOVA Analysis

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4.1.2 Service quality, customer satisfaction, CRM quality and customer value Relationship

Multiple Regressions was again proceeded to describe service quality, customer satisfaction, and customer value on CRM quality. The results are summarized in Tables 3, 3a and 3b. Model summary disclose that service quality, customer satisfaction, and customer value estimate 69.7% variation in CRM quality (Table 3). ANOVA table empirically verifies that prediction is statistically significant at p < 0.05 (Table 3a). Service quality, customer satisfaction, and customer value are significant in predicting CRM quality having t-values 6.702, 3.577 and 7.713 respectively at p < 0.05. Beta coefficients illustrate that service quality, customer satisfaction, and customer value have direct relationship with impulse buying tendency with β values 0.338, 0.262 and 0.179 respectively (Table 3b). Figure 2 gives an estimated model of this study after getting statistical results.

Table3: Regression Analysis Summary

<table>
<thead>
<tr>
<th>ANOVA*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), SQ, CS, CV

b. Dependent Variable: CL

Table3a: ANOVA Analysis

<table>
<thead>
<tr>
<th>ANOVA*</th>
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<tbody>
<tr>
<td>Model</td>
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<td></td>
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<tr>
<td>Total</td>
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</table>

a. Predictors: (Constant), SQ, CS, CV

Table3b: Coefficients in Regression Analysis

<table>
<thead>
<tr>
<th>Coefficientsa</th>
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<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
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<td>SQ</td>
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<tr>
<td>CS</td>
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<td>CV</td>
</tr>
<tr>
<td>CRMQ</td>
</tr>
</tbody>
</table>

a. Dependent Variable: CL

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4.2 Multi-Group invariance analysis

Multi-group moderation differentiates between two groups. In the current study, the two groups were high brand image and low brand image. The moderation test found significant as the difference chi-square value between the constrained and unconstrained model was greater than 3.84. The recorded difference in chi-square value ($\Delta \chi^2$) was 31.369 while the difference in degrees of freedom (df) is 11. As it is the requirement for the test to be significant, the difference in chi-square value ($\Delta \chi^2$) must be higher than the value of chi-square with 1 degree of freedom, which is 3.84 (Steenkamp & Baumgartner, 1998). Results confirms that the two groups in current study are significantly different.

V. LIMITATIONS OF THE STUDY AND DIRECTIONS FOR FUTURE RESEARCH

Although choice of customers from different frozen food restaurants as a sample establishes very important part of target population and shows stimulating information in current study, still verification of the model on many other sample types remains an interesting path to be discovered. Furthermore, exploring influence of the given model on any other product category may reveal different dimensions. Level of cognitions may vary with variations in demographic profiles of the customers. This study is comprised of frozen food restaurant customers only and conducted in Multan, Pakistan; in other geographical areas, result may be different.

Figure 2: Estimated Model

REFERENCES


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