

Chapter 19

The Role of Brand Loyalty on CRM Performance: An Innovative Framework for Smart Manufacturing

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ABSTRACT

This chapter introduces the framework and causal model of customer value, customer satisfaction, brand loyalty, and customer relationship management performance in terms of the innovative manufacturing and marketing solutions. It argues that dimensions of customer value, customer satisfaction, and brand loyalty have mediated positive effect on customer relationship management performance. Furthermore, brand loyalty positively mediates the relationships between customer value and customer relationship management performance and between customer satisfaction and customer relationship management performance. Customer value is positively correlated with customer satisfaction. Understanding the theoretical learning is beneficial for organizations aiming to increase customer relationship management performance and achieve business goals.

INTRODUCTION

Customer value and customer satisfaction are becoming the important factors for successful business competition for either manufacturers or service providers (Bolton & Drew, 1991; Buzzel & Gale, 1987; Chang & Chen, 1998; Parasuraman, 1997; Parasuraman et al., 1988, 1991; Phillips et al., 1983; Wang et al., 2004; Zeithaml et al., 1996). Delivering superior customer value is a matter

of an ongoing concern in building and sustaining competitive advantage by driving customer relationship management (CRM) performance (Wang et al., 2004). In addition, customer value is a strategic weapon in attracting and retaining customers and it is one of the most significant factors in the success of both manufacturing businesses and service providers (Parasuraman, 1997; Woodruff, 1997). Firms should reorient their operations toward the creation and delivery

DOI: 10.4018/978-1-4666-7357-1.ch019

of superior customer value if they need to improve customer relationship management performance (Jensen, 2001; Slater, 1997). The growing body of knowledge about customer value is rather fragmented; the different points of view are advocated with no widely accepted way of pulling views together and the related empirical study of customer value is very limited (Jensen, 2001; Slater, 1997).

Furthermore, relevant studies have not yet yielded any unambiguous interpretations of the key dimensions of customer value (Lapierre, 2000; McDougall & Levesque, 2000). Little is known about the relative importance of each dimension of customer value in improving different dimensions of customer relationship management performance. Although there is a significant body of knowledge about the concept of customer value and its relationships with service quality and customer satisfaction, there are the relatively little empirical research on the customer value (Lapierre, 2000). Only a few studies have focused on how superior customer value is constituted in the perspective of customers and how a more reliable measurement scale for such an important construct might be developed (Sheth et al., 1991; Sweeney & Soutar, 2001). Furthermore, Sweeney & Soutar (2001) considered the price as the only sacrifice of customers in measuring customer value. Many other types of sacrifices (i.e., opportunity cost, psychological cost, and maintenance and learning cost) can exert determining influences on the perception of customer value besides price (Slater, 1997; Woodruff, 1997). In addition, market power is growing, but the market infrastructure is not well developed and the application of customer value knowledge and customer relationship management is rather limited (Peng & Health, 1996). By drawing on a growing body of literature on customer value, customer relationship management and other findings, the research measures the customer value in terms of get (benefit) and give (sacrifice) components (Slater, 1997; Wood-

ruff, 1997) in contrast to those researchers who have argued that perceived value consists only of benefits (Hamel & Prahalad, 1994), thus adopting a broader concept of sacrifices rather than the simple price assessment suggested by Sweeney and Soutar (2001); and several key dimensions apart from price and quality are identified conceptually and tested empirically.

The evaluation of customer relationship management performance is discussed on the basis of models of customer behavior, customer equity, and customer asset (Blattberg et al., 2001; Rust et al., 2000). Brand as a basic of the competitive game, must be carefully defined, created and managed as branding enables a producer to obtain the benefits of offering products with superior quality, thus providing an opportunity to transfer this identifiable relationship to other products or services (Motameni & Shahrokhi, 1998). In addition, the strong brand names lead competitive advantages (Lee & Back, 2010), increase organizational cash flow and accelerate liquidity (Miller & Muir, 2004), and provide premium price, profitability and more loyalty for customers (Madden et al., 2006). Revitalized brand images might help attract such customers who might remain loyal over a significantly longer period (Guo et al., 2011). Management teams need to promote customer orientation in their organization in order to implement customer relationship practices (Cai, 2009). Furthermore, organizational customer orientation is a prerequisite for the successful implementation of customer relationship practices. Consequently, customer orientation emphasizes creating superior customer value (Homburg et al., 2002; Slater & Narver, 1995). Research objective was to construct an innovative framework and a causal model of customer value, customer satisfaction, brand loyalty, and customer relationship management performance in terms of the innovative manufacturing and marketing solutions of pulp and paper company employees in Thailand.

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