

Factors Determining Customer Loyalty in Affordable Luxury

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ABSTRACT

The research study is about factors determining customer loyalty in affordable luxury, customer loyalty is a positive attitude that drives the customer to visit the company, brand or product again. Affordable luxury is a new sector in every industry which is formed due to the mass players producing high quantity and leading to an economy of scale causing lower prices of the product which is of same or almost equal to a quality of a premium luxury brand. The objective of the study is to help organisation understand the most important factors that would impact the customer loyalty and being in the relationships of factors such as Income level, Satisfaction level, Gender, Age generations, Loyalty factors, "made with high quality materials", "The brand's Name/Ethics/Image itself", "Ambience and size of washroom" and "Socio-economic level image of the company" which was given attention in the research after analysis. The purpose of this study was to obtain a customer point of view a questionnaire was developed to statistically test the various factors influencing customer loyalty. A questionnaire was used as a tool and was circulated using the online Google forms to various respondents on a random basis globally and received 355 responses between 12/5/2018 to 12/13/2018. Statistical calculations were done by finding out mean, standard deviation, percentage, mode, mean sample paired t-test, Results were found out, which shows that there is a high relationship between "gender and interest towards affordable luxury item", "generations and factors relating not visiting the store again", "income and factors relating to customer being happier spending more money in picking up an affordable luxury product over a high street brand", "income and factors relating to customer being happier spending more money in picking up an affordable luxury product over a high street brand."

1. Introduction

Customer loyalty is when a customer shows a feeling of dedication and support to a brand, company or a product, the customer loyalty can also have interpreted as a customer showing a positive attitude and commitment towards a particular product. Customer can either be loyal or disloyal to a brand. There are many factors that impact customer loyalty but the most important of them are customer satisfaction, quality of the product, price of the product and the marketing and positioning of the product, the way the product was produced and the ethics, goodwill, value the brand holds in the market, generations of the customers play an important role when the customer tends to buy from a brand, because baby boomers, generation x, Generation Y, Generation z, everyone have experienced different shaping of mind-sets in their years. Affordable luxury is a modern term and a sector of every industry in a whole, which is due to the markets and the rapid growth of developing countries economy such as China, India, Ghana, Ethiopia, Côte d'Ivoire, Djibouti, Cambodia, Bhutan, Senegal, Tanzania, Philippines, Bangladesh as manufacturing of goods have becoming very cheap and leading to an opening of new industries one of which is affordable luxury. This phenomenon also occurs as large set of middle class people are getting richer especially in countries China and India and the younger population have been growing up with a desire to have the luxury on a day to day basis which promotes affordable luxury. The future of affordable luxury is not extinguishable as the rarity of the product made for luxury would end, the only means is to take up the experience which

is on the second level, which is an affordable luxury. People usually believe that if a luxury brand collaborates with an affordable luxury brand or there is liquidation brand created by a luxury brand will destroy or lead to a decrease in the luxury brand's value but this is very uncertain affordable luxury is not killing the luxury brand names or is not dropping the value of a luxury brand, they play hand in hand Co-branding makes a luxury brand more famous as the masses will learn about the existence of the premium luxury brand as well the value of an affordable luxury brand will increase as its being associated with a luxury brand and people will think there has to be a standard quality maintained if not the association is irrelevant to the industry, and customers will make an effort to buy the product. The market players in the country also impact promote the individual to take up affordable luxury because of the number of offers, sales, coupons make the consumer feel that it is "okay" to buy a lower priced product because you saving money to buy more.

2. Review of Literature

1.) An Analysis of Customer-Pull Factors and the Process of Store Loyalty

researched the customer-pull factors and the process of store loyalty, her primary objective being to test the relationship between Customer Service Experience and Loyalty. The data was collected from 800 customers from various medical stores where customer loyalty key indicators were measured with 10 the variables, to conclude time of interaction with the customer or what is more popularly referred to as the 'Moment of Truth'

as told by the author is very important and giving an extraordinary customer experience will build a strong customer loyalty. (Tripathi, 2009)

2.) Moral Hazard and Customer Loyalty Programs

researched about moral hazard and customer loyalty programs concentrating on Frequent-flier plans (FFPs) he presented a theory or a model where these programs exploit the relationship between an employee and an employer. The employer who pays for the ticket and the employee tends to book a higher price flight to receive travel miles as a part of the program. Because a person who travels earns the points but not the person who buys the ticket. Where an airline company offering this program has advantages, other airlines who offer FFP's would result in lower profits even when the prices in the market are higher but this is also contradicting to the objective of switching cost treatments of the program. The observation being the prices of the tickets and the profits of the organisation is moving in different directions, resulting in a more expensive plan would lead to higher profits than less costing tickets. As they give a less efficient competition. (Leonardo J. Basso, 2009; Tripathi, 2009)

3.) Factors Influencing Customer Satisfaction at a Fast Food Hamburger Chain: The Relationship Between Customer Satisfaction and Customer Loyalty

researched the factors determining customer satisfaction at a fast food hamburger chain and the relationship between customer satisfaction and customer loyalty. He explores that quality, service, physical environment, convenience, customer-facing technology, cost and value, order correctness, and speed of service. He did his research with a help of quantitative data collected from 1,042 customers at a hamburger chain, he identifies the relationship between customer loyalty and each of the variables. His results mirror that race, gender, income, time of visit, service, age, marital status, and location did not create any difference in customer loyalty wherein Accuracy, speed of service, food quality, price and value where the most important factors determine the customer loyalty and satisfaction, he also statistically proves a significant positive association with satisfaction would result in an incremental increase in loyalty (Kabir, 2016)

4.) Is luxury compatible with sustainability? Luxury consumers' viewpoint

researched about sustainability and luxury and what is the common future, he is the author of the book *The Luxury Strategy*. In this research, he explores customer's perceptions of the sustainability of the luxury brands. This research was important because there are many fast fashion brands like (H&M, Zara, C&A and more) who are in a segment of affordable luxury due to the pricing strategy and accepting the drop in quality as the new age media have discovered the production of the goods are in lower economies as the cost of production is reduced in the same, accepting a drop in quality. Talks about mass brands like Nike and gap deeper analyses uncover a more complex reality in which luxury customers have very high latent expectations about the commitment of luxury brands in sustainability. He studies 1000 respondents sample with people who have consumed a luxury good in the last 6 Months, with an even demographic distribution. The

results show that minority of luxury consumers includes sustainability in shopping their luxury goods but they expect sustainability as an element of quality of the brand. His research also portrays customers are looking for exceptional quality, hedonism (beauty and pleasure), price (expensive), rarity (which is not scarcity), selective distribution and associated personalised services, exclusive character (prestige, privilege), and creativity (art and avant-garde) in luxury goods. (Jean-Noël Kapferer, 2014)

5.) Luxury, Luxury Brand and Luxury Market in India:

From Class Consumers to Closet Consumers

Researched about the luxury brands and luxury market in India: From the class consumers to closet customers, In this article she talks about how fast the Indian market is growing and expects the Indian luxury market to be valued at 14.72 billion by the year 2015, she estimates that 20% of the middle-class population will be covered to HNI's who are defined as closet customers, who are not born rich, nor luxury is yet a way of life but they are just experimenting with luxury. In the paper, she focuses on the Indian mind set towards luxury and affordable luxury as Indians always had luxury from the olden times where raja's and Nawabs always had a taste in it, but later in the future, there was a change where people looked into a value in their consumption pattern. She also ends defending luxury in India as —Luxury is anything that is desirable and more than necessary and ordinary. She also talks about the international brand's presence in the country such as (Burberry, Louis Vuitton, Hermès, Rolex etc.) and structural barriers faced by the brands to come into the Indian markets. (Bothra, 2013)

3. Research Design

Statement of problem

Many studies have been conducted on factors determining customer loyalty have shown a positive result in determining factors, but there have been no researches conducted in the segment of "affordable luxury" and the factors determining customer loyalty in affordable luxury products and brands. There are also misconceptions that customer loyalty does not have a relationship with demographics like Generations, Gender, Income level etc. This study is to remove these misconceptions and evaluate the most important customer loyalty factors of regular goods with respect to only affordable luxury goods.

Objectives of the study:

1. To study if there is any relationship with gender and interest towards the affordable luxury item.
2. To study if there is any relationship with generations and factors relating to not visiting the store again.
3. To analyse if there is any relationship with income and factors relating to a customer being happier spending more money in picking up an affordable luxury product over a high street brand.
4. To analyse if there is any relationship with Do you always remember the level of satisfaction of your earlier purchase? And willing to pay more for an affordable luxury personalised item.

Source of data:

Primary data has been collected in the form of

questionnaires from 355 respondents globally only for this research study paper, the collection of data was between 12/5/2018 10:39:19 to 12/13/2018 7:19:54

Hypothesis

Null Hypothesis (H₀):

There is a negative relationship of gender, generations, income, remember the level of satisfaction of your earlier purchase with interest towards affordable luxury item, factors relating to customer being happier spending more money in picking up an affordable luxury product over a high street brand product, willing to pay more for an affordable luxury personalised item.

Alternate Hypothesis (H₁):

There is a positive relationship of gender, generations, income, remember the level of satisfaction of your earlier purchase with interest towards affordable luxury item, factors relating to customer being happier spending more money in picking up an affordable luxury product over a high street brand product, willing to pay more for an affordable luxury personalised item.

Data Analysis and Tools:

The data gathered from the participants was quantitative in nature, with the help of coding technique in IBM SPSS

4. Data Analysis and Interpretation

Table 1.1 Showing the results of paired Sample T-test.

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Gender – How interested are you in an affordable luxury item?	-3.2282	1.1985	.0636	-3.3533	-3.1031	-50.748	354	.000

Interpretation:

For this research sample (n=355), the group of gender and How interested are you in an affordable luxury item? (M=-3.2282, SD=1.1985, SE=0.9636) and df=354, t=-50.748, Significance level (2-tailed) and is significant at 0.05 level.

Therefore, p<0.05, hence H₁ is accepted and H₀ is rejected.

There is significance between gender and interest towards an affordable luxury item.

Table 1.2 Showing the results of paired Sample T-test.

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Age – What do you really not care about when you visiting again?	1.8378	1.2807	.0796	1.6811	1.9945	23.094	258	.000

Interpretation:

For this research sample (n=355), the group of gender and How interested are you in an affordable luxury item? (M=1.8378, SD=1.2807, SE=0.0796) and df=258, t=23.094, Significance level (2-tailed) is 0.00 and is significant at 0.05 level.

Therefore, p<0.05, hence H₁ is accepted and H₀ is rejected.

software version 23, while the data results were analysed quantitatively and brought out the rationale of the findings.

Expected outcome:

The expected outcome of this study is the knowledge of the factors determining customer loyalty in affordable luxury, and there can be strategies formed for the affordable luxury brands to incorporate as many companies spend almost 60% of their marketing budget to acquire new customers in the market for the sale of an affordable luxury product. With the help of this research we can concentrate on a few factors and create existing customers to be loyal to the company and generate the same expected return.

Limitation of the study:

- This research is based on a sample size of 355 respondents.
- The time frame of the study is between a short period.
- The concept of “affordable luxury” is ahead of time to do this study, not everyone is aware of the concept.
- The sample size is tilted towards the Generation Y.
- These are not all the factors affecting customer loyalty but just are the major factors.

There is significance between generations and factors relating to not visiting the store again.

Table 1.3 Showing the results of paired Sample T-test.

		Paired Differences				t	df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Income (INR) - If there are 2 goods which are very similar but one is from an affordable luxury brand and other from a high street brand, What will make you happy to spend MORE on an affordable luxury brand?	-1.0615	2.0887	.1337	-1.3249	-.7981	-7.939	243	.000

Interpretation:

For this research sample (n=355), the group of gender and How interested are you in an affordable luxury item? (M=-1.0615, SD=2.0887, SE=0.1337) and df=243, t=-7.939, Significance level (2-tailed) is 0.00 and is significant at 0.05 level. Therefore, p<0.05, hence H₁ is accepted and H₀ is rejected. There is significance between income and factors relating to the customer is happier spending more money in picking up an affordable luxury product over a high street brand.

Table 1.4 Showing the results of paired Sample T-test.

		Paired Differences				t	df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Do you always remember the level of satisfaction of your earlier purchase? - Will you be willing to pay more for an affordable luxury item that is personalised to you?	-.3136	.8351	.0444	-.4009	-.2263	-7.064	353	.000

Interpretation:

For this research sample (n=355), the group of gender and How interested are you in an affordable luxury item? (M=-3.3136, SD=0.8351, SE=0.0444) and df=353, t=-7.064, Significance level (2-tailed) is 0.00 and is significant at 0.05 level. Therefore, p<0.05, hence H₁ is accepted and H₀ is rejected. There is significance between, “Do you always remember the level of satisfaction of your earlier purchase?” And “willing to pay more for an affordable luxury personalised item.”

5. Findings and Suggestions

The investigation focused on “Factors determining customer loyalty in affordable luxury” was an important topic to study as we come to findings that the factors included in the question “If there are 2 goods which are very similar but one is from an affordable luxury brand and other from a high street brand, What will make you happy to spend MORE on an affordable luxury brand?” had 355 responses and determined that people prefer the products “made with high quality materials” and “The brand’s Name/Ethics/Image itself” compared to “If I could get the right advice from knowledgeable

shop assistants”, “It would make me feel more stylish and on trend”, “The packaging/wrapping would be nicer”, “Seen an influencer or a celebrity with it” even though the survey was skewed towards the people of lower income that is (<5,00,000).

It was also found that between generations and factors relating not visiting the store again, even though the question is negated every responded was comfortable answering the question and preferred to come back to the store has a good Ambience and size of washroom and Socio-economic level of the company was better and they would not bother if the number of people was too many or not in the store or factor like Environment compared to your earlier buy of product. It was also found that the gender and interest towards affordable luxury item had a very positive co-relation even though we had almost the same number of male and female respondent in the survey that is 176 were female gender and 178 was male and 1 respondent did not want to disclose his gender in this survey. It is also very important to note that there was a very positive relationship with “Do you always remember the level of satisfaction of your earlier purchase?” And “willing to pay more

for an affordable luxury personalised item.” It is very important to note that 69.8% of the respondent remember the level of satisfaction they had in their earlier purchase and 24.3% was not clearly aware but they had a sense of satisfaction and only a minority of respondents that is 5.9% did not at all remember the level of satisfaction they experienced in their earlier level of satisfaction, This had a positive impact with “willing to pay more for an affordable luxury personalised item.” as higher the level of satisfaction is received from consuming a product and they remember it, there is a higher level that they are accepting to buy themselves higher priced personalised affordable luxury product/service, but it is also important to note that 44.4% were very sure they would buy an affordable luxury item which is personalised to them as well 44.1% were not completely good with an idea but responded with maybe depends on the product, service or a brand, 11.6% were very confident with their answer to not pay more for a personalised affordable luxury product.

6. Conclusion

This study has found out that there is a positive

relationship in of gender, generations, income, remember the level of satisfaction of your earlier purchase with interest towards affordable luxury item, factors relating to customer being happier spending more money in picking up an affordable luxury product over a high street brand product, willing to pay more for an affordable luxury personalised item and it is directly impacting customer loyalty in affordable luxury. Even the age generations show a different study compared to the general mind-set of the people that people with lower income would buy a product which is low priced and would not expect the best quality and material, which was disproved. The affordable luxury brands, companies should start focusing on the factors such as “made with high quality materials”, “The brand's Name/Ethics/Image itself”, “Ambience and size of washroom” and “Socio-economic level image of the company” level of satisfaction of the first purchase of the audience, and there is a positive relationship with the interest in affordable luxury and gender organisations should start focusing to ward it to save their money spending on acquiring new customers for more sales even though an affordable luxury is a mass marketed, having loyal customer can bring in equal or nearly equal sales if focused towards customer loyalty.

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