

Research on the Influences of Customer Perceived Value on Customer Loyalty – A Case Study of Xiaomi Company

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Abstract.

With the improvement of living standards, cellphones have been replaced more frequently. Manufacturers of smart products must maintain a high level of customer satisfaction and loyalty to achieve sales targets. The important marketing goal of modern companies is constantly improving customer satisfaction and loyalty to expand the number of loyal customers. This paper proposes the components of customer perceived value based on the analysis of the relevant literatures on customer perception theory, which are functional value, emotional value, social value, price value, relationship commitment value, and access convenience. Taking Xiaomi as a case, this paper puts forward a marketing strategy to improve customer loyalty from the perspective of customer perceived value. Through this study, social value, emotional value, price value, and relationship commitment value have a significant positive effect on attitude loyalty and behavioral loyalty; functional value does not have a significant positive effect on the attitude loyalty and behavioral loyalty of general consumers; access convenience only has a significant positive effect on behavioral loyalty but has no significant positive effect on attitude loyalty. To enhance customer loyalty, social value, emotional value, price value, and relationship commitment value should be strengthened. However, if customers are expected to not only have their attitude loyalty, but also actually take actions to generate behavioral loyalty, in addition to strengthening social value, emotional value, price value, and relationship commitment value, companies should also focus on improving access convenience.

Keywords: Customer Perceived Value; Customer Loyalty; Xiaomi Company.

1. Introduction

With the development of China's economy, the living standards of residents have been significantly improved, and with the development of e-commerce, related market demand has soared. China's electronic communications market has played a pivotal and key role in the global context. To a certain extent, China is not only the world's largest mobile communications market but also the most dynamic place. The competition between companies is essentially the competition for customers and cultivating and developing loyal customers has become the foundation of the survival and development of modern companies. Modern enterprises should maintain long-term relationships with customers from multiple perspectives, pay attention to customers' own experience, enhance customer satisfaction, and induce customers to establish a sense of loyalty to the company. In terms of industry, smartphones have become more and more popular in the Chinese mobile market since 2011. Xiaomi smartphones are unanimously always considered as one of the most valuable products on the market. These phones pack some crazy hardware at very profitable prices, especially in the low-end market of smartphones. Many people cannot refuse these smartphones. The purpose of this research is to understand the characteristics of the impact of customer perceived value on customer loyalty and to find the factors of customer perceived value that affect customer loyalty.

2. Literature Review

Customer Perceived Value

At the level of customer psychology, customer perceived value refers specifically to the overall evaluation made after measuring the monetary value paid by the customer after purchasing the product and the related experience and other added value obtained (Zeithaml, 1998). Bradley and Sparks (2012) believe that perceived value is the evaluation of consumers' perceived benefits of products/services provided by enterprises, so different customers may have different perceived value of the same goods or services. Bolton & Drew (1991) mentioned that only purchases are made when the perceived value is greater than the cost paid. Customer perceived value has the greater force than customer satisfaction to motivate customers to repurchase (Jackie, 2004). Customer perceived value refers to consumers' utility evaluation of products for payment cost and benefit value (Lin & Yazdanifard, 2014).

Dimensions of Customer Perceived Value

Zeithaml (1988) believes that perception is basically divided into perception of essential attributes, perception of external attributes, and perception of abstract interests; the abstract understanding of related products is a high-level embodiment of perception, including the overall perception of company image and reputation. Petrick and Backman (2002) proposed the SERV-PERVAL scale to measure the perceived value of customers, which are: quality, monetary value, behavioral price, emotional response, and reputation. Sheth, Newman, and Gross (1991) put forward a consumption theory in their research to explain why consumers choose a particular product or brand instead of other products or brands and further believe that a product can bring five values to customers: functional value, social value, emotional value, cognitive value, and situational value. In the research process of Sweeney and Soutar (2001), they proposed the PERVAL scale to measure the customer perceived value, which is divided into four specific dimensions (see Table 1).

Table 1: Sweeney and Soutar's Four-dimensional Model of Customer Perceived Value

Dimension	Significance
Price Value	Consumers' overall evaluation of the product's utility based on the perceptions they have acquired and paid for.
Quality Value	The overall utility that customers get after comparing the actual quality of the product with the expected quality of the product.
Emotional Value	The overall utility of the emotional elements carried by related products to customers.
Social Value	The overall utility of the connotation of the social concept carried by the related product to the customer.

Xie (2013) proposed that the dimensions of customer perceived value are mainly divided into six dimensions:

1. Functional value: The so-called functional value refers to the most fundamental attributes of products and services, which can be reflected in the overall evaluation of products and services by customers.
2. Social value: Social value refers to the social experience that related products bring to customers, such as social status and group identity.
3. Emotional value: The specific connotation of emotional value is the emotional impact that a product or service can bring to customers, such as the pleasant experience, in order to achieve emotional resonance with customers.
4. Price value: Price value refers to the products and services purchased by customers, which have a price advantage over other related products and services.
5. Access convenience: When purchasing related products or services from convenient ways, it saves customers' physical, time, and energy constraints, so that customers can gain benefits and generate value-for-money experiences.
6. Relationship commitment value: During the process of purchasing related products or services, customers receive strong wishes from related companies to maintain the relationship between customers and the company.

Customer Loyalty

Bowen and Shoemaker (1998) believe that customer loyalty is the likelihood that customers will come back again, and that customers are willing to be a part of this enterprise. Jones and Sasser (1995) pointed out that customer loyalty refers to the willingness of customers to repurchase a particular product or service and believe that customer loyalty has two types: long-term loyalty and short-term loyalty. Dowling and Hammond (2003) believe that loyalty is mainly an attitude phenomenon, which can significantly affect the behavioral relationship of customers' repeated purchases, the brand promise involved by customers, the brand acceptance by customers, and the brand purchased by customers. Customer loyalty is regarded as the main source of corporate competitive advantage and sustainable operation (Egan, 2005).

Dimensions of Customer Loyalty

Customer loyalty can be divided into behavioral and psychological aspects in general. The former refers to the actual purchase behavior of customers, including the frequency and quantity of repeated transactions (Chaudhuri & Holbrook, 2001; Taylor et al., 2004), and the latter refers to attitude loyalty or positive emotion. Taking the psychological aspect into consideration, consumers' preference for a particular brand is driven by their inner preference and then repeated purchases, so loyalty needs to be measured according to consumer brand preference (Gronholdt et al., 2000). Therefore, customer loyalty should include two levels of behavior and psychology, which can be divided into behavioral loyalty and attitude loyalty.

Zeithaml (1988), Parasuraman and Grewal (2000) and Petrick (2004) all believe that the perceived value of customers is the key factor in determining customer loyalty. Increasing market share can get more loyal customers. As customer loyalty increases, marketing expenses will decrease (Nyadzayo & Khajehzadeh, 2016). Companies should actively analyze customer loyalty and how to improve customer loyalty (Sayani, 2015).

3. Research Design and Methodology

According to the aforementioned literature including Sheth, Newman, and Gross (1991), Sweeney and Soutar (2001), Xie (2013), Chaudhuri and Holbrook (2001), Taylor et al. (2004), Gronholdt et al. (2000), and so on, this study proposes the following hypotheses:

H1: Customer perceived value has a significant positive effect on attitude loyalty.

H1a: Functional value has a significant positive effect on attitude loyalty.

H1b: Social value has a significant positive effect on attitude loyalty.

H1c: Emotional value has a significant positive effect on attitude loyalty.

H1d: Price value has a significant positive effect on attitude loyalty.

H1e: Access convenience has a significant positive effect on attitude loyalty.

H1f: Relationship commitment value has a significant positive effect on attitude loyalty.

H2: Customer perceived value has a significant positive effect on behavioral loyalty.

H2a: Functional value has a significant positive effect on behavioral loyalty.

H2b: Social value has a significant positive effect on behavioral loyalty.

H2c: Emotional value has a significant positive effect on behavioral loyalty.

H2d: Price value has a significant positive effect on behavioral loyalty.

H2e: Access convenience has a significant positive effect on behavioral loyalty.

H2f: Relationship commitment value has a significant positive effect on behavioral loyalty.

The research model is as follows (see Figure 1):

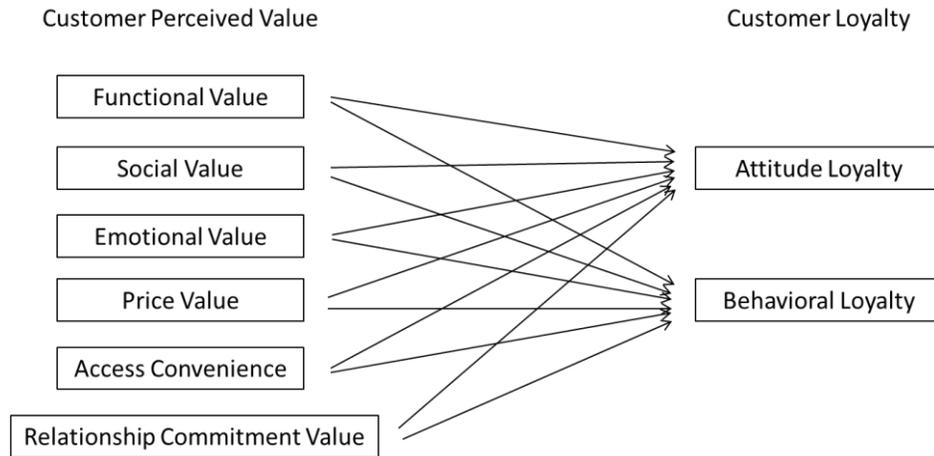


Figure 1: Research Model

This study adopts the questionnaire survey method and refers to Sheth, Newman, and Gross (1991), Sweeney and Soutar (2001), and Xie (2013) to form the customer perceived value scale and refers to Chaudhuri and Holbrook (2001), Taylor et al. (2004), Gronholdt et al. (2000), and Xie (2013) to form the customer loyalty scale. The questionnaires were compiled using Likert five-point scales, and they were given five options: (strongly agree), (more agree), (no opinion), (more disagree), and (strongly disagree), representing 5 points, 4 points, 3 points, 2 points, and 1 point. The higher the score, the higher the matching degree with the option description, and vice versa.

We selected 7 Xiaomi Homes in Zhuhai, and conducted convenience sampling at noon, afternoon, and evening at each store on weekdays, weekends, and statutory holidays. This study uses SPSS22.0 statistical software for data processing analysis, including reliability analysis, descriptive statistical analysis, correlation analysis, and regression analysis.

Before the formal questionnaire survey, a convenience sample of 80 people was selected from the customers of 7 Xiaomi Homes in Zhuhai for the pre-test questionnaire, and 56 valid questionnaires were collected. In this study, Cronbach's α was used to test the reliability of the internal consistency of the questionnaire. The reliability test results of the pre-test questionnaire are shown in Table 2.

Table 2: Reliability of the Pre-test Questionnaire

Variable	Number of Items	Cronbach's α
Functional Value	4	.832
Social Value	3	.795
Emotional Value	2	.817
Price Value	3	.825
Access Convenience	3	.895
Relationship Commitment Value	2	.732
Attitude Loyalty	4	.831
Behavioral Loyalty	2	.855

The Cronbach's α values of the reliability of the pre-test questionnaire are all above 0.7, indicating that the questionnaire has good internal consistency reliability.

4. Data Analysis and Discussion of Results

A total of 537 questionnaires were surveyed in the formal questionnaire survey of this study, and 418 valid questionnaires were returned, accounting for 77.84% of the total number of questionnaires. See Table 3 for sample demographics.

Table 3: Sample Demographics

		Frequency	Percentage
Gender	Male	220	52.63
	Female	198	47.37
Age	20 or less	24	5.74
	21-25	56	13.40
	26-30	72	17.22
	31-35	42	10.05
	36 or above	224	53.59
Annual Income (CNY)	Less than 10,000	3	0.72
	10,000-39,999	19	4.55
	40,000-59,999	157	37.56
	60,000-100,000	198	47.37
	More than 100,000	41	9.81
Education Background	Junior high school or below	53	12.68
	High school or Technical secondary school	109	26.08
	Undergraduate or College	213	50.96
	Postgraduate or above	43	10.28

According to the reliability analysis of the results of the formal questionnaire survey, Cronbach's α values are all above 0.8, indicating that the reliability of the survey data of various aspects of this study is very high (see Table 4).

Table 4: Internal Consistency Reliability

Variable	Number of Items	Cronbach's α
Functional Value	4	.883
Social Value	3	.865
Emotional Value	2	.895
Price Value	3	.802
Access Convenience	3	.911
Relationship Commitment Value	2	.813
Attitude Loyalty	4	.876
Behavioral Loyalty	2	.883

The correlation analysis between the 6 dimensions of customer perceived value and the 2 dimensions of customer loyalty shows that functional value is not significantly related to attitude loyalty and behavioral loyalty, and there is no significant correlation between access convenience and attitude loyalty (see table 5).

Table 5: Correlation Analysis

	Attitude Loyalty	Behavioral Loyalty
Functional Value	.135	.197
Social Value	.564*	.456*
Emotional Value	.466*	.368*
Price Value	.589*	.495*
Access Convenience	.349	.369*
Relationship Commitment Value	.463*	.392*

*Indicates a significant correlation at the 0.05 level (two-sided).

In the regression analysis, we first discuss the aspect of attitude loyalty. Through the regression coefficient analysis table (see Table 6), we can see that the regression equation can explain 61.2% of the total variation. The VIF values of functional value, social value, emotional value, price value, access convenience, and relationship commitment value are 5.545, 1.957, 1.546, 2.324, 6.354, and 2.110 respectively, which are all less than 10, so there is no collinearity. In terms of the regression significance, social value, emotional value, price value, and relationship commitment value are significant, while functional value and access convenience are not significant.

Table 6: Analysis of Regression Coefficient for Attitude Loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.872	.164	2.225	2.752	.006		
Functional Value	.645	.048	.644	3.846	.086	.380	5.545
Social Value	.781	.042	.780	3.712	.000	.404	1.957
Emotional Value	.575	.033	.574	3.691	.000	.581	1.564
Price Value	.795	.048	.794	3.362	.002	.654	2.324
Access Convenience	.565	.042	.564	.654	0.956	.655	6.354
Relationship Commitment Value	.611	.033	.610	2.442	.001	.651	2.110

R=.779 R Square=.608 Adjusted R Square=.612 Std. Error of the Estimate=.57946

Secondly, we discuss the aspect of behavioral loyalty. Through the regression coefficient analysis table (see Table 7), we can see that the regression equation can explain 71.4% of the total variation. The VIF values of functional value, social value, emotional value, price value, access convenience, and relationship commitment value are 6.315, 1.538, 2.626, 3.357, 1.734, and 1.438 respectively, which are all less than 10, so there is no collinearity. In terms of the regression significance, social value, emotional value, price value, access convenience, and relationship commitment value are significant, while functional value is not significant.

Table 7: Analysis of Regression Coefficient for Behavioral Loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	2.652	.164	2.632	2.427	.014		
Functional Value	.265	.098	.644	3.550	.361	.380	6.315
Social Value	.673	.059	.676	3.763	.000	.421	1.538
Emotional Value	.573	.069	.578	4.623	.000	.581	2.626
Price Value	.699	.059	.719	5.521	.000	.667	3.357
Access Convenience	.693	.063	.593	2.654	.002	.655	1.734
Relationship Commitment Value	.476	.064	.610	2.529	.009	.651	1.438

R=.832 R Square =.726 Adjusted R Square =.714 Std. Error of the Estimate =.85246

The results of the hypothesis test in this study are shown in Table 8. The hypotheses of H1a, H2a, and H1e are not supported by the sample data.

Table 8: Hypothesis Test Results

Hypothesis	Hypothetical Content	Test Result
H1a	Functional value has a significant positive effect on attitude loyalty.	Not support
H1b	Social value has a significant positive effect on attitude loyalty.	Support
H1c	Emotional value has a significant positive effect on attitude loyalty.	Support
H1d	Price value has a significant positive effect on attitude loyalty.	Support
H1e	Access convenience has a significant positive effect on attitude loyalty.	Not support
H1f	Relationship commitment value has a significant positive effect on attitude loyalty.	Support
H2a	Functional value has a significant positive effect on behavioral loyalty.	Not support
H2b	Social value has a significant positive effect on behavioral loyalty.	Support
H2c	Emotional value has a significant positive effect on behavioral loyalty.	Support
H2d	Price value has a significant positive effect on behavioral loyalty.	Support
H2e	Access convenience has a significant positive effect on behavioral loyalty.	Support
H2f	Relationship commitment value has a significant positive effect on behavioral loyalty.	Support

In this survey, the functional value had no significant effect on attitude loyalty and behavioral loyalty. Nowadays, the functions of smartphones are much the same but a little different. The functions of different mobile phones usually have little difference and are easy to imitate. The general consumers hardly need to worry about the functions of mobile phones when choosing, so the functional value has no significant influence on either attitude loyalty or behavioral loyalty. In addition, access convenience has no significant impact on attitude loyalty, because if the general consumers recognize this brand, they pay high attention to this brand and are loyal to this brand in attitude and think access convenience is not so important.

5. Conclusion and Suggestion

This research conducted a survey on the customers of Xiaomi Home in Zhuhai. After analysis and discussion, the following conclusions were reached:

- (1) Social value, emotional value, price value, and relationship commitment value have a significant positive effect on attitude loyalty and behavioral loyalty.
- (2) Functional value does not have a significant positive effect on the attitude loyalty and behavioral loyalty of general consumers.
- (3) Access convenience only has a significant positive effect on behavioral loyalty but has no significant positive effect on attitude loyalty.

Therefore, to enhance customer loyalty, social value, emotional value, price value, and relationship commitment value should be strengthened. However, if customers are expected to not only have their attitude loyalty, but also actually take actions to generate behavioral loyalty, in addition to strengthening social value, emotional value, price value, and relationship commitment value, companies should also focus on improving access convenience. Only when customers take actions, rather than staying at attitude, can a company truly succeed.

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