

Developing Benefit-based measurement scale using factor analysis: an improved method for understanding Egyptian car buyers

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McKinsey & Company in 1999 argued that not only functional benefits influence customers' choice behavior and their satisfaction but also other benefits related to the service and the relationship do affect the customer's satisfaction. In their seminal article, Court et al. (1999) presented two business cases of American Airlines and First USA credit card. The paper reports the first comprehensive formalization of the three dimensions of marketing's model applied to the automobile industry in the Arab World. Despite strategic importance of non functional benefits, it did not receive enough empirical investigation in the Marketing literature. This study is an attempt to develop and test a measurement tool aiming to quantifying the factors affecting satisfaction, customer's satisfaction and loyalty. The validity and reliability of the measurement scale was tested in the case of Egyptian car industry. To do that, an instrument was developed based on extensive previous studies, management experts and personal professional experience. The measurement scale was applied to Egyptian car owners of a certain (one single) brand to avoid the brand moderation effect. In conclusion, the scale was developed and found to be reliable and valid through using exploratory factor analysis. Researchers were able to identify the three key drivers / dimensions on customer's satisfaction and consequently on customer's loyalty. We suggest quantifying the impact of each driver and use the results to guide the marketing activities of car agents working in Egypt. We also suggest investigating the scale in different industries and contexts.

Field of Research: Customer satisfaction, Customer loyalty, Marketing Plan, Strategy & Management, Partial Least Squares (PLS).

1. Introduction

As more companies do business globally, they need to adapt their marketing activities as per the drivers of satisfaction of their different customers living in different countries. They use the research to guide their decisions about product and service development, positioning, and to fine tune marketing programs. But can they trust the results of traditional satisfaction studies? Does "satisfaction" and its driving factors have the same meaning from one country to another? Do these factors have the same importance from one country to another or even from one consumer segment to another? Attempting to address this gap, we embarked on a study in which we tried to understand the meaning of satisfaction,

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its drivers and the relationship between these drivers. To make our study more practical, we deployed this study to a specific product in a market- the car market in Egypt. We even targeted car owners of a certain brand where the vehicle valued above 70,000 EGP, to have a fairly homogenous population. This paper seeks to identify the relationship between the traditional functional benefits (in terms of quality, reliability and value) and the role of service and relationship benefits.

In the given paper, we started by reviewing the literature to build a solid ground for the constructions' identification, followed by detailed methodology, leading to discussing the findings and finally addressed the implications of this study.

2. Literature Review

Building on other benefits rather than on the usual functional benefits.

Marketing based on usual functional benefits (quality, reliability, value) no longer provides sustainable mean of differentiation among companies especially in a volatile market. Consumer demands more than what is offers to the mass market. Relationship factors have a particularly strong influence on buying behaviour (Bonoma and Johnston 1978). A key strategic concern is to build dependable, on-going partnerships, and perceive this action as an investment that will yield dividends in the long run.

The major problem discussed and hence analysed in this research is:

In the Branded car industry in Egypt, what are the drivers / dimensions of satisfaction?

What type of factors affects satisfaction?

Which benefits are more valuable to our customer?

Can we describe the factors in a measurable way?

The chain of impact of product quality and other benefits on satisfaction and satisfaction on customer loyalty has been addressed by a lot of researchers. The literature devoted to explore these relationships can be divided into two main groups:

First, service management literature, "proposes that customer satisfaction influences customer loyalty which in turn affects profitability".(Hallowell, 1996)

The service management literature based their argument on the relationship between customer perception and value expected. Their point was that customer satisfaction is the result of a customer's perception of the value received through a transaction or relationship (Blanchard and Galloway, 1994; Heskett *et al.*, 1990), relative to the value expected with competing vendors (Zeithaml *et al.*, 1990).(Hallowell, 1996, Ha 2009)

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The satisfaction model assumed that customers' act according to their perception of quality and satisfaction, that they are free to act and choose (rational customer), and that a loyal customer is more profitable than a less loyal one. Implicitly this kind of argument contains a number of debatable assumptions. (Storbacka et al, 1994, Sureshchandar et al., 2003)

Loyalty behaviours expanded the relationship to include recommendation based on their beliefs that the value they received from one supplier is better than of other. All forms of loyalty enhance revenues by profit increase or cost reduction to include:

- Reduction in acquiring customers costs
- Lower customer sensitivity to any price change
- Decreased costs to serve current customers (Reicheld and Sasser, 1990). (Hallowell, 1996)

Advocates of this theory include Anderson and Fornell (1994); Gummesson (1993); Heskett *et al.* (1990); Heskett *et al.* (1994); Reicheld and Sasser (1990); Rust, *et al.* (1994); Rust, et a. (1999) Schneider and Bowen (1995); Storbacka *et al.* (1994); and Zeithaml *et al.* (1990). Nelson *et al.* (1992) lead the statistically-driven examination of the proposed links trying to explore the customer satisfaction to profitability relationship within hospitals. Then Rust and Zahorik (1991) tried to explore the first part of the relationship (satisfaction to retention) in retail banking. (Hallowell, 1996)

Second, marketing domain, "discusses the impact of customer satisfaction on customer loyalty". Researches addressed this link and found that customer satisfaction does influences purchase intentions and even post-purchase attitude (Yi, 1990). The marketing literature defines customer loyalty in two different ways, either as an attitude or as behavioural (Jacoby and Kyner, 1973). Defining loyalty as an attitude leads us to believe that different feelings may create an individual's overall attachment to a product or service as a segregate to its degree of loyalty (Fornier, 1994). (Hallowell, 1996)

The second definition of loyalty is behavioural, expressed as continuing to deal with the same supplier, expanding the relationship scale, or even recommending him to others (Yi, 1990). The behavioural view of loyalty is compatible to loyalty as defined in the service management literature. (Hallowell, 1996) The researcher will adopt this definition.

Both sources of literatures provide a sound background for an empirical study addressing relationships among customer satisfaction, customer loyalty, and profitability. The drivers for customer behaviour differ from country to another, from industry to another, even from one region to another.

Strong similarities exist between the constructs of service quality and customer satisfaction, they are distinct constructs but share many similar attributes (Oh &

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Parks, 1997, Bitner, 1990; Boulding et al., 1993; Carmen, 1990; Parasuraman et al., 1993).

Nevertheless, many researchers (Cadotte et al., 1987; Fornell, 1992; Oliver, 1980; Oliver & DeSarbo, 1988; Oliver & Swan, 1989; Spreng et al., 1995) investigated customer satisfaction using service quality measures, others, used both in assessing service delivery (Devlin, Dong, & Brown, 1993).

Service quality and customer satisfaction both influence strategic marketing variables such as customer loyalty, trust and commitment, word-of-mouth, intention to return, and profitability (Anderson, 1998). (Severt, 2002)

There are several studies that explored this relation:

- Satisfaction, loyalty with business results part of the link (Anderson et al., 1994; Casais, 1995; Fornell, 1992; Rust et al., 1994)
- Reduction of price elasticity (Garvin, 1988; Reicheld, 1996)
- Decrease of failure-related costs (Crosby, 1979; Garvin, 1988).
- Easier acquisition of new customers (Fornell, 1992),
- Increase of the products portfolio supplied to customers, brand's and enterprise's prestige in the market (Anderson & Weitz, 1989).

The above studies indicated that customer loyalty has a great role in generating a clear return by guaranteeing a progressively more stable cash flow. Loyalty contributed in two ways, by increasing the number of customers or by increasing customer's profit. (Andre and Saraiva, 2000; Reinartz & Kumar, 2003; Rowley & Dawes, 2000)

Understanding customers' needs

As product standards continue to rise - especially among cars- the perceived image of a car plays a key role in the buying decision. Brands such as BMW and Mercedes-Benz must develop attributes that reflect changing social values which influence buyers emotionally, to maintain their positions in the global market.

Most of the recent research into customer perception and behaviour in the automobile has been driven by American researchers (Haubl, 1996; Iacobucci, et al. 1996; McCarthy et al., 1992; Purohit, 1992; Sullivan, 1998; Rosecky and King, 1996). Very few authors investigated customer perceptions of luxury cars (Rosecky and King, 1996) and much of this work is focused on consumer loyalty and brand switching (Iacobucci, et al. 1996; Lapersonne et al., 1995; McCarthy et al., 1992; Purohit, 1992).

The major research focus has been on low priced segment rather than the luxury segment, where brand image plays a key role in purchase decision making. Therefore, they have neglected customers' individual differences (especially 'attitudes' and 'specificity') that provide different perceptions towards the automobiles (Jahoda, 1966; Festinger, 1964; Rosecky and King, 1996; Markin, 1969). These research focus on the beliefs that automobiles' customers about 'product-related attributes' (Keller, 1993), functional, tangible, visible

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characteristics (Kapferer, 1997), or utilitarian needs (Havlena and Holbrook, 1986; McClelland, 1951).

"Demanders buy groups of features"

This concurs with Lancaster's theory (1966) that "demanders buy groups of features rather than products, their opinions regarding the similarity of products must also be determined by features". On the other side research into purchasing patterns indicates that it is not the objective features (either tangible or technical attributes) themselves, but rather the subjective perception of these that drives the consumer choice (Bauer and Herrmann, 1995; McFadden, 1986; Urban and Hauser, 1980).

There are differences between business-to-business buyers and retail car buyers. Business-to-business buyers are professionals and experts in terms of 'functional benefits' (Keller, 1993) of cars bought for employees, their consumption is 'routine' and 'functional'. While retail customers are amateur purchasers who spend their own money for non-routine consumption, they seek to gain 'experiential' or 'symbolic' (Keller, 1993) benefits from the car brand instead. Specificity may depend largely on how buyers discriminate, between needs and wants (Oliver, 1997). For example, if the car buyer is only interested in the country-of-origin of the brand, then the technical characteristics will be unimportant. When customers seek to purchase a product, they pay attention to whether the product will satisfy basic needs and desires in their lives.

To enhance the brand's power, most luxury car makers have stretched their brand upward or downward into a 'new' segment. The most famous examples are the introductions of Lexus under Toyota and Infiniti under Nissan which have been successful globally, especially in the US.

Fact 1: We conclude that product-related attributes alone can only partially explain the complexity of buying behaviour of automobiles' customers.

Automobile is a high-involvement product that typically requires significant buyer's attention when purchased. It is typical that country of origin (COO) of a purchased car is considered among other product characteristics. Urbonavičius, Dikčius, and Časas in 2007, studied the automobile country of origin effect (case of Lithuanian market). Product COO is to some extent a surrogate of overall product quality. Time Inc. (largest magazine publisher in the US) in its IX waves of the Automotive Purchase Process that was conducted with CNW (Marketing Research) in 2005, addressed the impact brand image has on the automotive consideration set. There are many elements that support or detract from a brand's image, the study found that reliability (based on either personal experience or reputation) was the key factor among those who had previously owned a brand and those who had not.

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Fact 2: We conclude that the brand has a substantial effect on the consumer choice.

Most current owners of cars tend to have purchased a car previously; or at least the customer has potentially developed an attitude toward it. Here, an attitude becomes an evaluating judgment based on prior or present experience such as previous satisfaction from dealers (after sales and warranty), driving experience, and socio-economic status of customers. It is also possible that an attitude can be developed based on prior information without experience, as when consumers develop preferences or biases for or against brands based on the brands' images. Customers may have a favourable attitude towards some manufacturers' cars, but may lack the ability due to insufficient purchasing power or willingness to take buying action. On the other hand, luxury or lower luxury (lower-priced) manufacturers' cars may be neglected by customers who have high purchasing power.

To further specify the definition of customer attitude towards cars, a set of attitude variables which potential buyers might hold was developed in discussion with car dealers (Audi, Jaguar, Mercedes, Lexus, and Volvo) at the London Motor Show '97 at Earl's Court Exhibition. The following variables were identified:

Objective Factors	Subjective Factors
<ul style="list-style-type: none">• Reliability• Quality• Durability• Security• Safety• Performance• Efficiency• Technology• Customer Handling	<ul style="list-style-type: none">• Value• Style• Comfort• Prestige• Status• Visual Impact

Source: Markin, 1969

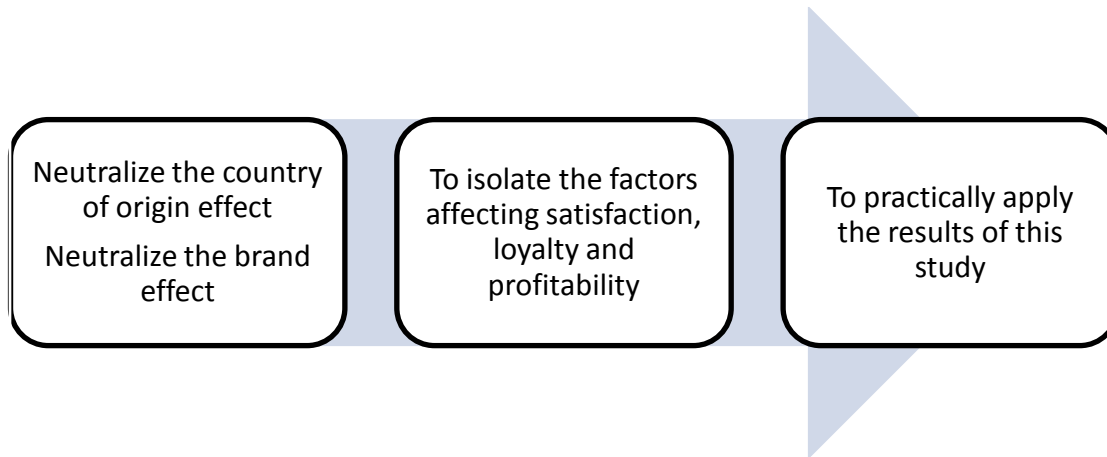
These different attitudes are directly related to different types of customers because cognition, feelings, and 'response dispositions' of customers are organized into a set of 'patterned emotional reactions' (Markin, 1969). This may be due to differences described as demographic, geographic, psychographic, or lifestyle.

Fact 3: We conclude that the measurement scale should include objective and subjective factors, covering the product related benefits, service related benefits and relationship related benefits.

3. Methodology and Research Design

Focusing on one brand

Häubl in 1996 examined the cross-national effects of country of origin and brand name on consumers' evaluations of a product. Specifically, he investigates the structures of country-of-origin and brand effects on the evaluation of a new automobile by German and French car owners, by using a multi-group structural equation modeling approach to assess the invariance of the proposed model across countries. His findings indicated that both brand name and country of origin turned out to have a significant impact on consumers' evaluations of the automobile. Our research aims to investigate the factors that have a significant contribution to customer satisfaction and consequently to customer loyalty, then it is essential to select one brand to be able to:



We will focus on one Brand that is TOYOTA, which was the most sold vehicle in Egypt in 2005/2006 as reported by AMIC (Automotive Marketing Information Council). We will focus on passenger cars with a value of above 70,000 EGP.

Research design

We will start by exploring the drivers of satisfaction regardless of the brand and then we will focus on only one brand through the rest of the study. The argument of integrating qualitative and quantitative research has been emphasized by leading scholars in marketing (Churchill 1979, Deshpande 1983).

Then triangulation was used to help define the indicators of each construct included in the model, and tested in a future research using Structural Equation Modelling.

Proposition 1

- Product-related attributes are not the only factor / driver affecting the customers purchasing behaviour?
- What are the other drivers affecting the satisfaction among Egyptian Toyota car owners?

Proposition 2

- The measurement scale should include objective and subjective factors, covering the product related benefits, service related benefits and relationship related benefits?

4. Discussion of Findings

4.1 Qualitative approach

The use of qualitative research to complement the development, validation, and interpretation of concepts and constructs, is necessary as a good part of the conceptual framework. Since the qualitative methods tend to be associated with the subjective nature of social reality, they were set to provide more detailed insights in order to enable the researcher to see things as their informants do (Daymon and Holloway, 2002). It is the inductive approach with the objective of moving from the 'plane' observation of the empirical world to the construction of explanations and theories about what had been observed (Gill & Johnson, 1998). In this study, researchers were keen to explore people's motivations and subjective experiences with their bought cars. It was working within an interpretive stance with the objective of understanding the social reality and cultural differences and similarities from the point of view of those experienced the usage of luxurious cars and their related services.

Data Collection – In-depth Interviews

Long, semi-structured interviews were conducted with 100 respondents lived in Cairo and Giza governorates, 69 males and 31 females, all falling within the age category ranging from 22-58 years old. We selected a sample of 100 respondents to develop deep understanding of the issues understudy with a rescannable confidence of 90% from infinite population. We exclude drivers less than 22 years old since we need rational self dependent consumer.

All respondents owned cars such as BMW, Mercedes, Mitsubishi Pajero, or Porsche Cayenne, ..etc.

Insight from these interviews

How respondents did select their current brand?

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62 respondents selected their cars because of the high technical specifications

Importance of technical specifications

25 respondents bought their cars to upgrade, but they don't switch brands

importance of customer retention

9 respondents selected their cars depending on friends and family recommendations

Importance of word of mouth

5 respondents bought their cars as they perceived it to be affordable

Price comes last

What were the reasons for brand switching?

to switch for a safer car with better options and a fair price

37 respondents

to upgrade but no brand switching

36 respondents

to switch in the case of having a better agent and better maintenance at a lower costs

27 respondents

What does "luxury" really mean to the respondents?

- The majority (more than 90%) boiled down "luxury" to certain physical options:

- Full options
- Electrical chairs
- Internally Computerized
- Wooden accents dash
- Leather interior
- Tape & CD players
- Silver or black color



- Automatic transmission
- Cruise Control
- Memory chip for chairs
- Air Bags
- ABS
- Spacious
- High safety

- 96 of our respondents were satisfied with their cars as they believe it matches their definition of luxury
- Asked about their preferred car (not necessarily owned), 28 respondents chose BMW, while 31 picked Mercedes.

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- What does a high quality service center provide? The majority (> 90%) referred to the availability of the following services:
 - Spare parts availability
 - Honesty
 - Right the first time repair
 - Reasonable maintenance cost
 - Customer follow up
 - Professional engineers
 - Pick up (car) service/Drop-off (owner) service
 - Highly equipped centers
 - Help number/Hot line/roadside service
 - Setting appointments to avoid long waiting lines

In conclusion, we noticed that functional benefits/qualities were not enough to satisfy the customers, they required other benefits such as high quality service and relationships with the agents. This leads us to believe that the ***determinants of satisfaction go beyond functional benefits only.***

4.2 Quantitative approach

In studies that have focused on the path that begins with quality passing through satisfaction and loyalty, and ending with profitability, explicit attention has been given to processes of developing a measurement instrument. This study focuses on developing the details of the ***sub-constructs*** since most of the existing literature only covers the broad constructs. We limited our sample to ask TOYOTA owners with a car of more than 70,000 EGP.

In the marketing discipline, discussions regarding measurement development are more widespread and can be traced back to Churchill's seminal article (1979). Churchill (1979) called for better measures for marketing constructs, and proposed an eight-step method with an emphasis on obtaining favourable psychometric properties. Rossiter (2002) challenged Churchill's approach and proposed a six-step procedure. Finn and Kayande (2004) support Rossiter's call for more attention for conceptualisation and content validity, but criticize the extreme context dependence. Based on two reviews of best practices one in operations management done by Hensley in 1999 and another in marketing done by Hinkin in 1995, a three-step approach was developed:

Step 1: Item Generation

Item generation may be the most important part of developing sound measures. Its prime focus is to establish the content validity of the latent constructs. This means that:

- An item battery should be developed
- Items should be selected from the item battery to cover the concept yet contain no extraneous content.

Regrettably, there is no quantitative or qualitative measure that tests whether the scale adequately captures the specific domain of interest. Expert judgment is

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therefore of the utmost importance in assessing the content validity of a measure. The deductive approach (based on theory) and inductive approach (based on empirical results: in-depth interviews with a sample of 100 car owners of different brands) were combined for item battery generation. A review of existing items served as the deductive input for the item battery. Previous scales were reviewed on the item level. Previously used scales were identified in the literature review. A long list of 60 scales was identified in the appendix.

A survey instrument was developed and administered to management consultants and experts to collect their feedback on the 60 items. The wording of the items was discussed with three experts, which led to some minor modifications.

Step 2: Scale Development

Design of pilot study. This stage aims at examining the properties of the new measure. A sample of car owners (101 respondents to assure a 90% confidence) was chosen and the tool was tested through a verbal protocol technique. The pilot covered the items' wording, reduced the pattern response bias, and limited the scale length.

Reliability assessment. In this stage, consistency of items within a measure and the stability of the measure over time were assessed using Cronbach's Alpha. The reliability was satisfactory high as the values of Cronbach's Alpha were mostly above 0.5 (Field, 2002). Subsequently the analysis was continued.

Scale construction. Factor analysis techniques are used to assess the stability of the factor structure (dimensionality) and provide information to facilitate the refinement of the new measure. The elimination of poorly loading items is an iterative balancing act between psychometric properties and content validity. For construct validity the focus lies on the fit of the measures with each other: the items should converge on a construct (convergent validity) but the constructs should diverge from each other (discriminant validity). An exploratory factor analysis (EFA) was performed on a data set to identify sub-latent constructs using the Varimax rotation technique.

Step 3: Scale Evaluation

In step three, the scale was tested using a sample of 670 TOYOTA owners living in Egypt. The content validity of the items used to measure the constructs was satisfactory. The original conceptualisation of the constructs was still fully reflected in the variables that loaded highly (>0.5) on the factors (sub-constructs):

Functional Benefits

Questions/Items	Functional Benefits			
	Performance	Value for Money	Comfort Interior Quality	Best Option
My car is not very stable in sharp turns	0.755			
My car is not the best value	0.687			
My car has better acceleration	0.674			
My car does not vibrate at high speeds	0.666			
My car was a very good deal		0.859		
I shopped around first		0.760		
Cost of owning my car in the long run is excellent		0.675		
Accessories to make me comfortable			0.737	
Passengers feel comfortable			0.735	
Everything is placed conveniently and logically			0.678	
Best fuel consumption				0.750
Car A/C				0.722
Inhalatory comfortable				0.508

Process Benefits

Questions/Items	Process Benefits			
	Extra mile	Determinants of Quality	Save Time & Efforts	Prompt Service
Give me a lift after leaving my car	0.675			
Emergency help on the road	0.655			
Call a hotline	0.589			
Service centre always follows up	0.540			
Service centres are equipped		0.756		
Staff are well trained		0.700		
I get straight answers		0.545		
Did not have to wait to be served			0.720	
Enough Parking			0.658	
Service centre gives accurate appointments			0.623	
Treated in a professional way				0.690
Complaints were handled effectively				0.659
Served promptly in the service centre				0.583

Relationship Benefits

Questions/Items	Relationship Benefits	
	Personalized Service	Common Level of Service
Friendly service above average	0.760	
I always get special offers	0.695	
Developed a personal relationship	0.694	
Everyone knows me personally	0.690	
Do not need to know a manager	0.635	
Did not know anyone at the agency		0.967

Overall Satisfaction

Questions/Items	Overall Satisfaction	
	Over all Aspect of Service	Delighted Customers
Service centre staff are professional	0.744	
I am proud of owning my car	0.681	
Agent makes sure its customers satisfied	0.633	
Treatment exceeded my expectations	0.595	
Love driving my car on highways	0.567	
Family members are satisfied	0.521	
Friends were impressed		0.830

Loyalty

Questions/Items	Loyalty	
	Effect of Word of Month	Repurchase Decision
Strongly recommend this car	0.776	
I would buy the same car again	0.757	
That my spouse liked	0.657	
Upon recommendation from a friend	0.575	
Buy from a different dealer		0.745
Switch brands due to bad service		0.669
Next car will never be the same brand		0.657
Buy a car with much better options		0.520

5. Conclusion

Based on the qualitative approach, we confirm accepting the first proposition that there are other drivers affecting the customers purchasing behaviour, and we named them: process-related attributes and relationship attributes.

Based on the factor analysis, the measurement scale does include objective and subjective factors as described in detailed in previous page.

5.1 Implication for rational strategies

This study contributes to the existing body of knowledge about relationship marketing. It provides a multi-benefit framework that identifies the different benefits which may contribute to customers' satisfaction level. In addition to functional benefits, clients experience a range of nonfunctional benefits, whether related to process/services or to their relationship with the agent. The ability to measure these perceived benefits offers researchers an opportunity to theoretically study the behavioral impact of such benefits on satisfaction, loyalty and finally profitability.

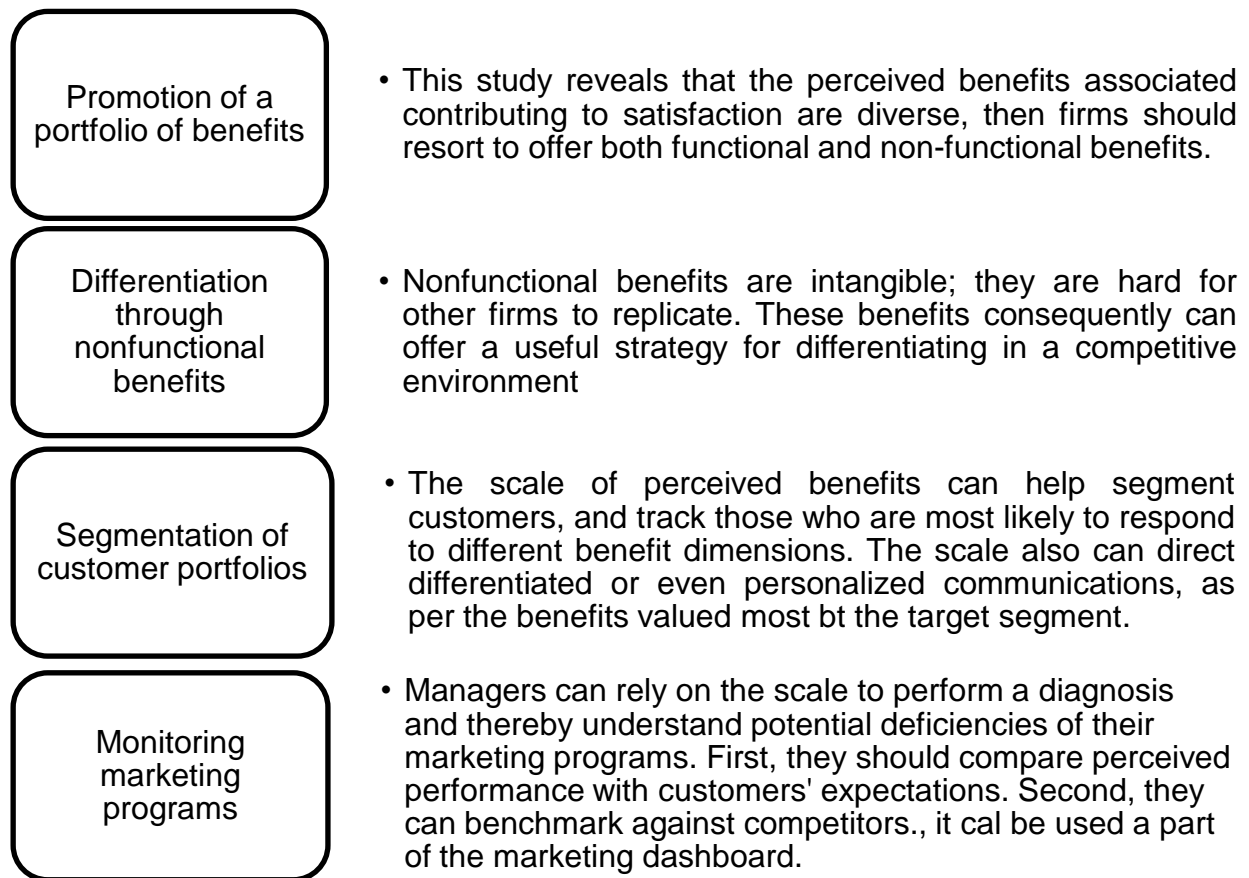
We believe that developing an effective tool for measuring customer perceived value would be a substantial addition to the service evaluation literature. From a professional point of view, perceived value measurement will have major implications for marketers as it offers them a major source of competitive advantage, and a proficient tool to help them hone their strategies.

This study empirically tested the dimensions that affected the satisfaction in Egyptian car market. The tools that were commonly used did not include all attributes that we thought must be included. The content validity of scales needs more attention; as the items of the scales might differ across cultures and products under study. This is specifically relevant to the service and relationship dimensions of the measurement tool that might have failed to explain to the decision makers what customers' value most.

A better understanding of the customer perceived value, and paying enough attention to its measurement will enable marketers improve their marketing practices.

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From a managerial point of view, the contributions of the proposed scale for developing relational strategies are as follows:



5.2 Limitations and directions for further research

The sample features deserve caution before generalizing the results beyond the population studied and require replications.

Further research might extend this study to include other benefits that was not covered in this study such as the effect of loyalty programs or any other moderating variables. Moreover, this study focuses on the perceived benefits, yet perceived value comprises benefits as well as costs.

Another limitation of this study relates to the one product (and even one brand) used all through the research. Therefore, further research must establish nomological validity across different product and service categories. Further application could include different industries that do not resemble the automotive industry.

Additional research also might establish the antecedents and consequences of the various benefits on profitability.

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The proposed scale should motivate additional research aimed at providing helpful insights into the effectiveness of marketing programs a key output of every marketing department.

Apart from replication and extensions, a more fundamental shift of research perspective is possible. Many of the limitations to this research can be attributed to the research technique used. Identifying the relationship between functional benefits and other nonfunctional benefits remains a challenge, that the researchers intent to explore. The researcher will test the interrelation between these constructs using Confirmatory Factory Analysis done through deploying Partial Least Squares (PLS).

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