STUDY OF INFLUENCE OF SUSTAINABLE MARKETING PRACTICES ON CUSTOMER RETENTION AND CUSTOMER VALUE

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Abstract

Firms today have a growing interest in sustainability as an aspect of business performance other than financial goals. Various factors (including societal mandates incorporated into regulations, concern about loss of sales and a potential decline in corporate reputation) pressure companies into implementing proper systems for managing sustainability (e.g. Lee, 2012).Sustainable marketing, as noted by numerous academics and practitioners, refers to a form of marketing that makes a net positive contribution to society in terms of environmental, social and economic developments. Firms' interest in sustainability as an aspect of business performance other than financial goals has steadily increased. Sustainable marketing affect perceived value and loyalty of the customer. Customer value is "the fundamental basis for all marketing activity" (Holbrook, 1994, p. 22). And high value is one primary motivation for customer patronage. Customer loyalty has been viewed by some researchers as a specific desire to continue a relationship with a service provider (Czepiel & Gilmore, 1987). This study Conclude that there is significant positive effect of the perceived marketing sustainability on the perceived value as well as on customer loyalty.

Keywords: Perceived Marketing Sustainability, Perceived Customer Value, Customer Loyalty, Structural Equation Modeling (SEM)

1) Introduction

Firms today have a growing interest in sustainability as an aspect of business performance other than financial goals. Various factors (including societal mandates incorporated into regulations, concern about loss of sales and a potential decline in corporate reputation) pressure companies into implementing proper systems for managing sustainability (e.g. Lee, 2012). Sustainable business practices are one of the most important factors driving brand loyalty today. That's because your customers feel a kind of stewardship regarding the environment. As of 2011, 93% of customers believe that they have a personal responsibility to take care of the environment and nearly 70% are willing to pay more for products they consider green. Going green is now an economic strategy (Annajo, 2016).

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Sustainable marketing, as noted by academics and practitioners, refers to a form of marketing that makes a net positive contribution to society in terms of environmental, social and economic developments (Garcı́a-Rosell & Moisander, 2008; Jamrozy, 2007). Sustainability in marketing has been investigated from three research perspectives: corporate sustainability management (Lee, 2012; Lee & Saen, 2012) and sustainable competitive advantages (Kim, Jeon, Jung, Lu, & Jones, 2011) have been examined from an economic perspective; green marketing and environmental sustainability (Leonidou, Katsikeas, & Morgan, 2012) have been studied from an environmental perspective; and recent developments in the formulation of a theoretical marketing framework draw upon sustainable marketing and social marketing studies.

Customer's behavior concerning keeping a relation with an organization through buying its product or services can be interpreted as customer loyalty (Behara et al., 2002; Singh and Sirdeshmukh, 2000). Loyalty can also be defined as an extremely kept decision to re-buy or be a patron of a selected product or service in the future (Oliver, 1997). Customer loyalty emerges through the customer perceived value. Zeithaml (1988, p 14) has suggested that perceived value can be regarded as a "consumer's overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given."

This study tries to establish relationship between perceived marketing sustainability, perceived value and customer loyalty using Partial Least square structure equation modeling.

2) Literature Review

Research has shown that companies which adopt, implement and communicate adequate sustainability policies and, inherently, improve their actual and perceived corporate sustainability, become better at attracting and retaining employees (Kim & Park, 2011; Story et al., 2016), as well as at creating and maintaining long-term relationships with their customers and other primary stakeholder categories (Fatma & Rahman, 2015; Peloza & Shang, 2011; Sen & Bhattacharya, 2001).

Environmental issues has been a major concern for the most advanced companies that have allowed them to control efficiently the depletion of natural resources through the adoption of new management practices (Sheth & Parvatiyar, 1995). Firm's responsibility towards environmental issues has been conceptualized and concepts like green marketing or environmental marketing has been brought into academia (Fuller, 1999: Nayak B. 2020).

Herbig et al (1993) refers green marketing as the products and packages that are less toxic, extra durable contain materials that are reusable and recyclable.

Hur, W., Kim, Y. and Park, K. (2013) concluded that perceived social, emotional, and functional values have a significant positive effect on customer satisfaction with respect to green innovation. Further, customer satisfaction leads to customer loyalty, while lowering price consciousness. Many researchers confirmed the importance of the perceived value by empirically showing its direct effect on consumer willingness to purchase (Dodds and Monroe,

1985). Dube and Renaghan (2000) reported that one of the key considerations that organizations must take in order to retain and satisfy their customers is the creation of added values for them. In today's competitive marketing environment, delivering superior customer value has certainly become one of the core marketing strategies for several brands (Hansen, Samuelsen and Silseth, 2008); this is because greater customer values enhance customer satisfaction and brand loyalty; which as a result enable organizations to generate higher profit margins due to high sales volumes that results from customers' repurchase behaviour and positive word of mouth (Liu, Petruzzi and Sudharshan, 2007).

Relationship of Green Product conception to Customer Satisfaction unraveled in Boztepe's (2012) study which explains that one of the green marketing elements that is green products affects customer satisfaction. This statement is reinforced by the results of Yazdanifard et al. (2011) research which explains that Green Product has a positive impact on increasing customer satisfaction. According to Bukhari (2011) Green Product has an impact on customer purchase satisfaction and company can get competitive advantage if the company adopts green product concept. The Green Product indicators have been proposed by Dangelico (2010) namely: Recycling products, reusable products, resource efficiency, and avoiding harmful materials.

Previous study has been done on various concept of sustainable development and green product but very few has been carried out on the sustainable marketing which become essential part of today's marketing activity. This study tries to find out the effect of the perceived sustainable marketing on the perceived value and customer loyalty.

3) Research Objectives

1) To understand role of Economic, Social and Environmental Sustainability in development of Perceived Marketing Sustainability
2) To Identify relationship between Perceived Marketing Sustainability and Perceived Value to customer
3) To Identify relationship between Perceived Marketing Sustainability and Customer Loyalty
4) To evaluate strength of relationship between Perceived Customer Value and Customer Loyalty.

4) Hypothesis Development

H01 = There is no Significant Influence of Perceived Marketing Sustainability on Perceived Customer Value

H02= There is no Significant Influence of Perceived Marketing Sustainability on Customer Loyalty

H03= There is no Significant Influence of Perceived Customer Value on Customer Loyalty

5) Research Methodology

In this present research paper Smart PLS software is employed which allows simultaneous estimation and testing of the relationships of different latent variables. In PLS SEM causal processes are given by a series of structural equations which can be simulated graphically to aid in conceptualizing a theoretical framework (Byrne, 2001). Perceived marketing sustainability scale was adopted from the Juran Kim et al. (2015). Perceived marketing sustainability was measured through 14 items on Five point Likert scale. Single cross sectional research design was used for the study . Non probability convenience sampling techniques was used to choose the sample units. 427 Customer of the FMCG products was taken as the final sample size.

6) Measurement Model
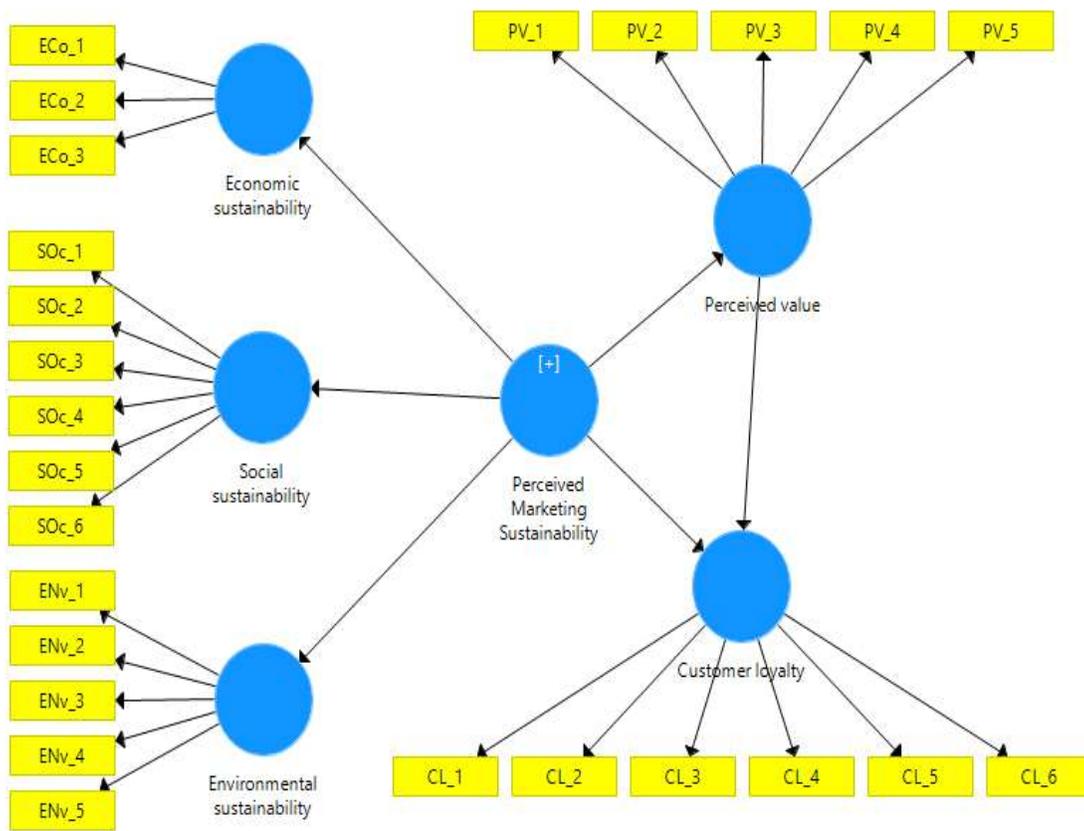
Figure 1 Measurement Model

The measurement model consists of six latent variables and 25 indicators, whereby each relationship between constructs and indicators that is represented in the model is specified a prior from past literature. Five latent variables are first order and one latent variable is second order in nature.

The first set of three indicators corresponds with the economic sustainability; next six indicators measure the social sustainability and next set of 5 indicators measure the environmental sustainability. Perceived value is measure through the five indicators and customer loyalty measure is through six indicators. Perceived marketing sustainability is the second order latent variables which measured through economic sustainability, social sustainability and environmental sustainability.

7) Reliability and Validity

The item loadings of the reflective constructs are used to check the reliability validity of the measurement models. Reliability and validity is the most important aspect of the model testing. In confirmatory factor analysis, convergent validity is apparent when there is a high degree of shared common variance among the indicators of a construct (Hair et al. 115 2010). The factor loading of the each indicator in the model is used to determine the convergent validity. The ideal cut off value of the factor loading is 0.7, but 0.5 also provides the sufficient evidence of the convergent validity.

Table 1

Item	Standardized Factor Loading	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
CL_1	0.874	0.911	0.931	0.696
CL_2	0.887			
CL_3	0.907			
CL_4	0.885			
CL_5	0.719			
CL_6	0.708			
ECo_1	0.916	0.885	0.929	0.813
ECo_2	0.904			
ECo_3	0.885			
ENv_1	0.850	0.901	0.927	0.717
ENv_2	0.838			
ENv_3	0.859			
ENv_4	0.853			
ENv_5	0.835			
PV_1	0.900	0.951	0.962	0.837
PV_2	0.936			
PV_3	0.927			
PV_4	0.929			
PV_5	0.880			
SOc_1	0.827	0.921	0.938	0.716

SOc_2	0.859			
SOc_3	0.863			
SOc_4	0.855			
SOc_5	0.820			
SOc_6	0.853			

The factors loading for the each scale are shown in table 1 .The minimum factor loading is 0.708 which is higher than the minimum value and significant. All the factors loading are above the cut off value which indicates the acceptable degree of convergent validity. Even though the factor loading provides the strong supports for the convergent validity, two additional assessments AVE and CR are conducted to provide the further evidence. The composite reliability above 0.7 and AVE above 0.5 indicate the good indicators and above 0.6 indicate Convergent validity of the model (Hulland 1999). Minimum composite reliability is 0.927 and minimum value of AVE is 0.696 which are above the standard cut of point. Cronbach's alphas indicate the reliability of the model and it varies between 0.885 to 0.951 and it is also above the standard value 0.7.

Discriminant validity refers to the degree in which a construct being measured in the study is not similarly measured under a different construct and is therefore unique from other constructs. To provide evidence of this type of validity, researchers typically conduct a comparison of squared values of the estimated correlations between the constructs and the average variance extracted (AVE) from each construct. If the variable's AVE value is higher than the square of the estimated correlation between it and another variable, then there is evidence to support an acceptable degree of Discriminant validity between these variables.
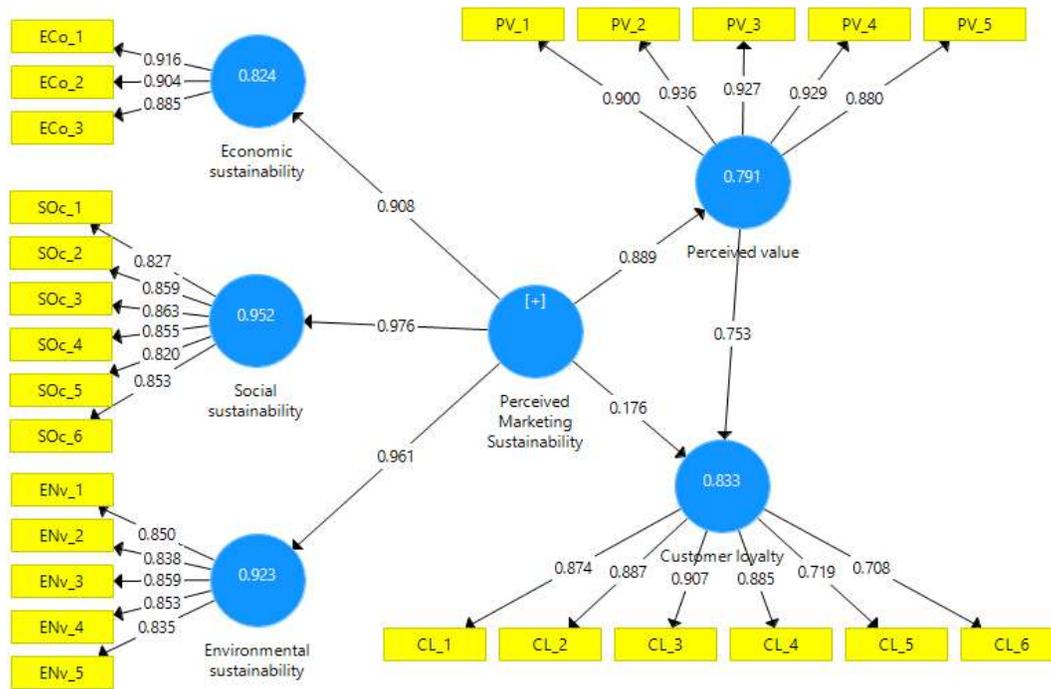
Table 2

Fornell-Larcker Criterion			
	Customer loyalty	Perceived Marketing Sustainability	Perceived value
Customer loyalty	**0.834**		
Perceived Marketing Sustainability	0.745	**0.82**	
Perceived value	0.809	0.789	**0.915**

Overall, model has the good reliability, convergent validity and discriminate validity.

8) Path Analysis

A structural model has been estimated in order to examine the relationship between Perceived Marketing Sustainability, Perceived value and Customer loyalty. Path model indicate that Perceived Marketing Sustainability make influence on the perceived value and customer loyalty. Perceived value makes influence on the customer loyalty. Perceived Marketing

Sustainability has the positive impact on the perceived value and customer loyalty and perceived value also have the positive impact on the customer loyalty. R square of customer loyalty is 0.833 which indicate that perceived value and Perceived Marketing Sustainability explain 83.3% of the variance in the customer loyalty where R square of the perceived value is 0.791 which indicate that Perceived Marketing Sustainability explain 79.1% variance in the perceived value.
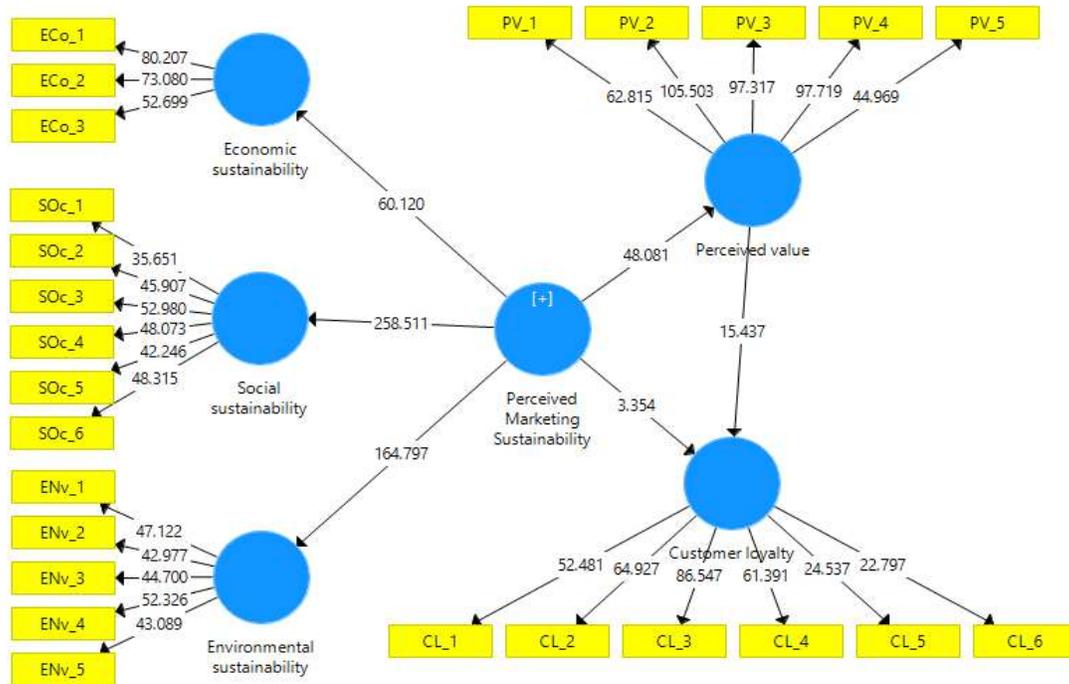

Figure 2

Standardized beta value of Perceived Marketing Sustainability to perceived value is 0.889 which indicate that Perceived Marketing Sustainability has the positive and significant impact on the perceived value where standardized beta value of Perceived Marketing Sustainability to loyalty is 0.176 which indicate that impact of Perceived Marketing Sustainability on customer loyalty is significant but impact is not much significant. Impact of the perceived value on the customer loyalty is positive and significant as the beta value is 0.753.

9) Bootstrapping

PLS-SEM does not presume that the data are normally distributed. Consequently, PLS applies nonparametric, which involves repeated random sampling with replacement from the original sample to create a bootstrap sample, to obtain standard errors for hypothesis testing. The process assumes that the sample distribution is a reasonable representation of the intended population distribution. The bootstrap sample enables the estimated coefficients in PLS-SEM to be tested for their significance (Henseler, Ringle, and Sinkovics 2009).

Figure 3   Bootstrapping

Figure 3 provides the t statistics for the causal relationship. All the t values are greater than 1.96 as well as 2.33 which indicate that all the three causal relationship are statistically significant at 5% as well as 1% level of the significant.
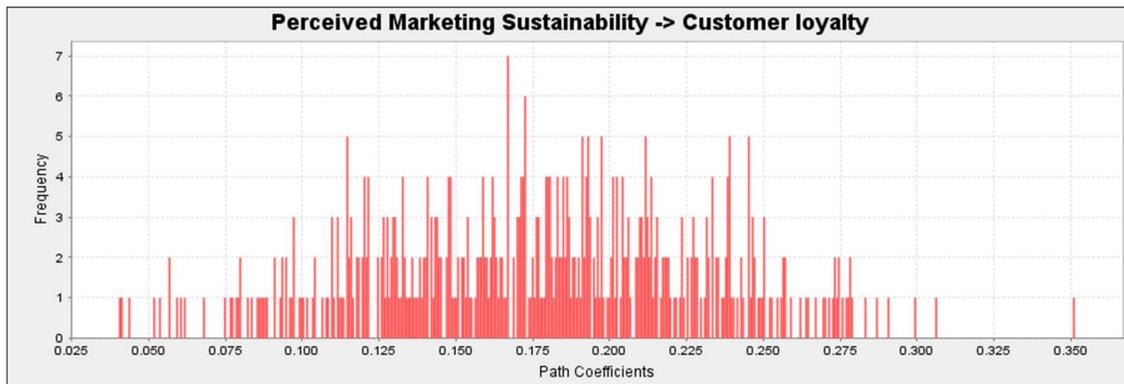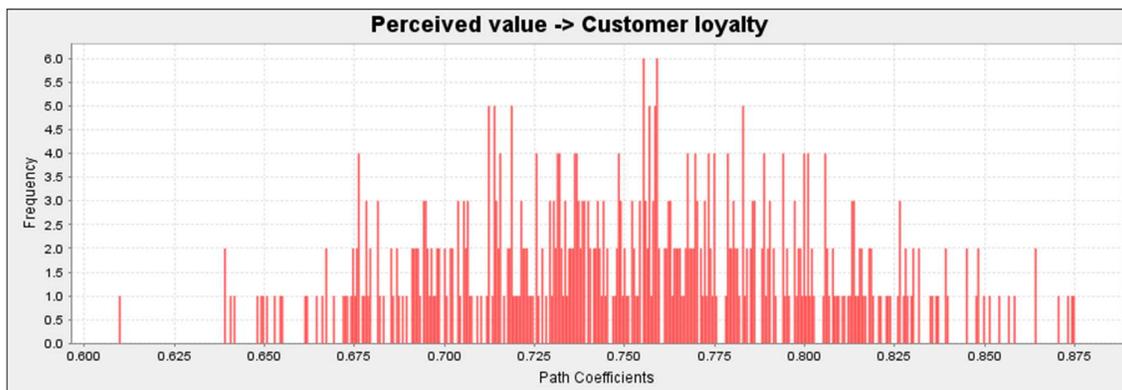

Figure 4 Standardized beta weight of perceived marketing sustainability on the customer loyalty

Standardized beta weight of perceived marketing sustainability on the customer loyalty of all the 500 sub samples groups are show in the above graph. Graph indicate that Standardized beta weight mostly varies between 0.10 to 0.260 with the representative value of 0.176.
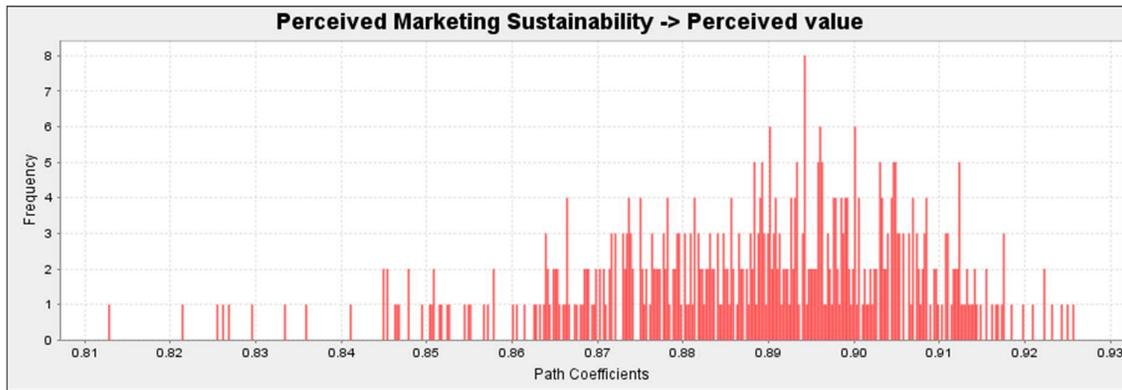
Figure 5   Standardized beta weight of perceived marketing sustainability on the Perceived value

Standardized beta weight of perceived marketing sustainability on the Perceived value of all the 500 sub samples groups are show in the above graph. Graph indicate that Standardized beta weight mostly varies between 0.87 to 0.92 with the representative value of 0.889.

Figure 5 Standardized beta weight of Perceived value on the customer loyalty

Standardized beta weight of Perceived value on the customer loyalty of all the 500 sub samples groups are show in the above graph. Graph indicates that Standardized beta weight mostly varies between 0.675 to 0.825 with the representative value of 0.753.

9) Conclusion

Based on the below mentioned summary of results of Hypothesis testing we can conclude results related to impact of Perceived Marketing sustainability on various dependent variables like Perceived Customer value and Customer Loyalty.

Bootstrapping of Regression Weights		
	t- statistics	**Acceptance/Rejection of Hypothesis**
Perceived Marketing → Sustainability Perceived Customer Value	48.081	**Rejected**
Perceived Marketing → Sustainability Customer Loyalty	3.354	**Rejected**
Perceived Customer Value → Customer Loyalty	15.437	**Rejected**

Awareness regarding Sustainable development is increased and it is becoming more important as now people are more concerned about their environment and becoming more socially responsible. The objective of sustainable development is to satisfy the needs and desires of the customers and keep the company responsible in maintaining long-term social and environmental gains. Sustainable marketing also become important aspect in today's world. Customers are also giving preference to the product or services which are taking care of the environment. This paper also discusses the inline of the same and concludes that perceived marketing sustainability provide the value to the customer which lead to the customer loyalty. Impact of the marketing sustainability on the customer loyalty also found significant. Marketer and company have to focus on sustainability marketing strategies to retain their existing customer as well as to attract new customers. This paper has taken perceived value and customer loyalty as the study variables, future study may carried out taking other factors like customer satisfaction, product type, corporate credibility etc.

10) Managerial Implications

Based on the conclusion and findings of the study, it can be said that in contemporary business environment sustainable development should be the core focus for framing business strategies. Organisations now days should indulge into intensive research activities to come out with innovative and eco-friendly products and services. Organisations should not only focus on green marketing but also aimed at green operations and other functions of the business. One of the important areas is to position their corporate image as an environment friendly organisation. Companies should concentrate more on business strategies that will lead to sustainable social development and economic development not by irresponsibly wasting resources but by making optimal use of resources in responsible way. Communicating such sustainable business strategies to the customer will lead to development of Perceived value and Customer loyalty.

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