

THE INFLUENCE OF PRODUCT DIFFERENTIATION ON CUSTOMER LOYALTY AND BRAND EQUITY

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Abstract

Product differentiation is the specific way that one organization's products can be identified from another organization's products or services in a business. This helps in adding dedicated customers and generate brand equity. The purpose of this study is to understand and assess how product differentiation influences customer loyalty and brand equity. Sample size was 127. Data were gathered through a structured questionnaire and analyzed through correlation and regression analysis to test the subsisting relationship between the variables of the study. It was concluded that product differentiation has positive and direct relationship with customer loyalty and brand equity.

Keywords: Product Differentiation, Customer Loyalty and Brand Equity.

INTRODUCTION

Edward Chamberlin introduced the conception of product differentiation in 1933. Product differentiation can be exercised as a strategic marketing plan. Product differentiation refers to make a company's product different from the comparable products of the competitions. According to Philip Kotler, differentiation is the act of designing a set of meaningful differences to distinguish the company's sacrifices (i.e., products) from competitors' offerings. A differentiated product is unique by itself. Now markets are crowded with marketers and customers to have too numerous choices. In present's heavily crowded demand where further number of products from large number of companies or brands is available for the customers, it would not be possible for a marketer to demand his product so easy, unless and until the target customer knows what they have to buy and from where, at a reasonable price. This is where product differentiation comes to the deliverance of the marketer.

Customers have reasons to make a repeat purchase and to be faithful to the company. The commitment itself is "the result of constant investment in the customer" (Malaval, 2001, p. 98), Hu (2011) and Chen and Myagmarsuren (2011), in their investigation, suggest that brand equity is one of the reasons why customers get faithful. Brand equity has get the reflection of customer loyalty and it shows "their goodness to pay a distinction price for the brand and/or goodwill to continue to buy" (Ambler, 2008, p. 416).

LITERATURE REVIEW

Product Differentiation and Brand Equity

Nedka and Mariana (2015) studied the opportunities for increasing brand equity by applying the concept of product differentiation. The main objective of the paper was a theoretical systematization of the possibilities for adding brand equity by applying the conception of product differentiation. The study concluded that to produce a sustainable competitive advantage, a brand and its products must be well distinguished, and marketing must reflect and enhance that differentiation. Brands with well distinguished products set the trends for their category or transcend it; they act other and stand out from their competition.

Dalia and Ilham (2015) studied the impact of marketing efforts on Brand Equity: A case of samsung brand in Sudan examination. The sample size of the study was 368. The methodology used in study was multiple regression. The study concluded that marketing works have a significant effect on perceived quality and brand loyalty; whereas marketing conditioning have partial significant effect on brand image and brand awareness. The study results also show that all the marketing-mix works except advertising spending affect the overall value of brand equity.

Shahram, et al. (2011) studied impact of selected marketing elements on strategic brand management for improving brand equity. The sample size of study was 424. The methodology used was structural equations modeling. The study concluded that different marketing mix elements impact the creation of brand equity with different situations of intensity, as well as that some elements of marketing mix can negatively affect the creation of brand equity. Likewise, the exploration results indicate that directors, in their efforts to build the equity of the brands they are managing, should primarily concentrate on the creation of brand awareness and a positive brand image.

H1: Product differentiation is significantly and positively related to brand equity.

Product Differentiation and Customer Loyalty

John et al. (2020) examined the effect of brand image and product differences on customer loyalty: a case iPhone users in private university. This investigation aimed to know the influence of brand image and product differentiation to customer's loyalty of iPhone. The sample size of the study was 100. The analysis followed was simoultant test. The study results shows that product differentiation has a positive effect on iPhone customer loyalty and this can be done through form, features, adaptations, performance quality, conformity quality, continuity, trustability, easy to repair, style and design. The study concluded that brand image and product differentiation affect iPhone customer loyalty at pupil of private university, where the higher brand image and product differentiation can increase consumer loyalty in a company.

AuliaDanibrata (2019) studied enhancing customer loyalty through product quality, brand commitment, and brand trust. Study was done with sample size of 100. The purpose of this exploration was to increase and consolidate customer loyalty through the performance of strategies to enhance product quality, consolidate brand commitment, and stone brand trust

from customers, which in turn is anticipated to increase gains and company profits. The analysis methodology used was regression analysis and t- test. The study concluded that to increase customer loyalty, companies must be able to suitable to apply good quality products. Additionally the study recommended that there are several elements of product quality factors that can be applied similar as performance, features, trustability, conformance, continuity, utility, aesthetics, and perceived quality to increase customer loyalty.

Zhenjie et al. (2019) studied the intermediary effect of customer loyalty on the relationship between differentiation and pricing power of online retailers. The investigation sample was 314 responders. Structural equation modeling (SEM) is employed to test the hypothesized connections between differentiation, customer loyalty, and pricing power. The statistical results of the empirical data indicate that some of the differentiation characteristics of online retailers can cultivate their pricing power laterally. The results show that online retailers using discriminated competition styles have further pricing power than other retailers.

H2: Product differentiation is significantly and positively related to customer loyalty.

Customer Loyalty and Brand Equity

Desta (2019) studied an examination on the relationship between brand equity and customer loyalty: The case of Zemen Bank S.C. Simple arbitrary sampling system was used to test branches. The investigator proportionally distributed 384 questionnaires to clients of the three named branches and 303 of the questionnaires were returned, properly filled. The questionnaires were deconstructed using SPSS interpretation 20. Pearson Correlation and multiple regressions were used to establish the relationship between the independent and dependent constructs of the exploration. The findings revealed that the four independent variables (i.e. Customer Experience with company, External Brand messages, Company's Presented Brand and Brand Attention) are statistically important determinants of customer loyalty in Zemen Bank whereas Brand Meaning had no impact on customer loyalty of the bank. But has a strong positive relationship with customer loyalty. The study concluded that the factor impacting customer loyalty have been established, the bank have to note these and emphasize them in their marketing strategy.

Doni (2007) examined the analysis of brand equity to customer loyalty of computer microship processor: The case study of AMD and Intel. The sample size of the study was 100. Validity, Reliability, t-test used to analyse the data. The results of the study show that brand equity has a significant relationship toward customer loyalty in both AMD and Intel brand. The study concluded that consumers were less considering responsibility variable when they intend to become loyal to the processor product.

Yuanwei and Supasit (2018) taken over the influence of service quality and brand equity on customer loyalty to 5 star inns in the Yunnan province of china. A total of 796 questionnaires were collected from 5 stars inns' clients in the Yunnan business of China and statistically deconstructed with SEM styles by SmartPls 3.0. The results of the study demonstrate that service quality has a positive effect on customer satisfaction and loyalty; brand equity has a

positive effect on customer satisfaction and loyalty; and customer satisfaction has a positive effect on customer loyalty. Meanwhile, service quality and brand equity directly and indirectly affect customer loyalty through intermediates customer satisfaction.

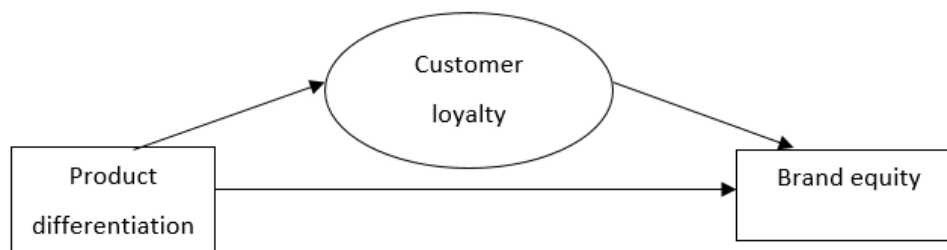
H3a: Customer Loyalty will be positively and significantly related with brand equity.

H3b: Customer Loyalty has positive mediating effect on the relationship between product differentiation and customer loyalty.

Despite the significance attributed to generalisations, Product differentiation, Customer loyalty and brand equity, little is known about the relationship between them. Only some studies published their relationship especially, Customer loyalty is studied as concequent of Brand equity. (Desta 2019). But in the present study, investigators studying Customer loyalty, as causing factor and intermediating variable of Product differentiation and Brand equity.

CONCEPTUAL FRAMEWORK OF THE STUDY

The present study is aimed to probe the influence of Product differentiation on Customer loyalty and brand equity. Product differentiation is independent variable and Customer loyalty is mediating variable and brand equity is dependent variable in this study.



METHODOLOGY

A. Participants

Sample for the study are laptop stoners of Trichirapalli city. We distributed the questionnaire to 150 laptop stoners and admittedd 127 as participants (85 % return rate). Participants were asked to complete the questionnaire through Google forms. 49.8% of participants were male and 50.2% were female. It showed the balance between male &female in the opted sample. Dominant age group is between over 31 – 40 years. 54.8% participant’s chosen are married. The dominant range for education is graduate. 53.38% of respondents are from combined families.

B. Data Analysis

Pearson's correlation and regression analysis were used to deconstruct the association between product differentiation, customer loyalty and brand equity. The confidence position is calculated using the SPSS program.

C. Measurement

A questionnaire conformed of total 62 details (31 details for organizational product differentiation, 12 details for customer loyalty, 19 details for brand equity) used to collect the data. Each item has 5 choices of answers predicated on Likert's scale option from 1 - strongly agree, 2 - agree, 3- Neutral, 4 – disagree, and 5 - strongly disagree.

D. Results

Table 1: Mean, Standard Deviation, Correlation

VARIABLE	MEAN	SD	PD	CL	BE
PD	1.68	0.677	1		
CL	1.76	0.761	.253**	1	
BE	1.9	0.853	0.164	.354**	1

Note: Acronyms : SD-Standard Deviation, PD-Product Differentiation, CL-Customer Loyalty, BE-Brand Equity

Table 2: Regression Analysis

Independent Variable	Dependent Variable					
	Brand equity			Customer Loyalty		
	(β)	Sig	R2	(β)	Sig	R2
Product differentiation	0.401	0.000	0.161	0.444	0.000	0.192
Customer Loyalty	0.354	0.000	0.125			
Product differentiation & Customer Loyalty	0.646	0.40	0.128			

Correlation between Predictors, Mediators and Outcomes

Table-I reports Mean, Standard Deviation and Pearson Correlation between studied variables. It shows tha Product differentiation has positive correlation with Customer loyalty (0.253, $p < 0.001$), in the same way Product differentiation is positively correlated with dependent variable Brand equity (0.164, $p < 0.001$). Mediating variable Customer Loyalty behavior demonstrated a positive correlation with dependant variable job satisfaction (0.354, $p < 0.001$).

Regression Analysis

Table- II shows the results of Regression Analysis. The results indicated that Product differentiation has positive impact on Brand equity ($\beta = .401, p < 0.001$), thus accepting Hypothesis 1 that Product differentiation is positively and significantly related with brand equity.

The relationship of Product differentiation with Customer Loyalty is also significant ($\beta = .444$, $p < 0.001$), thus accepting Hypothesis 2 (i.e.,) Product differentiation is significantly and positively related with Customer Loyalty.

Regression Analysis further to point that Customer Loyalty has positive impact on brand equity ($\beta = .354$, $p < 0.001$), hence proving Hypothesis 3a that Customer Loyalty has positive and significant impact on Brand equity

Finally the results of Regression Analysis showed the strong relationship between Product differentiation and Brand equity ($\beta = 0.646$, $p < 0.001$) accepting Hypothesis 3b that, Customer Loyalty will mediate the relationship between product differentiation and brand equity.

DISCUSSIONS

In this study it is observed that hypothesis of all direct relationships are supported by findings. Product differentiation has positive and significant impact on brand equity, which indicated that when customers are communicated well about the product differentiation features, it will create brand equity. These findings are in congenial with studies of jalal hanaysha and Haim Hilman (2015) that product differentiation has significant positive impact on Brand equity.

Results also supported that Product differentiation has positive impact on Customer Loyalty. By understanding the level of customer loyalty, the company will be able to get a picture of the customer so that it can facilitate the feeling of designing the right marketing products for their customers. These results are going with Muhammad et al (2023) that Product differentiation is positively related with Customer loyalty.

Hypothesis also supported the findings that customer loyalty has a positive relationship with brand equity. It is observed that loyal customers will continue to purchase and support the brand. Furthermore, they will create a good attitude and feeling because it is difficult to imagine disappointed customers having a positive attitude toward the companies. Sahassa (2006) supports the findings of the study he argued that product differentiation effects Customer loyalty and which in turn influence brand equity.

Managerial Implications

This study provides valuable implications for marketing staff. As this study stresses the importance of product differentiation and its influence on customer loyalty and brand equity. Marketing people must concentrate on developing Product differentiation strategies that must successfully make loyal customers and it will lead to brand equity. From this study it can be understood that, how important is product differentiation in getting desired marketing output that is loyalty customers and brand equity.

Limitations and Recommendations for Future Research

There are four limitations that need to be addressed in this study. Firstly, the methodology employed to test for mediation essentially that based on which important assumptions about the direction of the relationships between the variables under study. Though the data supports this study, more research will be desired to confirm a causal relationship. Secondly, this study

was focused on Tiruchirappalli district and additional research is necessary to generalize the relationship between variables to other areas. Thirdly, population of this study represented a fairly homogeneous group of individuals in terms of both cultural and ethnic diversity, in this case additional research is needed to determine if the findings can be generalized to across cultural and racial boundaries. Finally, the sample size for this study was relatively small (n = 127); future, large-scale research will be instrumental in determining whether these findings can be replicated. To conclude, this research has solely examined the relationship of Product differentiation to brand equity, on the one hand, and customer loyalty, on the other.

CONCLUSIONS

Product differentiation and brand equity have a positive and significant impact on customer loyalty, according to the findings. We did not investigate the dimensions of customer loyalty in depth. Product differentiation has a good relationship with brand equity and customer loyalty, brand equity has a positive relationship with customer loyalty, according to the study. In this situation, brand equity mediated the relationship between product differentiation and customer loyalty according to the findings. This study concludes that when organizations work on the differentiation of their products, such companies will be built a strong customer base that would prefer their products/services and it will lead to a brand equity. Thus the study is concluded that a Product differentiation trait has significant relationship with customer loyalty and brand equity.

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