# A mediating influence on customer loyalty: The role of perceived value

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**ABSTRACT**

Loyal customers provide firms a consistent source of revenue (repeat and increased purchases) and for cost reduction (less promotional expenses) that leads to increased profits. Customer loyalty is the result of successful marketing strategy in competitive markets that creates value for consumers. This study examines the mediating role of consumer perceived value in the marketing strategy-customer loyalty relationship. A theoretical framework is established that is supported by empirical evidence. Based on the literature, the findings indicate an inconsistent measure for perceived value that does not fully explain its mediating role. The conclusion is to be valid perceived value should be measured by specific non-monetary scale items.

Keywords: Customer loyalty, perceived value, marketing strategy

## INTRODUCTION

Customer loyalty plays an important, if not a critical role in an organization's success. Loyal customers provide firms a consistent source of revenue (repeat and increased purchases) and for cost reduction (less promotional expenses), thus increasing profitability. Reichheld and Sasser (1990) find that loyal customers are willing to (1) re-buy products despite the fact that there are attractive competitive alternatives to cause switching, (2) spend money on trying products across the firm's product line offerings, (3) recommend the firm's goods or services to other consumers, and (4) give the company sincere suggestions (feedback) as to their needs and expectations. The result of a successful customer loyalty strategy leads to customer retention. Depending on the industry, an improvement of 5 percent in customer retention leads to an increase of 25 percent to 85 percent in profits (Kerin, Hartley, & Rudelius, 2009; Reichheld & Sasser, 1990). Furthermore, firms spend more than five times as much to obtain a new customer than to retaining an existing one (Kotler & Keller, 2006; Wills, 2009).

In the marketplace, some businesses have been first movers and developed successful loyalty programs that initially gave them competitive advantages. However, they have become common in certain industries, e.g., airlines, hotels, in which such advantages have been lessened, or even lost. A recent airline market research study found wide disparity for available frequent flyer award seats – 99 percent for Southwest to 11 percent for US Airways (Perkins, 2010). Hence, the value of participating in one loyalty program, e.g., Southwest, is greater than another, e.g., US Airways, to maintain an advantage in a highly competitive industry. In the hospitality industry, hotels can increase the required points for a free room that deceases the value of a loyalty program, as Hilton has recently done (Elliott, 2010). As a result, Hilton now has a less competitive advantage for its customer loyalty program.

Harley-Davidson has developed a highly successful loyalty program that has lead to a unique culture – Harley Owners Group (HOG). However, General Motors (GM) Saturn car was established with similar cult-like following objectives as a "no- haggle price, focus on customer service and outreach with driver reunions and email newsletters (that) sparked strong brand loyalty" (Hemlock, 2009, p. 1D). GM made a decision to discontinue the brand due to lack of market share. The company has been unable to retain most Saturn owners to purchase another GM brand. Former Saturn owners have turned to the competitors, e.g., Toyota, Ford (Hemlock, 2009) as an indication of a weak loyalty program. In the electronics retail market, as major competition from Wal-Mart and Amazon increases, market leader Best Buy has targeted a segment and is developing a loyalty program to retain and attract female shoppers (Bustillo & Lloyd, 2009). The firm has about 22 percent of the consumer electronics market but only 16 percent of the sales are to women and just 31 percent of the employees are females. Much of Best Buy's current loyalty strategy centers on female shoppers needs, e.g., family and work demands. One such initiative is that local female groups "create a consumer-loyalty plan that (allows) women (in a local area) to donate loyalty points to schools" (Bustillo & Lloyd, 2009, p. B5).

Customer loyalty is the result of successful marketing strategy that creates competitive value for consumers, as Southwest Airlines and Harley-Davidson have been able to achieve. Research (Bloemer & Odekerken-Schröder, 2002; Reichheld & Sasser, 1990; Zeithaml, 1988) as well as marketplace experiences (Elliott, 2010; Perkins, 2010) have shown mixed or unique results as to what determine successful customer loyalty strategies. Therefore, the primary purpose of this research is to advance the understanding of customer loyalty by examining the literature and determining consumer perception of marketing strategy and customer value. Hence, what is the perceived value mediating influence resulting from marketing strategy on customer loyalty? This study presents a review of the literature, the theoretical framework with an analysis of the empirical literature to support this framework, and then a discussion and conclusion of the findings.

## LITERATURE REVIEW

While customer loyalty is challenging to achieve for marketers and to explain by researchers, it nevertheless continues to be a great importance and interest. In this study, the focus is on customer loyalty, and the antecedents of perceived value, and the marketing mix that creates the value. This relationship is supported in the theoretical literature (McCarthy, 1971; Oliver, 1997; Zeithaml, 1988), and has been tested in various empirical studies (Bloemer & Odekerken-Schröder, 2002; Cronin, Brady, & Hult, 2000; Yoo, Donthu, & Lee, 2000). However, studies have not been inclusive of all variables that better describes and explains the marketing strategy, perceived value, and customer loyalty relationship, as determined by, and proposed in this study.

### Theoretical Framework

Marketing exists because of unfulfilled needs and desires of people (Kotler, 2005). Thus, the objective of marketing strategy is to deliver value to customers as well as build a long-term and mutually profitability relationship with customers (Dick & Basu, 1994; Kanagal, 2009; Rust, Lemon, & Zeithaml, 2001). Marketing strategies that are successful require market analysis, e.g., competitors, consumers, and internal analysis, e.g., marketing mix, which leads to a competitive advantage, e.g., relationship building, loyalty programs (Kanagal, 2009). As such, the marketing mix is defined as "the mix of controllable marketing variables that the firm uses to pursue the desired level of sales in the target market" (Churchill & Peter, 1995, p. 16).

Developing a marketing mix requires two strategic steps. One is the selection of the target market. The second is the development of a marketing mix (the 4 Ps) strategy to fulfill the needs and wants of target customers in which the 4Ps (product, price, place, promotion) are integrated, interrelated and equally important (McCarthy, 1971). First of the marketing mix elements, products are either tangible (goods) or intangible (services) that includes services quality, service facilities, branding, packaging, standardization and grading (McCarthy, 1971). Second, price is defined as "any transaction in our modern economy can be thought of as an exchange of money – the money being the price – for something" (McCarthy, 1971, p. 596). Third, place matches "supply capabilities to the demands of the many target markets, moving goods wherever they are needed …. (and refers to) all the factors that go into providing the time, and place, and possession utilities needed to satisfy target customers" (McCarthy, 1971, p. 371). Fourth, "promotion is communication between seller and buyer" (McCarthy, 1971, p. 513) which includes advertising, personal selling, sales promotion, public relations, direct marketing, and various other forms of consumer communications (Kerin, et al., 2009).

Specific to marketing, strategies are based on segmenting, targeting, and positioning (Kotler & Keller, 2006). For decades, segmentation has been a marketing tool. Marketing activities require "precise utilization of both product differentiation and market segmentation as components of marketing strategy" (Smith, 1956, p. 7) in which the segment must be large enough to be profitable. Targeting is merely the selection of specific segment(s), e.g., gender and/or age in a demographic segment. Moreover, firms “must decide on a value proposition – on how it will create differentiated value for targeted segments and what position it wants to occupy in those segments” (Kotler & Armstrong, 2008, p. 203). Loyalty strategies, therefore, are created by having the suitable marketing mix – product, price, place, promotions (McCarthy, 1971) – and a value proposition (Kotler & Armstrong, 2008) to support (connected with) the target segments and to have the appropriate positioning in the minds of the targeted consumers in comparison to competitors (Kotler & Armstrong, 2008).

Customer perceived value is defined as “the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given” (Zeithaml, 1988, p. 14). Two essential conceptions are established with customer perceived value (CPV). First, CPV is a result from the consumers’ pre-purchase perception (expectation), evaluation during the transaction (expectation versus received), and post-purchase (after-use) assessment (expectation versus received). Second, CPV involves a divergence between the benefits received and sacrifices given. The benefits include customers’ desired value, e.g., quality (Monroe, 1990). Sacrifices, on the other hand, include monetary (price) and non-monetary (time, effort) considerations (Cronin, et al., 2000; Dodds, Monroe, & Grewal, 1991; Monroe, 1990). Monroe observes, “Buyers perceptions of value represent a tradeoff between the quality or benefits they perceive in the product relative to the sacrifice they perceived by paying the price” (1990, p. 46). Furthermore, non-monetary sacrifice includes customers’ time and effort in acquiring products (Cronin et al., 2000). Therefore, to maximize customers’ perceived value, a firm must either increase the customers’ perceived value, e.g., quality, and/or decrease their sacrifice, e.g., price paid, time and effort to purchase.

Customer loyalty is defined as “a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1997, p. 392). Oliver’s (1997) perspective proposes that loyal customers go through four stages. First is a cognitive sense (belief). For example, sales promotion or high quality products of a firm for first-time purchase consideration attracts a customer. To be loyal, the customer must consistently confirm that his or her expectations about the goods or services are met. Second is the affective sense (favored attitude) in which consumers are repeatedly satisfied from purchasing decisions. Third is the conative stage that consumers have a behavioral intention – committed deeply to buy. The intention leads to the fourth stage of action. Customers have the desire to overcome obstacles, e.g., attraction of competitors or price increase by a firm, to achieve the actual purchase behavior (Oliver, 1997).

With loyal customers, companies can maximize their profits. Loyal customers are willing to (1) purchase more frequently (price insensitivity), (2) try the firm’s new products or services (repurchase intention), (3) recommend products and services to others (word-of-mouth), and (4) give companies suggestions (complaint behavior) (Reichheld & Sasser, 1990). Furthermore, Zeithaml, Berry, and Parasuraman (1996) propose a comprehensive multi-dimensional framework to measure customer loyalty. In their research, loyal consumers have (1) high purchase intention (repurchase intention), (2) less price sensitivity (price insensitivity), (3) feedback to the firm (word-of-mouth, complaint behavior), and (4) do more business (frequent purchase and no switching behavior).

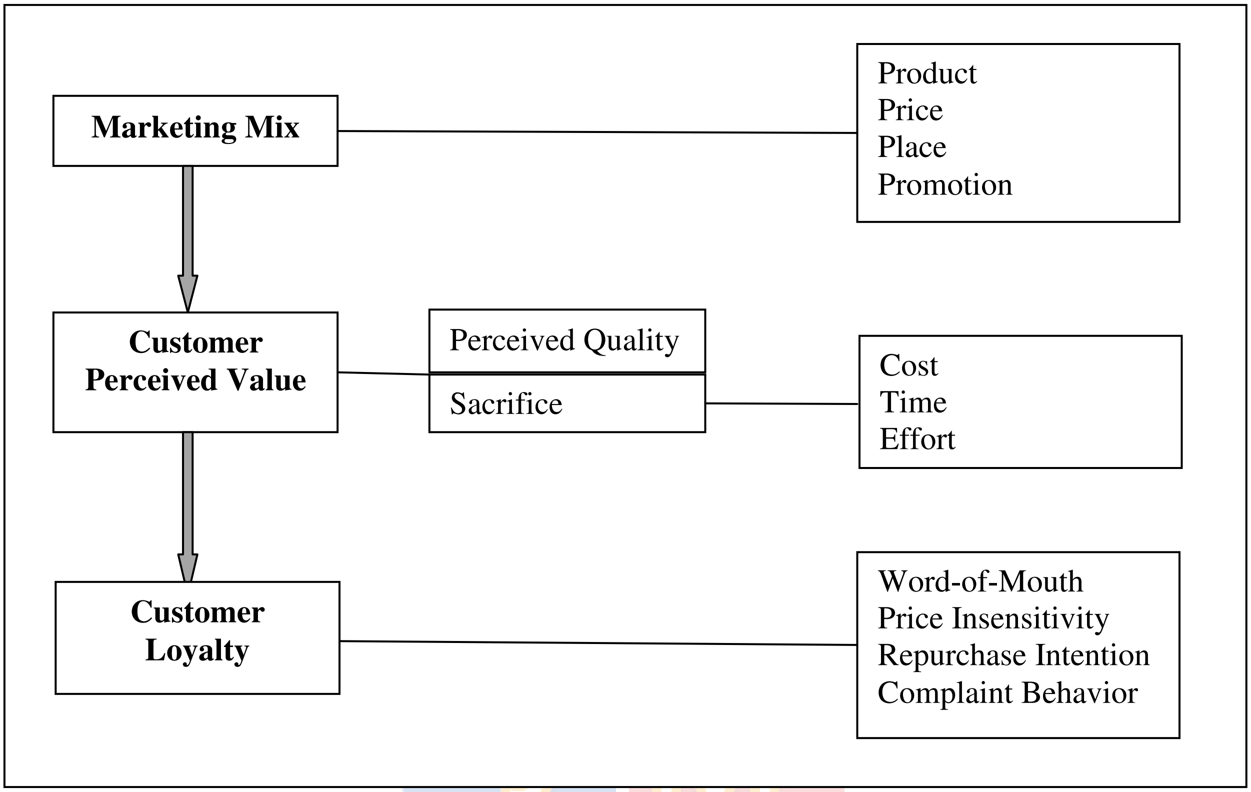


Figure 1 Conceptual Model

For this study, a conceptual model is presented in Figure 1. The marketing mix includes product, price, place, and promotion. Customer perceived value is shown as perceived value and sacrifice (cost, time, and effort). Customer loyalty includes word-of-mouth, price insensitivity, repurchase intention, and complaint behavior.

**Empirical Evidence**

With loyal customers, companies can maximize their profit by which these customers are willing to (1) purchase more frequently, (2) spend money on trying new products or services, (3) recommend products and services to others, and (4) give companies sincere suggestions (Reichheld & Sasser, 1990). Thus, loyalty is linked to the success and profitability of a firm (Eakuru & Mat, 2008). Customer loyalty has been measured by (1) cognitive components (Huddleston, Whipple, Mattick, & Lee, 2009), (2) affective elements (Chowdhury, Reardon, & Srivastava, 1998), (3) trust and commitment (Haelsig, Swoboda, Morschett, & Schramm-Klein, 2007), (4) purchase intention (Bloemer & Odekerken-Schröder, 2002; Cronin et al., 2000), (5) positive word-of-mouth communication (Bloemer & Odekerken-Schröder, 2002; Cronin et al., 2000; Eakuru & Mat, 2008), (6) complaining behavior (Bloemer & Odekerken-Schröder, 2002; Ibrahim & Najjar, 2008; Zeithaml et al., 1996), (7) price insensitivity (Bloemer & Odekerken-Schröder, 2002; Ibrahim & Najjar, 2008), (8) switching behavior (Eakuru & Mat, 2008; Ibrahim & Najjar, 2008), (9) first choice (Lee & Overby, 2004; Zeithaml et al., 1996), and (10) do more business (Zeithaml et al., 1996).

Of particular interest to this study (Figure 1), word-of-mouth communication as measured by recommending a company or product (good or service), encouragement to do business, and saying positive comments to others are frequent considerations of customer loyalty. Another frequent component is repurchase intention as measured by continuing to doing business, repeat purchases, and purchase frequently. Third, price insensitivity is measured by the willingness to pay a higher price, continue to purchase with a price increase, and continue the relationship even if alternatives are less expensive. Finally, complaint behavior is measured by voice responses (to sellers), private responses (to others), and third party responses (legal action) (Bloemer & Odekerken-Schröder, 2002; Ibrahim & Najjar, 2008; Zeithaml et al., 1996).

Therefore, most studies measure customer loyalty outcomes by behavioral loyalty dimensions such as word-of-mouth communication, purchase intentions, price insensitivity, and complaint behavior (Bloemer, de Ruyter, & Wetzels, 1999; Bloemer & Odekerken-Schröder, 2002; Ibrahim & Najjar, 2008; Zeithaml et al., 1996). This occurs since the attitudinal components, such as perceived value, are viewed as the antecedents of customer loyalty (Donio, Massari, & Passiante, 2006; Hennig-Thurau, Gwinner, & Gremler, 2002; Ibrahim & Najjar, 2008). This supports the findings of Dick and Basu (1994) that viewing loyalty as an attitude-behavior relationship allows integrated investigation of antecedents of customer loyalty. Such antecedents of customer loyalty include customer perceived value and marketing mix (Bloemer & Odekerken-Schröder, 2002; Cronin et al., 2000; Yoo, et al., 2000).

A major objective for delivering value to customers is to develop loyal customers who can increase purchase frequency, purchase quantity, and avoid switching behavior (Rust, Lemon, & Zeithaml, 2004). Thus, delivering customer value is a primary method to build a firm's competitive advantage (Kanagal, 2009; Lee & Overby, 2004). Moreover, customer perceived value is the result of marketing strategy (Moliner, Sanchez, Rodriguez, & Callarisa, 2007; Sangkaworn & Mujtaba, 2010). That is, a firm's marketing strategy should be developed based on value creation for customers (Bilington & Nie, 2009). Yoo et al.'s (2000) study confirms that marketing strategy positively influences customer perceived value (perceived quality), and leads to customer's (brand) equity.

Perceived value is critical to the success of buyer-seller relationships (Lemon, Rust, & Zeithaml, 2001), e.g., customer loyalty, and consists of "the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given" (Zeithaml, 1988, p. 14), or the benefits received and the sacrifices made (given). Benefits include customers' desired value, e.g., quality (Monroe, 1990). Sacrifices, on the other hand, include monetary (price) (Dodds, et al., 1991) and non-monetary (time, effort) (Cronin, et al., 2000) considerations. Therefore, value includes three key factors: (1) quality, (2) price, and (3) convenience (Lemon, et al., 2001), where convenience is the time and effort expended by the customers (Cronin, et al., 2000).

In an empirical study, Dodds et al. (1991) tested the effects of price, brand and store information with perceived value (quality and sacrifice) as a mediating influence on willingness to purchase. Results show that while price had a positive influence on perceived quality, price also had a negative effect on perceived value and willingness to buy. Furthermore, favorable brand and store information did have a positive effect on perceived quality and willingness to purchase. However, as with many perceived value studies, measurements focus on price. All perceived value items were price (monetary sacrifices) related, and no indicators for non-monetary sacrifices. These included (1) This product is a: (very good/very poor value for the money), (2) At the price shown the product is: (very economical/very uneconomical), (3) The product is considered to be a very good buy: (strongly agree/strongly disagree), (4) The price shown for the product is: (very acceptable/very unacceptable), and (5) The product appears to be a bargain (strongly agree/strongly disagree) (Dodds et al., 1991, p. 318). Dodds et al. state that "as price increases beyond the acceptable range, the perceptions of value (will) decline (and) thus, the relationship between price and perceived value should also be curvilinear" (1991, p. 308).

Yoo et al. (2000) propose a framework to explore the relationships between the retail marketing mix elements (price, store image, distribution intensity, advertising spending, price deals) and total brand equity through the mediating role of three brand equity dimensions, that is, (1) perceived quality, (2) brand loyalty, and (3) brand associations combined with brand awareness. The results show that, first, no direct path between marketing mix variables and total brand equity. Total brand equity is indirectly affected through the mediating brand equity dimensions of perceived quality, brand loyalty, and brand associations combined with brand awareness. Second, frequent price promotions, such as price deals, have a negative relationship to brand equity. Third, lowing price decreases customer perceived quality. Consumers may perceive that a lower price is made by reducing product quality to maintain profit margins. Fourth, customer perceive high quality products as having a direct (positive) relationship from high advertising spending, high price, good store image, and high intensive distribution.

Many researchers state that value is a tradeoff between benefit (quality) received and sacrifice made (Cronin et al., 2000; Moliner et al., 2007). Besides receiving benefits of perceived quality, monetary and non-monetary sacrifices are used to measure customer value. Cronin et al. (2000) conduct a study to examine the effects of service quality, perceived value, and customer satisfaction on consumer behavioral intention in service environments. The service value is received primarily from perceptions of quality. That is, consumers view service quality of greater importance than the sacrifices they made.

Value includes quality, price, and convenience (Lemon, et al., 2001), where convenience is the time and effort expended by the customers (Cronin, et al., 2000). Therefore, the marketing strategy (marketing mix elements) is (are) an antecedent(s) of value (Lemon, et al., 2001). Perceived quality is viewed as the product quality. Price is monetary sacrifice. Convenience (saved effort and time) relates to the effort to do business with the firm (time costs), e.g., easy access (place/location), and search time, e.g., product information (promotion) (Lemon et al., 2001). Hence, the marketing strategy is essential to increase perceived value, and builds customer loyalty (Chowdhury et al., 1998; Haelsig et al., 2007; Yoo et al., 2000).

An empirical study by Cengiz and Yayla (2007) tests the relationship between marketing mix, perceived value, perceived quality, customer satisfaction, and customer loyalty with word-of-mouth. There are two revealing findings. First, marketing mix elements have an important influence on customer loyalty. Particularly, price and promotion have significant effects (indirect) on loyalty. Second, price, place, and perceived quality (product) have positive effects on perceived value. However, there were limitations in the measurements for perceived value and customer loyalty. As with similar measurements by Dodds et al. (1991), Cengiz and Yayla used items that were only monetary sacrifices, e.g., good value for money, acceptable price, to be a good buy (2007, p. 85), and no items for non-monetary sacrifices. Furthermore, word-of-mouth was the dependent variable, and hence was not a component of the independent variable of customer loyalty. Moreover, customer loyalty included items of only repurchase intention measures – re-subscription intention and new services subscription intention (Cengiz & Yayla, 2007, p. 85).

Therefore, the literature supports marketing strategy and perceived value as antecedents of customer loyalty (Cengiz & Yayla, 2007; Dodds et al., 1991), and perceived value has a critical mediating role and a direct (positive) relationship with customer loyalty (Lemon et al., 2001; Yoo et al., 2000). However, perceived value has not been sufficiently, and completely measured in the empirical studies. This value is the "perceptions of what is received and what is given" (Zeithaml, 1988, p. 14). Quality is received and coupled with monetary and non-monetary sacrifices are given, such as quality, price, and convenience (Lemon et al., 2001). These components do not have a linear relationship, but rather curvilinear (Dodds et al., 1991), e.g., quality and price (Lemon et al., 2001). As a result, we argue that these constructs should be included (together) to measure and determine perceived value. This a priori categorization is consistent with Zeithaml (1988) and Lemon et al. (2001). Hence, as shown in Figure 1, this study posits that perceived value is the total measure of perceived quality and sacrifices (cost, time, effort) by the customer and a critical mediating influence between marketing strategy and customer loyalty.

## DISCUSSION

In today's highly competitive markets, businesses are more challenged to increase, or even maintain market share. With the globalization and continual technology innovations, consumers have greater access and more purchase alternatives, and opportunities to be less store and product loyal. As a result, customer perceived value becomes paramount to being competitive in the marketplace. For marketers to concentrate or compete only on price is not only detrimental to profits, but also shortsighted. Generally, price is the marketing mix element that competitors can react to the easiest, or the quickest to change (Kotler & Keller, 2006), and provides the least sustainable competitive advantage (Kanagal, 2009).

Furthermore, with the curvilinear price relationship (Dodds et al., 1991), quality considerations become marginal at certain low and high price points (lower perceived value). Dodds et al. state, "people not only may refrain from purchasing a product when they consider the price too high, but also may be suspicious of the quality of a product if its price is too much below what they consider acceptable" (1991, p. 308). Consumers may perceive that a lower price occurs by reducing product quality to maintain profit margins (Yoo et al., 2000). Therefore, contrary to efforts by marketers and researchers to focus solely on quality (benefits) and price (monetary sacrifice) as perceived value, other sacrifice considerations are important, e.g., convenience (Lemon, et al., 2001) where convenience is the time and effort expended by the customers (Cronin, et al., 2000). Hence, the mediating influence of perceived value on customer loyalty can be increased with other marketing mix elements, e.g., product, place, promotion (Yoo et al., 2000), rather than just the price-quality relationship (Cengiz & Yayla, 2007; Dodds et al., 1991).

In formulating a marketing strategy, positioning plays a critical role. Positioning is the firm's differentiation of its offerings as perceived by consumers in comparison to competing products (goods and services). The manipulation of the marketing mix elements to meet, or exceed the value as compared to competitive offerings for a target market (consumer segment) establishes not only a consumer (value) market position (Kotler & Keller, 2006), but also a competitive advantage (Kanagal, 2009).

The era of mass marketing has past in recent decades with a very different market environment, e.g., globalization, technology, and has now moved to and focused on specific needs and expectations of particular target markets (segments). As the world's largest retailer, Wal-Mart offers the value of "Save money. Live better" by not only having a low price from volume purchasing and a highly efficient supply chain but also with non-monetary value, e.g., huge number of stock keeping units (SKUs), many product categories (place/intensive distribution), and "one stop shopping" (product assortment). While Wal-Mart moved in and has established a major position in the retail grocery market, it now has expanded to another product category by being a major player in the consumer electronics market, e.g., televisions, computers (Bustillo & Lloyd, 2009). Wal-Mart is not only offering value to the price-sensitive segments, e.g., low- and middle-income consumers, but also many other segments, e.g., time-constrained (busy) shoppers (working husbands/fathers, wives/mothers) with "one stop shopping" as a non-monetary sacrifice value. To compete, Best Buy appears to have not made price a value proposition. It has identified an under-served market – females, working women, mothers, young women (girls) – in which their needs and opinions have been sought by market research and female shoppers active participation in developing its marketing strategy, e.g., donating loyalty points to local schools (promotion/public relations) (Bustillo & Lloyd, 2009).

Customers perceive high quality products as having a direct (positive) relationship from non-monetary sacrifice value by a good store image (product, promotion), high intensive distribution (place), and high advertising spending (promotion) (Yoo et al., 2000). To continue the Wal-Mart and Best Buy comparison of using non-monetary sacrifice to increase value, Best Buy focuses on customer service (helpful, knowledgeable sales representatives) (promotion/personal selling), wide aisles (product/store image), and support services (Geek Squad) (product/service) that is much different than Wal-Mart, e.g., self-service, narrow and crowded aisles, no available store support services. Furthermore, other promotion strategies could be implemented to increase value, e.g., increased print, electronic and digital use to inform and persuade consumers (advertising), personalized emails (direct marketing), short-term specials and discounts (sales promotions). However, frequent sales promotions, such as price deals, and loyalty may have an inverse (negative) relationship (Yoo et al., 2000).

Figure 1 presents the conceptual model for this study. Based on this model, a theoretical framework has been established, and has been supported in the empirical literature. The findings indicate a need for a better measure for perceived value, a critical mediating construct of the marketing strategy-customer loyalty relationship. Moreover, the empirical literature provides measurements for the proposed model. First, the marketing mix items for consumer products have been developed by Cengiz and Yayla (2007); see page 84. The marketing mix items for retail stores have been developed by Yoo et al. (2000); see page 203. Second, customer perceived value includes two measures – perceived quality and sacrifice (monetary and non-monetary). The perceived quality items have been developed by Yoo et al. (2000); see page 203. The sacrifice (monetary and non-monetary) items have been developed by Cronin et al. (2000); see page 212. Third, customer loyalty items have been developed by Bloemer & Odekerken-Schröder (2002); see page 75.

However, this study has specific limitations. First, a model is developed conceptually, and remains to be tested and confirmed empirically. Second, the study has focused on customer loyalty and the antecedents in consumer markets and may not, or does not represent industrial (business, business-to-business) markets. Third, perceived value is the only mediating influence for the marketing strategy-customer loyalty relationship, and others, e.g., satisfaction (Bloemer

& Odekerken-Schröder; 2002; Cengiz and Yayla, 2007), have not been considered. However, this study provides several future research opportunity areas. First, of course while an empirical study was beyond the scope (purpose) of this research, the model should be further examined (tested). Second, using the conceptual model, price could be measured as objective versus perceived (Dodds et al., 1991) to further explain its monetary role (and along with the proposed non-monetary items) in measuring perceived value and the influence on customer loyalty. Third, the model could be tested between (a) product categories, e.g., computers and household appliances, or (b) types of retail stores, e.g., convenience and department stores (Kotler & Keller, 2006).

## CONCLUSIONS

The purpose of this research was to advance the understanding of customer loyalty by examining the literature and determining consumer perception of marketing strategy and the mediating role of customer value. Therefore the study was to answer the question, what is the perceived value mediating influence resulting from marketing strategy on customer loyalty? Customer perceived value is critical to driving market share and increase customer loyalty (Lemon et al., 2001; Zeithaml, 1988). This perception is created by the firm's marketing strategy by having the appropriate marketing mix for the right position in the intended target market (segment). While Best Buy, as an example, has targeted the rather broad female segment, it must know that donating loyalty points to local schools will have a different perceived value for a mother than a single female with no children. Value leads consumers to become a firm's customers, and with higher levels of value for customers to be loyal customers.

However, as argued in this study customer perceived value must be "what is received and what is given" (Zeithaml, 1988, p. 14), and "what is given" is a monetary and non-monetary sacrifice (Cronin et al., 2000; Lemon et al., 2001). Monetary is obviously the financial cost (sacrifice) to the customer. Nevertheless, non-monetary factors are also a sacrifice, and must be measured as a component of perceived value. To be valid, such non-monetary measure should include scale items for convenience (Lemon et al., 2001) or time and effort (Cronin et al., 2000) that would increase (or decrease) perceived value and for a customer to purchase a good or service, just as the monetary sacrifice component does. Hence, for marketers and researchers the question is, would a customer, e.g., mother, female without children, of a firm, e.g., Best Buy, with certain incentives (perceived value), e.g., loyalty points to a local school, make the sacrifices of cost, time, and effort to purchase its products? On the other hand, does a competitor, e.g., Wal-Mart, offer less monetary and non-monetary sacrifices, e.g., "everyday low prices" and "one-stop shopping"?

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