



The Influence of corporate image on customer loyalty: The case of Coca-Cola drinks

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Abstract

In spite of the influence of corporate image on customer loyalty availability to many organizations, it is essential to note that the Coca-Cola company in the Gambia have not yet appreciated how to effectively and efficiently utilize the strategies in attempting to enhance the customer loyalty. Therefore, this study is conducted to investigate the influence of corporate image on customer loyalty of the Coca-Cola Company in the Gambia, with particular emphasis on how customer satisfaction mediates the relationship between corporate image and customer loyalty. Moreover, this study will use structural equation model to analyze the research hypothesis.

Keywords: customer loyalty, corporate image, Coca-Cola company

1. Introduction

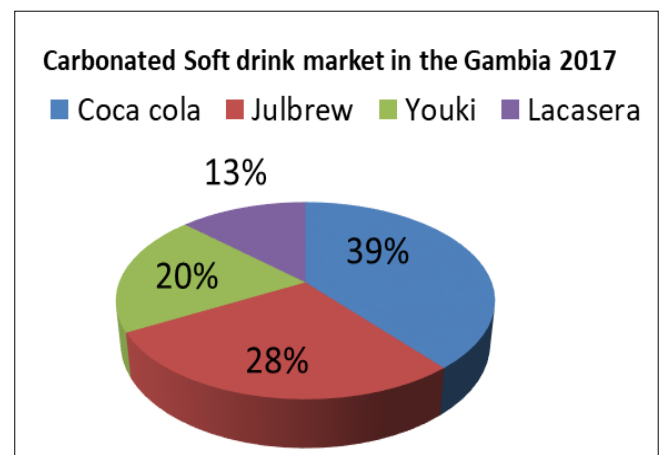
1.1 Background of Coca Cola Company

Sustained competitiveness is becoming challenging to many organizations, especially those in the Fast-Moving Consumer goods (FMCG) industry (Johnson, Scholes & Whittington, 2016) [15]. In a bid to remain competitive and profitable, organizations have introduced various strategies in the context of product innovation, market development, and efficient distribution systems (Kotler & Keller, 2015). Since inception 1886, Coca Cola Company has used efficient distribution systems, irrespective of the geography to deliver value-added products to its target markets. Organization long term profitability and sustained performance are based on size, location or natural endowment but on how the organization responds to competitive forces in the industry (Porter, 2008).

The coca cola company is the largest non-alcoholic manufacturer in the world, with more than 400 brands, serving about 1.8 billion consumers worldwide. Coca Cola Company has a unique business model, where it distributes beverage syrup to its offices, partners and independent manufacturers in over 200 countries it operates. Essentially, Coca-Cola is a global franchise business, in which partners and independent manufacturers; bottle, sell and distribute coca cola products. One of such partners is Gambega bottling company the Gambia, which started operation in 1995. In more than two decades since operation, Gambega bottling company has grown from strength to strength with a significant market share in the Gambia.

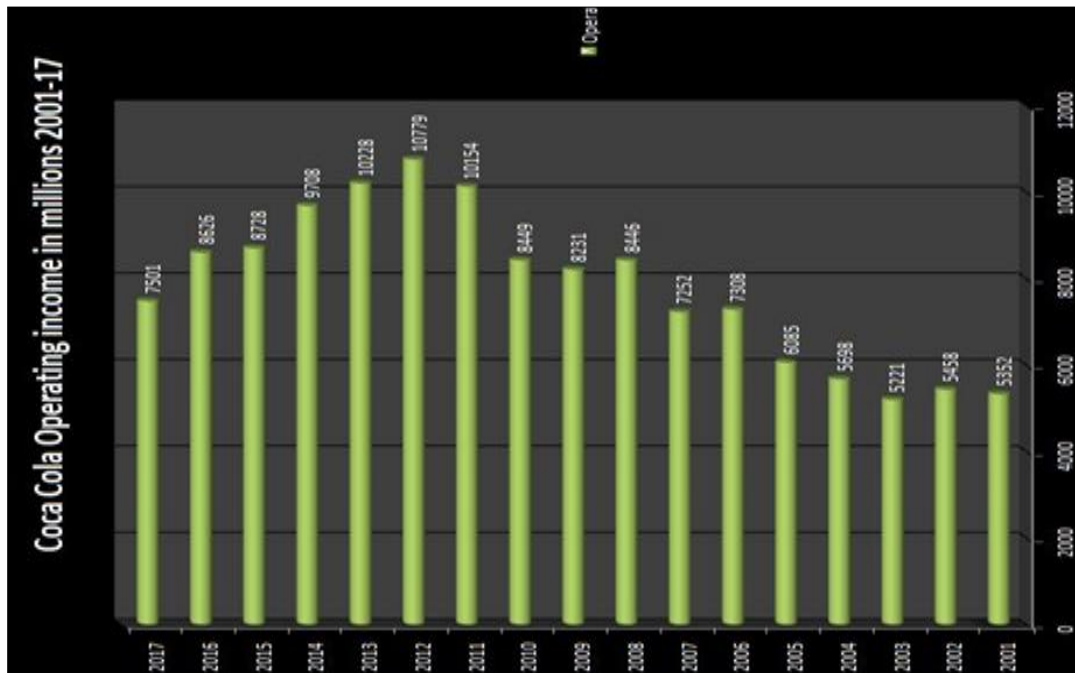
Although coca cola shares of 39% seem reasonable, it should be noted that the competition in carbonated drinks is becoming fierce due to increasing fractionalization of the

market. Julbrew has 28%, Youki, 20% and Lacasera, 13%. In most of the markets, other local operators with local knowledge, taste and capabilities have maintained a niche market, where coca cola with its global marketing and distribution strategies may be challenging to compete on. According to Mail and Guardian (2018) [20], African soft drinks market is one of the fastest in the world, with a growth rate of 6% between 2013 and 2017, while Asia and Latin American recorded a growth rate of 4% within the same period. The authors conclude that rising population driven by high youth segment is the leading driver of the growth. However, it is suggested that impending challenges in terms of infrastructures, health issues, and changing consumer lifestyles would be problematic for coca cola.



Source: Gambega Gambia (2017).

Fig 1: Soft drink market share in the Gambia



Source: Pratap (2018).

Fig 2: Coca cola operating income (2001—2017)

Organization profitability is a significant indicator of performance used by any organization. The size of income which a company generates can be used to fund and sustain many strategic actions, initiative and priorities. Figure 2 above showed interesting information about coca cola and its quest to remain competitive. From 2001 to 2004, coca cola income grew from 5352 million to 5698 million. From 2006 to 2010, the income was relatively flat, which is consistent with the general economic conditions. However, the profit increased substantially from 2011 to 2014, and the highest income was recorded in 2012. The above income chart demonstrates the ability of coca cola Company to remain competitive.

1.2 The Coca-Cola and the Gambia

The Gambia is a Muslim dominated country just like Indonesia, Pakistan, Turkey and others. It is a known fact that some Muslim countries boycott western products to show their dissatisfaction over a particular action or policy of the West (Statham, & Tillie 2016; Cesari, 2009). In recent time, the so-called Global War on Terror following the September 11 attack on the United States of America has intensified the boycott of American products by many individuals in some Muslim majority countries (Hamid & McCants, 2017). In the Gambia, just like in some Muslim majority nations, products with American origin like Coca-Cola have been facing episodes of boycott by their customers (Peng, 2018) [23].

Several factors motivate consumers’ rejection or boycott of global brands. Some of them are religiosity, which is the extent to which an individual employs religion as a means of understanding and viewing life events; and a catalyst for decision making (Hackney & Sanders, 2013). Also, hatred is found to influence consumers’ decision making. It is the feeling of hostility towards the country from which a product originated. Similarly, it is noted that these emotions are not constant and changes as a result of one or more historical occurrences (Gineikiene & Diamantopoulos, 2017).

2. Literature Review

Previous studies related to the variables used in this study are also reviewed to support the findings. Furthermore, the relationship between corporate image and customer satisfaction, and customer loyalty and appropriate conceptual framework were formed through the relevant theories and previous studies that were discussed in this study. Corporate image is referred to as consumer’s response to the total company offering, and it is defined as the sum of beliefs, idea and impressions that public has of certain company/firm (Tang, 2007 as cited by Lee, Chang & Lee, 2017). Ling and Sirion, (2014) refer to the corporate image as reputation and prestige build by the organization through communication process explored to create and deploy specific message fora strategic form of mission, vision, purpose and identity that reflects the core values they cherish. Corporate image can be seen as a general impression of the firm on the public’s mind regarding the physical character and behavior of a company. Thus, corporate image translates the overall perception of an individual for a particular company. And it is understood that a right corporate image affects the growth of customer loyalty and it is continuously influencing the latter to buy products; meanwhile it enhances consumers that are already loyal to support a certain brand by recommending it to their family or friends (Jonida & Hassan, 2017) [16].

2.1 Relationship between the effect of Corporate Image and Customer Satisfaction

The relationship between corporate image and customer satisfaction has been investigated by many researchers (Zameer, 2015; Ashton, 2014) [26, 6]. Research conducted by Norizan and Ahmad, (2017) on the intricate relationships between store image, the corporate image on customer satisfaction. The study engaged survey technique, a total of 250 sets of questionnaires were distributed to shoppers at convenience stores attached to a selected Petrol Station in Penang in Malaysia. A total of 205 questionnaires were received, and only 203 were usable for this study analysis.

The regression analysis method was adopted, and the findings of the study show that store image had no significant relationship with customer satisfaction on its own, but there is a meaningful positive relationship if the corporate model is regressed as a moderator to show that corporate image strengthened the relationship between store image and corporate image.

2.2 Relationship between the effects of Customer Satisfaction on Customer Loyalty

Consumer satisfaction is defined as meeting one’s criteria or satisfying one’s hopes or needs, it is observed that if customer is satisfied with the product and services it has a different emotion or manners towards a particular brand it has used (Maiyaki & Mokhtar, 2012) [21]; they explain that customer satisfaction is one of the primary goals of marketing action whereby it creates a relationship between what consumers purchase and how they act. It is clear that if anyone is satisfied with specific offer or product, he will acquire himself grip in the repurchase. It depends on customers that know how they identify the quality and service and customer satisfaction depend on the quality (Ali, Lynch, Melewar, & Jin, 2015) [5]. John and Shiang-Lih (2015) concluded that satisfaction is the primary determinant, which affects the different variables and corporations’ economic progress. However, satisfaction comes after the use of some products or services, which is essentially the result of actual and expected functions of the product (Tweneboah-Koudah & Farley, 2016) [24].

2.3 Relationship between the effects of Corporate Image and Customer Loyalty

Review of the previous research in the field of the corporate image revealed empirical results on the relationship between the concept of corporate image and customer loyalty. Selda and Betul (2014) researched to examine the corporate image of the retail store business to keep and satisfy the customer to create successful brand loyalty in Turkey. The study addresses corporate image and customer satisfaction dimensions that influence brand loyalty by conducted surveys study with customers that shop from the retail stores in Istanbul. Sample of 246 individuals shops from retail goods and garment stores using a questionnaire. Retailer Corporate Image dimensions scale is made of 19 questions, nineteen questions which subjected to factor analysis; while, factor loads was subjected to evaluation of a value near 0.50 and above. The findings of the research show that all determinants of Corporate Image had a positive relationship with customer loyalty.

2.4 The Mediating effect of Customer Satisfaction in the Relationship between Corporate Image and Customer Loyalty.

There are several factors related to customer loyalty such as information benefit, customer awareness, perceived value, price, product quality, brand image, innovation, customer background and customer satisfaction (Muhammad, Mazhar, Asad, & Rizwan, 2014; Cheng, Shaheen, & Cham, 2014) [14].

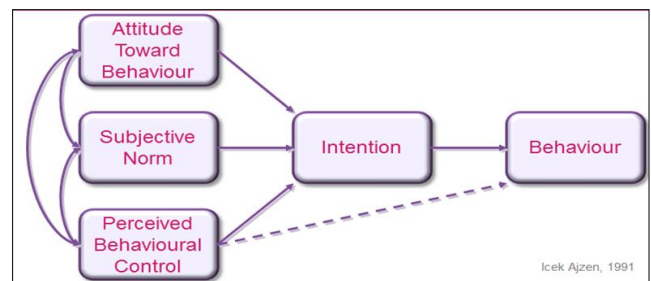
3. Methodology

3.1 Theoretical Framework

The main theory considered to be appropriate for this study is Theory of Planned Behavior because it has the capability

to predict human behaviour as well as explain consumer’s decision-making process toward the particular product (Ajzen, 1991) [4].

The Theory of Planned Behavior (TPB) was proposed in 1985 by Ajzen; this theory is used to measure how human actions are guided (Ajzen 1985). TPB postulate the occurrence of a particular behaviour provided that it’s intentional and largely influenced by the attitude of an individual towards a behaviour. This theory highlighted three dimensions suggested to predict individual intention to perform a specific behaviour (individual specific-attitude, individual subjective norms and perceived behavioural control). Basically, people intention is believed to be the precursors of their behaviour. Ajzen (1991) [4] asserted that behavior is the best predictor of intention since it is the cognitive representation of a people’s readiness to perform a given behavior; however, intention is considered to be the immediate determinant of behavior. Meanwhile, satisfied customers could develop intention toward products and services, which hypothetical evidence shows that it has positive influence on consumer loyalty (Tweneboah-Koduah & Farley, 2016) [24].



Source: Theory of Planned Behavioral (Ajzen, 1991) [6].

Fig 3

4. Analysis and findings

4.1 The Confirmatory Factor Analysis (CFA)

The particular latent construct is considered valid if its fitness indexes achieved the three Model Fit categories namely Absolute Fit, Incremental Fit and Parsimonious Fit (Awang *et al.*, 2015, 2018; Kashif *et al.*, 2015; 2016; Noor *et al.*, 2015; Yusof *et al.*, 2018) [9, 17, 22]. The fitness indexes and their respective thresholds are given in Table 1.

Table 1: The three categories of model fit and their level of acceptance

Name of category	Name of index	Level of acceptance
Absolute Fit Index	RMSEA	RMSEA < 0.08
	GFI	GFI > 0.85
Incremental Fit Index	AGFI	AGFI > 0.85
	CFI	CFI > 0.85
	TLI	TLI > 0.85
	NFI	NFI > 0.85
Parsimonious Fit Index	Chisq/df	Chi-Square/ df < 5.0

Source: Awang *et al.* (2018) [17].

***The indexes in bold are recommended since they are frequently reported in literature

The framework for this study consists of three exogenous constructs, two mediator constructs and one endogenous construct. The theoretical framework for this study and the path of interest where the hypotheses to be tested is presented in Figure 4.



Fig 4: The Framework of this Study exhibit the hypothesis of interest

The hypotheses statement for this study and method of analysis are listed in Table 2.

Table 2: The hypothesis of interest to be tested in the study

	Hypothesis Statement	Method of Testing
H1	Corporate Image of Coca Cola company has a significant effect on Customer Satisfaction towards Coca Cola in the Gambia	Path Analysis in SEM
H2	Customer Satisfaction towards Coca Cola has a significant effect on Customer Loyalty with Coca Cola products in the Gambia	Path Analysis in SEM
H3	Corporate Image of Coca Cola company has a direct effect on Customer Satisfaction towards Coca Cola in the Gambia	Path Analysis in SEM
H4	Customer Satisfaction mediates the relationship between Corporate Image of Coca Cola and Customer Loyalty towards Coca Cola products in the Gambia	Path Analysis in SEM and Bootstrapping

Every construct involved in the framework (Figure 4) is measured using few components respectively resulted from the Exploratory Factor Analysis (EFA) procedure based on

data from the pilot study. The latent construct in the framework, the components and the respective items in every component is presented in Figure 5.

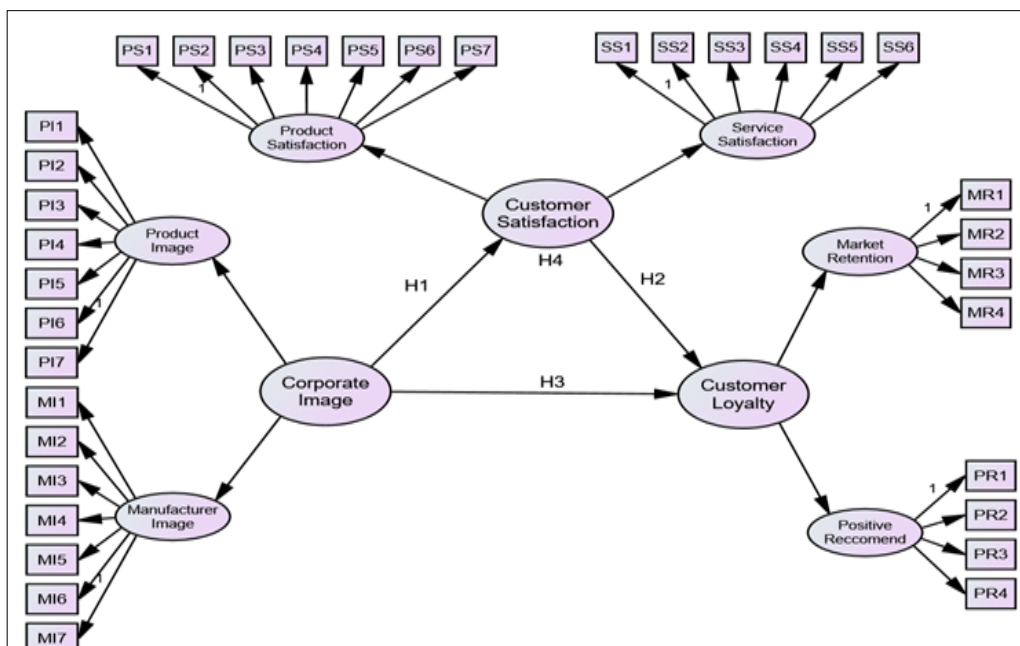


Fig 5: The constructs, the components and their respective measuring items

From Figure 5, there is one exogenous construct, namely Corporate Image; one mediator constructs, namely

Customer Satisfaction and one endogenous construct, namely Customer Loyalty.

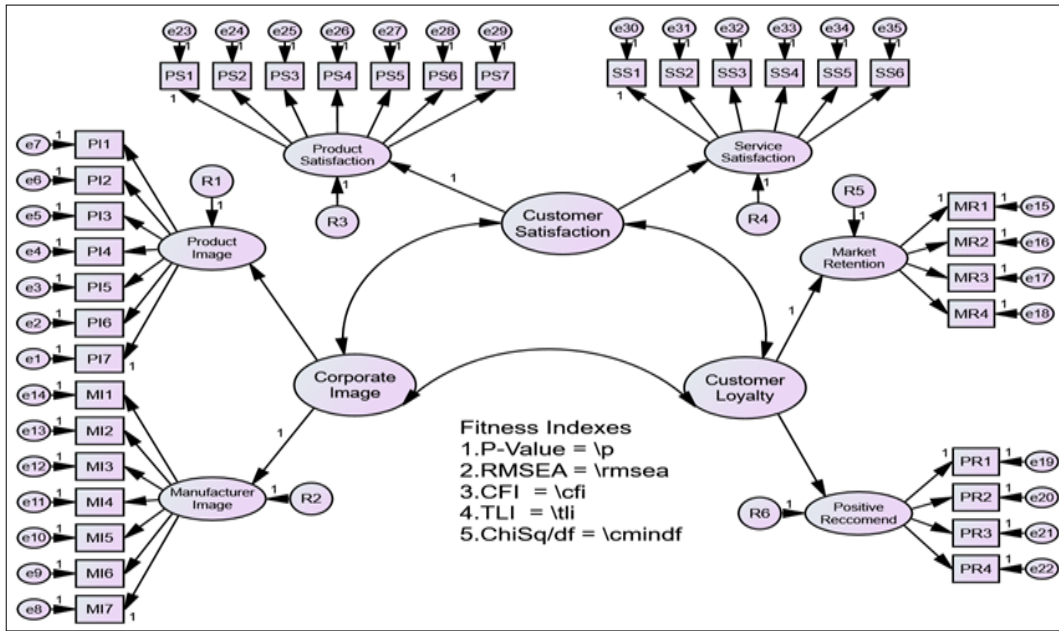


Fig 6: The Measurement Model for all Constructs

4.3 The Pooled Confirmatory Factor Analysis (CFA)

Since the model in Figure 7 is not too complicated, this study decided to conduct the pooled-CFA procedure for

validating all constructs at once. The result of the pooled-CFA procedure is presented in Figure 7.

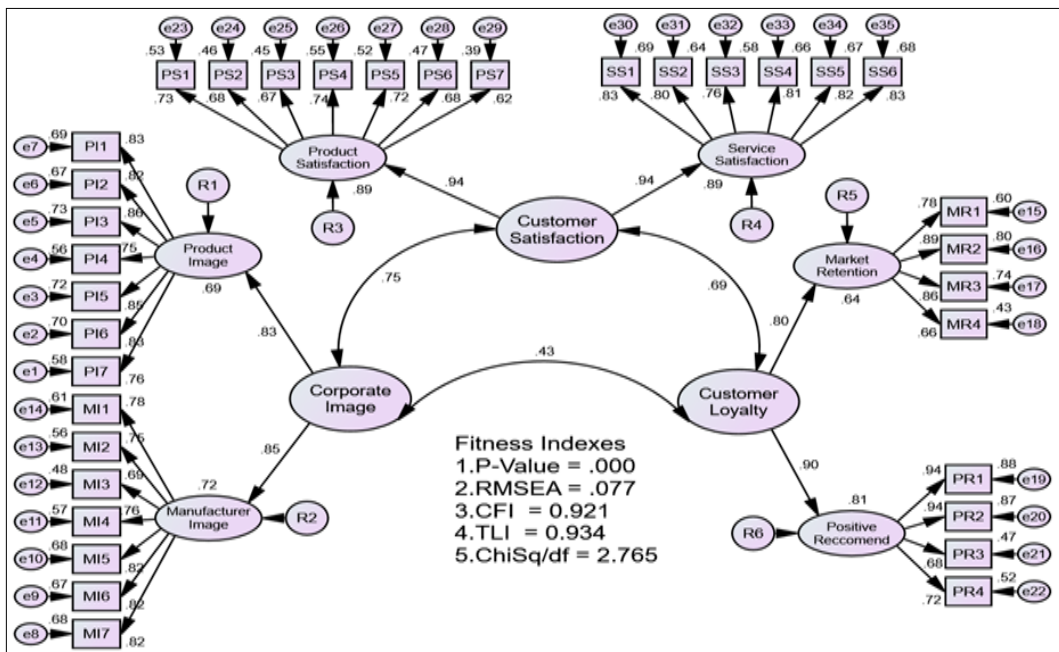


Fig 7: The Pooled CFA presents the factor loading for every item as well as components

4.4 The Validating Procedure for the Construct

In Figure 7, the fitness indexes for all constructs, the factor loading for every sub-construct (component) as well as the factor loading for every item are presented. Thus, using the results in Figure 4, the researcher could assess the Construct Validity, Convergent Validity, Discriminant Validity and Composite Reliability for the construct.

For example, the Corporate Image construct has two components, namely Product Image and Manufacturer Image. The factor loading for Product Image is 0.83, while the factor loading for Manufacturer Image is 0.85. Both factor loading is acceptable since they exceeded the threshold value of 0.6 (Awang, 2015; Awang *et al.*, 2018) ^[9, 17].

4.5 The Assessment of Construct Validity for all Constructs

The fitness Indexes in Figure 4 have met the threshold values as stated in Table 1. The Absolute Fit category namely RMSEA is 0.077 (achieved the threshold of less than 0.08), the Incremental Fit category namely CFI is 0.921 (achieved the threshold of greater than 0.90), and the Parsimonious Fit category namely the ratio of Chisq/df is 2.765 (achieved the threshold of less than 3.0). Thus, the measurement model of Corporate Image, Customer Satisfaction and Customer Loyalty constructs have achieved the requirement for Construct Validity (Awang, 2011; 2012; 2014; 2015; Awang *et al.*, 2015, 2018; Kashif *et al.*, 2015, 2016; Noor *et al.*, 2015; and Afthanorhan *et al.*, 2017,

2017a, 2018, 2019) [8, 9, 9, 17, 22, 1, 2]

4.6 The Structural Model and Structural Equation Modeling (SEM)

Once the CFA report is completed and all values meet the required thresholds for validity and reliability, the researcher can conclude that the measurement models for all latent constructs involved in the model have been validated (Awang, 2015; Awang *et al.*, 2018; Mohamad *et al.*, 2016, 2017, 2018; Yusuf *et al.*, 2017; Afthanorhan *et al.*, 2017, 2017a, 2018, 2019) [9, 17, 18, 19, 22, 1, 2].

Then, the next step for the researcher is to assemble these

constructs into the structural model in order to execute Structural Equation Modeling (SEM). The constructs should be arranged from left to right, beginning with the exogenous constructs at far left, followed by the mediator constructs in the middle, and the endogenous construct at the far right (Awang, 2015; Mohamad *et al.*, 2016, 2016a; Yusuf *et al.*, 2017) [9, 18]. Then, based on the direction of the hypothesis, the researcher links the exogenous construct to its respective endogenous construct using the single-headed arrow. Lastly, all exogenous constructs are linked using the double-headed arrow, as presented in Figure 8.

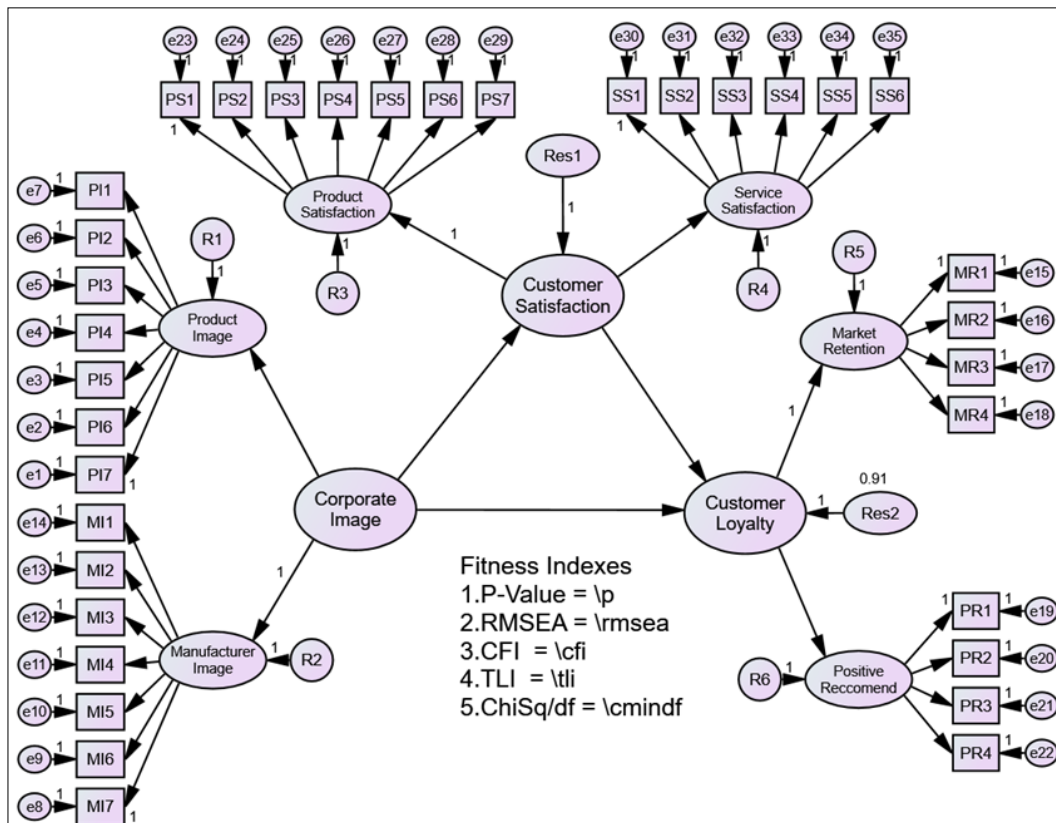


Fig 8: The Structural Model ready to execute SEM

The single-headed arrow (Figure 8) indicates the causal effects of an exogenous construct on the respective endogenous construct being estimated. All single-headed arrows are drawn based on the stated hypotheses to be tested. If the structural model consists of more than one exogenous construct, the double-headed arrow should be employed to estimate the correlational effects between all exogenous constructs.

The study needs to assess the strength of the relationship between the exogenous constructs in order to avoid the multicollinearity problem in the model where the two

exogenous constructs are highly correlated. The correlation between a pair of exogenous constructs higher than 0.85 indicate that constructs are highly correlated, and the multicollinearity problem exists in the (Kashif *et al.*, 2015, 2016, 2017; Noor *et al.*, 2015; Yusuf *et al.*, 2017; Aziz *et al.*, 2016; Mohamad *et al.*, 2016, 2017, 2018) [22, 13, 18, 17, 19].

The output resulted from executing SEM is presented in Figure 6 for the Standardized Regression Path Coefficients between constructs and in Figure 10 for the Regression Path Coefficients between constructs.

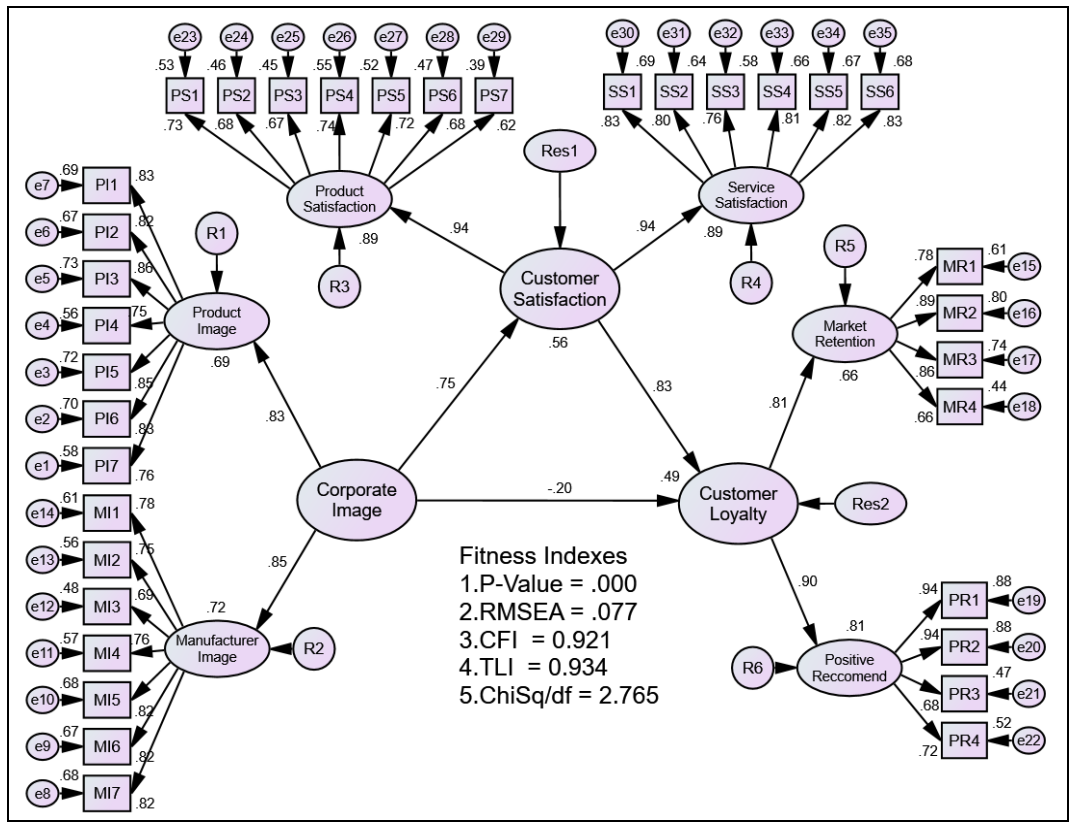


Fig 9: The Standardized Regression Path Coefficient between constructs in the model

The explanation regarding the performance of R^2 (obtained from Figure 9) is explained in Table 8. (coefficient of multiple determination) of the model

Table 3: The Coefficient of Multiple Determination or R^2 and its the implication in this study

Endogenous Construct	R^2	Conclusion
Customer Satisfaction	0.58	The Corporate Image construct manages to explain about 56 per cent of Customer Satisfaction.
Customer Loyalty	0.49	The Corporate Image and Customer Satisfaction construct manage to explain about 49 per cent of Customer Loyalty.

The regression path coefficients for all constructs are presented in Figure 10.

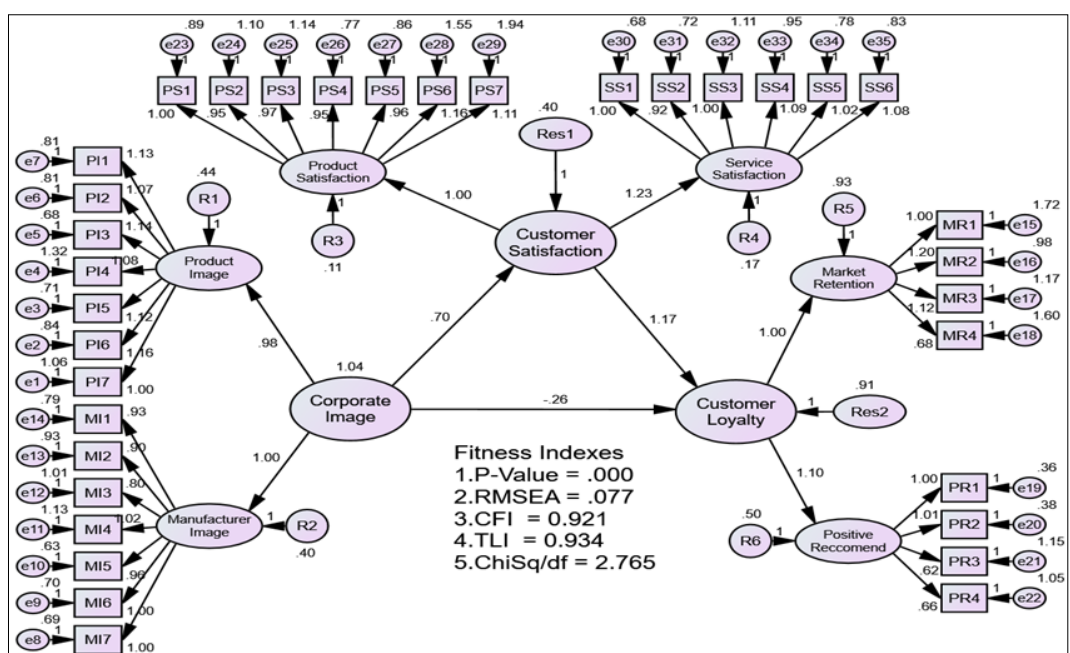


Fig 10: The Regression Path Coefficient between constructs in the model

The output for regression path coefficient (regression beta) from the exogenous constructs on endogenous construct

extracted from Figure 7 is shown in Table 4.

Table 4: The Regression Weight and its Significance

			Estimate	S.E.	C.R.	P	Result
Customer Satisfaction	<---	Corporate Image	0.699	.074	9.439	***	Significant
Customer Loyalty	<---	Customer Satisfaction	1.167	.170	6.852	***	Significant
Customer Loyalty	<---	Corporate Image	-0.261	.134	-1.949	.051	Not Significant

Table 5: The Hypothesis Testing for Direct Effect Hypothesis

	Hypothesis Statement	Result
H1	Corporate Image of Coca Cola company has a significant effect on Customer Satisfaction towards Coca Cola in the Gambia	Supported
H2	Customer Satisfaction towards Coca Cola has a significant effect on Customer Loyalty with Coca Cola products in the Gambia	Supported
H3	Corporate Image of Coca Cola company has a direct effect on Customer Satisfaction towards Coca Cola in the Gambia	Not Supported

Table 6: The Hypothesis Testing for Mediation Effect of Customer Satisfaction

H4	Customer Satisfaction mediates the relationship between Corporate Image of Coca Cola and Customer Loyalty towards Coca Cola products in the Gambia
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The study employed the method of testing the mediation effects in the model as proposed by Awang (2014, 2015) [9], Awang *et al.* (2015, 2018) [9, 17], and Kashif *et al.* (2015, 2016). The full procedure for a testing mediator is carried out in Figure 8. The values in Figure 8 is obtained from the output of standardized path coefficients, as presented in Figure 6.

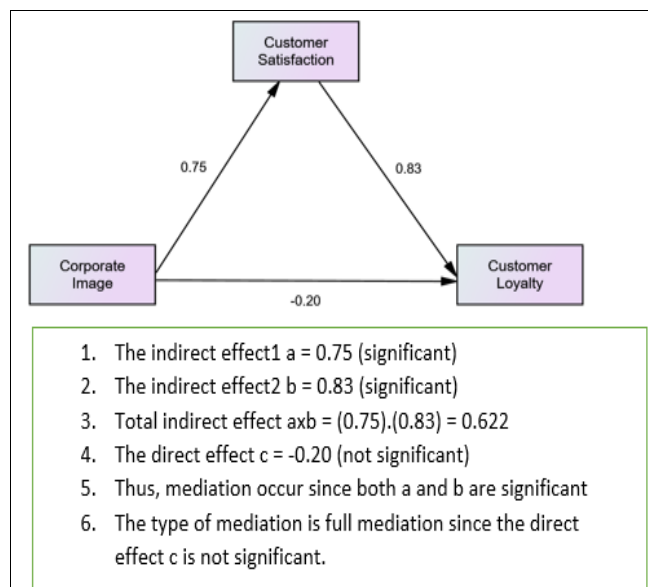


Fig 11: The Mediation Testing Procedure for CI – CS - CL

5. Conclusion

From the study results in chapter four as indicated on table 10, it was discovered that Customer Satisfaction has a positive and a statistically significant relationship with Customer Loyalty towards Coca Cola products in the Gambia; hence the second objective is achieved. Understanding, what influences a customer towards a product or brand is essential in managing organizational

performance and an important source of organizational competitiveness. Customer satisfaction is intricately linked with the brand, which brings value to the customers and a means of achieving improved loyalty. For corporate Image has no statistically significant relationship with Customer Satisfaction towards coca cola company in the Gambia. Accordingly, the result of the study did not support the hypothesis. The third objective is achieved. However, the above result is at variance with some of the previous studies which were done in other Countries.

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