

The Effect of Perception Management on Customer Loyalty, Profitability, and Average Company Lifespan

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Abstract

Longer life expectancy of a business organization is a desired quality for its stakeholders. Such a phenomenon is a result of certain factors which need to be investigated and well understood for the long-term sustainability of a business organization. The surveys applied in the research, which aims to determine whether perception management has an effect on customer loyalty, company profitability, and average company lifespan, were conducted with 100 volunteer executives in the companies located in the Bursa province. It was concluded that perception management influences the most customer loyalty and that the independent variable that affects perception management the most is company profitability. The study used statistical reasoning to test for correlations and regression. The findings show that there is a positive effect on the life expectancy of the firm.

Keywords: Business organization life expectancy, Customer loyalty, Customer perceptions, Company profits, Perception management, Company profitability

Introduction

One of the main essential tasks of company managers is to be able to analyze the financial performance of the company and the economic environment the company is in (Garih, 2007). The company manager should improve the funding power of the company as much as possible. This, he should do with the retained earnings of the company. If retained profits fail to be added to company funds, then the company will not be able to grow which will affect its life expectancy. Apart from others, maintaining customer loyalty is one of the factors that make sustained profitability and the funding of the company possible.

Companies not adapting modern technological developments carry the risk of falling behind competition bear high costs of production resulting in poor profitability. Technical qualities of products and services are essential means of satisfying customers' wants. When the product quality suffers so will be the perceptual quality of the product in the eyes of the customers, hence a flow of customers towards competing products (Zaltman, 2014). In this study, customer loyalty, customer perception, and the effect of profit on average company lifespan will be explained.

Literature Review and Hypothesis Development

Individuals make decisions based on not only facts but also their perceptions whether they are true or not (Fombrun and Riel, 2004). Businesses are in much closer contact with customers to ensure emotional and cognitive satisfaction. Businesses want their relationships with their customers not only to exist during the purchase but to endure for the long-term. Therefore, the concept of loyal customers becomes very important for businesses. Customer loyalty is the emotional bond that customers develop with the business due to the perceived quality of service (Kandampully, 1998). Loyalty programs developed for customers, by establishing long-term relationships with customers, enable companies to know customers better, their requests to be uttered more clearly, and more effective and efficient use of marketing efforts (Yazici, Ayyildiz and Dinler, 2020). One of the most important elements of loyalty programs is perception management.

Perception management is a communication process based on interaction; it is the process of shaping the messages in accordance with the perception level of the target audience and thus creating the desired attitude and behavior change in the target audience (Garfield, 2002). Corporate reputation (Bekis et al., 2013), which is the general effect of the ability to create value for customers, shareholders, suppliers, media, government, environment, society and other stakeholders, is of great value in perception management. Along with

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corporate reputation, customer loyalty and customer perception constitute the most important infrastructure of perception management.

Therefore, in our research, hypothesis 1 including the proposition "Perception management has an effect on customer loyalty." has been developed. Apart from the intangible elements of the companies and the subjects of organizational behavior and the elements mentioned briefly above, the profitability ratios that are directly related to the existence of the company but can be calculated after a certain accounting process are also the most important factors affecting the sustainability of the company. Profitability ratios are indicators of the extent to which the company makes a profit compared to its assets or equity in a period.

The rates used in the firm's profitability analysis are the ratios that show the relationships between profit and capital, the ratios that show the relationships between profit and sales, the ratios used to determine whether the business provides sufficient income to its partners, and the ratios used to determine whether the business has earned enough income to meet its financial obligations (Batchimeg, 2017; Pando et al., 2018; Guo and Wang, 2019). To investigate how these issues are affected by perception management, hypothesis 2 including the proposition "Perception management has an effect on company profitability." has been developed.

Today's business world witnesses a period in which global integration exists, rapidly changing technologies and the demand for them increase, the boundaries of the industry begin to blur, and the product life cycle is shortened (Grand and Baden-Fuller, 2004). While intense competition, complexity and uncertainty, rapidly changing customer demands and expectations, and changing technologies are factors that threaten the success of businesses, globalization offers businesses many opportunities such as easy and cheap access to new markets and production factors (Yesil, 2010). Many factors such as the reputation of the companies in the market, their position in the market and their financial situation affect the lifespan of the company. In our research, to examine this issue, hypothesis 3 including the proposition "Perception management has an effect on average lifespan of the company." has been developed.

Given all the above explanations, it is expected that there will be a correlation between the variables. Hypothesis 4 including the proposition "There are meaningful correlation between perception management, customer loyalty,

company profitability, and average lifespan of the company." has been developed for this purpose.

Method

Participants and Procedure

The study sample consists of volunteer managers working in SMEs in the private sector in the Bursa (Turkey) province. 110 out of 286 managers in the 100 targeted SMEs participated in the interviews. The data required for the research were collected by face-to-face (personal interview) questionnaire method, as it provides great advantages in terms of high response rate and allowing to ask many questions (Ayten, 2016).

A total of 110 respondents were interviewed face-to-face in 11 months. The sample of convenience included 20 construction firms, 20 textile firms, 5 tourism firms, 6 automotive firms, 20 construction material producer firms, 10 insurance services firms, 10 sub-contracting firms, 10 fuel-oil firms and 9 firms working in the household appliances sector. The firms the sample had been in the industry for a minimum of 3 and a maximum of 46 years.

Measures

Customer Loyalty

The 5-point scale developed by Narayandas (1996) was used. Cronbach's Alpha of the scale was calculated 0.896.

Perception Management

The scale developed by Atalay (2016) was used. Cronbach's Alpha of the scale was calculated 0.884. Although the scale is formed by two factors, which are "Organizational Strategy and Tactics" and "Perceptual Action and Applications", it was included in the analyses as one-factor.

Company Profitability

It is analyzed on the basis of how companies evaluate themselves as loss, low profit, average profit and high profit. According to one or more of the rates mentioned in the literature, companies can evaluate their profitability conditions subjectively. During the research, businesses preferred to express their profitability status with ratings such as low profitability or average profitability instead of giving figures. According to these preferences, profitability conditions are included in the regression and correlation analysis. Fit indices of the scales mentioned briefly above are given in the Table 1.

In addition, a semi-structured interview method was used in the research to collect data. The

interview questions were first examined by experts and revised again. The questions were directed at the interviews to company owners, senior executives, sales and marketing managers, public

relations managers. Questions also attempted to measure the degree of awareness of perception management amongst the respondents. In addition, the usefulness of perception management was also asked.

Table 1. Fit indexes of scales

Indices	Perfect Fit	Acceptable Fit	C.Loyalty	P.Management
RMSEA	,000≤RMSEA≤,050	,050≤RMSEA≤,080	,078	,074
χ ² /df	,000 ≤ χ ² /df ≤ 2,000	2 ≤ χ ² /df ≤ 3	2,732	2,465
PCLOSE	≥0,05		,080	,068
RFI	,900<RFI≤1,000	,850<RFI≤,900	,902	,915
IFI	,950≤IFI≤1,000	,900≤IFI≤,950	,940	,936
NFI	,950≤NFI≤1,000	,900≤ NFI≤,950	,908	,917
TLI	,950≤TLI≤1,000	,900≤TLI≤,950	,908	,906
CFI	,970≤CFI≤1,000	,950≤CFI≤,970	,961	,935

(Seker et al., 2020)

Finally, steps the companies in Turkey could take on perception management and customer loyalty for profit maximization were discussed. The interviews had provided an opportunity to gain systematic and overall views of the people on perception management and customer loyalty.

56% of the participants are women while 44% are men; in terms of the ages of the participants, the biggest group is "age 51-60" with 31%; in terms of marital status, 18% of the participants are married, 47% single, 11% divorced, and spouses of

24% have passed away; in terms of the working years in the company, 60% of the participants have worked for 1-5 years, 38% for 6-10 years, and 2% for 21 years or more; in terms of the company type of the companies that participated, 23% of them are joint-stock companies, %75 are limited companies, and 2% are cooperative companies; and in terms of the number of employees, 32% of them have 0-9 employees and 68% have 10-49 employees.

Table 2. Regression analyses indicating the effect of perception management on customer loyalty, company profitability, and average lifespan of the company

Dependent Variable	Independent Variable	R	ΔR ²	F	t	B	Beta	p	Durbin-Watson
Perception Management	(constant)	,160	,025	11,363	33,234	5,659	,160	,000	1,876
	Customer Loyalty				3,371	,166			
Perception Management	(constant)	,119	,014	6,281	19,146	4,364	,111	,013	1,893
	Company profitability				2,506	,178			
Perception Management	(constant)	,131	,017	4,653	14,911	3,230	,131	,006	1,993
	Average company lifespan				2,766	,234			

Regression formulas that can be written according to the table above and acceptance/rejection status of the hypotheses are given below. Y₁ (Customer Loyalty) = 55,659+0,166 (Perception Management), hypothesis1 accepted

Y² (company profitability) =4,364 +0,178 (Perception Management), hypothesis 2 accepted
Y₃ (average company lifespan) =3,230+0,234 (Perception Management), hypothesis 3 accepted

Table 3. Correlation analysis indicating the relationship among variables

	Perception Management	Customer Loyalty	Company Profitability
Customer Loyalty	,728** (sig=,000)		
Company Profitability	,281**/(sig=,001)	,560** (sig=,000)	
Average Company Lifespan	594** (sig=,000)	,731** (sig=,000)	,609** (sig=,000)

As can be seen from the table above, positive and bi-directional correlations were found among all of the variables. The strongest correlation is between customer loyalty and average company lifespan (.731**) and perception management (.728**) and the weakest correlation is between perception management and company profitability (.281**). Therefore, hypothesis 4 is accepted. It was concluded that perception management influences the most customer loyalty and that the independent variable that affects perception management the most is company profitability.

Discussion and Recommendations

Disruption of life balance due to external factors such as urbanization, technological developments and natural events makes it difficult for people to adapt to the external environment and as a result, people experience more intense stress (Bilgen et al., 2018). Therefore, companies that can reduce this stress level on their customers, at least at the level of their expectations, will be advantageous.

Since our study was conducted only in Bursa province, it is limited in terms of revealing general results. Secondly, since it takes a cross-sectional approach, different results may be encountered in the interaction between customer perception, loyalty profits and life expectancy at different times and samples. Future researchers can make different contributions to the literature with similar studies with different samples or in different sectors.

Recommendations for Implementers

Considering the impact of perception management on customer loyalty, company profitability and company lifespan, business managers need to apply perception management more effectively. For this purpose, business managers should develop awareness by taking perception management training.

Considering that perception management practices increase according to the age, seniority and working time in the same workplace, inexperienced managers who are young and new to the profession should functionally participate in in-house or external mentoring practices in order to deal better with problems related to customer loyalty, company profitability and average company lifespan.

Internal and external auditing pressure and workload on business managers should be alleviated at all times, and the psychological aspect of business managers should not be ignored. Training programs should be organized for business managers to better understand issues related to

customer loyalty, company profitability and average company lifespan, and before all of these, the perception management levels of managers should be increased.

The physical and infrastructural deficiencies of the enterprises should be eliminated as soon as possible and many more alternatives should be offered to the business employees regarding the departments they want to work at. In addition, meetings and various events should be organized to strengthen internal communication.

Companies should organize awareness-raising seminars for employees and their relatives, which are among the factors that will increase customer loyalty in the business, increase the profitability of the company and extend of the average lifespan of the company. In this sense, various activities should be organized for employees and their relatives on certain days in order to ensure that the employees and their relatives of the business are integrated with the business.

Considering the effects of the experiences of business managers on perception management, it would be appropriate for beginner business managers to request a position in companies where they can achieve success more easily. In this sense, business managers should move to businesses with strong competition after gaining professional experience for a while.

As business managers move towards activities aimed at ensuring their personal and professional development, this will increase the effectiveness in perception management. In this sense, business managers should attend a certain number of scientific meetings per year and visit businesses in different countries. Business managers should have a postgraduate education. In addition, foreign language education should be emphasized. Considering personal characteristics, government consultancy units should be used more effectively in order to eliminate the factors that may reduce the perception management levels of business managers.

Recommendations for Researchers

Considering the relationship with positive organizational behaviors, perception management development programs for business managers should be introduced in order for businesses to have a more efficient structure. Besides the contribution of perception management, customer loyalty, company profitability and average company lifespan in the context of the organization, research can be made to reveal their contributions to individuals and their effects on problem-solving

skills. It is important to conduct interactive studies based on certain theoretical infrastructure in order to further expand the knowledge of perception management, customer loyalty, company profitability and average company lifespan in the literature, considering the Turkish organizational culture.

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