The Antecedents of Automobile Brand Loyalty: Evidence from Malaysian

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ABSTRACT
This study empirically examined the mediating effect of brand satisfaction (BS) on the relationship between brand image (BI) and brand loyalty (BL) among Malaysian customer toward local automobile brands. Four hypotheses were developed to test hypothesizing relationships among BI, BS on BL. Data collected from customers of automobile brands in north Malaysia peninsula from three states which were Kedah, Penang, and Perlis. This study applies partial least squares to a sample of 458 customers to test hypothesized relationships. The findings indicate that BI and BS appear to have significant and positive relationship with BL. BS mediates the relationship between BI and BL. The results are compared with earlier findings and implications for further research are discussed.

Keywords: Brand Satisfaction, Brand Image, Brand Loyalty, Malaysian Automobile

JEL Classification: M3

1. INTRODUCTION

In the marketing literature, brand loyalty (BL) has gained a great interest among scholars and practitioners since more than 90 years ago (Copeland, 1923). Loyalty is measured and defined in terms of various marketing aspects like BL, service loyalty, and product loyalty (Olsen, 2007). Since BL among current consumers can help generate revenue (Dehdashti et al., 2012; Matzler et al., 2008), gaining and sustaining BL is a key challenge in increasingly competitive markets (Brexendorf et al., 2010).

BL carries significant benefits for marketers, academics and researchers because it indicates the health of an organization (Bennett and Rundel-Thiele, 2005). It has been an important research issue amongst marketing researchers for decades; it still receives lot of interest now. The cost of generating new customers is much more than the cost of retaining existing consumers (Dehdashiti et al., 2012; Noyan and Şimşek, 2014; Wierich and Zielke, 2014). Loyal customers are those who promote a brand, recommend it to relatives, friends, and to other potential consumers (Schultz, 2005). Companies spend millions of dollars annually to enable them to achieve higher levels of loyalty by engaging in marketing research (Bennett and Rundel-Thiele, 2005). In this context, building loyalty to the brand has become more essential Mohammad (2012), as it significantly contributes to company performance, position, and market share (Sahin et al., 2011).

Although brand has been considered essentially important to companies, several studies indicate that during the past 2 years there has been a significant decline in customer’s allegiance to their favorite brands (Belaid and Behi, 2011). Furthermore, the annual BL survey conducted by Mark (2011) revealed some surprising shifts in consumer loyalties. According to Mark (2011) the greatest losses in loyalty to brand among the top 100 were: Nokia (a decline of 63%), Blackberry (51%), Eucerin skin moisturizer (23%), Chanel cosmetics (23%), True Value (21%), and 3-Olives vodka (18%). According to Rachael (2013), between 2006 and 2010, BL has been declining as consumers no longer feel that owning the “Best” brand is important. The Catalina Marketing’s Pointer Media Network that studied 32 million customers in 2007 and 2008 across 685 leading brands found that 52% of “high-loyal consumers” (i.e. those who purchased 70% or more of products from the same
brand) started purchasing more from the competitor or might leave the brand completely in the next year (Krasny, 2011). Certain brands have also suffered loss of loyalty as consumers turned to cheaper brands that have considerable meaning, however, a brand that understands the real emotional relationship can serve as a substitute for the value-added and hence can build a strong loyalty relationship (Passikoff, 2012).

The level of competition keeps on increasing in the Malaysian automobile market (Yee and San, 2011). For example, a Malaysian study by Abu Bakar et al. (2011) showed that the majority of the customers (54%) reported to own local brands and 46% imported brands. They also showed that 82% intended to buy imported brands for their next brand even though currently they owned a local brand. They concluded that there is a low level of loyalty among Malaysian customer toward local-made brand. If local automobile producers wish to further increase their market share among foreign competitors, it is important for them to understand their consumers. Therefore, it is important to investigate how customers’ perceptions of brand image (BI) influence their satisfaction and loyalty from the perspective of Malaysian automobile local brand industry.

The need to examine the bond between BI, brand satisfaction (BS), and BL is justified by the inconsistent findings in the literature. While several research reported significant results Andreani et al. (2012); Hyun and Wansoo (2011); Kuikka and Laukkanen (2012); Martenson (2007), others did not indicate significant findings (Belaid and Behi, 2011; Gul et al., 2010; Walter et al., 2013; Wu et al., 2011). Even though numerous studies had been carried out to investigate the bond between BI, BS, unfortunately the results produced were inconsistent. This suggests that more research is required to establish the relation between BS, BI and BL.

2. LITERATURE REVIEW

2.1. BL

The central role of marketing strategies is the maintenance and development of customer BL, particularly in markets with strong competition, great unpredictability and decrease in product differentiation (Fournier and Yao, 1997; Nawaz and Usman, 2011). BL is a conventional marketing idea that focuses on developing a long-term consumer brand relationship. It has been employed to measure brand equity and successful marketing strategies (Knox and Walker, 2003). As getting new customers can be very expensive for companies, getting loyal customers is in their best interest. This advocates that “BL is the only basis for enduring profitable growth” (Light, 1994. p. 1). BL is the strength of the brand acquired over time through goodwill and name recognition (Vitez, 2013), which lead to increased sales and higher profit margins against competing brands (Usman et al., 2012). Thus, companies need to devise new strategies to create BL and they can do through strong advertising and marketing campaigns and provision of high quality services or products.

2.2. BI

It is widely accepted among products/branding scholars that BI has influence on BL (Cretu and Brodie, 2007; Gul et al., 2010; Sondoh et al., 2007). A suggest by Hanzae and Asadollahi (2012) in the marketing field, brand managers must consider the inter-correlations between brand equity’s dimensions particularly BI and BL, high quality brand enables customers to identify a brand’s superiority and distinctiveness which leads to loyalty (David, 1991; Oliver, 1997). Shaharudin et al. (2011) argue that the quality of product assists the company to deliver products that can satisfy the wants and needs of the consumers, which leads to the constant demand of the goods. The BI itself is more influential to the consumers than the physical quality of the brand in determining rebuy same brand in the future. In instance, BI is important antecedent of BL (Aydin and Özer, 2005).

BI plays an essential role in the product industry. In the past, the majority of BI research has been on intangible products and retail contexts (Bloomer et al., 1998; Ghazizadeh et al., 2010). Only a few studies investigated BI of product companies. Furthermore, there have been few research efforts to incorporate the role of BI into BL (Mabkhot et al., 2015; Martenson, 2007; Sondoh et al., 2007; Xing-Wen and Zhang, 2008). Therefore, expanding the BL model to include BI in this study is necessary. It may lead to strengthening the capacity of a forecasting model, as well as providing an enhanced understanding of the factors that stimulate loyalty towards local industries. Furthermore, when customers have a desirable BI, the brand’s messages have a stronger effect in comparison to competitors’ brand information (Hsieh and Li, 2008). Hence, BI is a vital determinant of a purchaser’s behavior (Burmann et al., 2007). The attractiveness of a BI to the consumer’s own self-image lays the foundation for establishing a relationship between a customer and a brand, which in turn serves as a basis for BL (Zakladna and Ehrl, 2011).

BI is considered as a consumer’s built concept; thus customers’ create an image related to the brand with regard to their perceptions and knowledge (Nandar, 2005). BI is an outcome of the customers’ deciphering of all the signals delivered by the brand like sponsoring, visual signs, advertising, and brand name, (Kapferer, 1994). BI influences BL directly, there are some previous researches revealed a significant bond between BI and BL Andreani et al. (2012), Sondoh et al. (2007), others found an insignificant relationship (Cretu and Brodie, 2007; Gul et al., 2010; Helgesen and Nesset, 2007). However, due to mixed results, the present study proposes the following hypotheses:

H₁: There is a significant relationship between BI and BL.

H₂: There is a significant relationship between BI and BS.

2.3. BS

Satisfaction defined as “the consumer’s response to the evaluation of the perceived discrepancy between prior expectations and actual performance of the product as perceived after its consumption” (Tse and Wilton, 1988. p. 204). Also it is defined as “an emotional response to the experiences provided by, associated with particular products or services purchased, retail outlets, or even molar patterns of behavior such as shopping and buyer behavior, as well as the overall marketplace” (Westbrook and Reilly, 1983. p. 256). According to several scholars Bennett and Bove (2002),
Bennett et al. (2005), Jones and Suh (2000), Youl and John (2010), BS is one factor that impacts BL, when consumers are satisfied with a brand, they are willing to use the same brand in the future. Nam et al. (2011) argue that BS is an overall emotional of consumer response to the entire brand experience after the last buy. Satisfaction determines future purchases pattern and it enhances desire for the service or product (Bennett and Rundle-Thiele, 2002).

Satisfaction is an antecedent of BL, with increases in satisfaction leading to increases in BL (Bennett, 2001; Bennett and Rundle-Thiele, 2005; Bolton, 1998; Jones and Suh, 2000; Ringham et al., 1994). Even though, the marketing literature admits the assumption that satisfaction is linked to loyalty, the earlier concept seems to explain consumers’ purchasing habits containing all of their consistent buying behaviours (Bennett and Rundle-Thiele, 2005). Previous studies found a significant relationship between BS and BL Andreani et al. (2012), Choi et al. (2011), Kuikka and Laukkonen (2012), Tu et al. (2012), however, others revealed an insignificant relationship (Walter et al., 2013). Similar results was revealed by Kuikka and Laukkonen (2012) examined the effects of BS on BL and the role of hedonic value within the BL experience in a chocolate industry in Finland. They observed that BS is a strong influence on behavioural BL. They also showed that BS affect attitudinal BL. They further revealed that satisfaction is the most significant influence on behavioural BL. This means that when customers are satisfied with a brand they will repeat buying that brand.

In contrast to the above findings, Walter et al. (2013) showed that the bond between customer satisfaction and loyalty is statistically insignificant among university students in Germany and Canada toward BMW car brand. Similarly, Belaid and Behi (2011) found that the correlation between BS and BL is negative and insignificant. This means that, BS plays a minimal role at best in developing committed and loyal customers. Bejan (2012) also revealed insignificant relationship between satisfaction and BL toward lifestyle product brands, high-tech product brands, and service brands. In the same vein, insignificant finding was reported by Hameed (2013) on the influence of satisfaction and BL in his study in Pakistan. Andreassen and Lindestad (1998) also revealed that no significant influence relationship between customer satisfaction and loyalty. The empirical evidence appears mixed, the majority of studies found BS influence BL, justifying the inclusion of BS as a mediator variable in the present study. This study considers BS mediates the relationship between BI and BL. The present study proposes the following hypotheses:

H₁: There is a positive and significant relationship between BS and BL.

H₂: BS has a mediating effect on BI and BL.

3. METHODOLOGY

3.1. Research Design
The study was conducted among Malaysian customers toward automobile local brands. The intention was to examine the relationship between BI and BL through BS as the mediating variable. This study was cross-sectional as data were gathered once to answer the study’s research questions. The survey was employed to obtain personal and social facts, beliefs and attitudes (Kerlinger and Pedhazur, 1973). The unit of analysis for this study was the customers of automobile local brands in Malaysia. The participants for this study included the customers who visited hypermarkets in the northern states of peninsula Malaysia i.e. Kedah, Perlis, and Penang.

3.2. Sampling and Data Collection
The mall-intercept technique was employed for distributing the survey in 16 supermarkets to maximize the chance of capturing a wide socio-demographic sample. We intercepted every tenth shopping mall customer who was approached to complete the survey (Hair et al., 2008; Sudman, 1980). In order to find the participants who were in the range of 17 years and above, data were collected at different times of the day: Morning, noon, and evening, and weekends, as suggested by Sudman (1980). The participants were asked to evaluate automotive local brands specifically Perodua and Proton. A total of 576 participations voluntarily participated but 458 completed surveys were used in the actual data analysis.

3.3. Measurements
To measure BL, a 16-item scale was adopted from Oliver (1997; 1999), and Harris and Goode (2004) with four dimensions of customers’ BL (cognitive, affective, conative, and action). Brand attributes reflected cognitive loyalty, while affective loyalty focused on a positive attitude toward a brand. Cognitive loyalty referred to strong intentions for future exchange, and action loyalty was a commitment to a specific product regardless of the marketing efforts of competitors. Each dimension was measured by four items. The measurement was adopted because it has been widely used across different cultures (Han and Li, 2012; Harris and Goode, 2004; He et al., 2012). BI is measure using six items adapted from (Low and Lamb Jr., 2000). These items are the most commonly utilized instruments to measure BI. For BS we adopted the scale from Fornell et al. (1996); Ganesan (1994); Grace and O’Cass (2005) 9 items was used to measure BS. All variables were measured on a five-point Likert scale, ranging from “1” “Strongly disagree” to “5” “Strongly agree.”

3.4. Techniques for Data Analysis
SPSS 21 was used for data analysis for descriptive statistics and this study employed partial least squares structural equation modeling (PLS) path modeling using SmartPLS 3.0 software to test the theoretical model (Ringle et al., 2014). The PLS path modeling was considered the most suitable technique in this study because PLS path modelling is resembling to conventional regression technique, PLS path modelling has the benefit of estimating simultaneously the relationships between indicators and their corresponding latent constructs, measurement model (outer model) and the relationships between constructs, structural model (inner model) (Chin et al., 2003; Duarte and Raposo, 2010; Lohmoller, 1989). Distributions of all measured variables were examined first to purify the data and reduce systematic errors.
3.5. Assessment of Measurement/outer Model

The study adopted two-step processes suggested by Hair et al. (2014) and Henseler et al. (2009) to assess the measurement model and structural model. The first step involved assessing the measurement model by running algorithm in SmartPLS 3.0. The correlations and discriminant validity of first-order factors shown in Table 1.

As illustrated in Table 2 the fit indices indicated that the measurement model had good convergent validity, and an average variance extracted (AVE) of >0.50 indicates that the validity of both the construct and the individual variables is high (Hair et al., 2014). The constructs met this conservative test of discriminant validity, meaning that each construct was statistically different from the others as indicated in Table 1. Thus, the measurement model was reliable to test and assess the structural model (Hair et al., 2012).

3.6. Assessment Structural Model

Having established the validity and the reliability of the measurement model or called it outer model, the next line of action was to test the hypothesized relationship by running bootstrapping in SmartPLS 3.0. Predictive relevance of the model, i.e. the quality of the structural model, can be assessed by $R^2$. This depicts the variance in the endogenous variables of BS and BL. Based on the result reported in Figure 1, $R^2$ was found to be 0.686, indicating that BI and BS accounted for 69% of the variance in automobile BL, while BI accounted for 38% of the variance in automobile BS. Using the assessment criterion suggested by Cohen (1988), we concluded that 0.69, and 0.38 were substantial.

4. FINDINGS

All the hypotheses were tested by examining the significance of the respective path coefficients. There were direct positive effects of BI on BS and BL, thus supporting $H_1$ until $H_3$. BS had the greatest impact on BL ($\beta = 0.739$) and BI on BS ($\beta = 0.616$), whereas BI shown a $\beta = 0.133$ on BL.

To test whether BS mediates the bond between brand personality and BL, a direct path was tested in the model between BS and BL. The indirect effect of BI on BL was significant ($P < 0.001$). According to bootstrapping tests Kock (2014); Preacher and Hayes (2008), the relationship between BI and BL mediated by BS ($\beta = 0.455$), as indicated in Table 3. The values for the AVE of the three constructs more than suggested value of 0.5.

5. DISCUSSION AND CONCLUSIONS

The main purpose of this study was to examine the mediating effects of BS on the relationship between BI and BL toward automobile local brands in Malaysia. The findings of the hypotheses testing suggest that all beta coefficients were positive.

**Figure 1:** Research model

**Table 1:** Correlations and discriminant validity of first-order factors

<table>
<thead>
<tr>
<th></th>
<th>Action</th>
<th>Affective</th>
<th>Cognitive</th>
<th>Conative</th>
<th>BS</th>
<th>BI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action</td>
<td>0.910</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affective</td>
<td>0.561</td>
<td>0.729</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cognitive</td>
<td>0.770</td>
<td>0.592</td>
<td>0.866</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conative</td>
<td>0.559</td>
<td>0.684</td>
<td>0.578</td>
<td>0.735</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BS</td>
<td>0.717</td>
<td>0.655</td>
<td>0.761</td>
<td>0.591</td>
<td>0.838</td>
<td></td>
</tr>
<tr>
<td>BI</td>
<td>0.545</td>
<td>0.472</td>
<td>0.514</td>
<td>0.393</td>
<td>0.616</td>
<td>0.784</td>
</tr>
</tbody>
</table>

BS: Brand satisfaction, BI: Brand image
As shown by the explained variance found, BI and BS were not the only predictors of BL in the local automobile industry. The R² of BL was 69%. This means that the model’s variables contribute of 69% of BL. Based on these results, it can conclude that there are some other variables that may increase the level of BL which can be considered for future research. Therefore, future study could incorporate other variables such as brand quality (Shanmugapriya and Gnanaselvi, 2015). Local companies have to take into account the customers’ needs and improve the quality of national brands to compete with foreign brands Hin et al. (2013) because the customers are always looking for better quality brands. In addition to brand quality, future researchers may want to consider customer delight, word-of-mouth, and brand trust as potential predictors of BL. It should also examine the broader question whether price can build BL and whether different types contribute differentially to BL (Abdulmajid, 2009).

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