

EFFECTS OF BRAND EXPERIENCE ON BRAND LOYALTY IN INDONESIAN CASUAL DINING RESTAURANT: ROLES OF CUSTOMER SATISFACTION AND BRAND OF ORIGIN

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Abstract

Purpose – this study aims to scrutinize direct and indirect effects of brand experience on brand loyalty and to investigate the moderating effect of brand of origin in the context of Indonesian casual dining restaurant.

Design –this paper analyzed the direct effect of brand experience on brand loyalty and also the indirect effect through customer satisfaction. This study inserted the notion of brand of origin as a variable moderating the effect of brand experience on customer satisfaction and brand loyalty.

Methodology – covariance based SEM was used to analyse the data. The robustness of measurements was evaluated by confirmatory factor analysis. Sobel's test was employed to test the indirect effect and multigroup analysis was used to investigate the moderating effect of brand of origin.

Findings – brand experience was found to have positive direct effects on both customers' satisfaction and brand loyalty. This study confirmed the indirect effect of brand experience on brand loyalty through customer satisfaction. However, multigroup analysis did not find the moderating effect in brand of origin.

Originality – this study highlights the direct effect of brand experience on brand loyalty. In addition, this study confirmed that customer satisfaction plays an important role in mediating the effect of brand experience on brand loyalty.

Keywords brand experience, customer satisfaction, brand loyalty, multigroup comparison, casual dining restaurant

1. INTRODUCTION

Tourism sector is one of important contributors for Indonesia's national income (Mudrikah et al., 2014). In line with the tourism industry development, the number of restaurants increases dramatically in Indonesia. Data collected from Ministry of Tourism and Creative Economy indicated that the number of medium and large-scale restaurants in Indonesia increases around 33% between 2007-2012 (Ministry of Tourism, 2014). Indonesian Statistics (2015) noted that the average visitors of medium and large restaurant were around 227 people in a day. It showed that dine out is becoming a life style for Indonesians (Hussein et al., 2015). The increase of restaurant business affects the competition among them. Within a situation of tough business competition, an organization having strong brand loyalty will have a bigger chance to sustain in the

industry. A company which successfully creates loyalty would enhance its profit, as it does not require much money and resources to gain new customers (Oliver, 2010). In addition, brand customers would benefit the company since loyal customers spread a positive word of mouth (WOM) to other people (Brunner et al., 2008).

In the strategic brand management standpoint, scholars proposed that brand experience takes an important role in affecting brand loyalty (Brakus et al., 2009; Jeong & Jang, 2011). These scholars contended that the more positive experience perceived by customers toward a brand, the higher their loyalty would be. While the scholars found the effect of positive brand experience on brand loyalty, other studies found that brand experience did not give a significant direct effect to brand loyalty (Choi et al., 2011; Iglesias et al., 2011). These inconsistent findings indicate that the relationship between brand experience and brand loyalty remains equivocal. To bridge the research gap, this study proposed to insert both mediating and moderating variables. Adding these variables enhance the effect of predictor on criterion (Baron & Kenny, 1986).

In this study, customer satisfaction is expected to mediate the effect of brand experience on brand loyalty. Scholars noted that customer satisfaction is the antecedent of brand loyalty (Caruana, 2002; Leppäniemi et al., 2016; Suhartanto & Triyuni, 2016). These studies indicate that satisfied customers repurchase offered products or services. To feel satisfied, customers must perceive a positive experience with the offered brand (Khan et al., 2016; Yulianti & Tung, 2013). These studies indicated that customer would be more satisfied toward a particular brand if they perceive a positive experience toward the brand.

Brand of origin is added as the moderating variable in this study since the study of Suhartanto (2011) revealed that customers have difference perceptions about domestic and international brands. It also pointed out that customers react differently toward domestic and local brands. Thus, it is expected that effects of brand experience will be different between international and domestic brands. Apart from the issue regarding the inconsistent path between brand experience and brand loyalty, another issue addressed in this study is about the lack of study about brand experience in the perspective of Indonesian consumer behavior (Hussein et al., 2015) as a part of eastern culture. Scholars (Karatepe et al., 2005; Kettinger et al., 1995) suggested that experience is considered as culture-based construct. Hence, the effect of brand experience would be varied among culture and industrial setting. Currently, the studies of brand experience were conducted in the setting of European consumers (Iglesias et al., 2011; Nysveen et al., 2013) and North American perspective (Beckman et al., 2013; Brakus et al., 2009) which are considered as western culture. For that reason, to have a better knowledge about brand experience and its relationships among customer satisfaction, brand of origin and customer loyalty, there is a need to do a study in the perspective of Indonesian consumers especially in the area of casual dining restaurant.

Based on the research background, this study has two objectives: (1) to scrutinize the direct and indirect effects of brand experience toward brand loyalty and (2) to investigate the moderating roles of brand of origin on effects of brand experience. Upon the completion of research objectives, this study contributes to both theoretical and practical standpoints. Theoretically, this study provides a conceptual model explaining

relationships among brand of origin, brand experience, customer satisfaction and brand loyalty in the perspective of Indonesian casual dining restaurant. Practically, it provides a guideline for restaurant manager especially casual dining restaurant to formulate strategy in enhancing customer's brand loyalty.

2. LITERATURE REVIEW

2.1. Brand Experience

Customers' experiences in interacting with brands have gained attention from marketing academics. Brand experiences are likely to influence customer's behavioral responses (Brakus et al., 2009; Zarantonello & Schmitt, 2010). The earlier study on customer's brand experience had identified six different kinds of experience: sensory experiences, affective experiences, creative cognitive experiences, physical experiences, behavioral and lifestyle experiences, and social-identity experiences (Schmitt, 1999). Customers' brand experiences are gained from interactions amongst the service organization, product, service personnel and customers, and results of particular responses from customers.

The later definition of customer brand experience is customers' responses toward brand-related stimuli, such as name, logo, mascots, packaging, marketing communication, store ambience and environment (Brakus et al., 2009). Furthermore, it can be differentiating customer responses toward the brand-related stimuli into two distinctive responses: internal response, and behavioral response. Internal response refers to customers' responses toward brand-related sensations, feelings and cognitions; while behavioral response is related to customers' responses toward brand design and brand identities, such as packaging, logo and marketing communication.

Brand experience as an emerging construct in marketing studies has been predicted to affect customer satisfaction. Ha and Perks (2005) found that brand experience positively affects online customer satisfaction in Korea. They proved that customers put more value on the brand experience rather than on the price which means low pricing is less likely to make the customers feel satisfied. Meanwhile, good experiences when they interact with a particular brand are more likely to make them feel satisfied. In addition to the relationships among brand experience, customer satisfaction, and brand loyalty are also predicted to affect loyalty. Brakus et al. (2009) found that brand experience also affects brand loyalty.

H1: Positive brand experience has a positive effect on brand loyalty

H2: Positive brand experience has a positive effect on customer satisfaction

2.2. Customer Satisfaction

Customer satisfaction is regarded as an important construct in marketing studies as customer satisfaction is believed to affect profitability and market share (Flint et al., 2011). It is also defined as a summary of customers' responses on the trade-off between their prior expectation and the actual performance (Rust & Oliver, 1994). Even though

the notion of customer satisfaction has been discussed widely in marketing literature, there is no solid measurement of customer satisfaction. The most common methods in measuring customer satisfaction are based on two methods, namely transaction-specific method and overall measurement method. This current study applied overall measurement method in measuring customer satisfaction, as the overall measurement is considered as the best method in capturing customers' cumulative impressions on the service provided, especially as the predictor of brand loyalty (Clemes et al., 2011; Yang & Peterson, 2004).

In marketing studies, customer satisfaction has been widely recognized as one of the predictors for brand loyalty in various industries, such as in banking sector (Mohsan et al., 2011), hospitality industry (Clemes et al., 2011), tourism industry (Lai, 2014), and communication industry (Edward & Sahadev, 2011).

H3: Customer Satisfaction mediates the effect of brand experience on brand loyalty

2.3. Brand of Origin

Brand of origin is defined as a country where a brand belongs to, based on customer perception (Koubaa, 2008; Thakor, 1996). The discussion of brand of origin in consumer behaviour studies has been around for years. The study on the effect of brand of origin in customer attitude and behaviour to choose a product/service has been conducted by some scholars (Hamzaoui-Essoussi et al., 2011; Samiee, 1994). However, the studies on the relationship between brand of origin and customer satisfaction specifically, has not been thoroughly discussed.

Brand of origin is believed to influence customers' perception or evaluation on a particular product and service, as consumers have made a stereotype on performances of a particular product based on the brand of origin (Maheswaran, 1994). In addition, Pappu et al. (2006) pointed out that brand of origin can be categorized as an intrinsic cues which will affect customers' cognitive perception about a brand. Brand of origin is believed to affect customer satisfaction,

H4 : Brand of Origin moderates the effect of brand experience on customer satisfaction

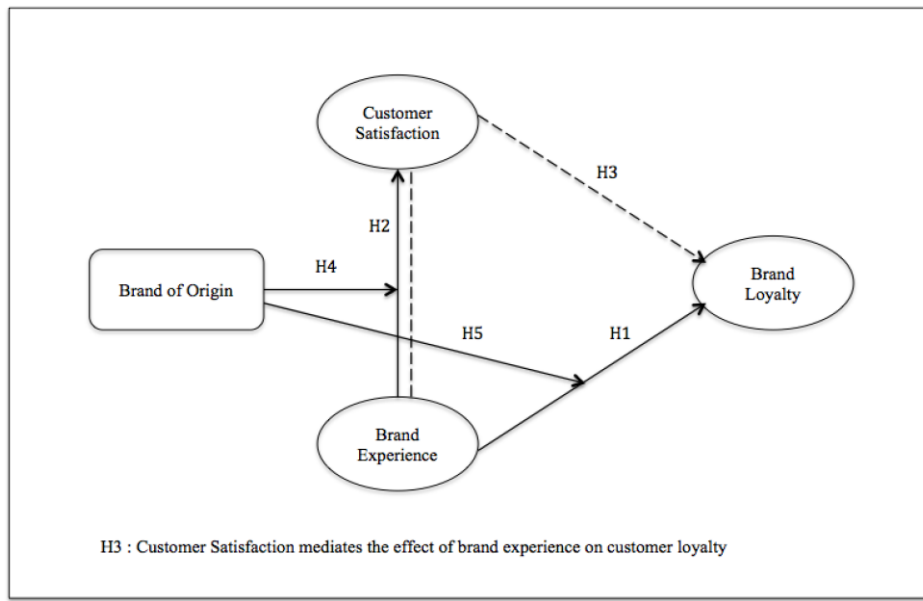
2.4. Brand Loyalty

The role of country of origin is not only limited in influencing customer satisfaction, but also influencing customers' loyalty in rebuying a particular product/service. Product information is considered as an important part in consumer decision making to purchase a product or service (Solomon et al., 2013). When evaluating product information, consumers use two cues: intrinsic and extrinsic cues. An intrinsic cues is described as an information relating to a product's physical attribute, while an extrinsic cue is related to a non-physical product attribute. Country of origin is categorized as an extrinsic cue, and believed to influence consumer decision when making process in rebuying a product/service (Lee & Lou, 2011).

H5: Brand of Origin moderates the effect of experience on brand loyalty

Based on the literature review a conceptual model is proposed by this study. Figure 1 depicts the model.

Figure 1: **Conceptual Model**



Source: Author

3. RESEARCH METHODS

3.1. Sample

Self-administered questionnaire survey was conducted to collect data. A total of 150 customers in five casual dining restaurants (three local brands and two international brands) in Malang City, East-Java Province, Indonesia participated in this study. Three restaurants are located at the City Centre and the other two restaurants are near to higher education institutions. The survey was conducted during March 2016. Upon the completion of initial data screening, only 120 questionnaires were usable to yield 80% response rate. For this study, respondents were recruited by using convenience-sampling method.

According to demographic data, the respondents' profile emerged from the following sample: 56% of respondents were recruited from domestic brand restaurants, all were Indonesian, 55% of the respondents were female, about 43% of the total respondents aged between 25-35 years old, 82% had university education and around 53% had income more than Rp. 3.000.000 (approximately EUR 210) per month. Table 1 shows the demography of respondents.

Table 1: Respondents' Profile

Variables		Percentage
Type of Restaurants	Domestic brands	56
	International brands	44
Gender	Male	45
	Female	55
Age	18 – 25	33
	26 – 35	43
	36 – 45	19
	46 – 55	5
Education	High School	11
	Diploma	8
	Undergraduate	52
	Postgraduate	27
Monthly Income	< Rp. 1.000.000 (< EUR 70)	3
	Rp. 1.000.000 – Rp. 2.000.000 (EUR 70-140)	15
	Rp.2.000.000 – Rp. 3.000.000 (EUR 140-210)	25
	>Rp. 3.000.000 (> EUR 210)	53

Source: Author

3.2. Measurement

The relationships among four constructs namely brand experience; customer satisfaction, brand loyalty and brand of origin were analyzed in this study. The items used to measure these four constructs mainly were derived from Brakus et al. (2009) and Suhartanto (2011). Multi-item scales adapted from previous studies were used to develop the constructs. A 5-point Likert scale anchored by 1 (strongly-agree) and 5 (strongly-disagree) was used in this study to measure brand experience, customer satisfaction and brand loyalty. Since brand of origin is not based on respondents' perception, this notion was not measured by using Likert scale. It was measured by giving codes.

For this study, brand loyalty is defined as the level of dispositional commitment in terms of some unique values associated to the brand (Suhartanto et al., 2013). In this study, brand loyalty was measured through five items adapted from Li and Petrick (2008). The notion and measures of brand experience were derived from Brakus et al. (2009). Then, the construct of brand experience was measured by 12 items. Customer satisfaction was measured by five items developed from Suhartanto et al. (2013). Brand of origin is a categorical measure. For this study, the international brand was coded by 1 while domestic brand was coded by 2.

Prior distributing the questionnaires, the measures have been discussed and consulted to both marketing academics and restaurant practitioners. It was done to improve the face validity of constructs. In addition, to ensure that the measures were valid and reliable, a pilot test was conducted and it showed that all constructs were valid and reliable.

3.3. Data Analysis

Structural Equation Modeling (SEM) with maximum likelihood method was employed by this study to analyze the data and test hypotheses. In analyzing the data, a confirmatory factor analysis (CFA) was initially conducted to determine the robustness of model. The fit of model was reflected through three fit indices. They were absolute fit index (Goodness of Fit/GoF and Root mean square error of approximation/RMSEA), incremental fit indexes (Normed Fit Index/NFI and Comparative Fit Index) and parsimonious fit indexes (Normed square and Parsimony Goodness-of-Fit Index/PGFI). The cut-off value for GFI, NFI and CFI is above 0.9; normed square less than 2, PGFI is more than 0.5 and RMSEA is less than 0.08 (Kline, 2005).

Upon the completion of CFA, the further analysis were testing both structural models and comparing both domestic and international brands. Path analysis was used to test the direct and indirect effects while multi-group comparison technique was used to compare domestic and international brand.

4. FINDINGS

4.1. Measurement Test

CFA was conducted to assess the model fitness prior testing the structural model. The initial result of CFA showed a poor model. Hence, there is a need to modify the model. Model modification was done through excluding items BE_1, BE_3 and BE_4 and drew covariance between er5 and er6, and between er13 and er15. The result of model modification showed a fit model ($\chi^2/df = 1.500$, GFI = 0.802, PGFI = 0.609, RMSEA = 0.046, NFI = 0.858 and CFI = 0.947). Apart of the model fit indices, validity and reliability have to be adequate to show that the model is fit the actual data. For this study, construct validity was reflected by factor loading (cut-off value was more than 0.6) and average variance extracted (AVE) – cut-off value was more than 0.5. The CFA results showed factor loadings ranged between 0.665-0.956 while AVE were ranged between 0.573-0.819. Based on these results, both factor loading and AVE were above the cut-off value. In addition, to ensure that there was no discriminant validity problem, the collinearity among constructs was assessed. A model is defined to have a discriminant validity problem when the collinearity between construct is above 0.85. In this study, there was no construct having collinearity with other constructs which were above 0.85. Hence, no discriminant validity problem was identified in this model.

The uni-dimensionality of constructs was measured by construct reliability. The result of construct reliability estimation showed that the values of construct reliability were ranged between 0.884-0.957. Hence, there was no uni-dimensionality problem faced by these constructs.

4.2. Hypothesis Tests

Five hypotheses were tested in this study. To test these hypotheses, the alpha value was set in the level of 5% ($t = 1.960$). The following section would discuss the results of hypothesis tests.

Hypothesis 1 proposes that brand experience has an effect on brand loyalty. The statistical estimation showed that brand experience affects brand loyalty ($t = 3.846$; $\beta = 0.457$). It meant Hypothesis 1 is supported. Since the path coefficient indicates a positive slope, brand experience is recognized to have a positive effect on brand loyalty. This positive effect means the better experience perceived by respondents about the brand, the higher their brand loyalty will be.

Apart of its effect on brand loyalty, this study predicted the effect of brand experience on customer satisfaction as proposed by Hypothesis 2. The SEM analysis indicated that there is a positive relationship between these constructs ($t = 7.225$; $\beta = 0.780$). This estimation confirmed that Hypothesis 2 is supported. Based on this finding, the more positive experience of respondents is, the higher their satisfaction will be.

The mediating effect of customer satisfaction in the relationship between brand experience and brand loyalty was proposed by Hypothesis 3. In order to test the mediating effect, this study followed Baron and Kenny's suggestion (1986). According to the suggestion, the mediating effect will appear if the predictor has an effect on mediator and mediator significantly affects criterion. For this study, brand experience as a predictor has a significant effect on customer satisfaction (mediator), and customer satisfaction has a significant effect on brand loyalty (criterion). For that reason, it is concluded that customer satisfaction mediates the relationship between brand experience and brand loyalty. With regard to the Hypothesis test, Sobel's test was employed in this study to calculate Z score. Sobel's test indicated that the value of Z was 3.883. Since the Z score is higher than 1.960, Hypothesis 3 is supported.

Table 2: Measurement Model

Constructs	Items	Factor Loading	Construct Reliability	AVE	Correlations		
					BE	CS	CL
Brand Experience (BE)	BE_12stimulates my curiosity	0.665	0.914	0.573	1	
	BE_10	I engage in a lot of thinking when I encounter....	0.747				
	BE_9is action- oriented	0.824				
	BE_8	eating at.....results in behavior experiences	0.712				
	BE_7	I engaged in physical actions and behaviors when I eat at....	0.844				
	BE_6is an emotional brand	0.774				
	BE_5	I have strong emotions with.....	0.803				
	BE_2	I find..... is interesting in sensory way	0.668				
Customer Satisfaction (CS)	CS_5	Commonly, dining in ... is a pleasant experience for me.	0.933	0.957	0.819	0.78	1
	CS_4	Commonly, I feel satisfied with the decision to dine in...	0.914				
	CS_3	I have a satisfying dining experience at...	0.956				
	CS_2	I make a right choice to dine in...as my dining place.	0.866				
	CS_1	Dining in...is exciting for me.	0.853				
Brand loyalty (BL)	CL_5	Even if other hotels were offering a lower rate, I would still dine in at	0.778	0.884	0.605	0.83	0.84
	CL_4	I intend to continue dining at In the future	0.733				
	CL_3	If were to raise the rate, I would still continue to dine in at.....	0.868				
	CL_2	In the future, I intend to recommendto other people	0.775				
	CL_1	I intend to say positive thing about....to other people	0.730				

Source : Author

Table 3: Hypothesis Test for Causality

Hypothesis	Path	Beta	t-stat	p	Remark
Hypothesis 1	BE → BL	0.457	3.846	0.000	Supported
Hypothesis 2	BE → CS	0.780	7,225	0.000	Supported
Hypothesis 3	BE → CS → BL	0.374	3.883	0.000	Supported

Source: Author

Multi group comparison test was conducted in order to test hypotheses 4 and 5. The data were split in local and international brands to conduct multi-group comparison test. Table 4 shows the result of the multi-group comparison test.

Brand of origin is proposed to moderate the effect of brand experience on customer satisfaction (H4). The effects of brand experience on customer satisfaction for local and international brand are both significant. However, based on the multi-group comparison test, the hypothesis 4 is not supported as the z-score between local and international brand was below 1.96 (z= -0.192). This result implied that in both local and international

brands, brand experience has the same effect on customer satisfaction. When customers get satisfactory experiences in a casual dining restaurant, it will enhance their satisfaction, regardless the restaurant's brand of origin

Brand of origin is also proposed to moderate the effect of brand experience on brand loyalty. The multi-group comparison analysis found that there is no difference on the effect of brand experience toward local and international brands of brand loyalty ($z = -0.235$). The results of the multi-group comparison test showed that in local and international casual dining restaurants, the brand experience construct does not have a significant effect of brand loyalty. Hence Hypothesis 5 is not supported.

Table 4: Multi-group Comparison

Hypothesis	Path	International		Domestic		Multi group	Remark
		Beta	P	Beta	p		
Hypothesis 4	BE → CS	1,142	***	1,075	0.000	-0.192	NS*
Hypothesis 5	BE → BL	0.514	0.002	0.559	0.002	0.184	NS*

*NS : Not Supported

Source: Author

5. DISCUSSION AND IMPLICATIONS

The hypothesis tests have proven that brand experience directly affects customer brand loyalty. This result is in line with Brakus et al. (2009) and Chen and Chen's (2010) studies which found a positive effect of quality experience on tourist brand loyalty. The positive relationship between brand experience and brand loyalty implies that the more customers have positive experience, the higher loyalty will be achieved. In addition to the effect of brand experience on brand loyalty, this study also found that brand experience has a positive and significant effect of customer satisfaction (Brakus et al., 2009; Ha & Perks, 2005). This result implied that in the context of the casual dining restaurant industry, customers' visual, sensory and emotional experiences are important to enhance customer satisfaction and to lead to customer brand loyalty.

The significant direct effect of brand experience on brand loyalty and satisfaction in line with characteristics of Indonesian consumers which is considered as a part of western culture. One of essential characteristics of eastern culture is uncertainty avoidance (Hofstede, 1994). People adopted uncertainty avoidance will be experiencing more pressure in dealing with uncertain future (Ayoun & Moreo, 2008). Hence, previous experience will be an important factor for Indonesian consumers to decide to be a loyal customer.

When customers experience the service provided by a casual dining restaurant, they will evaluate the service based on multiple aspects, namely visual, sensory and emotional experiences. Visual and sensory experiences can be evaluated based on customers' engagement on physical activities during the dining process. In addition, sensory experience can be evaluated by the degree of attraction in the restaurant's elements. For example, a casual dining restaurant which can provide more appealing foods and

beverages in a visual and sensory way, will tend to make their customers satisfied toward the restaurant service. Emotional experience for casual dining restaurants' customers can be manifested by a strong and positive emotional connection between the customers and the restaurant. A customer who has an emotional connection with a casual dining restaurant will tend to feel satisfied with the restaurant service. Satisfied customers will have higher intention to repatronize the service from the restaurant, and regarded it as an important resource. They can be utilized as ambassadors to promote word of mouth and recommend the product and service to other people.

This study contributes in understanding the antecedents of brand loyalty in the casual dining restaurant industry. Thus, when restaurant managers want to enhance customer intention to revisit their restaurant, they need to ensure that customers feel satisfied with the restaurant' product and service. Moreover, satisfactory feeling to the particular brand can be enhanced by providing positive experience every time customers revisit the restaurant. When customers get good experiences with the particular casual dining restaurant, it will lead to higher customer satisfaction and enhance customer revisit intention. Thus, they will recommend the restaurant to other people.

Regarding the brand of origin of casual dining restaurants, this study found different results from previous studies. Several researches on the moderating effect of brand of origin found that regarding the brand of origin of a particular brand, customer will have different response for local and international brands. Unlike the previous studies (Hamzaoui-Essoussi et al., 2011; Samiee, 1994), brand of origin in this study does not moderate the relationship between brand experience and customer satisfaction and between brand experience and brand loyalty. These findings imply that in the perception of Indonesian customer of casual dining restaurant, local and international brands will not affect the effect of brand experience on both customer satisfaction and brand loyalty.

The insignificant moderating effect of brand of origin possibly happen because of the educational background of respondents. As the respondents consider having a high educational background (80% having tertiary education background), they giving more concern into the quality of products and services provided rather than the brand of origin (Kanwal et al., 2016; Suhartanto, 2011). In addition, the characteristics of Indonesians as members of collectivist society also support the insignificant moderating effect of the brand of origin construct. Malai and Speece (2005) suggested that collectivists consumers give less concern into brand attribute such as name and origin in terms of being a loyal customer. For collectivist individuals, group consensus is important element in decision making.

LIMITATIONS AND DIRECTION FOR FUTURE RESEARCH

This study provides empirical evidences on the relationships among brand experience, customer satisfaction and brand loyalty in the context of casual dining restaurant. Furthermore, it also provides an insight of the mediating role of country of origin on the casual dining restaurant industry. However, this study has several limitations. The first limitation is about the sampling. It used purposive sampling which made its result cannot be generalized. Furthermore, only two constructs were included in this study as the

antecedents of brand loyalty. Therefore, a future study should include other constructs such as customer involvement, customer engagement or customer perceived value in order to get a more comprehensive model of the factors affecting brand loyalty in the casual dining industry.

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