

A comparative study of customer loyalty with brand of the local and foreign car companies

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Abstract

The aim of this comparative paper is to study the customer's loyalty to brand name of local and foreign car companies. For this purpose, 389 individuals (201 individuals from the customers of local car companies and 188 individuals from the customers of foreign car companies) of the customers of local and foreign car companies of the city of Rasht were selected with the use of simple random sampling method and they completed the self-made questionnaire. The obtained data were analyzed with the use of independent t- test. The results of the research indicate that there is a significant difference between the cognitive and emotional element of the dimensions of management of customer relationship, customer loyalty, management of time, advertisement of brand, rate of invested resources and cooperation of top management in the field of the brand of the local and foreign car companies. The mean of these elements among the customers of foreign car companies are more than those of the local companies.

Keywords: customer's loyalty, brand name, car company.

Introduction

Having loyal customer is one of the biggest advantages of an organization and today is considered to be one of the biggest worries of the managers, especially in service industries (Boder, 2008). The distinction between the customer's loyalty and other customers' variables such as desire to buy the same

product or use the same service, desire to buy other products or use other services of the same company, desire to introduce the company to others and informing others about the company and in some cases helping the company at the time of facing difficulties.

Among the criteria which are considered for evaluating any company, we can name the level of the customer's loyalty, the level of effective and useful recommendations, level of customer's complaints, the value of the orders gained through introducing others about the company, the level of customers' help at the time of company facing difficulties and its fluctuations (Khushdahan, 2002).

The mental image of a brand is what comes to the mind of a customer when he or she sees or hears a brand name. Mental characteristics attributed to a brand name, are all parts of the mental image of that brand name (Davis, 2002). A successful brand can be the most valuable resource of a company. In fact brand names are instruments for tasting, designing, determining quality, credit and value. Nowadays, products with brands is regarded as the first priority. This has led to shortening the process of purchasing decision. A brand can represent either positive or negative message about a product to the customer (Kim, & Chung, 2005). Hence creating a strong brand name is a strategic advantage and there exist a consensus that the concept of position finding has turned into a fundamental element in the modern marketing management (Kotler, 2003).

Today, three of the main strategic aim for a brand is increasing the customer loyalty, making distinction between competition and creating mar-

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ket leadership and changing the companies way of thinking toward compatibility with this important point of view, for brand management should be entered in every functional aspect (Bouder, 2008). Loyal customers also have a significant role in verbal advertisements. The probability that a satisfied customer will transfer his or her good experiences to others is more, therefore, verbal advertisements has a positive role in the success of a company and it can be said that the level of the customer satisfaction has a positive relationship with the level of the customer loyalty (Aaker, 2004). Among the ways to maintain the loyalty of customers are marketing and popularizing the name of the company, knowing the customers, rewarding the customers and letting the customers to participate (Davis, & Dunn, 2002).

The car production industry of the country as a section of the economical system of the country which has an active role in the economy of the country, during the past year has faced numerous challenges. One of them is the domain expansion of competition between local and foreign car companies and increase of the level of the knowledge and awareness of customers and in turn the changes in their expectations and needs. Therefore in case that the country's automakers can reach a higher level of satisfaction and loyalty of customer with the use of existing instruments in new approaches of marketing and create lifetime customers for themselves and in this way they can achieve more considerable outcomes. Since in the auto-making industry of the country, successful performance in popularizing brand and satisfaction and loyalty are considered to be important matter and till now no research – especially a comparative research between local and foreign has been conducted. Hence in this research we have tried to conduct a comparative study regarding the customers' loyalty to brand of local and foreign car companies. In this regard for more clarification of the matter and understanding it, first we will mention some of the instances of the same researches conducted at the same direction of the current research and then the research method and research findings are described.

Literature review

Hasaniparsa (2011) has studied the effect of product performance on the popularity of brand name, satisfaction and loyalty and has reached the findings which indicate that the produce qual-

ity performance has a positive effect on customer's satisfaction and loyalty as well as the popularity of brand name.

Heidarzadeh *et al.*, (2011) in his study of the effect of brand credibility on customer's loyalty in banking industry of Iran has found findings indicating that brand credibility has a direct effect on commitment to loyalty, continuous commitment and satisfaction and also satisfaction has direct effect on commitment to loyalty and mouth-to-mouth recommendation to purchase. This is while satisfaction doesn't decrease the desire to change a brand. Commitment to loyalty doesn't have any effect on the both dependent variables, i.e. desire to change the brand and mouth-to-mouth recommendation to purchase and continuous commitment has shown to have a reverse effect on desire to change a brand.

Hamidzadeh *et al.*, (2010) in their study of the model of consumer evaluation of brand extension attitude found that the perceived proportion, perceived quality and the power of the brand are influential on the consumers' evaluation as well as the effect of eagerness/desire as a moderating variable on brand expansion has been confirmed in their study.

Mutmeni *et al.*, (2010, as cited in HassaniParsa, 2011) in their study of the effect of the brand personality on customers' loyalty have found that brand personality has a significant and positive effect on satisfaction and perceived valued. It should be noted that service companies should has more focus on communications and gaining effective public relations for creating and maintaining desired brand personality. The reason for this is that communications has a critical role in creating and maintaining the brand personality.

Ruchan Kayaman& Huseyin Arasli (2007, HamidiZadeh, *et al*, 2010), in their study of brand from the point of view of the customers have found that the findings of their study support the three-dimensional model of the brand value from the customer point of view in hotel industry.

Kim and Kim (2005, as cited in Heidarzadeh, *et al*, 2011) in their study of the brand value from the point of view of customers and their effects on the performance of the hotel companies have found that a strong brand value can increase the profitability considerably and the lack of it in service companies can cause loss to cash flow. The recognized characteristics for hotel services together with considerable growth of services marketing more and more will clarify the importance of the brand value as a market-

ing instrument and increasing need to understanding and managing the relevant matters to brand.

Knox (2004, as cited in Heidarzadeh, *et al.*, 2011) in his study on finding the position and naming the company states that finding the position of the company brand can be defined in brand popularity, products and services performance, the product, customers and communicational networks' shares that a manager should have in his supply chain.

Prasad & Dev (2000, as cited in Kotler, 2005) in their study have shown that the value of a hotel brand as an agreeing and opposing point of views and created perceptions which leads to reserving a hotel brand by a customer indicate the brand value. They developed a brand value index for hotels base on the score allocated by customers to that brand with the use of indexes, brand performance and recognition and awareness of the brand.

Bloemer *et al.*, (1997) and Jones *et al.*, (2002) are among those researchers who have indicated that there is a positive relationship between perceived quality of services and second purchase intention, recommendation and resistance against better purchase options which can be seen as trust and loyalty to brand by the customers.

Methodology

The current research from the goal point of view is an applied paper; from methodology point of view is descriptive and from the point of view of conduct is a survey research.

Research population and sample

The population of the current research includes all the customers of the local and foreign car companies in Rasht city. Regarding the local and foreign brands it should be noted that three brand were chosen from both local and foreign car companies.

The three local brands are Iran Khodro, Saipa and Pars Khodro and the three foreign brands are Hyundai, Mitsubishi and Kiamotors and the sample of the research was selected from the customers of these companies with the use of simple random sampling method. The sample includes 385 customers and for assurance of gathering acceptable volume sample for statistical analysis 400 questionnaires were distributed among the research sample. From the distributed questionnaires 389 questionnaires (201 questionnaires of the customers of local car companies and 188 of the foreign car companies) were filled and turned back and they have been analyzed statistically.

Data Collection Instrument

The instrument of data collection in author-made questionnaire with 25 questions adopted from the paper written by Dov, Gabbay and Powell (2006, as cited in Javanmard & Sultanzadeh, 2009). This questionnaire has been prepared in the 5-point Likert's scale of "completely disagree to completely agree". The content validity of the questionnaire has been approved by experts and professors of this field and the reliability level of it has been obtained to be 0.97 by Cronbach's Alpha test, which indicates a proper reliability of the questionnaire.

Results

This section of the paper is related to statistical analysis and report of the research data. After collecting the questionnaires, their data have been entered to the SPSS software ver. 16 and were analyzed with independent t-tests and the findings are as per the following.

Research hypothesis 1: There is a significant difference between cognitive element of the customer loyalty to the brand of local and foreign car companies.

Table 1. Paired sample t-test for cognitive element

Variable	Group	Mean	Deviation	t	df	Sig.
Cognitive element	Customers of local car companies	3.8010	1.4072	-3.012	387	0.00
	Customers of foreign car companies	4.1809	1.0389			

The value of t-statistic is observed to be -3.012 is placed in the rejection area of H₀ which indicates the existence of significant difference between the mean of the two groups. The 95% level of certainty

indicates that there is a significant relationship between the cognitive element of the customer's loyalty to brand of the local and foreign car companies. With referring to the mean value of the two groups,

we see that the mean of the cognitive element of the customers' loyalty to brand of the foreign car companies is more than to the local car companies.

Research hypothesis 2: There is a significant difference between emotional element of the customer loyalty to the brand of local and foreign car companies.

Table 2. Paired sample t-test foremotion element

Variable	Group	Mean	Deviation	t	df	Sig.
Emotional element	Customers of local car companies	38.0597	9.3721	-3.061	387	0.00
	Customers of foreign car companies	40.5266	6.0536			

The value of t-statistic is observed to be -3.061 is placed in the rejection area of H₀ which indicates the existence of significant difference between the mean of the two groups. The 95% level of certainty indicates that there is a significant relationship between the emotional element of the customer's loyalty to brand of the local and foreign car companies. With referring to the mean value of

the two groups, we see that the mean of the emotional element of the customers' loyalty to brand of the foreign car companies is more than to the local car companies.

Research hypothesis 3: There is a significant difference between local and foreign car companies regarding the dimensions of the customer relation management in the field of their brand.

Table 3. Paired sample t-test for dimensions of customer relation management

Variable	Group	Mean	Deviation	t	df	Sig.
Dimensions of customer relation management	Customers of local car companies	11.4179	2.8150	-2.963	387	0.00
	Customers of foreign car companies	12.1755	2.1609			

The value of t-statistic is observed to be -2.963 is placed in the rejection area of H₀ which indicates the existence of difference between the mean of the two groups. The 95% level of certainty indicates that there is a significant difference between the local and foreign car companies regarding the dimensions of the customer relation management in the field of their brand. With referring

to the mean value of the two groups, we can see that the mean of the foreign car companies regarding the dimensions of the customer relation management in the field of its brand is more than to the local car companies.

Research hypothesis 4: There is a significant difference between local and foreign car companies regarding time management of brand advertisement.

Table 4. Paired sample t-test for time management of brand advertisement

Variable	Group	Mean	Deviation	t	df	Sig.
Time management of brand advertisement	Customers of local car companies	7.6219	2.0630	-3.175	387	0.00
	Customers of foreign car companies	8.1968	1.4287			

The value of t-statistic is observed to be -3.175 is placed in the rejection area of H₀ which indicates the existence of difference between the mean of the two groups. The 95% level of certainty indicates that there is a significant difference between local and foreign car companies regarding time management of brand advertisement. With referring to the mean

value of the two groups, we can see that the mean of the foreign car companies regarding time management of brand advertisement is more than to the local car companies.

Research hypothesis 5: There is a significant difference between local and foreign car companies regarding the invested amount in the field of brand.

Table 5. Paired sample t-test for invested amount in the field of brand

Variable	Group	Mean	Deviation	t	df	Sig.
invested amount in the field of brand	Customers of local car companies	11.3433	2.9642	-2.999	387	0.00
	Customers of foreign car companies	12.4787	2.4064			

The value of t-statistic is observed to be -2.999 is placed in the rejection area of H₀ which indicates the existence of difference between the mean of the two groups. The 95% level of certainty indicates that there is a significant difference between local and foreign car companies regarding the invested amount in the field of brand. With referring to the mean value of

the two groups, we can see that the mean of the foreign car companies regarding invested amount in the field of brand is more than to the local car companies.

Research hypothesis 6: There is a significant difference between local and foreign car companies regarding the top management participation in the field of brand.

Table 6. Paired sample t-test for top management participation

Variable	Group	Mean	Deviation	t	df	Sig.
Top management participation	Customers of local car companies	22.8706	5.4574	-3.088	387	0.00
	Customers of foreign car companies	24.3723	3.9596			

The value of t-statistic is observed to be -3.088 is placed in the rejection area of H₀ which indicates the existence of difference between the mean of the two groups. The 95% level of certainty indicates that there is a significant difference between local and foreign car companies regarding the top management participation in the field of brand. With referring to the mean value of the two groups, we can see that the mean of the foreign car companies regarding top management participation in the field of brand is more than in the local car companies.

Conclusions

Perhaps, one of the most distinctive skill of the professional agencies is their ability in creating, maintaining and developing their brands (Cupferer, 2006). With the intensification of competition in trade and rapid technological changes as well as power and the customer's right for choosing, success would belong to those companies who are able to understand and perceive the expectations and values perceived by their customers in the most appropriate way and who can response to them in a desirable way (Wang *et al.*, 2007, as cited in Hasani Parsa, 2011). The characteristics of brands have effects on the customer behavior and the trade of today requires the branding strategy (Javanmard & Sultanzadeh, 2009). If a company will only con-

sider its brand as just a name, it will not be able to perceive the deep function that a brand can have in marketing.

Literature of brand creation, during the past decade, has faced great changes. Brand creation and its role are being constantly reviewed. Before focusing on brand and the process of its creation, this concept has been only considered as one of the steps of marketing process of selling products. In other words, brand has been only seen as a part of designing new product process (Kotler, 2005). Therefore, in the past the perspective toward this concept, was as a series of tactics (not strategy) and the creation method of it didn't have any similarity with an approach. In fact, traditional mentality, recognizes the focus on the brand as focusing on the newest product (and the most advertisement).

The aim of this research is to comparatively study the customers' loyalty to brand of the local and foreign car companies. The results of the statistical data analysis of the research indicate that there is a significant relationship ($p < 0.05$) between cognitive and emotional elements of customer's loyalty, customer relation management, the level of resources investment, time management of brand advertisement and top level management participation in the field of brand in local and foreign car companies.

Among the approaches for maintaining the loyalty of customers we can name market-

ing and popularizing the name of the company, knowing the customers, rewarding them and giving the chance of participation in the company to the customers. The activities of the marketing staff for long-term loyalty of the customers have created the relational marketing philosophy. In this philosophy instead of immediate and short-term sales, the focus will be toward long term maintaining of the customers (Venus & Safaeian, 2002). Due to expansion of the competition and saturation of so many markets and also due to the fact that attracting new customer has multi-folded cost comparing to maintaining old customers. Companies try to gain the customers loyalty with the use of relation-based marketing and providing valuable services to them in addition to recognizing their needs and create long-term relationships with customers, other beneficiary people and groups related to the company (Reichheld, 1996, as cited in Hassani Parsa, 2011).

Research Implications

As the findings of the research indicate, loyalty and emotional and cognitive inclinations of the customers toward foreign car companies are better than the local ones. In this direction it is desirable that local companies first will provide products with higher quality and second, take a trend toward providing more competitive products.

Customer loyalty has always had a close relationship with the variety of the services and the way they are being provided to the customers and it recommended that local car companies should also try harder to get more use of this fact.

Considering some advantages such as discount can direct people toward purchasing from local companies leading to an increase in their loyalty to local companies.

In the intense competitive environment of today, existence of mentality and imagination from a product is so much important. When products become more complicated and markets become more crowded, consumers at the time of purchase decision making, rely on the image they have made in their minds from a product more than the real characteristics of it. These things together will show more and more the necessity of investment on recognition and understanding the perception of the customers from products.

The value of brand in itself is the result of the proper activities and provision of quality services

and only with more investment in this direction, we can expect the more sparkle of brand and customer loyalty to foreign auto-making industry.

It is recommended that the managers of car companies, hold some training courses for elevating the capability of inter-personal interactions of their employees for increasing customer loyalty toward local auto-making industry.

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