

Factors Affecting Brand Loyalty: An Empirical Study in Malaysia

¹Che Aniza Binti Che Wel, PHD, ²Syed Shah Alam, PHD ³Sallehuddin Mohd Nor

¹Senior Lecturer, Universiti Kebangsaan Malaysia.

²Senior Lecturer, Universiti Kebangsaan Malaysia.

³Associate Professor, Universiti Kebangsaan Malaysia.

Abstract: In today's competitive business environments, consumers are exposed to a large number of brand choice alternatives. Managers and marketers are battling to keep their brand loyal customer loyal and trying to avoid competitors from grabbing of these customers. There are various factors that impede customers to become loyal to either company or brand that they are using. It is the facts that maintaining customer loyalty towards certain brand is not an easy task but marketers are trying their best to increase or at least maintain brand loyalty. As such, this study intended to examine the factors that could possible affect brand loyalty among young consumer in Malaysia. The self-administered questionnaires were distributed among 300 university students. The results revealed that product involvement, perceived quality and brand trust are the major factors that affect consumer brand loyalty. The implications of the study were discussed and future research improvement were suggested.

Key words: Brand Loyalty, Young consumers, Malaysia.

INTRODUCTION

Brand loyalty has been described as behavioral response and as a function of psychological processes (Jacoby and Kyner, 1973), which means that brand loyalty is a function of both behavior and attitudes. Most studies in brand loyalty have been concentrated on the behavioral aspect of brand loyalty (e.g. repeat purchases) without considering the cognitive aspects of brand loyalty (Choong, 1998). Repurchase action is not sufficient evidence of brand loyalty since the purchasing practice should be intentional (Tepeci, 1999). In order to be considered as brand loyalist, consumer should have the intention to buy the same product or services at all the time. In addition, brand loyalist would also include some degree of commitment toward the quality of a brand that is a function of both positive attitudes and repetitive purchases.

Understanding loyalty is essential for marketing practitioners as loyal customers are less likely to switch and make more purchases than similar non loyal customers (Reichheld, 1996; Reichheld and Sasser, 1990), thus if the company can retain just 5% more of its loyal customers, profits will increase by 25% - 125% (Reichheld and Sasser, 1990). Reichheld's (1996) is further supported by Strauss and Frost (1999), who suggest that relationship marketing is cost effective; it is less expensive to retain one customer than to acquire one; it is easier to sell more products to one loyal customer than to sell the same amount to two new customers. This means that, it is easier to persuade loyal customer than to persuade new customers. The loyal customers normally have more confidence towards the firms compared to new customers.

In addition, brand loyalty also contributes in reducing the costs of doing business, thus improving brand as well as company's profitability (Tiele and Mackay, 2001). In this instance, the profit gain is the result of loyal customers whom would possibly provide 'free-advertisement' through positive word of mouth. Happy customers make recommendation about stores, product, or services to their friends. A research study reported that each satisfied customer tells nine or ten people about the happy experiences and 13% of dissatisfied customers tell more than twenty people about how bad the company/product were (Sonnenberg, 1993). This is the reason why many companies are trying to understand the contributing factors of brand loyalty.

Theoretically, brand loyalty could be enhanced by maintaining the long term relationship with the customers in that it could help in creating the competitive advantages for any particular company. Normally, in order to increase the market share, most companies are utilizing common strategies such as discounting their market prices (having price war with competing brand), expanding their distribution channels or even launching promotional campaigns (Cravens, 1994). However, it would be more cost effective and profitable to increase the market share that could be sustained over time though effectively strategizing the brand loyalty rather than using the common short-term strategies. Once the relationship or loyalty is build, it would be easier for the companies to achieve sustainable competitive advantage.

Thus, due to the positive outcome that could be expected from brand loyalist, every company working hard to obtain brand loyalty to be the market leader or at least to keep them survive and stay competitive. As mentioned previously, Fisher (1985) stated that "marketers battling to keep competitors from grabbing off customers complain that there just doesn't seem to be as much brand loyalty around as there used to be." In other

Corresponding Author: Che Aniza Binti Che Wel, PHD, School of Management Faculty of Economics and Management University Kebangsaan Malaysia.

43600 UKM Bangi Tel: 03-89215547; Fax: 03-89213163; E-mail: aniza@ukm.my

words, it means that it is not easy to obtain and maintain consumers' loyalty to a company's product because there are many forces that drive customers to be disloyal.

The Conceptual Framework For The Study:

The conceptual model tested in this paper contains constructs that have demonstrated theoretical support, based on a number of researches done in this area in different countries, particularly brand loyalty on end-user perspective. The model examines the factors that would possibly affect the brand loyalty. The conceptual model is shown in Figure 1 below.

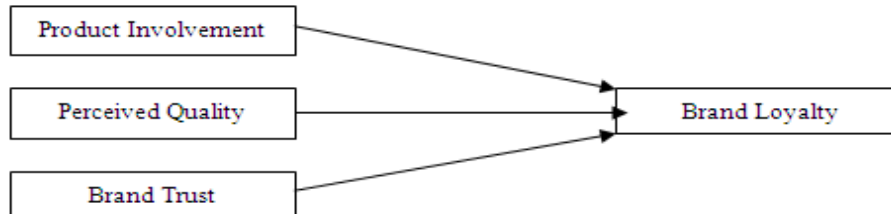


Fig. 1: A Schematic diagram of the conceptual framework.

The schematic diagram of the theoretical framework above is use to show the relationship between the dependent and independent variables. Essentially, the theoretical framework shown above is the foundation on which the entire research is based upon.

Brand loyalty is treated as dependent variable in this research. The dependent variable is analyzed in order to find out the answers or solution to the problem i.e. what factors contributes to brand loyalty? In this situation, the study will test three independent variables i.e. product involvement, perceived quality and brand trust. These variables are believed to have some influences towards the dependent variable (brand loyalty) either in positive or negative way.

Product involvement:

It is believed that product involvement do have a significant impact on brand loyalty. Product involvement should be considered as one of the factor that could affect brand loyalty. In one empirical analysis by LeClerc and Little (1997) found that brand loyalty interacted positively with product involvement. According to Quester and Lim (2003) one's involvement in a product class is directly related to one's commitment (or loyalty) to a brand within that product class. Besides that, they also suggested that involvement with a product is a necessary precondition for brand loyalty. On the other hand, Charles (1998) suggests that the characteristics of the products/brands themselves or their usage contexts may thoroughly act to stimulate consumers' involvement. Therefore, product involvement is taken into consideration as one of the factor that affects brand loyalty

Perceived Quality:

Perceived quality is another independent variable included in the framework. The reason perceived quality is included in the framework is because quality becomes an important factors for consumer choosing which brand to buy. According to Vranešević and Stanandccaronec (2003), the importance of product brand can be seen primarily in its impact on consumers' choice and their loyalty towards the brand through identifying and differentiating quality. In other words, customers will more likely to become loyal to a brand when the particular brand is perceived to provide the level of quality that can meet customers' expectations. Similarly, Ruyter, Wetzels and Bloemer (1998) has found that there was a positive relationship between perceived service quality and service loyalty when they conducted series of studies for five different service industries. The same goes to perceived quality and brand loyalty as well because customers' perception of quality towards a product or services may enhance their loyalty towards a brand.

Brand trust:

Brand loyal consumers are more willing to pay more for a brand because they perceive some unique value in the brand that other brand cannot provide (Jacoby and Chestnut, 1978; Pessemier, 1959; Reichheld, 1996). This uniqueness most probably derived from greater brand trust in the reliability of a brand or from more favorable affect when customers use the brand (Chaudhuri and Holbrook, 2001). In the commitment-trust theory, Morgan and Hunt (1994) stated that trust is a key variable in the development of an enduring desire to maintain a relationship in the long term e.g. the long term relationship might be developed towards a brand due to the trusting relationship that the customer has. Likewise, Ballester and Aleman (2001) found that there are possible conceptual connections of trust to the notion of loyalty and this actually drives the authors to focus on

analyzing the relationships existing among these concepts. Subsequently, the results suggested that brand trust play an imperative role in generating customers' commitment towards a brand or brand commitments towards a particular product. In other words, brand trust as one of the variables in their study would possibly effects the level of brand loyalty. Thus, brand trust is included in the theoretical framework of this research.

Methods:

Samples and procedures:

A survey instrument in the form of close-ended questionnaire was developed for the purpose of data collection. The undergraduate students were chosen as the target population of the study in order to reflect the actual user of branded sport-shoes (the sport-shoes have been selected as a focus product in the questionnaire). In addition, the university students are normally youngsters and comprehending the knowledge towards their buying behavior and their loyalty towards a brand would be beneficial for marketers who wish to target this market segment. Furthermore, this segment will have their own purchasing power in the next 2 to 4 years (after graduating). Thus, understanding their current behavior is crucial for the company to exploit future opportunities.

A total of 300 respondents from one private university were selected as a sample of the study. The respondents were selected from various faculties to have a mixture of races and study background. The actual field survey was conducted in one month period whereby personal interviews were employed to obtain the required information. The reasons of using the personal interview are threefold; first, to screens the eligibility of the respondent; second, to have a closer supervision and interaction with the respondents; and lastly, to enable the respondent to seek clarification from the interviewer (if needed) regarding the questionnaire.

Statistical tools:

Data on demographic variables are processed and reported in descriptive analysis. Descriptive analysis refers to the transformation to describe a set of factors that will make them easy to understand and interpret (Sekaran, 2000; Zikmund, 2000). Frequency distribution of the respondents, according to age, gender, race, family monthly income, highest academic achievement and academic year in the program will be presented.

Hypotheses:

A hypothesis is a statement or proposition that can be tested by referring to a collection of empirical studies. Hypotheses are usually stated in a form that predicts either the differences or association between two variables under study (Churchill and Brown, 2004). Development of a hypothesis involving causal ordering where possible and measurable would be useful in guiding the analysis strategy. Often such hypotheses can be made if the meaning of an item is carefully analyzed within a chronological context. (Arcelo *et al.*, 1987)

A null hypothesis predicts there is no difference between the tested groups in relation to some variable, or that there is no relationship between two variables (Malhotra, 2004). Null hypothesis in this research is noted as H_0 while alternate hypothesis is noted as H_1 . It is important to note that a researcher can never actually prove that an alternate hypothesis is true (Malhotra, 2004) because of the many potential errors, either known or unknown, involved in the measurement of variables and the selection of research subjects. It is usual for the researcher to test whether the null is probably true or probably false to accept the alternate hypothesis as the alternate logical solution of the research problem (Churchill and Brown, 2000)

The following hypotheses are derived from the relationships found from the previous literatures.

Table I: Hypotheses of this study.

No	Hypothesised Relationship	HiA
1	Product Involvement Brand Loyalty	$H_0A (+)$
2	Perceived Quality Brand Loyalty	$H_0A (+)$
3	Brand Trust Brand Loyalty	$H_0A (+)$

Validity:

The questionnaire was send to three academicians and three practitioners in the industry to test the face-validity of the questions in term of sentencing, phrasing and conception. After receiving the comments from these six experts, the amendments were made. Then, a pilot study was conducted with twenty students from the selected university to check for the relevancy and clarity of the questions before it is sent out on a large scale to the targeted respondents.

Result and Analysis:

This section present and discuss the results and analysis of the empirical study. The main aim of this analysis is to identify the major factors that influence consumer brand loyalty in Malaysia. The respondent's

socio-economic profile was analyzed first, followed by the factors which are related to customers' brand loyalty in Malaysia. Finally, the some recommendations are given to the industrial and customers context.

Socio-economic Characteristics of The Respondents:

Table 1 shows the socio-economic variables of respondents range from age, gender, race, family monthly income, highest academic achievement and academic year in the program for the respondents. In terms of gender, male outperformed female with 55%. For the age group respondents aged 21-24 years leads with 65%, followed by those aged less than 21years and 25-27 years. For the race group Chinese representing 54% of the population followed by Malays (30.7%), Indian (14.3%) and others (1.0%). In terms of the educational level, those with SPM and below representing the majority of the respondents with 81.5%, followed with those with STPM/A Level (4.0%), Certificate holders (5.1%), diploma holders (3.3%), PMR (0.7%) and H.S.C (0.3%). For the state of origin, there are a mixture of all fourteen states in Malaysia (refer Table 1). In terms of the household monthly income majority (41%) comes from the household income of RM1500 to RM4500.

Table 1: Socio-economic background of the respondents.

	Frequency	Per cent	
<i>Gender</i>			
Male	165	55.0	
Female	135	45.0	
<i>Age group (years)</i>			
<21	103	34.4	
21-24	195	65.0	
25-27	2	0.6	
<i>Race</i>			
Malay	92	30.7	
Chinese	162	54.0	
Indian	43	14.3	
Others	03	1.0	
<i>State of Origin</i>			
Johor	8	2.7	
Kedah	39	13.0	
Kelantan	10	3.3	
Kuala Lumpur	10	3.3	
Melaka	46	15.3	
Negeri Sembilan	55	18.3	
Pahang	31	10.3	
Penang	20	6.7	
Perak	16	5.3	
Perlis	22	7.3	
Sabah	4	1.3	
Sarawak	1	0.3	
Selangor	13	4.3	
Terengganu	22	7.3	
	3	1.0	
<i>Educational level</i>			
PMR	2	0.7	
SPM	242	81.7	
STPM/ A Level	12	4.0	
Diploma	10	3.3	
H.S.C	1	0.3	
Others	33	11.0	
<i>Household monthly income</i>			
Below RM500	15	5.0	
RM501- RM1500	48	16.0	
RM1501-RM3000	123	41.0	
RM3001-RM5000	76	25.3	
Above RM5000	38	12.7	

Reliability:

The internal reliability of the items was verified by computing the Cronbach's alpha (Nunnally, 1978), who suggested that a minimum alpha of 0.6 sufficed for early stage of research. The Cronbach alpha estimated for product involvement, perceived quality and brand trust was 0.7585, 0.7567 and 0.7297 respectively. Since Cronbach's alpha in this study were all much higher than 0.6, the constructs were therefore deemed to have adequate reliability.

Testing The Hypothesis:

The hypotheses of this study were prepared based on the previous study done by others in different countries. All the three hypotheses are intended to test for the correlation between the dependent and independent variable. Correlation coefficient analysis was used to test the hypothetical relationship between two variables.

H1: The higher the product involvement the higher the brand loyalty towards a particular brand.

Table III: Correlation between product involvement and brand loyalty.

Statement	Brand Loyalty
Product Involvement	0.382**

**Correlation is significant at the 0.01 level (2-tailed)

The first hypothesis tested the relationship between product involvement and brand loyalty. Table III shows that the association between product involvement and brand loyalty is significant at 0.01 level (2-tailed) with the correlation coefficient value of 0.382. The analysis indicates that the association between the two variables is statistically significant. The direction of the associations is positive which indicates that people who involve with a product will be more likely to be loyal towards a particular brand name. In this situation, students who are involved in buying process tend to be more loyal toward the particular brand as compared to purchase solely made by other person i.e. parents, guardians or receiving the shoes as a gift. In addition, the strength of the associations between the two variables could be accessed using a rule of thumb suggested by Hair et. al., 2002, the correlation coefficient of '0.382' falls within the range of weak association. Which means that there are low level of product involvement for most of the respondent under study ($\mu = 3.89$). However, we can expect to get stronger association if the level of involvement is high especially in the purchasing process because the particular student will be more likely to be loyal towards the brand. Furthermore, it is believe that product involvements do helps in enhancing brand loyalty as it is a necessary precondition for brand loyalty although the correlations coefficient is very weak.

H2: The higher the product perceived quality the higher the brand loyalty towards a particular brand.

According to Aaker (1991), a brand should stand for a credible assurance of quality to the consumers. Normally, an individual will choose a popular, well-known and familiar brand-name because it will normally carry higher perceived quality to them. Besides that, the importance of a brand name could be seen mainly in its impact on consumers' choice and their loyalty through identifying and differentiating the quality of the product (Vranešević and Stanandccaron;ec, 2003).

Table IV: Correlation between perceived quality and brand loyalty.

Statement	Brand loyalty
Perceived quality	0.594**

**Correlation is significant at the 0.01 level (2-tailed)

Table IV shows the association between perceived quality and brand loyalty is significant at 0.01 level whereby the analysis resulted the coefficient value of ' $r = 0.594$ ($\rho = 0.000$)'. Accordingly, the hypothesis 2 which stated that the perceived quality of the product is one of the contributing factors towards the brand loyalty could not be rejected. Thus, it indicates that perceived quality is correlated well with brand loyalty in the case of sport-shoes. In addition, the direction of the associations is a positive in which it indicates that the higher the perception on the product quality of a certain brand, the higher will be the brand loyalty. Furthermore, the correlation coefficient of 0.594 could be considered as moderately strong (Hair et. al., 2002). It seems that the student does think that perceived quality does contribute to brand loyalty. As the students identified the quality of a particular brand that able to meet their expectations, they are more likely to loyal to the brand.

H3: The higher the feeling of trust in a brand the higher the brand loyalty towards a particular brand.

Larzelere and Huston (1980) and Morgan and Hunt (1994) view trust as a central construct of any long-term relationship. Hess (1995) stated that in the customer-brand context, trust may be an important contributor to the kind of emotional customer. The higher the feeling of trust in a brand the more the customers are loyal towards the brand.

Table V: Correlation between brand trust and brand loyalty.

Statement	Brand loyalty
Brand Trust	0.600**

**Correlation is significant at the 0.01 level (2-tailed)

Referring to Table V, the third hypothesis tested the relationship between brand trust and brand loyalty in Malaysia. The correlation coefficient value of ' $r = 0.600$ ' indicates that the association between brand trust and brand loyalty is significant at 0.01 level ($\rho = 0.000$). In term of direction, the result shows that there is a positive direction between the two constructs. This analysis proves that the contributing effect of brand trust towards

brand loyalty i.e. as the trust towards certain brand increases the level of brand loyalty would likely to increase as well. Similar to the construct of perceived quality, strength of association between brand trust and brand loyalty could be considered as moderately strong (Hair *et al.*, 2002). No doubt, brand trust is one of the important facets that should be developed in order for the company to maintain long-lasting relationship with their customers. Normally, trust in the brand is crucial to drive the customer to repeatedly purchase the same brand from the company. However, brand trust evolves from past experience, prior interaction and it is actually something that develops overtime. Some students might have great experience with a particular brand and hence they have the feeling of trust towards the brand and subsequently tend to be loyal towards the brand. In contrast, the students who do not have any experience or less experience with a particular brand are more likely to switch brand. Therefore, the trust towards a brand within an individual merely depends on the experience that they had with the brands.

Limitation of The Study:

As with most research, this research is also subject to limitations despite its contribution to some interesting findings. Due to the time and cost constraints, students in this research were confined only to one university, that is Malaysia Multimedia University (MMU), with a sample size of only 300 respondents. This may limit the generalizability of the findings as the brand choices decisions of students in MMU may differ from those other universities in the country.

Furthermore, the brand choice decisions of the students in MMU may also be different across race. Such differences could be important for marketing strategies in a multiracial country like Malaysia. However, due to the time constraint no comparison of brand purchase influences across race was attempted in this study.

Another limitation of this research is the inclusion of only one product which is sport shoe. Different product may have different response from the students and we have to bear in mind that not all students owns a sport shoe. In addition, some of the respondents may not be honest and sincere in answering the questionnaire. The results of this study should also be interpreted with care. The development of a process measure for referent influence would add to the strength of the findings and is a limitation of this study.

Despite these limitations, the study makes some contribution by providing important information regarding to factors that affect brand loyalty in Malaysia for marketing strategies and promotional planning.

Conclusion and Recommendation:

As an overall conclusion, this study basically intended to find out the factors that affect brand loyalty in Malaysia. It also gives an insight on how product involvement, perceived quality and brand trust affects brand loyalty in general.

In terms of product involvement, it is found that product involvement does have a relationship with brand loyalty and it did affect brand loyalty in certain ways. Indeed involvement with a product is a necessary precondition for brand loyalty. Where else, perceived quality is not the main factor that contributes to brand loyalty but it can be assure that perceived quality does have association with brand loyalty that could enhance the loyalty of an individual towards a brand. In terms of brand trust, it is found out that the higher the feeling of trust in a brand the more the customer is loyal to the particular brand. Honesty is important dimension of brand trust that could enhance brand loyalty.

Based on the findings on this study, it is believed that a further study is needed in order to further understand the importance of the factors that affects brand loyalty. It gives managers and marketers an insight of the brand loyalty trend in Malaysia. This research have gives a deeper understanding of the factors that can affect brand loyalty and helps managers and marketers to better understand their market and also help them to better serve the needs and wants of their potential customers. Most importantly, is to build brand loyalty towards their offering brand.

REFERENCES

Aaker, D.A., 1991. *Managing Brand Equity*, Free Press, New York, NY.
Choong, L.H., 1998. "A brand for all seasons? A discussion of brand loyalty approaches and their applicability for different markets", *Journal of product and brand Management*, 65(1): 51-61.
Chu rehll, G.A. and J. Brown, Tom, 2004. *Basic Marketing Research*, Thomson Corporation, USA.
Fisher, A.B., 1985. "Coke's brand-loyalty lesson.", 44-6.
Jacoby, J., D.B. Kyner, 1973. "Brand Loyalty Vs repeat purchasing ",*Journal of Marketing Research*, 10: 1-9.
Jacoby, J., R. Chestnut, 1978. *Brand Loyalty Measurement and Management*, John Wiley and Sons ,New York, NY.
Larzelere, R., T. Huston, 1980. "The dyadic trust scale: toward understanding interpersonal trust in close relationships" *Journal of Marriage and the family*, August, 595-604.

LeClerc, F., J.D.C. Little, 1997. "Can advertising copy make FSI coupons more effective?", *Journal of Marketing Research*, 34: 473-84.

Malhotra, N.K., 2004. *Marketing Research*, Pearson Education, Inc., Upper Saddle River, New Jersey., 07458.

Morgan, R.M., S. Hunt, 1994. "The commitment-trust theory of relationship marketing", *Journal of marketing*, 58: 20-38.

Pessemier, E.A., 1995. "A New Way to Determine Buying Decisions," *Journal of Marketing*, 24: 41-46.

Quester, P., A.L. Lim, 2003., "Product involvement /brand loyalty: is there is a link?" *The journal of product and Brand Management*, 12(1): 22-38.

Reichheld, F.F. and W.E. Sasser, 1990. Zero defection: quality comes to service. *Harvard Business Review*., 68: 105-116.

Reichheld, F.F., 1996. *The Loyalty Effect: The Hidden Force behind Growth, profits and Lasting Value*, Harvard Business School press, Boston, MA.

Tepeci, M., 1999. "Increasing brand loyalty in the hospitality industry", *International journal of Contemporary Hospitality Management*, 11(5): 223-230.

Thiele, S.R. and M.M. Mackay, 2001. "Assessing the performance of brand loyalty measures", *Journal of Service Management*, 15(7): 529-546.

Vranesevic, T., Stan and E.C.R. ccaron, 2003. "The effect of the brand on perceived quality of food products", *British Food journal*, 105(11): 811-825.