

The Influence of Product Quality and Service Quality on Brand Leadership: Empirical Evidence from Malaysia

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ABSTRACT

This study examined the effect of product quality and service quality on brand leadership. Automobile industry was selected to conduct this study due to its importance in driving the economy status of Malaysia. A survey questionnaire was administered personally to car users in North region of Malaysia at large shopping malls. The sample covered 470 respondents to obtain their feedback and perception on the car brand they use. The data were analyzed using Structural Equation Modeling (SEM) on AMOS. The findings indicated that product quality and service quality have significant positive relationship with brand leadership. Finally, conclusion and future research directions are discussed.

Keywords: brand equity, brand leadership, product quality, service quality

1. Introduction

The rapidly increasing interest in firms' branding nowadays with respect to the high competition in markets has become the driving force for firms to understand how brand success can be driven and enhanced. The management of a brand significantly plays an important role in establishing favourable attitudes towards the firm (Curtis et al., 2009). A powerful brand can be expressed and communicated through its personality, and by positioning itself positively minds of its customers with favourable image (Keller, 2008; Martisiute, Vilutyte, & Grundey, 2010). In this way, marketing and strategic brand management will be crucial to business success in the future which is basically aim to meet customers' delightness and influence their purchase decision.

Automobile industry is one of the main industries that face stiff competition from global brands, particularly in Malaysia. The local manufacturers; Proton and Perodua have been trying to respond to such competition by updating their products and services with differentiated features and maintain their market shares in the markets. To remain competitive, product quality and service quality are both important concepts that drive the success and power of a brand. In fact, brands are increasingly competing with each other in order to become market leaders in a particular category. To achieve that, they emphasize on differentiating their products and service from those of competitors by creating intangible values to their customers. This not only increases their market share, but also provides them with sustainable competitive advantage and positive customer affiliation. However, despite the importance of product quality and service quality, there is very less research that has come across the role of product quality and service quality in building up brand leadership and particularly in automobile context.

2. Literature Review

2.1 Product Quality

Previous research indicated that product quality is one of the key positioning tools that have significant effect on purchase decision (Shaharudin, Mansor, Hassan, Omar, & Harun 2011). Particularly, a good product quality provides strong basis for creating favourable brand image (Baltas & Argouslidis, 2007; Junyeon, 2007). As stated by Hilman (2009), and Eze et al., (2012), product quality is a key strategic technique that global brands use for for building their competitive advantage and enhancing brand equity. This can be done by offering a useful utility and better customer value.

The literature has reported several definitions for product quality. For Instance, Aaker (1991, p. 85) defined product quality as "the consumer's perception of the overall quality or superiority of a product

or service with respect to its intended purpose over other alternatives”. Besides, Inch and McBride (1998) classified product quality to design quality, manufacturing quality and overall quality. One of the main definitions of product quality was suggested by Zeithaml (1988) as “the perceived superiority in a product as compared with competing alternatives forms the customer's perspective product quality, product value, trust, relationship value and commitment as representing important aspects of business relationships”.

Product quality has been in the literature for many years and is considered among the most important factors in the automobile industry (Jahanshahi, Gashti, Mirdamadi, Nawaser, & Khaksar, 2011; Shaharudin, Mansor, Hassan, Omar, & Harun, 2010). It can be evaluated according to the attributes and characteristics of a product which is basically created to fit the needs and satisfaction of business customer (Chavan, 2003). Customers would be satisfied toward the quality of a product when it meets their expectations (Jahanshahi et al., 2011). Otubanjo (2013) reported that product quality is one of the main factors to build brand leadership. Moreover, Beverland et al. (2007) added that leading brands inspire the image of product quality status and promote favourable prestige among customers. Product quality differentiates a brand from its competitors and is particularly the main concern of leading brands. Based on this discussion, the following hypothesis is proposed:

H1: Product quality has significant relationship with brand leadership

2.2 Service Quality

Providing service quality to business customers is regarded as a fundamental strategy for long-term success in highly competitive markets. Service quality offers customers a better value and creates a strong justification for selecting a certain brand over another. To do so, firms focus on differentiating their services from those of competitors by creating intangible value along with the product or service (Kayaman & Arasli, 2007). In fact, a firm which seeks to obtain competitive advantage, pays considerable attention for the investment in providing quality of services to its respected customer, this in turn builds and sustains its image positively in the long run (Hilman, 2009; Taleghani et al. 2011).

In the past literature, service quality has been defined differently from numerous scholars. The common definition referred service quality to the extent to which the service provided by a brand meets or exceeds the expectations of customer (Dotchin & Oakland, 1994; Lewis & Mitchell, 1990). Bitner and Hubbert (1994) also defined service quality as the overall impression that customers develop according to the actual utility and superiority of organizational services. A firm invests in service quality in order to enhance customer perceptions towards the services provided which to a large extent improves their experiences with that firm (He & Li, 2011).

Surprisingly, most of the studies on service quality has focused on service contexts such as telecommunication, education, and banking sectors (He & Li, 2011; Malik et al., 2011; Nawaz & Usman, 2011). Moreover, the relationship between service quality and brand equity, has received less attention (He & Li, 2011). Therefore, this research aims to fill up this gap by examining the effect of service quality on brand leadership as a dimension of brand equity. Varghese (2010) provided an evidence for the existence of a strong relationship between service quality and brand leadership, and reported that offering quality of service to customer represents the main factor for building brand leadership. Thompson (2013) added the brand leadership is the result of excellent service that is integrated to firms' daily activities. Thus, the following hypothesis is proposed:

H2: Service quality has significant relationship with brand leadership

2.3 Brand Leadership

Keller (2008) specified that leading brands have the ability to influence customers' purchase decision through the differentiated values endowed to a certain product or service. Keller (2008) added that leading brands capture larger market shares, and benefit from charging a premium price on the products, and their leadership status enables them to cope with competitive players. In order for a brand to obtain a leadership position, it is very essential to emphasize on product differentiation with something that can't be easily copied or imitated (Rozin & Magnusson, 2003). Indeed, differentiation stems from the ability of a brand to stand in the market with the presence of others; it covers several aspects such as: uniqueness, popularity, quality, and distinctiveness. Gehlhar, Regmi, Stefanou, and Zoumas (2005) demonstrated that brand leadership can be sustained when a brand has the ability to differentiate its product and services from competitors. All of these elements have made brand leadership sufficiently essential to worth this attention.

Brand leadership was proposed by Aaker (1996) who is regarded as one of the most well known academicians in the field of brand equity as a dimension of brand equity. However, surprisingly, the majority of the past studies have somewhat ignored this important dimension and have focused mainly on the other frequently used dimensions (brand awareness, brand loyalty, brand associations, and perceived quality) of brand equity. Thus, this study would fill the gap by incorporating brand leadership as a dimension of brand equity.

3. Research Framework

This study investigated the effect of product quality and service quality on brand leadership, as shown in figure 1, product quality and service quality represented the independent variable whereas, brand leadership represented the dependent variable. Understanding the relationships between these variables would provide useful suggestions and guidelines for both practitioners and future research.



Figure 1: Research Framework

4. Methodology

This study aims is to examine the effect of product quality and service quality on brand leadership. Brand leadership represents the dependent variable, whereas product quality and service quality represented the independent variable. A survey method was used to collect the data from car users in North region of Malaysia. The instrument is primarily designed to conduct this research. The sample for this research was performed using simple random sampling technique. In particular, this probability sampling technique is necessary for the sample to represent the population (Malhotra, 1993). According to the Malaysian Automotive Association, the total number of passenger cars on road as uptil 2012 in North region of Malaysia is more than 1 million. Therefore, following Krejcie and Morgan (1970) table, it was indicated that a study which has a population of 1 million or more, should at least have a sample size of 384. Thus, a random sample of 470 car users in Malaysia was drawn.

The measurement items for the proposed constructs were adapted from previous research to fit the purpose of this study. All constructs were measured using Seven-point Likert scale ranging from (1) strongly disagree to (7) strongly agree. The measurement items of product quality were adapted from

Kennedy et al. (2001), whereas service quality was measured using 6 items adapted from Taleghani et al. (2011), this is because the items had acceptable reliabilities, with Cronbach's alphas of more than 0.70, and were tested previously in automobile sector. In addition, brand leadership was measured using five items adapted from previous scale of Aaker (1996) and Liaogang, Chongyan and Zi'an (2007).

5. Analysis of Results

To comply with the requirements of data collection, 700 questionnaires were distributed to passenger car users in North region of Malaysia. However, only 470 questionnaires were returned back representing 67 % response rate of the overall study. The respondents' profile has indicated that 212 participants were male represented with 45.1%, whereas female consisted of 258 with 54.9% response rate. With regard to age, the results indicated that only 66 respondents are less than 25 years old, whereas the majority which is almost 217 with 46.2% fall in the age category of 25-35. Those whose age between 35-45 has gained a total number of 83 represented with 17.7%, and for that last age group (more than 45 years old), the study has 104 respondents represented with 22.1%. Moreover, the results of the study indicated that 362 (77%) of the respondents were Muslims, 65 (13.8%) were Buddhists, 23 (4.9%) were Hindu, 18 (3.8%), were Hindu, while 2 respondents with 0.4% were from other religions. Similarly, the respondents' profile indicated that 183 (38.9%) of respondents had High school certificate/ SPM/ PMR, 111 (23.6%) had diploma, 121 (25.7%) had bachelor degree, 32 (6.8%) had master certificate, 15 (3.2%) had doctoral certificate, whereas 8 respondents with 1.7% had other certificates.

Factor analysis was conducted for the constructs and the results showed that the value of Kaiser-Meyer-Oken (KMO) is equal to .944 which is above the recommended value of .6 as suggested by Pallant (2001). The Bartlett's test of sphericity was found to be significant ($P = .000$), which provides initial support for the assumption of existing a correlation between the constructs. Furthermore, the principal component was used to run these factor analyses, and the result showed the 3 components for the constructs according to the Eigen value. These constructs have captured 58.5% of total variance in the items.

Moreover, Cronbach's alpha was calculated to test the reliability of measures across all constructs. The results revealed that all of the variables had acceptable reliability (internal consistency), product quality (0.949), service quality (0.900), and brand leadership (0.899). This indicates that the values for all variables are more than 0.70, and hence convergent validity is supported (Hair et al., 2010). Composite reliability was also calculated to check the reliability of measures. The result also indicated that the composite reliability was achieved for the variables, product quality (0.949), service quality (0.989), and brand leadership (0.898), which means that all are above 0.70. Therefore, reliability analyses have been satisfactor for the current constructs of this study.

Discriminant validity test was also used to ensure that the measurements items of each construct are distinct from each other. To do so, this study used the average variance extracted (AVE) procedures. Byrne (2010) revealed that an AVE value which is more than 0.50 should be considered as an indication of existing discriminant validity as well as high validity of each construct and variables in the model. As shown in table 1, all constructs have exceeded the recommended value of AVE which indicates the existence of discriminant validity.

Table 1: Constructs and measurement results

Constructs and Measurement	Cronbach's Alpha	Composite Reliability	AVE
Product quality	0.949	0.949	0.852
PQ2 This car has good quality.			
PQ3 This car is functionable.			
PQ4 This car is dependable			

PQ5 This car is durable.

Service quality 0.900 0.989 0.736

SQ1 This car brand offers excellent service

SQ2 I feel good about what this car brand offers to its customers

SQ3 The quality of my interactions with this car brand's employees is good

SQ6 This car brand has fair system for the handling of complaints.

Brand leadership 0.899 0.898 0.657

BLe1 This car brand is one of the leading brands in its category.

BLe2 This car brand is growing in popularity.

BLe3 This car brand is innovative, first with advances in services

BLe4 This car brand is innovative, first with advances in products

BLe5 This car brand is stylish when it comes to product design.

Confirmatory factor analysis was also performed to confirm the factor loadings for each of the constructs (product quality, service quality, and brand leadership). From the results, it shows that the factor loadings for the items for all constructs were satisfactory, ranging from 0.74 to 0.96. This means that all constructs confirm/ satisfy the construct validity. SEM is concerned with the model of which comprises all variables together. However, several indices were used to determine the goodness of fit of the model. As it can be seen the figure 1 below, the modified structural model has yielded an expected significant chi-square (204.164, $p < 0.05$) given the large sample size employed in this research. Other fit indices were also used to support chi-square and ensure the goodness of fit such as: (GFI = 0.938, AGFI = 0.908, TLI = 0.966, CFI = 0.973 and RMSEA = 0.070). From these results, it can be concluded that the model achieved a good fit for the data (Hair et al., 2010).

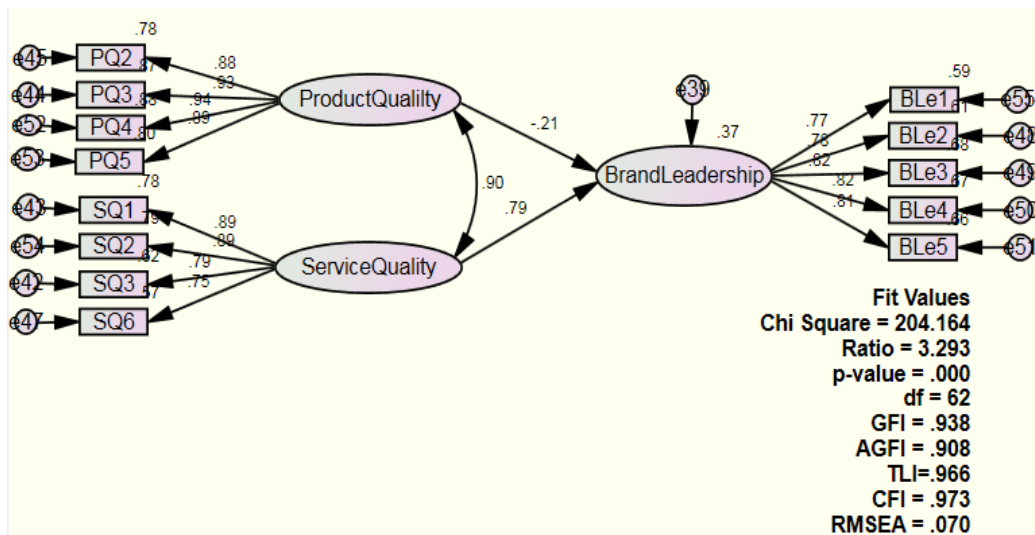


Figure 1: Structural Model

However, in order to test the proposed hypothesis, the covariance and correlation tables were taken from the output of measurement model which was done on AMOS. The results indicated that product quality has significant influence on brand leadership ($\beta = 0.594$, $CR = 8.605$, $p < 0.05$), this means

that H1 is supported. The influence of service quality on brand leadership was also significant ($\beta=0.734$, CR= 9.516, $p < 0.05$), therefore H2 is accepted.

Table 1: Research Findings

	Hypothesized Effect	Std. Estimate	S.E.	C.R.	P	Support
H1:	Product quality has significant relationship with brand leadership	0.594	0.069	8.605	***	Yes
H2:	Service quality has significant relationship with brand leadership	0.734	0.077	9.516	***	Yes

***: $p < 0.001$; **: $p < 0.01$; *: $p < 0.05$

6. Discussion

The main purpose of this study was to examine the effect of product quality and service quality on brand equity in context of Malaysian automobiles. The results indicated that both product quality and service quality have significant positive effect on brand leadership. This result was expected because the powerful and leading car brands emphasize on product quality and integrate it into the main strategies of their operation. Central to brand leadership are issues relating to increasing the levels of product quality which is dependent on the ability of a brand to lead competitively in a particular market place (Otubanjo, 2013). Keller (2003) declared that global brands inspire the image of product quality status among their customers to enhance their leadership position in target markets. Such emphasis would enhance the value of the brand in the long run and forms the basis of competitive advantage.

Beverland et al. (2007) added that leading brands are considered as powerful and influential in attracting customers through focusing on the dimensions of product quality and service quality. This is in fact one of the main drivers for sustainable competitive advantage and market power. Based on the above discussion, it shows the importance of product quality and service quality in developing brand leadership. Thus, it is suggested that car manufacturers should exert greater efforts toward improving their product quality and service quality meet the needs and satisfaction of their customer. By doing so, automobile brand can improve the brand equity in the long run, and it would be possible for such brands which integrate both product quality and service quality into their strategic operation to become the leading edge in markets.

7. Conclusion and Future Research

Building strong brand equity is one of the main strategies to differentiate a product from competitors. While a brand manages to enhance its equity through becoming a market leader in particular product category, the creation of competitive advantage will be the main consequences of that process, and also strong barriers would be placed on competing brands. Thus, brand equity is a durable assets and values of a firm and provides a strong basis for gaining sustainable competitive advantage. This study showed the importance of product quality and service quality in developing brand leadership; a dimension of brand equity. The results indicated that both product quality and service quality play an important role in building brand leadership.

This study provides suggestions for car manufacturers to incorporate both product quality and service quality into their business strategies if they aim to enhance their brand equity, and particularly brand leadership. Product quality and service quality have strong relevance to the automobile context and are considered among the most important factor for purchase decision of the leading brands. In highly

competitive markets with increasing number of automobile brands, providing products with high quality and offering excellent service at a time to customers not only improve brand equity, but also enables a firm to obtain sustainable competitive advantage for long run.

This study has several limitations. For example, the respondents were only from North part of Malaysia, therefore it is suggested for future research to conduct similar studies in other larger areas. Moreover, this study has focused only car users of Malaysian brands. An interesting study would involve the users of other car brands and conduct comparison studies on customers' perception towards local and foreign car brands. By doing so, it would strengthen the results and help local automobile manufacturers to understand the possible strategies for building brand leadership and gain competitive advantage. Finally, this study has employed quantitative research to test the influence of product quality and service quality on brand leadership. Therefore, future studies are advised to implement other qualitative methodologies to gain better insights and opinions on the factors that play an important role in creating brand leadership.

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