

DETERMINANT FACTORS OF BRAND LOYALTY IN MALAYSIAN AUTOMOTIVE INDUSTRY

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ABSTRACT

With the rapid growth in the Malaysian automotive industry, brand loyalty has become a major issue for a majority of the automobile brands. Market shares for national brand automobiles had been on the declining stage since 2011, from 56.4 per cent to 46.8 per cent in 2014. The objectives of this study are to verify the factors that affect consumers' perception towards brand loyalty by studying the relationships between three important factors: which are service quality, marketing-mix strategy, and country-of-origin, on brand loyalty. A postal mail survey using judgmental, cluster and simple random sampling of Malaysian consumers in the Klang Valley yielded 413 respondents of which 381 samples are usable. Regression was used to analyse the relationships between the variables. Results showed that marketing-mix strategy and country-of-origin have significant relationships with brand loyalty. However, service quality does not have any significant relationship with brand loyalty. The findings of this study, while contributing to the body of knowledge may also assist policy makers and marketers in their sustainability efforts.

Keywords: brand loyalty, service quality, marketing-mix strategy, country-of-origin, Malaysia

INTRODUCTION

The Malaysian automobile industry is considered as one of the significant and strategic industries in the manufacturing sector, and it is a dynamically expanding industry compared to its counterparts. Malaysia is striving to be an industrialised country by 2020, and accordingly, the Government of Malaysia has earmarked the automotive manufacturing industry to be one of the industries to bring about advanced process of industrialisation.

In the context of the automotive industry, brand loyalty is crucial as increased loyalty significantly contributes to cost savings through mitigated marketing costs, decreased customer turnover expenses, increased word-of-mouth, and cross-selling that will all eventually result in larger market share. Loyalty towards a brand will contribute to brand quality.

On the basis of the survey conducted by the Consumer Report.org (2010), there is a lack of loyalty in the car industry, with 27 per cent of the respondents confessed switching to other brands when purchasing cars. The main reason for such switching was that the previous brand did not meet their expectations, or that they were dissatisfied with the vehicle in terms of service provided or the vehicle's specifications, which fall short of satisfying their expectations.

The purchasing experiences of customers are the treatments they received and these eventually result in customers' decision to change brands. Consumers who received good treatments will not change brands but those who did not would not think twice about changing. In the context of motor vehicles, the product features, including brand image, are the reasons for brand switching among customers, particularly when the features they need are not available.

In the case of Malaysian automotive industry, there is a dynamic environment, with several automotive brands existing in the market. To compound the competition further, the Japanese and Korean car firms are leveraging on the advantages of the Asean Free Trade Area (AFTA) by establishing assembly plants in different countries in Asian. This has added to consumers' options of automotive brands in the country, and automotive firms have been stressing on the creation of differentiated customer values

to increase customer satisfaction as displayed by customer loyalty towards a brand (MAA, 2007). This study examines the influence of service quality, marketing-mix strategy, and country-of-origin on brand loyalty in the automotive industry.

METHODOLOGY

Loyalty is a significant aspect of the performance of a firm, in that loyal customers of firms will act as word-of-mouth advertising (Reinartz, Echambadi & Wynne, 2002). In Dowling and Uncles' (1997) study, the authors reached the conclusion that loyal customers are not as sensitive to price as compared to those who are not loyal customers.

In this regard, marketers believe that it costs more to acquire new clients than to retain loyal clients. However, despite this belief, loyalty impacts firm performance and researchers are still debating on the nature of loyalty. There is no specific clarity as to the meaning of the term 'loyalty', how firms could benefit from it, and what act of commitment drives it. In other words, customer loyalty is an intensely held dedication in the future to repurchase a favored product/service in a regular manner (Oliver, 1999).

Generally speaking, in the current competitive market environment, managers have to interpret the significance of relationship management, where their commitment to developing and supporting long-term customer relationship should be solidified and they should take customer loyalty as the top priority when developing business strategies (Reichheld & Schefter, 2000).

Gronroos (2000) and Parasuraman, Zeithaml and Berry (1988) referred to service quality as the difference between customer expectations of future services and their perceptions of the existing services received, while Dotchin and Oakland (1994) described service quality as the level at which the service is aligned to the anticipation of the customers. Along similar line of reference, Parasuraman, Zeithaml and Berry (1990) defined service quality as consumers' general perception of the low/high service level.

With regards to the service quality theory, Brady and Cronin (2001) revealed that it stems from studies dedicated to product quality and consumers' satisfaction. Several service quality models have been proposed in literature, but no consensus has been reached about the models and their measurements. Service quality, according to Pollack (2009) has different dimensions in different contexts and sectors but despite these differences, it is important for managers to determine quality issues in order to enhance their efficiency and service quality to exceed customers' expectations, and maintain their satisfaction via the measurement of service quality. In the past 30 years, researchers have worked earnestly to determine service quality measurement, with several of them proposed in literature, but only a few have been acknowledged and extensively employed in analysts' circles.

The existence of marketing was brought about by the unfulfilled needs and desires of people and in this regard, marketing-mix strategy works towards relaying value, shaping long-term and joint profitable relationship with customers (Dick & Basu, 1994; Rust, Zeithaml & Lemon, 2001). In order for a marketing strategy to succeed, Kanagal (2009) related that market and internal analysis is required as this could help firms highlight, obtain and maintain their competitive advantage over their rivals. Thus, marketing mix can be described as the mix of controllable marketing factors that firms exercised to obtain the desired sales level in the market (Churchill & Peter, 1995).

In a related study, Chong (2003) categorised marketing mix as the price 'P' under microeconomic theory, whereas McCarthy (2002) classified it as the tools with which they are considered as the 4Ps of marketing namely, product, price, promotion and place. Although there is still on-going debate concerning the value and the standing of the mix as a marketing tool kit, specialists in the field are convinced that the 4Ps are tools that influence the behaviour and final decision of consumers and the interaction between buyers and sellers (Kotler & Armstrong, 2004). In turn, loyalty among customers can be obtained through a value proposition (Kotler & Armstrong, 2008) and an effective marketing mix (product, price, place and promotions) in order to reinforce the focused segments through positioning in the minds of consumers several competitors (Kotler & Armstrong, 2008). Following the popularity of marketing, a fifth 'P', namely people, was included, and more currently 2 'Ps' were added, namely process and physical evidence, specifically in the service sector.

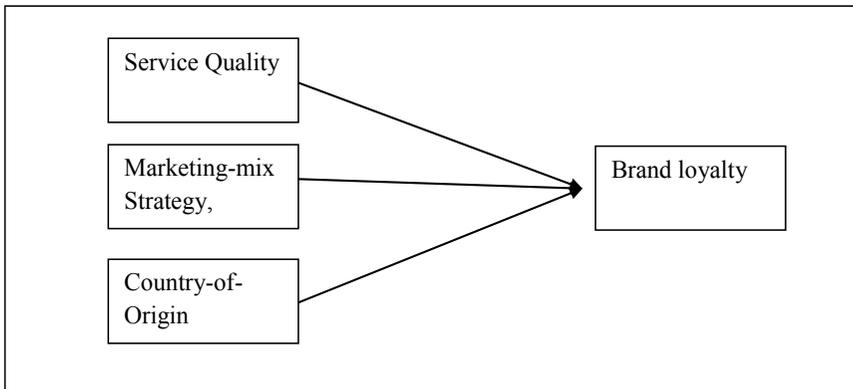


Figure 1: Research framework

RESULTS AND DISCUSSION

The study data was obtained by means of questionnaire. 1000 sets of questionnaire were distributed to Malaysian respondents within the period from 2 April 2013 to 30 May, 2013 (a 2-month time span). Of the 1000 sets of questionnaire distributed, 413 were returned, of which 381 were found to be useable on account of the fact that the remaining 32 were incomplete.

Every survey questionnaire returned was provided a distinct market and a running number for the purpose of data key-in reference. The adopted analyses in this study include descriptive analysis, reliability analysis, exploratory factor analysis, Pearson's Correlation test, and Multiple Regression Analysis, where the significance of the variables are tested and the relationships among them are analysed. This study has four variables to be tested, namely: service quality, marketing-mix strategy, country-of-origin, and brand loyalty. The variables comprised 44 analysable items. More specifically, the items were exposed to factor analysis to lessen the number of variables into meaningful factors for interpretation (Cavana, Delahaye & Sekaran, 2000).

The Person's correlation coefficient (r) tests the linear relationship between two metric variables (Hair *et al.*, 2003). The correlation coefficient (r) shows the magnitude as well as the direction of the relationship between variables, with values ranging from +1.0 to -1.0. Within this range, +1.0 is

considered as perfect positive value, -1.0 is considered as perfect negative value, while 0 indicates no relationship between two variables. The higher the correlation coefficient, the greater is the relationship between two variables. The test is conducted at five per cent level of significance.

Table 1: Pearson Correlations (n=381)

	Service Quality	Marketing-mix Strategy	Country-of-Origin	Brand Loyalty
Service Quality	1			
Marketing-mix Strategy	.756**	1		
Country-of-Origin	.678**	.614**	1	
Brand Loyalty	.577**	.576**	.700**	1

*p<.001

The correlation matrices of the entire study variables are presented in Table 1. The table shows that the correlation between independent variables and dependent variables are significant and positive. The entire independent variables are statistically correlated with brand loyalty, indicating data suitability for examination with the help of multiple regression analysis. More specifically, the correlation values between the independent variables and the dependent variables ranged from $r = .576, p < .01$ to $r = .700, p < .01$ and are considered to be of moderate to strong values. An overview of the results shows that multicollinearity was absent and the entire correlation coefficient values did not exceed 0.80 as recommended by Berry and Feldman (1985), indicating that the variables are suitable for the next analysis, which is regression analysis.

Service quality, marketing-mix strategy and country-of-origin (independent variables) were exposed to regression analysis with brand loyalty and the results are presented in Table 2 and discussed in this sub-section.

Table 2: Service Quality, Marketing-mix Strategy & Country-of-Origin Regressed with Brand Loyalty

Variable	Standard Coefficient Beta (β)	P
Service quality	.066	.271
Marketing-mix strategy	.198	.000
Country-of-origin	.534	.000
R^2	.526	
R^2 Change	.526	
F Change	139.187	
Sig. F Change	.000	

The first hypothesis proposes that:

H1: Service quality is significantly related to brand loyalty

Table 2 reveals that the coefficient of service quality is ($\beta = .066$), which means that an increase in service quality score will positively affect loyalty, with a significant value equals to 0.271 ($p\text{-value} > .001$) indicating that service quality is not significantly related with car brand loyalty among customers and thus, H1 is rejected. In other words, despite the impact on service quality, the impact is not strong enough to maintain brand loyalty.

H2: Marketing-mix strategy is significantly related to brand loyalty

The coefficient of marketing mix strategy is ($\beta = .198$), which shows that an increase in the marketing mix strategy score will positively affect loyalty, with a significant value of .000 ($p < .001$). This indicates that H2 is supported and that marketing mix strategy is significantly related with loyalty towards a car brand when customers intend to purchase new cars.

H3: Country-of-Origin is significantly related to brand loyalty

Table 2 shows that the coefficient of country of origin is ($\beta = .534$), which shows that an increase in the score of country-of-origin positively affects loyalty, with a significant value of 0.000 ($p < .001$). This result shows that H3 is supported and that country of origin positively and significantly relates with loyalty towards a car brand when customers intend to buy new cars.

The results reveal that the variance accounted for (R^2) in terms of the first three variables, namely service quality, marketing mix strategy and country of origin is 0.526 with (R^2 change = .526) that is significantly different from zero (F change = 139.187, $p < .001$).

The first research question states: “To what extent does service quality affect brand loyalty?”; “Is there any significant relationship between service quality and brand loyalty?” Accordingly, the question was answered by conducting a regression analysis. The results obtained show no significant relationship between the two, which are consistent with that reported by Kandampully and Hu (2007). In contrast, the results are inconsistent with that of other studies (e.g. by Boulding *et al.*, 1993; Parasuraman *et al.*, 1988, Parasuraman, Zeithaml & Berry, 1996) that found positive relationship between the perceptions of service quality among customers and their purchase intentions. Studies by Cretu and Brodie (2007), Erez, Mitchell, Holton, Lee and Sablinski (2001) and Beatty, Jones and Mothersbaugh (2002) found a positive significant relationship between perceived service quality and brand loyalty.

Juxtaposing the results to the context of the Malaysian car industry, firm outlets have failed to reach the expectation level of the demanding customers and thus, the customers have no sense of loyalty. This could be attributable to the behaviour and attitude of employees working at the firm outlets that reflect the overall perceptions of the brand. In relation to this, customers are also frustrated by the way the repair process communication is being conducted. In a majority of instances, car owners are requested to incur significant costs for services that are indiscernible and unreasonable. Instead of being provided with explanation on the repairs needed through photos or demonstrations, customers simply depended on the service advisors’

assurance as they have no choice in the matter. It appears to the customers that service advisors attributed every repair/maintenance to a safety item, where a majority of service advisors use technical jargon, sales pitch and self-confidence to convince customers. These techniques could backfire as they considerably undermine customers' trust and retention. Concerns have also been reported regarding the expected period for repairs, where consumers had complained about the long waiting time entailed for repairs.

Automotive firms generally place attention on customer retention through the provision of good services, but most of their adopted initiatives failed, owing to the culture and the inexperience of employees who fall short of ensuring the provision of good quality services. Provision of good services is possible through robust and enforced initiatives on customers' satisfaction adopted on a daily basis in order to guarantee customers' repurchase and brand loyalty. It is also important for automotive firms to adopt best practices and to train their staff on the best practices, if possible, by sending them abroad to have first-hand observation and learning of first class service.

The second research question states: "To what extent does marketing-mix strategy affect brand loyalty?"; "Is there any significant relationship between marketing-mix strategy and brand loyalty?" The results from regression analysis show significant relationships between the two variables. From the analysis of the results, the hypothesis that marketing-mix strategy has a direct relationship with loyalty towards car brand is supported. In other words, marketing-mix strategy influences customers' decision to stay loyal to a car brand.

Price is one of the variables of marketing-mix strategy and the results show that price is one of the top factors influencing consumers' purchase intention with regards to branded products. This result is supported by Jin and Sternquist (2003) who indicated that price has a significant relationship with the buying intention of customers, and is the top information leveraged by customers during their purchase decision process. In particular, high price positively influences consumers' decision making, indicating that higher price is directly correlated with buying intention. Martin *et al.* (2008) also reported a significant pricing-loyalty relationship.

In relation to this study, price has a significant effect on Malaysian hypermarket products, indicating that customers will switch brands if the products are priced high or are unreasonable priced. Therefore, right pricing should be adopted. In the short run, hypermarkets may receive low profits but they can earn high profits in the long run if they enhance their Malaysian brand products loyalty.

Finally, the element of distribution was found by Ferdous (2008) to be significantly related with brand loyalty, indicating that the possibility of consumer repurchase would become higher if the distribution network has more market coverage where the product is made available and accessible. With regards to the Malaysian hypermarket industry, brand loyalty is significantly and positively influenced by the intensity of product distribution. Therefore, management should properly plan for their distribution channels and intensity by providing products in a timely manner, and by making products accessible at several places.

According to the survey results, a positive significant relationship exists between marketing-mix strategy and brand loyalty. Evidently, advertising concerning automotive firms of different brands is available in the daily newspapers, magazines and television to attract consumers. This is because frequent advertising can significantly influence consumers' brand selection. In the context of Malaysian automotive industry, firms are focused on developing and maintaining a distinct showroom for their corporate brand identity. They invest considerable expense on enhancing their corporate identity and on facilitating a good and friendly environment in their showrooms and service centers. Although promotion of price incurs costs, the Malaysian automotive market is always faced with consumers' bargaining on their preferred purchases.

In the third research question, the researchers posed the question: "To what extent does country-of-origin affect brand loyalty?"; "Is there any significant relationship between country-of-origin and brand loyalty?" Accordingly, in this study, a regression analysis was carried out and based on the results, a significant positive relationship exists between the two variables and thus, the hypothesis is supported.

The result indicates that country-of-origin's good reputation and image results in high brand loyalty. This may be explained by the fact that Malaysian consumers perceived other countries to have a good image in terms of their technological development and thus, their manufactured products are believed to be of high quality. Despite the several brands existing in the market, which are viewed to be equal in standing in light of their attributes and functionality, country information adds to consumers' decisions. Consequently, certain brands are preferred over others, and when repeat purchase occurs, consumers may ultimately develop brand loyalty.

In Malaysia, consumers have a tendency to attribute high quality products to developed nations (Ghazali, Othman, Zahiruddin & Ibrahim, 2008).

In a study conducted by Qasem and Baharun (2012), they investigated the role of country image on the automotive brand preferences and found that the image of a country significantly affected customers' decision in car brand selection. They reached the conclusion that cars from countries that are perceived to have a good image, have top preference ranking over products from underdeveloped and developing countries. Nevertheless, these perceptions may also stem from general country stereotyping that consumers already have been harbouring. With regards to cars, Japanese and German made cars have always been perceived to have superior quality in comparison to cars made in other countries. Similarly, Malaysians may also base their evaluation of Japanese and German product categories, such as electronics when a product's intrinsic feature is indiscernible to indicate quality. This is supported by Kim (1995) who contended that the positive image of a country would lead to its brand popularity and eventually, brand loyalty among customers.

The survey results revealed that despite the fact that consumers opted to purchase locally manufactured cars, their actual preferences are foreign-made cars. However, owing to the price factor, they did have options as they cannot afford pricey foreign-made cars. It could therefore be stated that in Malaysia, the majority of the respondents are more inclined to purchase foreign branded products over their local branded ones as they believe that the former are better in terms of quality as compared to the latter. More specifically, Japanese or German-made cars are perceived by Malaysian consumers as having superior quality over national-made cars.

CONCLUSION

This research's primary objective was to determine the significant relationship between service quality, marketing-mix strategy and country-of-origin, and brand loyalty. The survey data was gathered via postal mail questionnaires sent to 1000 chosen car owners in different agglomeration of cities and suburban areas in the Klang Valley in Malaysia. The respondents are actually consumers who had bought new cars in the past six months.

According to the findings, some of the results are consistent with, while others are contrary to that of prior studies. In particular, no significant relationship was found between service quality and brand loyalty, although positive significant relationships were found between marketing-mix-strategy and brand loyalty, as well as between country-of-origin and brand loyalty. The result also revealed that the country-of-origin's good image contributes to brand loyalty among customers because Malaysian consumers believe in the good image of technologically advanced nations and the perceived brand quality represents reliability and high standard of quality. To conclude, the present study succeeded in achieving the research objectives of determining the relationships between service quality, marketing-mix-strategy, country-of-origin, and brand loyalty. The findings of this study contributed to literature and practice among automotive firms' marketers. Marketers can take note of the factors that influenced brand loyalty to develop effective strategies that could gain for themselves competitive advantage over their rivals.

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