

# The Determinants of Brand Loyalty in Malaysian Automobile Industry

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**Abstract:** - *The purpose of this study is to establish a conceptual framework for the mediating effect of brand satisfaction on the relationships between brand prices, brand advertisement brand loyalty of local automobile brands in Malaysia. The conceptual framework proposes that customers will be loyal when the automobile companies offer a good price and brand advertisement, satisfies their customers' requirement. This study is expected to contribute to extending body of knowledge of brand loyalty in the context of automobile industry for a developing countries' perspective Malaysia.*

**Keywords:** Brand satisfaction, Brand price, Brand advertisement, brand loyalty, Malaysia.

## 1. Introduction

The automobile industry has achieved the status of essential part of life, as well as promoting the economic growth of economies which is mainly depended on their particular automobile manufacturing industry in specific countries (Ghani, 2012; Rosli, Ariffin, Sapuan, & Sulaiman, 2014). In the same way, Malaysian-owned automobile brands are viewed as a standpoint amongst the most essential industrial sectors for economic growth. However, this industry confronts unprecedented difficulties, because of worldwide competition from foreign brands, and the consistent changes are seen in consumers' perception and attitudes towards automobile brands (Al-shami, Izaidin, Nurulizwa, & Rashid, 2012; Mabkhot, Salleh, & Shaari, 2016). As automobile business confronts with different challenging environment, especially in technological advancement, globalization and expanding rivalry among the market competitors. Therefore, the strategic direction and policy orientation of automobile local brands is prerequisite to take a look at the challenges and competition by all accounts. In this essence, Nyadzayo and Khajehzadeh (2016) assert that this become critical in order to sustain the

Aggressive competitive edge of the manufactures and is worthwhile for them in the long haul.

Moreover, Wad and Govindaraju (2011) contended that Malaysian automobile industry has put itself down in the fields of technological advancement and global competition in a view of low innovation and poor marketing strategies. Likewise, the Malaysian automobile brands are accounted for possessing poor quality in sensible terms (Thanasuta, Patoomsuwan, Chaimahawong, & Chiaravutthi, 2009; Mabkhot, Salleh, & Shaari, 2016b) which involve vital concerns. Furthermore, numerous brands and products are being launched in the market that drives the enormous competition between local and international players. As a result of stern competitions, uncertain economic system, and consistently development in the market segment, corporations have applied different strategies to increase customer satisfaction level and encourage loyalty. Therefore, in turn, the organizations attempt to enhance the business development and productivity in term of profitability and benefit (Halim & Hermawan, 2017; Imandoust, Honameh, & Fahimifard, 2011; Ismail & Melewar, 2008).

For an organization's progress, its business policy in general, brand loyalty in particular, is the most integral element in the marketing perspective as well as its success in the market for the long run (Barrett, & Miller, 2011; Mabkhot et al., 2016; Sadasivan & Zafar, 2011; Sharma & Sharma, 2012). Although, there is numerous empirical studies are carried out with relationship between brand loyalty and international and global brands (Anholt, 2012; Nezakati, Kok, & Asgari, 2011; Sze & Hamid, 2012). Therefore, the literature on brand loyalty just a modest bunch of studies that have been employed to comprehend customer loyalty in terms of local brands (Kapferer & Schuiling, 2003; Zhang & Schmitt, 2001), particularly in Malaysia. As per Boohene and Agyapong (2011) and Molapo and Mukwada (2012) researches, they argue that the studies on brand loyalty in automobile sectors are scarce in the emerging economies. However, based on the limited studies, Alshurideh et al. (2012), Abu-ELSamen et al. (2011) and Akroush et al. (2010, 2011) state that assessment of brand loyalty in customers' point of view, is sufficed a dire need of investigation in Malaysian local automobile brands in order to have a vivid aspect to the extent of brand loyalty. In fact, the most of previous studies have been made in developed economies (e.g. Anholt, 2012; Barrett, & Miller, 2011; Jimenez & Martin, 2009; Sadasivan & Zafar, 2011), therefore, their results and findings may not be generalised to emerging economy especially in Malaysia, as emerging economies have demographically different conditions and perceived customer behaviour and culture.

## **1. Literature review**

### **1.1 Brand Loyalty**

The brand loyalty possesses numerous explanations available in the literature; several researchers contend that it is a multidimensional idea including the items of behaviour and attitude (Baldinger & Rubinson, 1996, Bricci, Fragata, & Antunes, 2016). Brand loyalty is characterized from the behavioural viewpoint as to how much a unit, similar to a household, concentrates its purchases after some time on a particular brand as a major aspect of a

class of product or service classifications (Greve, 2014; Tong & Hawley, 2009). Alternatively, from the attitudinal point of view, brand loyalty is characterized as "the propensity to be loyal to a central brand as showed by the intention to buy it as a primary decision" (Oliver, 1997; Yoo & Donthu, 2001). In addition, Bricci et al. (2016) and Dick and Basu (1994) demonstrated that loyalty should be measured in both behaviour and attitude aspects, as brand loyalty is not just a result of psychological attributes but also behavioural articulation.

The value of loyalty helps organization to build long-term relationship with consumers for the foundation of revenue generation and future investment. Similarly, brand loyalty furnishes organizations with business impact and valuable time in reacting to the developments of business competition (Mitchell & Kamau, 2017). Hence, Shugan (2005) and Kang, Alejandro, and Groza (2015) observed that brand loyalty holds an effective influence on company profitability. Loyalty is highlighted in rebuying action or incline towards the brand or showing positive behaviour such as verbal support. Loyal clients are least vulnerable with price change, mostly eager to pay extra cash with respect to buy their favourite brand (Raj, choudhary, & Kalai, 2008) with expectation of distinctive features held in the brand that is deficient in others (Reichheld & Teal, 2001; Reinchheld, 1996a).

Brand loyalty is traditional marketing concept; the purpose is to build long term relationship towards brand. Kandampully, and Bilgihan (2015) and Knox and Walker (2003) believed that brand loyalty is a measure of brand equity and success in market strategies. However, attracting new customers' seems difficult to acquire due to severe competition, keeping loyal customers is the more feasible for firms. In this manner, Blodgett et al. (2015) and Light (1994) admitted that, "brand loyalty is the only basis for enduring profitable growth". It strengthens the brand goodwill acquired over time and name recognition, which direct towards sales growth and higher revenue against other brands (Usman, Rida, Madiha, & Mohsin, 2012).

Similarly, firms need to make novel ideas and decisions to acquire brand loyalty (Doyle, 2012; Noton, 2009), and it can only be possible with effective marketing campaigns and attractive advertising efforts with the promise of innovation and quality products and services (Limpo, Rahim, & Hamzah, 2018). Schuiling and Kapferer (2004) and Pollack (2015) carried out study on brand loyalty in major European countries namely Italy, Germany, France, and the United Kingdom. Their outcomes demonstrated that local brands have greater advantage of customer awareness and solid brand loyalty in contrast with a foreign brand. In more precisely, local brands get competitive edge as customer perceive that local brands not only in high quality, but also brand is trusted to possess higher innovation and value than foreign brands. Therefore, this study exhibits the likelihood of having local automobiles to fulfil the local market needs. In conclusion, Wel, Aniza, and Bojei (2009) and Loder, Tanner, and Axhausen (2017) acknowledge that firms can develop loyalty to the local brand while employing precise positioning and compelling advertising efforts which endure the local ideas and visions.

## **1.2 Brand Loyalty and Its Determinants**

### **1.2.1 Brand Price (BP) and Brand Loyalty**

It is evident that product price is a focal determinant that reflects in consumer actual buying decision. Price might provide information to the customer related to quality of product or service features and value (Bilgihan, & Bujisic, 2015; Erickson & Johansson, 1985). Markets products enable clients to effectively look at costs among sellers and locate the reasonable one. If the customers perceived the price of product or service is realistic they may put larger influence to buy that brand (Cha & Bagozzi, 2016; Grewal, Krishnan, Baker, & Borin, 1998). Story and Jeff (2006) argue that price is a standout amongst the most vital and rational items that help with settling on decisions or choices to impact the buying experience. Furthermore, the effect of cost and buy conduct relies upon the decision of the choices, yet different components can also be impacted like

testaments, credentials, price insensitivity, and ability of brand to be preferred.

Price is the determinant that develops the client faithfulness to the brand, and it can impact on people's buying options. Thus, merely satisfaction could not anticipate by the price factors, however, in terms of fulfilling individuals' needs, the customer price is one of the critical items that impact buyer's fulfilment. The consumers in personal connection, with low practical association, would pay higher costs, and they have low value affectability. The influence of brand price, a customer decision choice is based on the concept of interest, supporting in their preferred brand with low price or negated a product with high price. Imperatively, buyers generally constitute a preferred price, and settle on a choice after contrasting the cost on offer and the preference price. Before settling on an option, customers consider regardless of whether a sales promotion exists that chooses which brand to buy when two brands are similarly appealing (Alvarez and Casielles 2005). A parallel research directed by Jimenez and Martin (2007) in Spain proposed the future investigation of variables that impact customer buying intention, for example, price, is indispensable and the cost efficiency significantly affects customer actions.

Another study conducted by Juan et al. (2009) reported that price has a positive association with the customer's aim to genuinely buying decision, and growth in the value promotion influence the buyer's actual buying behavior. In view of Jimenez and Martin (2009), future prospect for research consider through the incorporation of other marketing variables that influence recognition of the local brand (i.e., patriotism, cultural/social, price) is also enhanced. On the other hand, some earlier investigations observed that value/cost and real buying have a negative and significant connection (Sunil & Palaparthi, 2008; Granzin et al., 1998). Lien et al. (2015) revealed that customers in Taiwan put greater consideration on hotel brand attractiveness, trustworthy, affordable prices and great incentive at the given cost, in result, probability of booking expectations are high. A

more recent study by Rungtrakulchai (2018) argued that perceived price is essential variable that makes the affiliation with consumer towards brand to develop brand quality.

From the customer's perspective, price portrays the level of money customers must relinquish to obtain a product/service (Scaringella, 2017; Zeithaml, 1988). Many buyers utilize cost as a quality-signalling clue reflecting the standard approach that "you get what you pay for" (Erickson and Johansson, 1985). In fact, customers could able to memorise the product prices. Instead, they decode product or service price in a pattern that is become value for them (Womack & Jones, 2015). In the web based online shopping, individuals mostly evaluate the concerned price (cost offered by the present seller) with referred price (cost offered by another merchant) and later, form their perception of value (Kim et al., 2012). Price, as a heuristic clue, is vividly better recognized than quality (Yoon, Oh, Song, Kim, and Kim, 2014). Furthermore, Bojanic (1996) and Chernev (2018) revealed that lower hotels prices (or affordable prices) assist to achieve potential benefits and competitive market share from their target market segments under severe competition conditions. Therefore, rather than a sole price value, buyers more often have a comparative range of prices that are worthy for a proposed buyer (Lien et al., 2015).

### **1.2.2 Brand Advertisement (BA) and Brand Loyalty**

Advertisement grew increasingly by innovation of printing machine and afterwards radio, TV and different broad communications channels, with the objective outcome that today we watch advertising barrage (Monfared, 2015). In this modern era, whenever we sit in front of TV or tuning in to our most loved program on radio or seeking in web or browse different sites, we continually are presented to different electronic-audio-visual ads. Similarly, as we move on going on the road, different billboards are presented along the roads with advertisement. In such an environment as we confront publicity barrage, this inquiry is raised: whether advertisement impact individuals as previously. In

simple words, in the situations, with high cost invested in advertisement by the companies, it become a strategic part of business strategies and practices for success (Monfared, 2015). To be an effective advertisement, it ought to be uncovered, seen, learned, remembered and performed. For this purpose, essential theoretical standards of learning are utilized as a part of assigning compelling communicate. Therefore, market individuals that are associated with finding certain importance of attraction and optimality of media transmission services (Katler et al., 2005).

Advertisement makes positive prospects which causes that experience of one brand usage is good and satisfactory. Professionals in media telecom enterprises always putting efforts and developing strategies to satisfy necessities of the customers with respect to utilization of product or services; in contrast, there are different reasons which cause to buy of a product or get a service. Deciding and findings objectives of telecom service customers is the final stage to ensure that related intentions will be met by giving new products or services. Portraying this objective process, which is made for fulfilling one of necessities (e.g., needs which are categorized in the light of Maslow's theory), is exceptionally challenging (Katler et al., 2005). Moreover, clients, such as managing directors, require knowledge which gives reasonable premise to their basic decision- making process. They frequently need to know distinctive advantages and attributes of the particular telecom service and product features and its ideal manner to apply.

As indicated by Kotler and Armstrong (2009), advertising can straightforwardly impact the buying attitude choice by developing awareness, elaborating brand features, and providing support to customer in determining the worth and nature of the product or service, hence, making them to decide on the best buying alternative. Jimenez and Martin (2009) examined the buying behaviour of global brands in Spain, the role of company's origin, goodwill, customers' ethnocentrism, animosity. In their studies, it is highlighted that the factors that impact customer buying motives and final buying action of



local brands should be consider for further studies like advertising. Han (1988) studies in USA about television advertisement help in enhancing customers' enthusiastic feelings that may be fruitful in developing behavioural reactions for the local brands (Ahmed, Rehman, Asad, Hussain, & Bilal, 2013; Ahmed, Sabir, Khosa, Ahmad, & Bilal, 2016; Ahmed, Sabir, Rehman, Khosa, & Khan, 2016).

Publicising efforts and campaigns usually perform by using the standard method named adaptation continuum, in simple words, by promoting for one segment of the market in a successful way (Abbas, Arshad, & Subramaniam, 2019a, 2019b). On contrary to this, these activists argue that global campaigns of brands are generally unsuccessful due the reason associated with ignorance of local culture prominence (Mueller et al., 2002; Synodinos, Keown, & Jacobs 1989). In addition, Jimenez and Martin (2009) suggested to further explore the consumer behaviour towards a brand or product, a study could be timely including other marketing variables like brand advertising. The literature evidently claims that advertisement provides a significant positive relation with final buying behaviour (Morven et al., 2007).

### **Conclusion**

Generally, the conceptual framework is related to the determinants of the brand loyalty of automobile local brands in Malaysia. Moreover, the relationship can be mediated by the brand satisfaction. Thus, this study can be distinguished from other studies that conducted in different countries with different culture. Therefore, this study can shed light on existing brand loyalty literature and particularly, it could provide a guide to local automobile brands in Malaysian context. The study expects that customers will be loyal when the automobile brand companies offer a brand advertisement, to satisfies their customers' requirement, and let the customers loyal their brands. In addition, brand satisfaction would play crucial roles as mediator in the relationship between brand prices, brand advertisement and brand loyalty. Therefore, this study could provide several implications for brand personality and brand loyalty in automobile industry in Malaysia.

Moreover, this study enhances the role of the brand personality on brand loyalty among Malaysian customers towards local automobile brands. Hence, in order to develop brand loyalty, for local automobile industry is essential to gain some understanding on emotional clients regarding their personality while purchasing automobile brand.

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