

**THE DETERMINANT OF BRAND LOYALTY
AND THE MEDIATING EFFECT OF
CUSTOMERS' SATISFACTION: IN MOBILE
PHONE CONTEXT**

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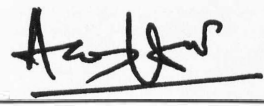
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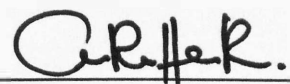
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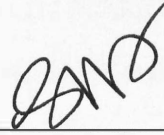

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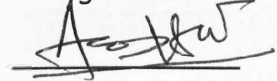
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ABSTRACT

THE DETERMINANT OF BRAND LOYALTY AND THE MEDIATING EFFECT OF CUSTOMERS' SATISFACTION: IN MOBILE PHONE CONTEXT

This dissertation reports the results of the study focused on describing and understanding the determinant of brand loyalty and the mediating effect of customers' satisfaction in purchasing mobile phones. The researcher seeks to contribute to the development of a conceptual framework that integrates perceived value, trust, perceived product quality, personal interaction, customer satisfaction and brand loyalty. The study was carried out among private sector and government sector employees in Kota Kinabalu area. For the purpose of this research, the researcher used questionnaire as the main research instrument. Quantitative data obtained were being treated using Statistical Package for Social Research (SPSS) version 16.0 for analysis and summarization purposes. A comprehensive literature review was conducted to form the conceptual framework which guided the study. The results of this study found there is a significant relationship between trust and perceived product quality on brand loyalty. However, perceived value and personal interaction was found to be insignificant related to brand loyalty. Customer satisfaction partially mediates the relationship between trust and brand loyalty, and fully mediates the relationship between perceived product quality and brand loyalty. It is hoped that this research provides implications for differentiated marketing strategies in pursuit to strengthen customers' satisfaction and consequent loyalty towards a brand.



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ABSTRAK

Fokus disertasi ini adalah untuk melaporkan hasil kajian yang menerangkan dan memberi kefahaman mengenai penentu kesetiaan terhadap sesuatu jenama telefon dan kesan kepuasan pelanggan dalam konteks telefon bimbit. Penyelidik berharap dapat menyumbangkan kepada pemebentukan rangka kajian yang mengintegrasikan korelasi di antara tanggapan nilai, kepercayaan, tanggapan kualiti produk, interaksi peribadi, kepuasan pelanggan dan kesetiaan jenama dalam pembelian telefon bimbit. Kajian ini dilakukan terhadap pekerja yang berkhidmat di dalam sektor kerajaan dan swasta di sekitar kawasan Kota Kinabalu dengan mengaplikasikan teknik kajian secara rawak. Untuk tujuan kajian ini, borang soal selidik digunakan sebagai instrumen kajian. Data kuantitatif di analisa dan di simpulkan menggunakan pakej SPSS versi 16.0. Seterusnya, rangka kajian dibentuk agar dapat menjadi panduan kepada keseluruhan kajian. Hasil kajian mendapati bahawa terdapat perhubungan signifikan di antara kepercayaan dan tanggapan kualiti produk terhadap kesetiaan jenama. Walau bagaimanapun, didapati bahawa tanggapan nilai dan interaksi peribadi tidak mempunyai perhubungan signifikan terhadap kesetiaan jenama. Telah juga didapati bahawa kepuasan pelanggan mempengaruhi sebahagian kepercayaan terhadap kesetiaan jenama manakala mempengaruhi sepenuhnya tanggapan kualiti produk terhadap kesetiaan jenama. Adalah diharapkan kajian ini akan memberi implikasi untuk membentuk pelbagai strategi pemasaran agar dapat dipraktikkan untuk mengukuhkan lagi kepuasan pelanggan seterusnya meningkatkan kesetiaan mereka terhadap penggunaan suatu jenama.



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Conceptual Framework

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CHAPTER 1

INTRODUCTION

1.0 Overview

The issues and rational of study, brief profile of mobile phone market, statements of the problems, objectives of the study, significance of the study, scope of study and definition of key variables and dimensions are outlined in this chapter.

1.1 Issues and rational of study

The Malaysian Ministry of Energy, Water and Communications in his speech during World Telecommunication Day celebrated on May 17 annually briefed that Malaysia is aiming towards developing an information rich-society, Brief Industry Trends Report (2009). The Minister has also noted that since the internet connection emerged, Malaysia recorded growth in mobile phone subscription. In line with this, the Malaysian Government introduced a blueprint specifically to cater continuous delivery of advanced information, communication and multimedia services towards improving the quality life of Malaysians.

In addition, the Malaysian Government will also continue its effort to ensure that all Malaysians have equal access of ICT facilities, Brief Industry Trends Report (2009). The nation is becoming more dependent on numerous ICT equipment such as the mobile phone and soon will be a necessity aspect in life. The Government, State Government, Government agencies, NGO's and private sectors to bridge the digital gap to ensure all programmes runs smoothly and benefit the rural community as well.

Our lifestyle and business today are enriched with mobile phone services. Such services are quickly becoming entrenched in Malaysia. The development of mobile services and other related ICT equipments in turn can bring about business and public sector improvements, increase national competitiveness and sustain economic growth (Suki, 2007).

1.2 Brief profile of mobile phone market

Mobile communication today is widely used and equipped with much functionality. According to The Star dated 21st July 2007, the number of mobile phone subscribers has risen to 19.464 million as of year ended 2006 vs. 5.122 million in year 2000. Mobile phone subscribers are expected to reach 24.4 million by year 2010. Furthermore, mobile phone penetration rate per 100 population was recorded at 72.3% as of year ended 2006 vs. 21.8% in year 2000. It is expected to trend higher to 85% by 2010, driven by convenience, affordability and in keeping with changing lifestyles.

According to the Malaysian Communications and Multimedia Commission's (MCMC) Hand Phone Users Survey 2005, as of 31 May 2005, there were 16.2 million hand phone subscriptions on the five digital networks operating in Malaysia. Further to this, in the first quarter of 2006, the number increased to 20.5 million, indicating a growth of 5.3 per cent and 77.7 per cent penetration rate nationwide.

As noted by Lee (2006) more than two million hand phone users in Malaysia were young adults between the age 20 and 49 years of age. This shows that teenagers and adults dominate the Malaysian mobile technologies market. From the overview, mobile content is an interesting platform to disseminate information and communication. Mobile content could prompt new changes, patterns for knowledge discovery especially in the field of mobile learning and edutainment (Suki, 2007).

1.3 Statement of the Problems

In today's modern society, consumerism has become an essential part in life. The society is changing whereby human values have a different measure whereby you are known by what you have not by what you are. This culture causes people to live a life whereby everyone wants to have a unique place in the society by purchasing things which sets them apart from the rest. Consumers are now becoming deeply connected to the brands.

Sometimes customers purchase specific branded things just because of the brand name. There is a need to identify how brand should be chosen and to what extent is the brand name important. Another aspect is to find out how the brand name has a place in the consumers' minds. Consumer confusion is increasing due to rapid technology changes and evolving competition. With the wide range of brands, production, services and distribution of mobile phones, consumers become more homogenous and it may impede their decision making process, (Aksu, 2006). Consumer behaviour in purchasing mobile phones varies and might or might not contribute to brand loyalty, Reinartz and Kumar (2002).

It is not known on how much information customers need and seek on the product and do they rely and believe in this information before they proceed with a purchasing decision. Companies begin to put more efforts and money to creating brand awareness of their product. The issue arises if such actions really affect the purchasing decision of the consumer. Another issue is whether other attributes such as perceived value, trust, perceived product quality and personal interaction create some degree of influence in customer satisfaction and subsequently brand loyalty.

Another factor of consideration is the level of brand consciousness among consumers. This varies and might or might not contribute to the reasons whereby certain brands are chosen over other brands which are new or not so known in the mobile phone market. This view may cause them to only use a certain brand and unwilling to switch brands and expand their choices (Shukla, 2009). Most of the time, developing overall customer satisfaction hence promoting long term loyalty is critical in the mobile phone context, (Vesel and Zabkar, 2009). While studying the literature, this study tries to answers the following questions:

1. Does perceived value, trust, perceived product quality and personal interaction influence customer satisfaction?
2. Does customer satisfaction mediate the relationship among perceived value, trust, perceived product quality and personal interaction towards brand loyalty?

1.4 Objectives of the Study

This study seeks to contribute to the development of a conceptual framework that integrate perceived value, trust, perceived product quality, personal interaction, customer satisfaction and brand loyalty. Hence, the research objectives are:

1. To investigate the determinants of perceived value, trust, perceived product quality and personal interaction and which is more significantly affecting customer satisfaction.
2. To test customer satisfaction as a crucial mediating role in the relationship of perceived value, trust, perceived product quality and personal interaction to brand loyalty.

1.5 Significance of the Study

The purpose of the study is to examine the determinants of customer satisfaction and the loyalty intentions for mobile phones. In today's mobile phone market, companies are facing wider range of competitors who offer similar product to same customers. The demand of mobile phone continues to increase and has turned out to be a fashionable product (Suki, 2007).

Global volume of handsets is expected to come in at 1.177 billion for 2009, a 3.7% decline over 2008, however is forecasted to grow by 7% in 2010 thanks to an increase in consumer demand (Forbes.com). The Malaysian telecommunications industry is also expected to rebound strongly, with a growth of 4.4 per cent over 2009 while reaching a total of US\$6.7 billion for the year (Business Times article, 2010).

Table 1: The global mobile phone sales volume

Company	Year 2008		Year 2007	
	Sales	%	Sales	%
Nokia	115,191.80	39	92,048.10	35.5
Samsung	42,396.50	14	32,099.80	12.4
Motorola	29,884.70	10	47,620.70	18.4
LG	23,645.80	8	16,009.30	6.2
Sony Ericsson	22,061.00	8	21,771.50	8.4
Others	61,103.20	21	49,489.90	19.1
TOTAL	294,283.00	100	259,039.30	100

Source: Gartner Dataquest, May 2008

As shown in table 1 above, Nokia mobile phone brand gains the highest sales volume in the global mobile phone business. This shows the continuous growth in the mobile phone market every year. Most of the other international phones are showing the same trend of business. The sales volume in Asia Pacific also showed the sign of increase due to the strong growth potential of China and India business trend. It is expected that the annual growth rate of the mobile phone users in Asia Pacific will account for 47.9% of the global subscribers by 2011 (Taiwan's Market Intelligence Center: IMC).

In Malaysia, by 2008, there were over 97 per cent of the population own or have access to mobile phone device (Business Times.com) According to Gartner research, Malaysia, a country of 27 million people, ranks sixth in the world in total SMS volume generation, behind China, the Philippines, Japan, Indonesia and India. About 50 billion SMS's were generated in Malaysia alone last year, a huge portion of this coming from the younger cross section of the population.

1.6 Expected Benefits

1. To know the brand loyalty status of the mobile phone users in the market. This helps in providing the guideline to the marketers, business owners and people who do the mobile phone business.
2. To understand the relationship between customer satisfaction and brand loyalty in order to plan effective marketing activities, strategies to meet and match consumers' perception hence increase the brand loyalty of a brand.

1.7 Scope of Study

The scope of study focuses on the mobile phone users in Kota Kinabalu, Sabah. Currently, the mobile phone in the local market is dominated by international brands such as Nokia, Sony Erricson, Samsung, LG and others. To complete the objectives of the dissertation, the researcher will survey the questionnaire to the public and private sector employees in Kota Kinabalu, Sabah.

1.8 Definition of Key Variables and Dimensions Used

The key variables and dimensions used in this study have specific meaning and such definitions in general context are as follows:

1.8.1 Brand Loyalty

In general terms, loyalty is something that customers may exhibit to brands, services, stores, and product categories. In this study, the researcher uses the term brand loyalty to emphasize that loyalty is a future of something inherent in brands. Consumers often use the terms "product" and "brand" interchangeably (Myers, 2003).

To distinguish between the terms, Farquhar (1989) and Cobb-Walgren (1995) addresses product as something that tends to offer a functional benefit, whereas a brand is a name, symbol, design or mark that enhances the value of a particular product. Similarly, Bennett (1988) defined brand as a name, term, design, symbol or any other feature that identifies one seller's good or service as distinct from those of other sellers.

Oliver (1999) defined brand loyalty as a strong commitment to rebuy or repatronize a preferred product or repatronize a service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviors. Further this, Oliver suggests that ultimate customer loyalty is a function of perceived product superiority, personal fortitude, social bonding, and their synergistic effects.

1.8.2 Perceived value

Taylor, Celuch and Goodwin (2004) stated that companies have to work hard to have any added value. Customer delivered value can be defined as the total value offered to a customer less the total cost to the customer, Zineldin (2000) and Groenroos (2000).

Oliver (1999) asserts that value is indeed a unique construct from satisfaction and quality. Value is at the heart of what consumers pursue from a marketing exchange. One of the more commonly cited definitions is that supplied by Zeithaml (1988), who defined value as the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given.

1.8.3 Trust

Gundlach and Murphy (1993) stated that trust is the most universally accepted basis of any human interaction or exchange. More recently, trust has been defined as an individual's confidence in another's conduct, when the individual is in a position of vulnerability or cannot monitor or control the other party (Hosmer, 1995).

1.8.4 Perceived Product Quality

Churchill and Surprenant (1982) defined quality as belief statements or attribute performance. Meanwhile, perceived quality is defined as the consumers' judgment about an entity's (service's) overall excellence or superiority, Zeithaml (1987) and Rowley (1998).

Anderson et al. (1994) noted that quality as a significant predictor of customer satisfaction and that this relationship, over the long term, was an important predictor of superior economic returns through repeat sales. Perceived quality of a product or service is related to but not the same as satisfaction resulting from comparison of expectations with a perception of performance (Rowley, 1998).

1.8.5 Personal Interaction

Interactions occur between the customer and service contact personnel, the service place environment and other customers (Cassab and MacLachlan, 2006). Bowman and Narayandas (2001) demonstrated the importance of distributional, interactional, and procedural fairness to satisfaction following a customer-firm interaction.

They found that loyal customers valued interactions such as inquiry and contact with the customer service center more than reward itself. According to Bowman and Narayandas (2001), empathy and sincerity are usually associated with the value perceptions of loyal customers because they contribute toward building the sense of interactive fairness.

1.8.6 Customer satisfaction

Satisfaction is defined as an emotional post-consumption response that may occur as the result of comparing expected and actual performance (disconfirmation), or it can be an outcome that occurs without comparing expectations (Oliver, 1999). This definition is rooted in the disconfirmation paradigm, which suggests that satisfaction judgments are formed in a process of comparison of perceived performance with pre-experience expectations. Hence, satisfaction is said to result from positive disconfirmation. (Product performances are greater than that initially expected).

Customer satisfaction can also be defined using the transaction-specific perspective or cumulative perspective (Boulding et al., 1993). The transaction-specific perspective indicates that customer satisfaction is the evaluation based on

the recent purchase experiences. Compared with the transaction-specific perspective, the cumulative perspective stresses overall evaluations, indicating that evaluations of customer satisfaction should be based on all the purchase experiences of the customer, disregarding any specific purchase experience (Johnson and Fornell, 1991).

1.9 Summary

This dissertation comprise of five chapters. In the first chapter, it discusses on the introduction of the present study which consists of the issues and rational of the study, brief introduction of the mobile phone market, statements of the problems, objectives of the study, scope of the study, definition of key variables and dimensions. Chapter 2 will provide the literature related to the topic of this study. The conceptual framework and research methodology of the study are discussed in chapter 3. Chapter 4 provides the result of the statistical tests while chapter 5 will discuss on the findings of this study for future research and conclusion drawn from this study.



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CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter will discuss on the review of past studies related to all variables studied. Discussions of literature reviews include brand loyalty, brand equity factors, and customer satisfaction.

2.1 Brand Loyalty

Brands play an important role in the consumer decision process due to their presence in a huge diversity of products (Duarte and Raposo, 2010). The main purposes of brands are to differentiate sellers' offers is a sign of guarantee for consumers. Brands are composed of many different elements, both tangible and intangible (Keller, 2003).

Aksu (2006) suggests when loyalty was examined from the establishments operating in both retail and service sector, it can easily be seen that loyal customers prefer goods and services from the establishments that have positive influence on them. Aksu (2006) further suggest changing of customer preferences and though competition among rivals forced managers to change their marketing strategies.

Other recent literature by Ariely and Carmon (2000) noted that a crucial part of the purchasing experience occurs at the end of the purchase process, when critical factors influence one's likelihood of returning to the same retailer or service provider. This argument would mean that the fulfillment aspects of the purchase process might play a greater role rather than the level of information provided or the amount of choice that is available to the consumer.

Reinartz and Kumar (2002) found little or no evidence to suggest that customers who purchase steadily from a company over time are necessarily cheaper to serve, less price sensitive, or particularly effective at bringing in new businesses. A review of the loyalty literature demonstrates that, first, the majority of research focuses on consumers. Business to business (B2B) investigations are relatively few in number, and are also much more limited than the extensive Business to consumer (B2C) literature in context and scope. Researchers such as Grewal and Levy (2007) and Runyan and Droge (2008) have noted this gap.

Furthermore, according to Taylor, Celuch and Goodwin (2004), within marketing aspect, loyalty can be spread across more than one brand. Consumers can, in effect, be loyal to a portfolio of brands across product categories, selecting from this portfolio at each purchase occasion. This is a different approach from the situation where we assume that it is possible to secure an irrational and exclusive loyalty from a given customer whereby there may be some customers willing to act in this way, but most of us, as consumers, spread our business around (unless we have no choice).

Loyalty has been largely treated by researchers as either repurchase behaviour or repurchases behaviour combined with an attitudinal component. The problems associated with treating loyalty as repurchase behaviour exclusively because measures do not distinguish loyal customers (Moulson, 1965). By referring to purchase, shoppers who are retained customers by default are aggregated with truly loyal customers who shop as a positive choice (Denison and Knox, 1995).

Normally, customers are retained for long periods but without a genuine relationship ever being developed. The relationship building between customers and service or goods provider produces a sense of ownership over the service with customers (Grabbott and Hogg, 1994). Hence, loyal customers need to be seen as acting out of volition in making their preferred choice (Barnes, 1997).