THE RELATIONSHIP BETWEEN BRAND TRUST, CUSTOMER SATISFACTION AND CUSTOMER LOYALTY. (EVIDENCE FROM AUTOMOBILE SECTOR OF PAKISTAN)

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ABSTRACT
The study is based on a sample of automobile users in twin cities of Pakistan. The results reveal that both the independent variables customer satisfaction and brand trust have a significant positive impact on customer loyalty. However customer satisfaction is the most important aspects of customer loyalty beside other variables in automobile sector of Pakistan. Therefore companies must focus on a more comprehensive approach towards relationship marketing that includes customer satisfaction, which will result in retaining current customers and generation of positive word of mouth. The purpose of the present study is to examine the effect of brand trust and customer satisfaction on customer loyalty. Data were collected through self-administered
questionnaire from 131 customers from twin city (Islamabad/Rawalpindi) of Pakistan. Results from the survey showed that the relationship between brand trust and customer loyalty is positive and also there is a positive relationship between customer satisfaction and customer loyalty. This study aims to test the relationship which has never been explored before.

**KEYWORDS:** Attitudinal Loyalty, Behavioral loyalty, Relationship Marketing, Brand Trust, Customer Satisfaction.

**INTRODUCTION**

Brand loyalty has been an important research topic among marketing researchers since it was first identified. This concept has attracted the renewed attention in recent years due to emergence of relationship marketing which emphasizes establishing long term relationships between customers and organizations. Facing fierce competition and limited resources marketers have shifted their focus from acquiring new customers to retaining existing customers. As a result brand loyalty has become the core of brand customer relationships. A challenging question facing today’s brand managers is how to understand the appropriate relationship between constructs of brand equity and customer loyalty, particularly in relation to a number of known antecedents to brand loyalty in marketing literature (Taylor et al.2004).

This paper aims to assess the relationship between the known antecedents to customer loyalty and brand equity in automobile sector of Pakistan. This study makes a significant contribution to existing knowledge by assessing the relationships between customer satisfaction, brand trust, and perception of customer loyalty using regression analysis. Similar studies have been conducted in western countries in various industrial and customer settings but as to our knowledge, no such study has been conducted in Pakistan.

Present study is divided into various parts. First, to explore the theoretical context, secondly to identify various hypotheses based on the theoretical foundation of marketing and branding literature. Study will also attempt to empirically validate our research model and its findings. This study has value in the sense that, as to our knowledge, no such study has been conducted in the context of Pakistani market.
LITERATURE REVIEW

**Brand Trust:** is define as “the degree to which an individual is confident, and eager to act on the basis of the words, actions and results of others” (McAllister, 1995). Brand trust is basically the emotional commitment of the customers with brand. Marketers are now days very much interested in trust because mostly it is observed that higher trust ratings are positively related to loyalty (Reast, 2005). Studies elaborated that trust plays an important role in customer repeated purchase decision and long term customer satisfaction (Ballester and Aleman, 2001). Brand trust development is a long term process, a trustworthy brand cares the customer expectations, fulfill promises and value its customers that eventually leads to brand trust and reliability (Ballester and Aleman, 2005). Present study is carried out to gauge the strength of relationship between brand trust and customer loyalty.

**Customer Satisfaction:** Satisfaction is traditionally considered as an overall affective response resulting from the use of a product or service (Oliver 1981). It is believed to have a direct influence on customer loyalty (Mittal and Lassar, 1998; Oliver, 1997) and repurchase behaviors (Kumar, 2002; Mittal and Kamakura, 2001). Many agree on a direct affect of satisfaction on loyalty but some other researchers have focused more on identifying moderators and/or mediators of the effect of satisfaction on loyalty (Abdullah et al; 2000). Bloemer and Lemmink (1992) examined the assumed positive influence of customer satisfaction on loyalty in a car sales context. Specifically, three different types of customer satisfaction (satisfaction with the car, satisfaction with the sales service, and satisfaction with the after-sales service), and two kinds of loyalty (brand loyalty and dealer loyalty) were differentiated and measured. Their results supported the hypothesis that customer satisfaction with the car is a major determinant of brand loyalty, while sales service satisfaction and after-sales service are major determinants of dealer loyalty. However, dealer loyalty was found to be an intervening variable in the relation between satisfaction and brand loyalty. It was additionally found that the strength of the relationship between different types of satisfaction and loyalty indicators differs between various market segments. Other studies anticipate direct, linear, and positive effect of satisfaction on loyalty. Heskett et al; (1997) suggested that customer loyalty should increase rapidly after customer satisfaction passes a certain threshold. Consistent with this “threshold” argument, it has been found that “delighted” customers have a much higher probability of
retention than those who are merely “satisfied” (Oliver 1997). A series of recent studies have also found evidence of nonlinearities for the relationship between satisfaction and behavioral loyalty (Mittal et al 2001). The relationship between satisfaction and customer loyalty in present research is tested to determine whether the relationships identified in previous studies can be supported in our setting.

**Customer Loyalty:** According to Oliver (1997, 1999), loyalty is a continuum, starting from some cognitive beliefs followed by affective cognitive loyalty, and finally actual purchase behaviors. Gaining customer loyalty is an important objective of strategic marketing and relationship marketing initiatives (Kumar, 1999). Initially marketing researchers, academics and managers focused vigorously on understanding customers and satisfying their needs better than the competitors. However recent literature and growing focus on relationship marketing identified customer loyalty as an important determinant of long term profitability. In our model we focus on loyalty and brand related measures of the relevant constructs. In regards to loyalty conceptualization, most recent loyalty studies have approached the multi-dimensionality issue of loyalty from two perspectives: one focusing on loyalty building process (Back 2001; Lee 2003), and the other focusing on loyalty-related outcomes (Zeithaml et al. 1996).

A number of researchers have since adopted Oliver’s four-category loyalty conceptualization (Back 2001; Lee 2003). The second line of research expanded the loyalty construct as consequences of loyalty. These Researchers have contended that loyalty may be readily measured through a series of manifest indicators. (Morais et al. 2004; de Ruyter et al. 1998). These researchers consider loyalty as a four-dimensional construct. The first three phases of the four-dimensional structure of loyalty is rooted in the three dimensional model of attitude structure which has been widely accepted (Breckler 1984; Breckler and Wiggins 1989). This model suggests that there are three components of people’s attitudes: cognition, affect, and behavior. For example, Breckler’s (1984) study identified affect, cognition, and behavior as three distinct components of an attitude. It has also been suggested that, the cognitive, affective, and behavioral processes are independent of each other, and each component of attitude exhibits unique variance that is not shared by the other two (Bagozzi 1978).

Back (2001) proposes that cognitive loyalty, affective loyalty, and conative loyalty are essentially three components of the traditionally termed attitudinal loyalty. Affective and conative phases of loyalty do not necessarily follow a sequential formation process, as suggested
by Oliver (1997, 1999). Collectively, the three components form a higher order factor called attitudinal loyalty, which leads to behavioral loyalty. Present research study tries to integrate the two streams of loyalty behavioral (i.e. purchase intentions) and attitudinal loyalty conceptualization together.

RESEARCH METHODOLOGY

This section identifies the analytical approach and methods through which research problem was studied and addressed. It elaborates the schematic diagram of the studied model by clearly classifying the observed variables and their relationships. This will explain the population, sample and sampling procedures of the study. It addresses the instruments selected for measurement, data collection techniques and data analysis methods.

THEORETICAL FRAMEWORK

The schematic diagram below shows that there are two independent variables for the study i.e. Satisfaction and Brand Trust. The dependent variable is customer loyalty.

![Diagram showing the factor affecting customer loyalty](Figure 1: The schematic diagram showing the factor affecting customer loyalty.)
The model proposes that all the independent variables contribute positively towards the customer loyalty.

HYPOTHESIS

On the basis of in-depth review literature following hypothesis have been employed:

\[ H1: \text{Customer Satisfaction is positively related to customer loyalty.} \]

\[ H2: \text{Brand trust is positively related to customer loyalty.} \]

POPULATION, SAMPLE AND SAMPLING PROCEDURE

Population of the study consisted of all the customer using vehicle of domestic and international assembled brand. This includes Toyota, Honda, and Suzuki. We limited our study to the consumers of these three Japanese automobile brands because these three brands dominate the Pakistani automobile market. Although a number of other Japanese and non-Japanese automobile brands such as Nissan, Kia, Hyundai, Chevrolet and Mercedes exist in Pakistan but their number is very limited and the users of these automobiles do not represent majority of users in Pakistan. The sample of the study consisted of 131 existing owner/users of automobile brand in Rawalpindi/Islamabad using self-administered questionnaires (measured on a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree)). Convenience sampling was used to draw a sample of automobile owners/users in Rawalpindi/Islamabad. This sampling design was chosen as it was less expensive and more convenient to collect quick and timely information from the respondents.

DATA COLLECTION AND STATISTICAL METHODS EMPLOYED IN THE STUDY

A personally administered questionnaire was used to collect the data. This study provides the quantitative analyses of the research findings. SPSS Version 17 was used to analyze the collected data. The Correlation analysis and Regression analysis two statistical techniques were used in this study to measure the results.
CORRELATION ANALYSIS

Correlation is a technique which measures the strength of association between two variables. When the changes in one variable appear to be linked with the changes in the other variable, the two variables are said to be correlated. Correlation is recognized as the connection or the association between variables. When the correlation is exactly 1 or -1, it is known as perfect relationship either positive or negative. When it becomes 0, its mean there is no relationship exists between the variables. Table 1 below presents the bivariate correlations among the variables being explored.

Table 1: Bivariate Correlation among Variables (N=131)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CST</td>
<td>0.395**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>CL</td>
<td>0.657**</td>
<td>0.845**</td>
<td>1</td>
</tr>
</tbody>
</table>

Note. BT= Brand Trust; CST= Customer Satisfaction; CL= Customer Loyalty.
*p < .05, **p < .01

From the analysis it is noted that brand trust is positively but moderately correlated to customer loyalty (r=0.657**, p<0.01), Furthermore customer satisfaction is positively and moderately correlated to brand trust (r=0.395, p<0.01), and customer satisfaction is positively and highly correlated to customer loyalty (r=0.845**, p<0.01). Results indicate that customer satisfaction is positively associated with customer loyalty, this support H1, which states that customer satisfaction is positively related to customer loyalty. And customer loyalty is positively influenced by brand trust, this supports H2.

REGRESSION ANALYSIS

When we predict the value of dependent variable with the help of one or more independent variables, it is known as regression. Correlation measures the strength of a relationship between variables. Correlation analysis is used to measure the degree of association between different variables. Regression analysis is used to calculate how much variation in dependent variable
occurs when independent variables influence it. Multiple regressions are used to access the variation in the dependent variable due to different independent variables.

**Table 2:** Results of the Multiple Regression Approach for CL (BT and CST)

<table>
<thead>
<tr>
<th>No.</th>
<th>DV</th>
<th>IV</th>
<th>Beta</th>
<th>T</th>
<th>F</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Std. E. of Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CL</td>
<td>CST</td>
<td>0.814</td>
<td>17.869***</td>
<td>329.553***</td>
<td>0.837</td>
<td>0.835</td>
<td>0.01061</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BT</td>
<td>0.393</td>
<td>9.868**</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

*Note: CL= Customer Loyalty; BT=Brand Trust; CST=Customer Satisfaction

*p < .05, **p < .01, ***p<.001

In the Regression table which is mentioned above, the value of adjusted $R^2$ indicates that about 83.5% of the variation in CL can be explained by CST and BT. The standard error of the estimate shows that the results have low built in error. ANOVA statistics ($F=329.553, p<0.001$) indicates that the overall model is statistically significant. The Multiple regression equation is statistically significant and helping to understand the relationship. The regression coefficient received on CST is ($β = 0.814, p<0.01$), which is statistically significant and explains that CST report 81.4% variations in CL. The regression coefficient received on BT is ($β = 0.393, p<0.01$), which is statistically significant and explains that BT report 39.3% variations in CL.
RESULTS AND DISCUSSIONS

According to table 1 & 2 both the independent variables customer satisfaction and brand trust have statistically positive and significant relationship with the dependent variable customer loyalty that leads to acceptance of both the hypothesis. Another important finding in the present study is that customer satisfaction has a relatively higher influence on the customer loyalty which leads to the analysis that customer satisfaction is the key driver of customer loyalty among the users of automobile in Pakistan. Present study has a great importance for the marketers, academicians and for the automobile industry in Pakistan for framing their marketing strategy. The research study has lead to the conclusion that customer loyalty is generated through customer satisfaction. Improving satisfaction level of customers will eventually lead to long term customer loyalty and profitability. Automobile companies in Pakistan should understand customer needs and focus on providing high end product & services. They should also invest in customer satisfaction programs including customer feedback, complaint handling, free services etc it will ultimately result in making existing customers more loyal customers and a good source of attraction for future prospects. Customer satisfaction automatically leads to brand trust and loyalty but first step is satisfaction. The results indicate that Customer Satisfaction positively influence Customer Loyalty; suggest that customers who perceive high level of Satisfaction will be more motivated toward the product. This would have positive consequences for both customers and organizations as well. It indicates that those customers who observe high levels of Satisfaction will be more willing to exhibit repeat business. Those customers who perceive low level of satisfaction are low in motivation to exhibit repeat business. The result indicates that customers who are highly motivated will be more willing to remain in the present product. The ever increasing technological complexity and competition in the automobile industry is putting qualitative pressures on customers. There is a need to diminish these pressures by increasing the personal adequacy of all customers. This can be achieved by providing them the necessary awareness and knowledge so that they can cope with the rapid development of technology and the changes associated with it.

Automobile Industry should realize the importance of Customer Satisfaction along with other variables. There is a need to develop such strategies that will uplift the motivation of customers to remain with the industry aligned with industrial objectives.
References:


APPENDIX

The study measures (all items involve five-item Likert-type scale items)

Brand trust (Lasser et al., 1995; Chaudhuri and Holbrook, 2001)

1. I trust the manufacturer of the automobile I am evaluating.
2. I rely on the manufacturer of the automobile I am evaluating.
3. The manufacturer of automobile I am evaluating is a dependable.
4. The manufacturer of automobile I am evaluating is honest.
5. The manufacturer of automobile I am evaluating is a safe company with which to conduct business.
6. I consider the manufacturer of the automobile I am evaluating to be generally trustworthy.
7. I believe the manufacturer of the automobile I am evaluating does not take advantage of its customers.
8. I consider the company and people who stand behind the automobile I am evaluating to be trustworthy.

Satisfaction (Oliver, 1997; Sirdeshmukh et al., 2002)

1. The automobile has exceeded my highest expectations.
2. The automobile is among the best I could have bought or leased.
3. The automobile is exactly what I needed.
4. My choice to buy or lease this piece of automobile was a wise one.
5. I am satisfied with my decision to buy or lease the piece of automobile.
6. I am sure that it was the right thing to do to buy or lease the automobile.
7. Using this automobile has been a good experience.
8. I have been delighted with the automobile I am evaluating.
Customer Loyalty (Chaudhuri and Holbrook, 2001; Oliver, 1997; Pritchard et al., 1999; Sirdeshmukh et al., 2002)

1. I use automobile from the company I am evaluating because it is the best choice for me.
2. I consider myself to be a loyal patron of the manufacturer of automobile I am evaluating.
3. I am committed to the manufacturer of automobile I am evaluating.
4. In the future, I would be willing to pay a higher price for automobile from the manufacturer I am evaluating over competitive offerings.
5. I consider the manufacturer I am evaluating my first choice when buying/leasing automobile.
6. If I had it to do all over again, I’d buy or lease automobile from a different company.
7. I intend to keep buying the automobile I am evaluating.
8. I would not switch to a competitor, even if I had a problem with the products/services of the automobile I am evaluating.
9. I intend to purchase automobile from the manufacturer of the automobile I am evaluating in the future.