

SMART

Journal of Business Management Studies

(A Professional, Refereed, International and Indexed Journal)

Vol-18 Number-1

January - June 2022

Rs. 500

ISSN 0973-1598 (Print)

ISSN 2321-2012 (Online)

Professor MURUGESAN SELVAM, M.Com, MBA, Ph.D, D.Litt
Founder - Publisher and Chief Editor



**SCIENTIFIC MANAGEMENT AND ADVANCED RESEARCH TRUST
(SMART)**

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EMPLOYING STRATEGIC MANAGEMENT TO STUDY THE EFFECT OF BRAND AWARENESS ON CUSTOMER'S LOYALTY: EXPLORING THE MEDIATION EFFECT OF PERCEIVED BRAND QUALITY AND BRAND COMMUNICATION: A STUDY OF SAMSUNG ELECTRONICS COMPANY IN TEHRAN BRANCH

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Abstract

Customers' perception about a brand's trademark illustrates their loyalty towards the brand. Previous research of brand loyalty was mainly focused on products and these studies were performed in developed countries. Extending past research to the least developed country (Iran) and in a service sector, the current paper argues that brand awareness, perception about the quality of service, and brand communication, can positively increase brand loyalty. Further, it shows that brand communication and perceived quality can mediate the relationship between brand awareness and brand loyalty.

Keywords: *Brand loyalty; Brand awareness; Perceived brand quality and Brand communication.*

JEL Code : *G32, D22, M37 and O53*

Paper Received : *19.08.2021* **Revised :** *12.10.2021* **Accepted :** *10.11.2021*

1. Introduction

The brand loyalty is defined as positive association consumers attach to a specific product or brand (Hur et al., 2011) and brand awareness is the level of consumer consciousness of a company. This dynamic

interaction with costumers encourages companies to be more competitive, which in turn leads to improvement of their marketing productivity. In such an atmosphere, brand loyalty could play important role in the success of service companies (Zehir et al., 2011).

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Looking over the studies in this area, many of them have concentrated on loyalty to product brands and to a lesser extent, to service brands. Moreover, many of these studies were conducted in developed countries rather than in less developed countries. Changes in the composition of population from different aspects, gradual economic development of less developed countries, behavioral complexity of competitive companies, and excess capacity of many industries, do not allow companies in less developed countries to attract new customers (Roozitalab and Majidi, 2017). The brand loyalty could play an important role in the success of service companies (Clement Sudhahar et al., 2006; Zehir, et al, 2011). Therefore, it is valuable to understand what factors could contribute to brand loyalty in a service sector, especially in a less developed country.

By examining the role of brand image, this research wanted to find out how awareness of companies' trademark can positively increase brand loyalty. Further, positive perception about brand's trademark could contribute to perceived quality, which in turn increases brand loyalty. Finally, the study showed that positive perception about brand's trademark could facilitate communication between customers and service providers, which in turn increased the brand loyalty.

2. Review of Literature

Previous research demonstrated that positive emotional experiences, from the past, did not stay static (Khoshghadam et al., 2019). People tend to remember their positive and satisfied experiences with brands and try to recreate them. The modern marketing instructs companies not only to find new customers but also to maintain current ones and to ensure their loyalty (Makudza, 2020; Sudhahar et al., 2007). Loyal customers are a competitive asset

for a brand. They contribute to increase in market share, rate of return, and profitability of brand (Alawni et al., 2015). Gradual economic development of less developed countries, behavioral complexity of competitive companies, and excess capacity of many industries, do not allow companies to attract new customers (Roozitalab and Majidi, 2017). The studies in this area indicated that many of them have concentrated on loyalty to product brands and to a lesser extent on service brands. Moreover, these studies were conducted in developed countries rather than in developing countries. Therefore, it is valuable to understand what factors could contribute to brand loyalty, in a service sector, especially in a less developed country.

3. Statement of the Problem

By examining the role of brand image, this research wanted to find out how awareness of companies' trademark can positively increase brand loyalty. Further, positive perception about brand's trademark could contribute to perceived quality, which in turn increased the brand loyalty. Finally, the study showed that positive perception about brand's trademark could facilitate communication between customers and service providers, which in turn increased brand loyalty.

4. Need of the Study

In the past, business value of a firm was assessed, on the basis of its asset, immovable properties, machineries, and instruments but today, customer loyalty to the company's brand plays an important role. While price of a product shows its value, a brand represents its distinctive characteristics (Kapferer, 2008; Clement Sudhahar et al., 2006). Loyalty towards a trademark means repurchasing from that brand due to some mental processes. In the same way, repurchasing from a brand is not simply an optional reaction but it is the consequence of

several mental, emotional, and standard elements (Oliver, 1999). The reason why loyalty has a great importance is due to its role in providing long-term benefits for companies because keeping loyal customers do not require broad advertisement. However, nowadays customers have several choices of service providers and their perception about trademark influenced their decision-making process (Arndt et al., 2021). Therefore, finding solutions to keep and respect customers are considered as one of main factors to make money.

5. Objectives of the Study

From a practical perspective, the current paper emphasizes the importance of branding and creating a powerful trademark for brands in order to increase loyalty.

6. Hypotheses of the Study

NH1: Brand awareness positively increases the customers' brand loyalty.

NH2: Brand awareness positively increases perceived brand quality.

NH3: Perceived brand quality increases the customers' brand loyalty.

NH4: Brand awareness positively increases brand communication.

NH5: Perceived brand quality mediates the relationship between brand awareness and customers' loyalty.

7. Research Methodology

7.1 Sample Selection

Samsung Electronics Company, in Tehran branch, was the sample company. According to figures provided by the central branch of Samsung Electronics Company in Tehran, 18 out of 34 branches were selected and questionnaires were distributed via convenience sampling. A total of 320 customers participated in this survey.

7.2 Sources of Data

A five point, Likert-scale questionnaire, containing 18 variables and 4 aspects, was designed to collect data. Moreover, after adopting the scales, the confirmatory factor analysis was used for examining its validity (Roozitalab & Majidi, 2018; Roozitalab & Tadbiri, 2017). In this research, significance levels, lower than 5%, was taken into consideration as the basis for measuring the significance of variables (Table-1).

7.3 Period of the Study

The study was conducted during the period of 2020.

7.4. Tools used in the Study

Descriptive Statistics, Pearson Correlation Analysis and Regression Analysis were employed, to test the hypotheses in this study

8. Data Analysis regarding the Effect of Brand Awareness on Customer's Loyalty

Table-2 provides the descriptive statistics and correlation between the variables of interest. In order to test the hypothesis fitness of model, RMR, GFI, CFI, etc. were used. It is worth noting that inter-model relations, which are mutual relations concerning regression factors (impact factor) of the theory as well as factor loading of each variable were studied when general indices were admissible or when the theoretical model was confirmed. The partial index (p), which is less than 0.05 for acceptable values, was used to examine admissibility of these factors. Table-3 illustrates the model fitness, along with optimum values. Structural equation modeling was used to examine hypotheses. In the same way, after checking validity and reliability of the questionnaire, structural equation model as well as resulting data, as displayed in Table-3 and 4 indicated

that all the hypotheses were significant, as presented in **Figure-2. Table-5** illustrates the impact of service quality (mediating variable) on the link between brand awareness and brand loyalty. Results indicated significance of relations in the first three steps. In the fourth step, that is, the impact of a mediating variable, results indicated decrease in standard beta from 0.746 to 0.262, for the relation between brand awareness and brand loyalty in the presence of perceived brand quality. However, the relation remained positive. **Table-6** presents a brief summary of results.

As can be seen from the **Table-5**, the impact of brand awareness on brand loyalty and brand communication, as well as the impact of brand communication on brand loyalty, were significant. By introducing the mediating variable, namely, brand communication, results indicated that standard beta, concerning the relation between brand awareness and brand loyalty, had decreased from 0.746 to 0.551, though still significant. In other words, brand communication acted as a partial mediating factor and the seventh hypothesis was also confirmed.

9. Findings of the Study

The current research attempted to address the impact of brand awareness, brand communication, and perceived brand quality on customers' loyalty, in a service company, in a less developed country. Data on the first hypothesis, revealed positive, significant effect of brand awareness on brand loyalty. Findings were in agreement with those provided by Chi's study and Dhurup's study (**Chi, 2009; Dhurup et al., 2014**). Brand awareness could be estimated through such ways in which customers remember a product as brand identification, brand reminder and dominant brand.

The results of the second hypothesis were in agreement with those reported by **Chi et al. (2009)**, as well as **Bertsch and Osterman (2011)**, which support the effect of brand awareness on perceived brand quality.

Data on the third hypothesis demonstrated the impact of perceived brand quality on customers' loyalty. When customers put their trust in the quality of provided services, they not only use the services constantly but also offer it to other people. Thus, meeting demands of customers better than its competitors, the provider of services inspires great loyalty from them. **Olvier (1999)** and **Aker (1991)** reported the direct impact of perceived brand quality on customers' loyalty, as it was established in hypothesis three.

The results for the fourth hypothesis proved the impact of brand communication on customers' loyalty, which was in good agreement with those obtained by **Alawni et al. (2015)** as well as **Zehir et al. (2011)**. In the same vein, such relations become much more enduring if the customer feels the provided service to be permanent. More customers trust the provider of services, longer the relationship (**Arndt et al., 2020**). Developing mutual trust proves to be important for both parties and hence winning customers' confidence is thought of as one major long-term goal of each company. Hence it could be concluded that customers' satisfaction, mutual commitment, and confidence, are major aspects of a successful relationship. Moreover, data obtained from the fourth hypothesis revealed the impact of brand awareness on brand communication.

Data on the fifth hypothesis established the impact of perceived brand quality on the link between brand awareness and customers' loyalty. Therefore, the necessity to develop much more effective communication, in order to build

up a good trade-mark, is of importance for service organizations.

10. Suggestions

Service companies are advised to establish better relations with customers and develop high-level of brand awareness as well as communication commitment through implementing good marketing activities, leading to enhanced perceived brand quality.

11. Conclusion

Service providers need to develop an accurate, well-defined system in order to create their customers' loyalty. Service companies need to emphasize the interaction with customers, as well as increase their participation level in after-service schemes, in order to make them loyal towards the company. Involvement of customers in company's plan develops a sense of belonging among them. Holding some long or medium-term courses on how to maintain contact with customers, including communication and behavioral skills, skills at improving listening, speaking skills, skill in how to deal with customers in special situation, namely, impatient, angry or pessimistic customers, can contribute to the quality of staff behavior, which acts as one main point in the development of customers' loyalty. To put it simply, customers put their trust into the company and become loyal when they receive high levels of perceived brand quality. Thus, the company may achieve greater profitability and more loyal behavior if its strategies revolve around making good relations with customers.

12. Limitation of the Study

The first problem was some unavoidable variables, resulting from specific methods that often threaten internal and external credit of a study. Moreover, it is not easy to remove or control such variables in research on behavioral sciences.

13. Scope for Further Research

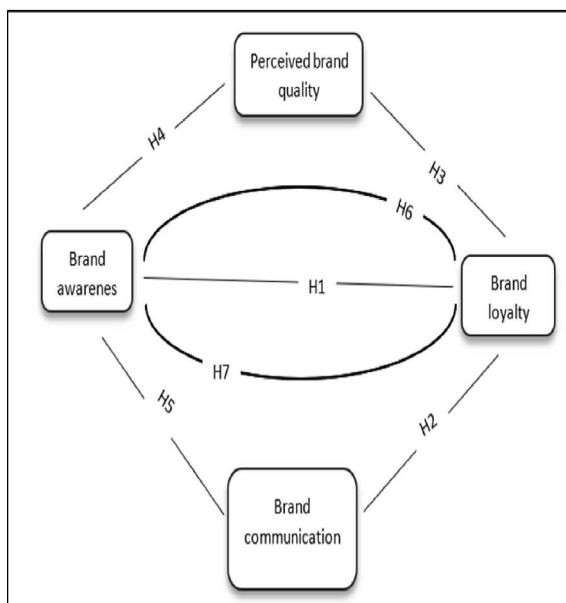
It is recommended to conduct the research in other organizations or companies, to achieve valuable insights, through analyzing the data. Further, other researchers can compare their findings with the current research model, to find out pros and cons of organizations and take some paces towards improving the model, to develop an appropriate model in agreement with the society.

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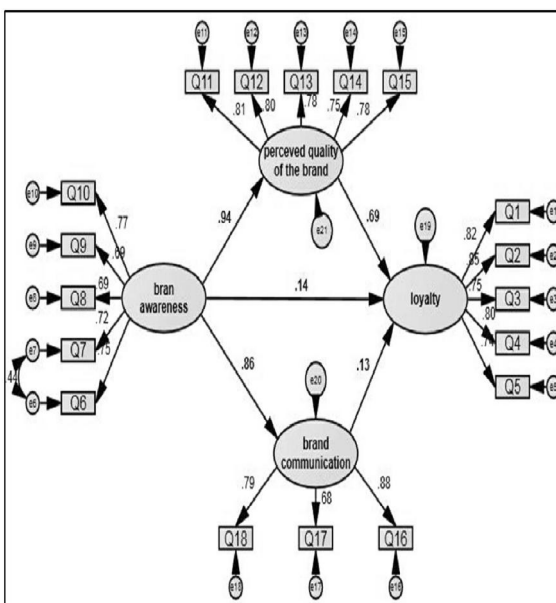
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Figure-1: Conceptual Model



Source: Drawing by Authors

Figure-2: Path Coefficients of the Research Model



Source: Primary Data computed using PLS SEM model

Table-1: Result of Cronbach Value for Reliability of Questionnaire

Variable	Number of questions	Cronbach's alpha
Loyalty	5	0.895
Awareness	5	0.866
Quality of services	5	0.875
Communications	3	0.839

Source: Primary Data computed using PLS SEM model

Table-2: Result of Descriptive Statistics and Correlation between Brand Awareness and Brand Loyalty

Variables	Mean	Standard deviation	Loyalty	Quality of services	Communication	Awareness
Loyalty	3.67	0.92	1	-	-	-
Quality of services	3.86	0.87	0.746*	1	-	-
Communication	3.72	1.01	0.660*	0.664*	1	-
Awareness	3.89	0.87	0.823*	0.784*	0.706*	1

Figures with * are significant at 99% confidence level.

Source: Primary Data computed using PLS SEM model

Table-3: Result of Fitness Model Indices along with Optimum Values

Fitness model	Optimum value	Resulting value from the real model
Degree of freedom	-	129
Chi square (χ^2)	$2 df = \chi^2 = 3 df$	310.879
Optimum χ^2	>3	2.40
Goodness of fitness	0.8	0.849
Root mean square residual	>0.09	0.057
Comparative fitness index	0.9	0.910
Root mean square error of approximation	>0.08	0.075
Parsimonious goodness fit index	Between 0.6-1	0.641
Normalized parsimonious fitness index	Between 0.6-1	0.745

Source: Primary Data computed using PLS SEM model

Table-4: Results of Hypotheses Test using Path Coefficients

H	Path	Path coefficient	p-value	Significance level	Result
1	Brand awareness vs. brand loyalty	0.14	0.040	2.056	significant
2	Brand communication vs. brand loyalty	0.13	0.043	2.007	significant
3	Quality of services vs. brand loyalty	0.69	0.000	3.733	significant
4	Brand awareness vs. brand communication	0.94	0.000	13.834	significant
5	Brand awareness vs. brand communication	0.86	0.000	13.703	significant

Source: Primary Data computed using PLS SEM model

Table-5: Results of Regression Analysis showing Impact of Perceived Quality of Services on the Link between Brand Awareness and Brand Loyalty

Step	Independent variable	Dependent variable	β	R	R ²	Sig
1	Brand awareness	Brand loyalty	<u>0.746</u>	0.746	0.557	0.000
2	Brand awareness	Brand awareness	0.784	0.784	0.615	0.000
3	Perceived brand quality	Brand loyalty	0.833	0.833	0.678	0.000
4	Brand awareness vs. Perceived brand quality	Brand loyalty	<u>0.262</u> 0.618	0.839	0.704	<u>0.000</u> 0.000

Source: Primary Data computed using PLS SEM model

Table-6: Result of Regression Analysis showing the Impact of Mediator (Brand Communication) on the Link between Brand Loyalty and Brand Awareness

Step	Independent variable	Dependent variable	β	R	R ²	Sig
1	Brand awareness	Brand loyalty	<u>0.746</u>	0.746	0.557	0.000
2	Brand awareness	Brand awareness	0.664	0.664	0.441	0.000
3	Perceived brand quality	Brand loyalty	0.660	0.833	0.435	0.000
4	Brand awareness vs. Perceived brand quality	Brand loyalty	<u>0.551</u> 0.294	0.839	0.605	<u>0.000</u> 0.000

Source: Primary Data computed using PLS SEM model