

STUDY OF BRAND EFFECT ON LOYALTY OF THE IMPORTED AUTOMOBILES' CUSTOMERS IN IRAN (CASE STUDY: IRTOYA COMPANY)

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Abstract

Today, customers are everything and so they have to become committed anyway in order to survive the business. So, it is seen that making customers committed to the brand is one of the most important goals of business marketing. The research variables include brand equity, continuous commitment, loyalty, satisfaction, verbal suggestions and tendency to change the brand. The present research follows a practical methodology in terms of objective and it is a correlational descriptive study considering data collection. Population of the present study includes 950 people and the sample is 274 customers who referred to the AIRTOYA Company for receiving services. Considering the information bank of the informatics unit of the company, books and professional magazines and also interviews and questionnaire of customer loyalty are used to collect the data. Lizrel software and constructional equations were used to analyze the data and it was determined that all the hypotheses are meaningful except the first hypothesis (reverse effect of loyalty on brand change).

Key words: Brand credit, customer loyalty

Introduction

Considering the changing market, instability of the market, sanctions and also changes in customers behaviors especially in services, reveals the importance of the customers loyalty and improving it. Competition evolves every day and organizations and agencies have to created competitive advantage in order to maintain the present condition and if possible improve the condition in the market. Competition in service section is like a football league and activists are like the teams who want to collect more scores or more share of the market and if possible outrun their rivals. If their share becomes lower than a fixed limit, they have to leave the market.

The present study tries to study the effect of brand credit on customer loyalty in after-selling service section to provide more satisfaction of the customers and add the credit of the brand so that customers consider the company as part of their family.

Significant of the Study and Statement of the Problem

Managers of the service brand have to understand and consider the important role of the brand credit in order to manage and maintain their present customers. Creating satisfaction and commitment in customers is important in oral development and reducing tendency for changing the brand and creating continuous commitment and reducing the tendency to change brand (Ibid, 184). Considering the sanctions on Iran and following of Japan, activities of the IRTOYA Company has been seriously affected by the sanctions and also presence of the rivals such as KIA Motors and Hyundai in Iran has made a lot of difficulties for the company. On the other side, the possible change of market focus from gasoline automobiles to Hybrid ones, has created lack of trust for IRTOYA Company. Considering the above-mentioned points, the importance of the present customers and making them committed is the only way of survival for the company. so, it is helpful to study the brand credit effect on customers loyalty in order to maintain the company's position in the market.

Concepts and Definitions related to brand and customers loyalty

Service: is the activity which is given by one party to the other which is invisible and does not include the ownership. The results can be a physical and non-material product (Kolter and Armstrong, 2000, 248).

Brand: a brand is a name or symbol (such as logo, business label or packaging) the aim of which is to distinguish the product or service from other products of a seller or a group of sellers and rivals products and services. This is the definition given by American Marketing Association in 1987 (Jarvis et al., 2007, p. 134). So, a brand indicated the source of the product to the customer and supports the customers and producer against the rivals who try to provide a product same as theirs. Brands create a base for the customers to distinguish products and services and be committed to them. According to customers, a brand can be defined as all the experiences of a person (Ghodeswar, 2008, p. 4).

Brand credit: since brand has a high level of credit, a company can easily add the number and diversify the brand products. For example, Coca Cola can introduce a new product called "Diet Coca" when the Procter and Gamble introduced a drink called "Ivory".

Customer: is referred to a person or an organization which receives product or service.

Commitment: is one of the important variables for understanding the market power and is a helpful tool for measuring the loyalty of the customers and predicting future purchase (Abdol Muhmin, 2003, 640).

Customer's loyalty: is creating the sense of commitment regularly to trade with the organization and purchase a special product regularly.

Customer's satisfaction: is the positive feeling of the customer after receiving product or service.

Information about imported automobile to the country in 2013

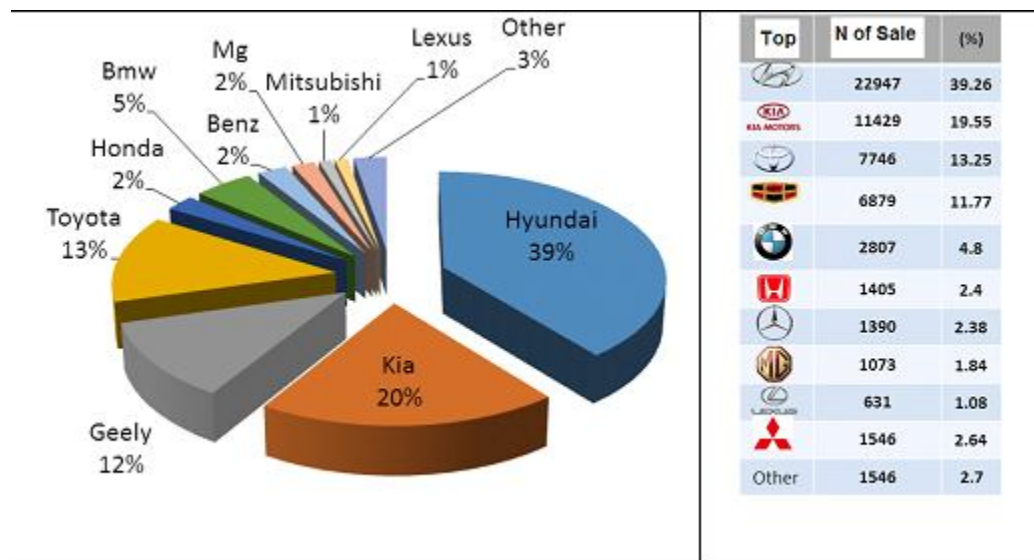


Figure 1: the ratio of selling and market share of 10 top automobile importers of the country

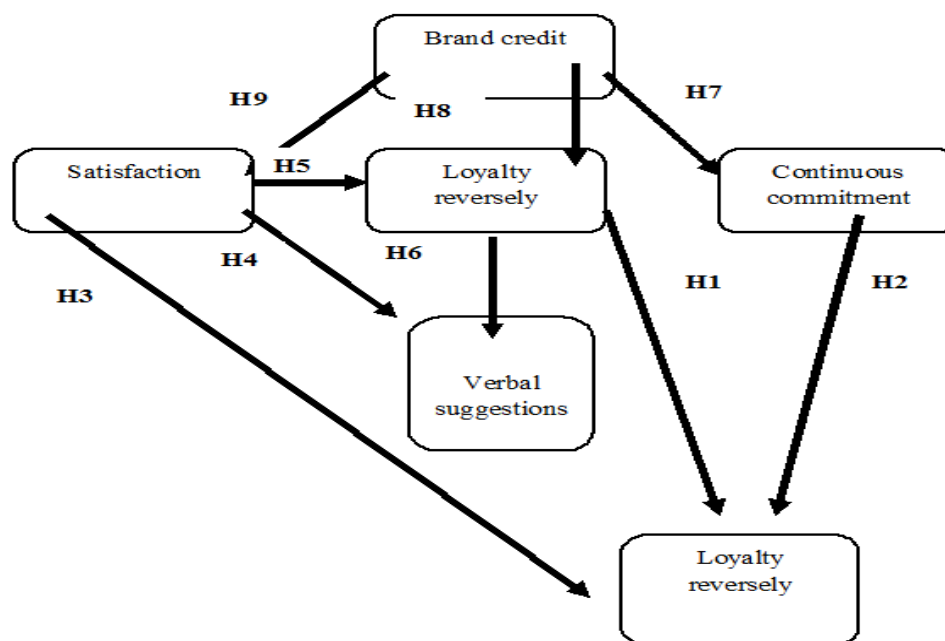


Figure 2: Research Model

Research Hypotheses

H1: Loyalty reversely affects the tendency to change brand

H2: Continuous commitment reversely affects the tendency to change brand

H3: Satisfaction reversely affects the tendency to change brand

- H4: Satisfaction directly affects the verbal suggestions
- H5: Satisfaction directly affects the loyalty
- H6: Loyalty directly affects the verbal suggestions
- H7: Brand credit directly affects the continuous commitment
- H8: Brand credit directly affects the loyalty
- H9: Brand credit directly affects the satisfaction

Research Method

The present study is practical and descriptive in nature.

Population

Population of the present study includes 1000 of the customers of Negin Khodro Company which have purchased and referred to the company for services since December 2013 to March 2014. Multi-stage (class and clustering) sampling method was used and the questionnaire was completed by 278 of the customers.

Technical features of Measuring Instrument

Validity: validity of the test was measured by some experts and scholars reviewing the questionnaire and removing the ambiguities. Then the factor analysis was used and showed acceptable content validity.

Reliability: totally, the questionnaire has the alpha coefficient of 89.2% which indicates the internal consistency of the questionnaire. In order to calculate the coefficient first, the score variances of each question and then the total variance should be calculated and then the following formula is applied to calculate the alpha coefficient.

Hypotheses Analysis

Considering the research models which are shown below, the results of the study include:

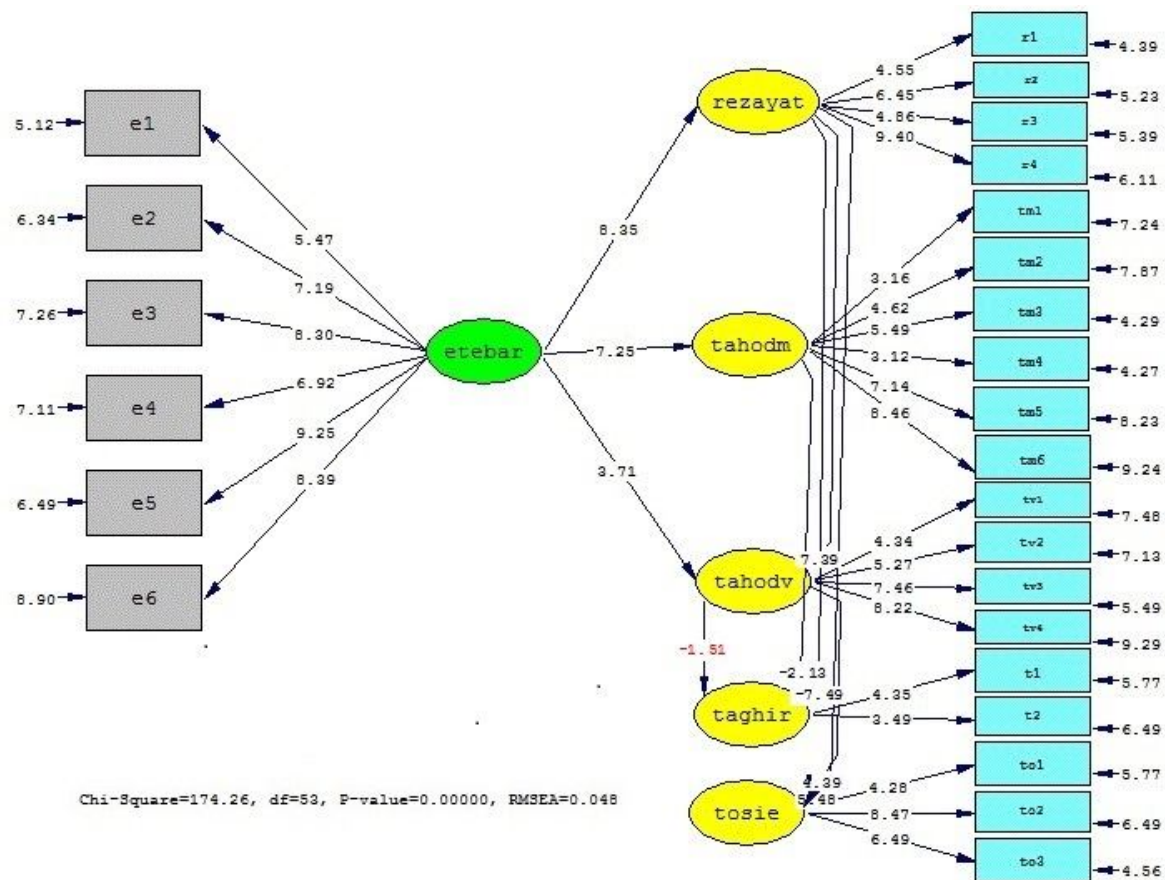


Figure 3: significant ratios of the research model

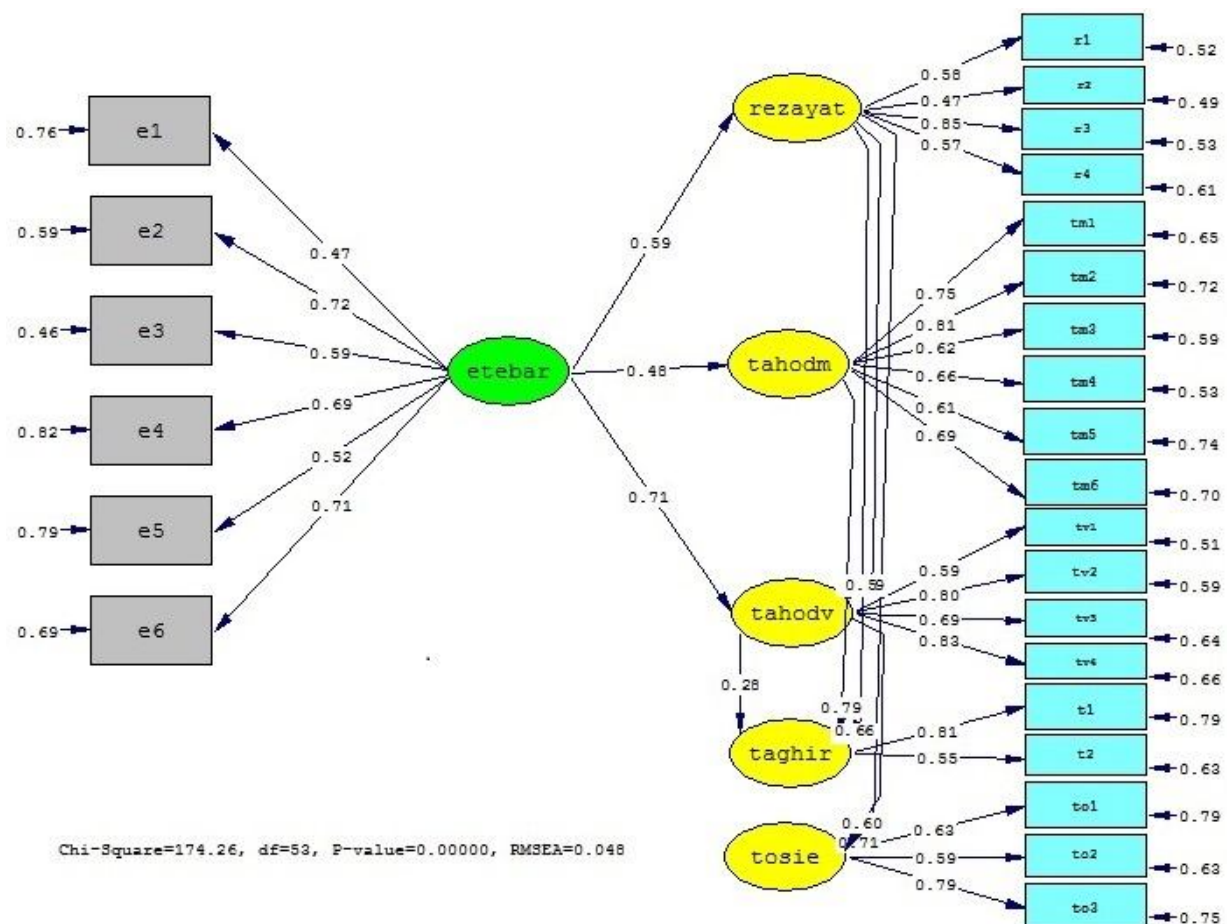


Figure 4: Standard Coefficient of the research Model

Considering the high volume of the sample and the approximate error coefficient, the analysis power of the research model was one which indicates high power.

So, all the hypotheses' tests are reliable and the calculated coefficients indicate the synchronization of the constructs and proper performance of the model.

As it can be seen, all the qualitative indexes are acceptable and approve the quality of the model.

Value reported	Optimal level	indicator
0.12	Close to zero	(RMR)
0.09	Close to zero	(SRMR)
0.98	0.9 and over	(GFI)
0.91	0.9 and over	(NFI)

0.92	0.9 and over	(NNFI)
0.96	0.9 and over	(IFI)
0.94	0.9 and over	(CFI)
0.048	0.08	(RMSEA)

H1: loyalty reversely affects the tendency to change brand

The calculated T for the path coefficient of loyalty effect on brand change is – 1.51 which is at 99 percent confidence level less than 1.96. So, there is not enough reason for rejecting the null hypothesis and hypothesis one is rejected. So, commitment does not have reverse effect on tendency to change brand and by increasing commitment, tendency to change brand would not decrease and in other words commitment does not predict tendency to change brand.

H2: Continuous commitment reversely affects the tendency to change brand

The calculated T for the path coefficient of continuous loyalty effect on brand change is – 2.31 which is at 99 percent confidence level more than 1.96. So, there is enough reason for rejecting the null hypothesis and hypothesis two is accepted. So, continuous commitment has reverse effect on tendency to change brand and by increasing commitment, tendency to change brand would decrease and in other words continuous commitment predicts tendency to change brand.

H3: Satisfaction reversely affects the tendency to change brand

The calculated T for the path coefficient of satisfaction effect on brand change is – 7.49 which is at 99 percent confidence level more than 1.96. So, there is enough reason for rejecting the null hypothesis and hypothesis three is accepted. So, satisfaction has reverse effect on tendency to change brand and by increasing satisfaction, tendency to change brand would decrease and in other words satisfaction predicts tendency to change brand.

H4: Satisfaction directly affects the verbal suggestions

The calculated T for the path coefficient of satisfaction effect on verbal suggestion is 4.39 which are at 99 percent confidence level more than 1.96. So, there is enough reason for rejecting the null hypothesis and hypothesis four is accepted. So, satisfaction has direct effect on tendency to verbal suggestion and by increasing satisfaction, tendency to verbal suggestion would increase and in other words satisfaction predicts tendency to verbal suggestion.

H5: Satisfaction directly affects the loyalty

The calculated T for the path coefficient of satisfaction effect on commitment is 7.39 which are at 99 percent confidence level more than 1.96. So, there is enough reason for rejecting the null hypothesis and hypothesis five is accepted. So, satisfaction has direct effect on commitment and by increasing satisfaction, commitment would increase and in other words satisfaction predicts commitment.

H6: loyalty directly affects the verbal suggestions

The calculated T for the path coefficient of commitment on verbal suggestion is 5.48 which are at 99 percent confidence level more than 1.96. So, there is enough reason for rejecting the null hypothesis and hypothesis six is accepted. So, commitment has direct effect on tendency to verbal suggestion and by increasing commitment, tendency to verbal suggestion would increase and in other words commitment predicts tendency to verbal suggestion.

H7: Brand credit directly affects the continuous commitment

The calculated T for the path coefficient of brand credit effect on continuous commitment is 7.25 which are at 99 percent confidence level more than 1.96. So, there is enough reason for rejecting the null hypothesis and hypothesis seven is accepted. So, brand credit has direct effect on commitment and by increasing brand credit, commitment would increase and in other words brand credit predicts commitment.

H8: Brand credit directly affects the loyalty

The calculated T for the path coefficient of brand credit effect on commitment is 3.71 which are at 99 percent confidence level more than 1.96. So, there is enough reason for rejecting the null hypothesis and hypothesis eight is accepted. So, brand credit has direct effect on commitment and by increasing brand credit, commitment would increase and in other words brand credit predicts commitment.

H9: Brand credit directly affects the satisfaction

The calculated T for the path coefficient of brand credit effect on satisfaction is 8.35 which are at 99 percent confidence level more than 1.96. So, there is enough reason for rejecting the null hypothesis and hypothesis nine is accepted. So, brand credit has direct effect on satisfaction and by increasing brand credit, satisfaction would increase and in other words brand credit predicts satisfaction.

Suggestions

Based on the first hypothesis and reverse relationship between the commitment and tendency to change brand and rejecting the hypothesis, AIRTOYA Company has to provide services in a way that the customers become committed to the company and do not change to other brands.

Based on the second hypothesis and reverse relationship between the continuous commitment and tendency to change brand and approving the hypothesis, AIRTOYA Company has to keep its promises and provide high quality services and in other words maintain the excitement quality for the customers.

Based on the third hypothesis and reverse relationship between the satisfaction and tendency to change brand and approving the hypothesis, AIRTOYA Company has to maintain the quality of the services and products and does it best.

Based on the fourth hypothesis and direct relationship between the satisfaction and verbal suggestions and approving the hypothesis, it has to be said that one of the most effective ways is attracting and keeping the customer and this is only done by service quality.

Based on the fifth hypothesis and direct relationship between the satisfaction and commitment and approving the hypothesis, it has to be said that customers satisfaction causes loyalty and committed the customers to ask for the previous service and so AIRTOYA Company has to create a persistent image in the minds of his customers.

Based on the sixth hypothesis and direct relationship between the commitment and verbal suggestions and approving the hypothesis, it has to be said that AIRTOYA Company can provide a correct way of servicing the customers and increase their satisfaction to make them committed and commitment is one of the most important advertising tool.

Based on the seventh and eighth hypotheses and direct relationship between the brand credit and customers loyalty and approving the hypothesis, it has to be said that AIRTOYA Company can rely on strong brands of TOYOTA and LEXUS and respect the customer to maintain the brand credit and make them committed to use TOYOTA production forever.

Based on the ninth hypothesis and direct relationship between the brand credit and satisfaction and approving the hypothesis, it has to be said that AIRTOYA Company can rely on strong brands of TOYOTA and LEXUS to increase customers' satisfaction in case of maintaining proper quality of the products.

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