

IMPACT OF BRAND CREDIBILITY ON CONSUMER LOYALTY A CASE STUDY OF FAST FOOD INDUSTRY IN DG KHAN, PAKISTAN

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ABSTRACT

The purpose of this research study is to investigate the relationship of brand credibility and consumer loyalty with the indirect effect of attitude towards brand as mediator. Mainly, the study was conducted in the service sector by taking a prominent sectors food sector. To represent food service sector Pizza Hut was chosen. Sample of study was college/ sub campuses students and staff members from banking institutions in D. G. Khan. Different statistical techniques were used like factor loading (As a data reduction technique), Reliability analysis (To check the consistency among the different questions of a variable), Descriptive statistics (To check the central tendency), Correlation analysis (To check the relationship among variables) and regression analysis including model summary and ANOVA (To check the cause and effect relationship among variables). Results found that brand credibility and consumer loyalty are the most significant factors. Furthermore attitude towards brand as mediator plays a significant role.

1.0 INTRODUCTION:

Globalization has pushed the world into a global village and provides fast flow of information to market audience. Consumers are more rational today and they have good knowledge about products and services. Competition is high almost in every industry and each day rivals come into the market with new products and services. Due to this high competition and availability of substitute goods has pushed consumer into a situation where there level of loyalty is very much shaky as compared to old times. Consumers of today have access to fast flow of information and they have a lot of options to alter their choice about a particular product or service as level of substitute offerings is high. So loyalty is not so easy as the variety of products are present in the market the perception, consideration, and past experiences also effect re-purchase decision of consumer. One major factor that influence consumer purchase decision is brand (Erdem, Swait, & Valenzuela, 2006).

A brand is defined as a name, term, sign, and symbol or any combination of these that attempts to represent the uniqueness and benefits a company can provide to consumer through a particular product of attributes, that serves to enhance consumer loyalty (Jacoby, 1975). As pointed out by Kim, Han, and Park (2001) an important role played by a brand is that it enables consumers to identify firm's offering and can differentiate them from those of competitors. Brand potentially plays many roles in affecting consumer behavior. Many factors of brand affect purchasing pattern of consumer and their loyalty like brand attributes personality, benefits and credibility. Service brands also serve the same purpose as it is explained above. These brands provide a good insight to consumers in order to differentiate a specific firm from those of competitors in service sector.

The literature of Source credibility is regarded as the origin of brand credibility and it is associated with the believability in distinctiveness of a particular brand(product/service). According to (Shrigley & Koballa, 1984) attitude can be described as “relatively universal and permanent evaluation of an object, issue, action or a person. There are many dimensions for measuring attitude like attitude towards advertisement, advertiser and attitude towards brand. This research focuses on attitude toward brand. According to (Shrigley & Koballa, 1984) attitude can be described as “relatively universal and permanent evaluation of an object, issue, action or a person.

Wang and Yang (2010) explored a study in which they tried to measure the impact of brand credibility on consumer loyalty. In that study they included brand image and brand awareness as mediator. Brand credibility in service sector has got little attention although many research studies have been conducted in product contexts (Lafferty, Goldsmith, & Newell, 2002). Majority of previous studies focused on corporate credibility and its impact on attitude towards advertisement. This study provides a good insight by measuring brand credibility and its direct impact on attitude toward brand.

There are many studies that are conducted on issues related to this topic. Previous research studies concentrate mostly on tangible products (goods). For example Erdem and Swait (1998) considered brand equity as a signaling phenomenon. Swait and Erdem (2007), measured brand credibility and consumer loyalty but main focus was tangible products. But so far as service brands are concerned the existing literature does not provide any comprehensive explanation.

Existing literature lacks in the exploration of brand credibility and its certain impact in fast food industry. Major objective of this study is to explore the association of brand credibility, attitude toward brand and consumer loyalty in specific service sector and to measure how brand credibility affects consumer loyalty in services.

This research study contributes in existing literature in two ways. First it attempts to investigate the impact of brand credibility on consumer loyalty in service sector. Second it tries to test the effect of mediation as it introduces attitude towards brand as mediator. This research provides a good insight into body of knowledge by measuring brand credibility with all three dimensions trustworthiness, expertise and attractiveness. Moreover this study measures brand credibility in service brands and measuring its impact directly on attitude toward brand and consumer loyalty.

The study intends to fill these gaps and contributes to the existing literature on these specific issues besides improving the understanding of the academicians, policy makers, behaviorists, marketers and advertisers.

2.0 LITERATURE REVIEW:

2.1 BRAND CREDIBILITY:

As mentioned earlier source credibility literature is the major contributor for the organization of brand credibility. According to Ohanian (1990) source credibility is all about creating positive characteristics from sender that manipulates a receiver to accept the message sent by sender. This can also be regarded as brand credibility is validity of communication assertions or the believability of intentions of an article at a certain time. This sender can be person, cartoon, corporation and/or brand (Wang and Yang (2010). Previous researches explored that the source credibility is a composite of three elements 1) trustworthiness 2) expertise 3) attractiveness (Erdem et al, 2004). A brief description as described by (Erdem et al, 2004) of these three elements is given as under.

1. Trustworthiness: To what extent a brand is considered a reliable source of information

2. Expertise: The extent to which a specific brand has good knowledge and skills.

3. Attractiveness: To what extent a brand is evaluated in term of personality determinants (Behavior, ambition etc).

Trustworthiness is regarded towards a specific attitude whereas expertise is linked with competencies and attractiveness is attributed towards personality characteristics. Brand credibility involves the extent to which a consumer perceives a brand a reliable source of information (trustworthiness), skills (expertise) and matches it with personality characteristics (attractiveness). So these three elements can be regarded as a suitable composite for measuring brand credibility. Paragraphs coming as under present a discussion on these three elements.

2.2 ATTITUDE TOWARD BRAND:

The theory of reasoned action's conceptual framework is founded on the relationships between the variables of belief attitude, behavioral intention, and behavior.

Theory of reasoned actions was developed by Ajzen and Fishbein (1977) the theory suggests that an individual's beliefs about an object affect his/her attitudes about the object, that the attitudes affect behavioral intention regarding the object, and behavioral intention influences behavior of individual. "The totality of a person's beliefs serves as the informational base that ultimately determines his attitudes, intentions and behaviors" (Feldman & Lynch, 1988).

Eagly and Chaiken (2007) define attitude as "relatively global and enduring evaluation of an object, issue, person, or action. Attitudes are often considered relatively stable and are enduring predisposition for consumer to behave in particular way (Feldman & Lynch, 1988). Thus, consequently, they should be useful predictors of consumer's behavior towards a product or service. Previous studies have referred attitude towards specific dimensions such as attitude towards advertiser (MacKenzie & Lutz, 1989), attitude towards advertisement and attitude towards brand (Goldsmith et al, 2000). The present study is focusing on attitude toward brand (AB).

2.3 CONSUMER LOYALTY:

Consumer loyalty refers to the attachment and affiliation to buy a certain brand or product (Alexandris, Kouthouris, & Meligdis, 2006). Consumer loyalty also indicates how likely it is that

the individual would purchase a product (Phelps & Hoy, 1996). Many previous studies have used Consumer loyalty as a dependent variable (Goldsmith et al., 2000).

According to Reichheld (1993) consumer brand loyalty is thought to be one of the most significant upshots. Brand loyalty is all about the commitment of brands that enhances consumer willingness to re-purchase a specific product/service in spite of the potential marketing campaigns actuated by rivals to weaken the coalition between the brand and consumers (Oliver, 1999). Brand loyalty is thought to be a source to provide a greater leverage to trade and condensed marketing costs (Aaker, 1997).

On the basis of above literature review, there hypothesis may be developed:

H: There is positive and significant relationship between attitude towards brand and consumer loyalty.

H: There is positive and significant relationship between attitude towards brand and positive word of mouth.

H: There is positive and significant relationship between attitude towards brand and reduction in complaining behavior.

H: There is positive and significant relationship between attitude towards brand and reduction in switching behavior.

H: There is positive and significant relationship between attitude towards brand and willingness to pay more.

CONCEPTUAL FRAMEWORK:

Based on the above-mentioned literature review, the following theoretical model framework has been developed.

FIGURE 1:

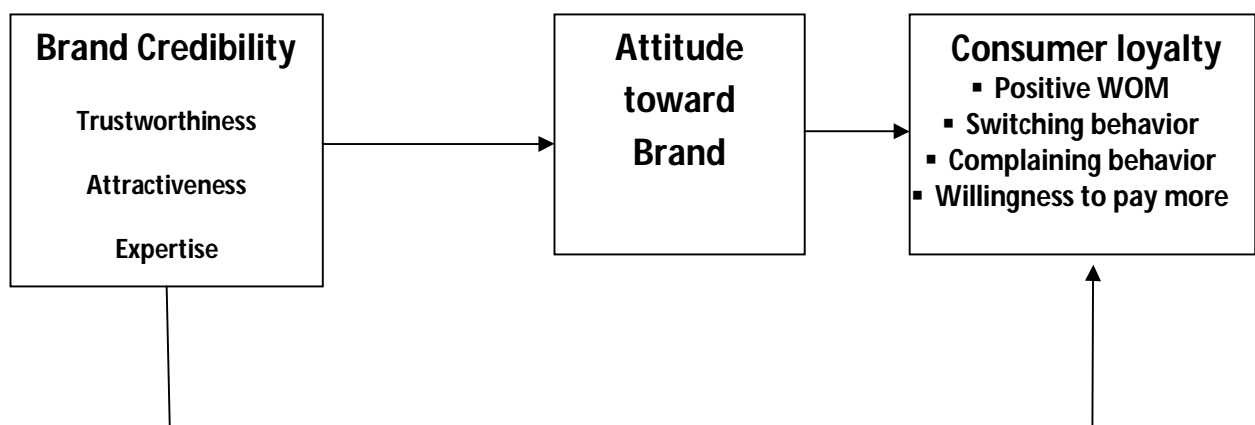


Figure 1: conceptual framework of study

3.METHODOLOGY:

The population for this study is students and administrative staff of Dera Ghazi Khan Colleges, sub campuses and staff from banking sector. Respondents could easily comprehend the questionnaire (in English language) so that content validity of questionnaire was assured. The reason for selecting this target audience is that college/university students and banking staff are educated and have a better knowledge about these two service delivering firms as compared to other people. Sample size for this study is 450 and is selected through convenient sampling method. The study is conducted on the basis of primary data. For the purpose of data collection a questionnaire was developed. The study is quantitative in nature as the results and final findings are based on data collection from respondents through questionnaires. And these results are quantified using different statistical tools which include descriptive, ANOVA and regression. This study is cross sectional in nature. Data from respondents is collected once and is used to generate information with the help of statistical tools and the unit of analysis is the individuals.

4. Result and discussion:

4.1 RELATIONSHIP OF ATTITUDE TOWARDS BRAND AND CONSUMER LOYALTY

In the following section author describes relationship between attitude towards brand and consumer loyalty. To check this relationship a separate regression is run to find the relation. Regression is performed on each component of consumer loyalty to know the type of relationship.

4.2.1RELATIONSHIP OF ATTITUDE TOWARDS BRAND AND POSITIVE WORD OF MOUTH

H: There is positive and significant relationship between attitude towards brand and consumer loyalty.

H: There is positive and significant relationship between attitude towards brand and positive word of mouth.

Results for this hypothesis are discussed below:

Table 1: Regression Analysis (Model Summary and ANOVA)

$R=0.3508$, $R\text{-square} =0.1231$, $F=22.4576$, $Sig= <0.0001***$

Hypo-thesis	Structural Path	Bootstrapping		T-Value	P-Value	Significant/ In-significant
		Standardized Regression Weights	Standard Error			
H	AT → PWOM	.2671	.0450	5.9408	.0000**	Significant

The regression analysis performed for proving the effect of attitude towards brand on positive word of mouth in the service sector is shown in above table 10. The value of β is 0.2671 (Which is positive), T-Value is 5.9408 (which is greater than standard 2.00) and P-value or significance level is 0.0000** (Which is less than 0.05). Results illustrates that there is highly significant positive relationship of attitude towards brand and positive word of mouth. A positive attitude towards brand pushes a consumer to the circle of loyalty and they create a positive word of mouth. It means null hypothesis of effect of attitude towards on positive word of mouth is rejected and alternative hypothesis H2a is accepted.

4.3 RELATIONSHIP OF ATTITUDE TOWARDS BRAND AND COMPLAINING BEHAVIOR

H: There is positive and significant relationship between positive attitude towards brand and reduction in complaining behavior.

The results for H are given below:

Table 2: Regression Analysis (Model Summary and ANOVA)

Hypothesis	Structural Path	Bootstrapping		T-Value	P-Value	Significant/ In-significant
		Standardized Regression Weights	Standard Error			
H	AT \longrightarrow CB	.1140	.0366	3.1181	.0020**	Significant

$R=0.2874, R\text{-square} =0.0826 F=14.4007, Sig= <0.0001***$

The regression analysis performed for proving the effect of attitude towards brand on complaining behavior in the service sector is shown in above table 11. The value of β is 0.1140 (Which is positive), T-Value is 3.1181 (which is greater than standard 2.00) and P-value or significance level is 0.0020** (Which is less than 0.05). Results illustrate that there is highly significant positive relationship of positive attitude towards brand and reduction in complaining behavior. A positive attitude towards brand pushes a consumer to the circle of loyalty and they do not make any complaints to the staff or general public. It means null hypothesis of effect of attitude towards on complaining behavior is rejected and alternative hypothesis H2b is accepted.

4.4 RELATIONSHIP OF ATTITUDE TOWARDS BRAND AND SWITCHING BEHAVIOR

H: There is positive and significant relationship between attitude towards brand and reduction in switching behavior.

The results for H are given below:

Table 3: Regression Analysis (Model Summary and ANOVA)

Hypo-thesis	Structural Path	Bootstrapping		T-Value	P-Value	Significant/ In-significant
		Standardized Regression Weights	Standard Error			
H	AT → SB	.1452	.0485	2.9954	.0030**	Significant

$R=0.2874, R\text{-square} = 0.0826 F=14.4007, Sig= <0.0001***$

The regression analysis performed for proving the effect of attitude towards brand on switching behavior in the service sector is shown in above table 12. The value of β is 0.1452 (Which is positive), T-Value is 2.9954 (which is greater than standard 2.00) and P-value or significance level is 0.0030** (Which is less than 0.05). Results illustrates that there is highly significant positive relationship of positive attitude towards brand and reduction in switching behavior. Its mean that higher the level of positive attitude towards a specific brand higher would be the chances to stay with a specific brand. A positive attitude towards brand pushes a consumer to the circle of loyalty and they are resistive towards new brands and stay touched with the current brand. It means null hypothesis of effect of attitude towards on complaining behavior is rejected and alternative hypothesis H2c is accepted.

4.5 RELATIONSHIP OF ATTITUDE TOWARDS BRAND AND WILLINGNESS TO PAY MORE:

H: There is positive and significant relationship between attitude towards brand and willingness to pay more.

The results for H are given below:

Table 4: Regression Analysis (Model Summary and ANOVA)

Hypo-thesis	Structural Path	Bootstrapping		T-Value	P-Value	Significant/ In-significant
		Standardized Regression Weights	Standard Error			
H2d	AT → WTPM	.1941	.0480	4.0413	.0001**	Significant

$R=0.2342, R\text{-square} = 0.0548 F=9.2818, Sig= <.0001***$

The regression analysis performed for proving the effect of attitude towards brand on switching behavior in the service sector is shown in above table 13. The value of β is 0.1941 (Which is positive), T-Value is 4.0413 (which is greater than standard 2.00) and P-value or significance level is 0.0001** (Which is less than 0.05). Results illustrates that there is highly significant positive relationship of attitude towards brand and willingness to pay more. A positive attitude towards brand pushes a consumer to the circle of loyalty and even they stay with the brand in case of increasing prices. It means null hypothesis of effect of attitude towards on willingness to pay more is rejected and alternative hypothesis of effect of attitude towards brand on willingness to pay more H is accepted.

Discussion directs that brand credibility and consumer loyalty are the most significant factors and attitude plays an important part as a mediator to enhance consumer loyalty in food industry of Pakistan. Companies now have to consider about the credibility for developing brand image. Now, trend has started for transferring credibility in the brands by taking support of different credible sources like brand celebrities. Managers of a firm should consider these factors while crafting brand strategies especially marketing strategy for a brand. They should realize more credible the source is more is the chance to increase the level of loyalty among consumers for a specific firm. Moreover brand credibility affects consumer loyalty positively and directly.

The findings of this study show that attitude towards brands plays a significant role as mediator between brand credibility and consumer loyalty in fast food service sector and courier of Pakistan. So the managers and savvy marketers should focus on those areas that produce positive attitude among consumers because more positive attitude creates more loyal consumers for a specific brand. Furthermore, they should consider positive attitude towards brand as a significant mediator in their branding strategies.

This research study provides a good insight regarding to brand credibility and consumer loyalty in the service sector of Pakistan and these findings would help managers to craft a better strategy for a brand to enhance its credibility and consumer loyalty. This research is conducted in two service sectors of Pakistan. One is fast food sector and other is courier service sector but the results of this research can be generalized to other service sectors as well.

Similarly Pizza Hut has lost their market share due to arrival of new rivals in the market. Although, their executive market is still attached with them but due to more focus on attractiveness and less on expertise and trustworthiness is pushing them back in this area. It's time to revive the name of Pizza Hut in the young generation. They should offer different rice packages in order to capture the students of universities. University students in DGKHAN have no franchise of Pizza Hut but the credibility of Pizza Hut is still making them positive respondents towards it.

Managers can communicate the unique benefits and differentiated attributes to the consumers for making brand credible. It is also important in Pakistan where companies are using strategy of introducing unfamiliar celebrities and cheap ads to reduce promotion cost. Author is of the opinion that this kind of strategy will not help a brand to become credible as it does not communicate information through credible sources and it is discussed above that source credibility matters much for brand credibility. So it is suggested that high source credibility will lead a specific brand towards high credibility.

Furthermore, as it is obvious from the findings of this research study that attitude towards brand is a significant mediator so savvy managers should consider attitude towards brand in crafting

there marketing strategy and they should work on such factors which contributes to enhance positive attitude towards brands.

5. RECOMMENDATIONS:

Based on what is shown and discussed above, it can be argued that the brand credibility influences word of mouth through consumer's satisfaction and loyalty, the consumer's satisfaction is proved to be more influential on word of mouth than consumers' loyalty. By having satisfied consumers, companies can benefit from word of mouth. Companies in Pakistan should pay more attention on consumer satisfaction and keep them satisfied with their services, this is due to the fact that consumers satisfaction would impact greatly on word of mouth, which is considered to be one of the cheapest and easiest way of attracting new consumers instead of spending a lot of money on TV ads, billboards, etc. Companies should select such celebrities which can transfer their credibility into a brand in order to influence the purchasing pattern of the consumers.

6. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS:

The focus of this study is only service sector of Pakistan specifically food industry. Further research can be in other sectors like telecom, automobiles etc. The context was business to consumer for checking brand credibility on consumer loyalty and the consumers were having background of college or university study. That's why it can't be generalized to whole population. The context can be changed from business-to consumer to business-to-business because credibility also matters for retailers and wholesalers.

Geographical limitation limits this research in the areas of DG Khan. There is more need to go to national and international level. Furthermore study is cross sectional in nature and is taken on a given point in time if time series analysis is also performed then reliability of study would be further enhanced.

The research was limited to the variables of brand credibility, attitude towards brand and consumer loyalty. Conceptual framework can be changed by taking other variables like Consumer trust can be taken as mediator, brand awareness, usage situation, brand familiarity and brand image as a moderator, the role of culture and rumor as moderator at the national level because in Pakistan mostly people believe in rumors of different people due to lack of knowledge. Study can go towards a hierarchal approach to check the effect of different consumer loyalty indicators on financial performance of a company. Due to significance of brand credibility, it can be suggested this cause and effect relationship of the same model should be tested in e-Business rather than traditional business.

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