

# Brand Image, Satisfaction, and Brand Loyalty - How Effective Are They in the Automotive Industry Market Share

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## Abstract

The study analyzes the influence of satisfaction, image, and loyalty on market share within the automotive industry by using real market data to capture market share of the car brands within the study. The results of the study confirm that automobile companies, which operate in a very competitive and dynamic environment need to ensure customer satisfaction and positive brand image, that collectively affect customer loyalty to keep sustainable growth.

**Keywords:** brand image, brand loyalty, market share, satisfaction

## 1. Introduction

Increased competitions in many industries and rapid technological developments have changed the point of view of company's sustainable growth. In the past, company's financial indicators were tracked primarily to ensure the continuity of the company in the long run. However, in addition to these indicators in today's markets, more abstract concepts such as customer satisfaction, brand loyalty scores and brand image are measured and tracked very closely to understand the future of the companies.

As with the long-term growth indicators, companies developed different strategies increase market share as it is not enough to acquire new customers for increasing market share in a competitive environment. Companies have to look for ways to attract and retain customers in the long run to attain the basic business goals of survival and growth. This implies that companies with a loyal customer portfolio have an important competitive advantage due to repeated purchase behavior, willingness to recommendation to others, emotional attachment and price tolerance. Reichheld and Sasser (1990) analyzed 14 industries and postulated that successful reduction of customer loss by 5% may trigger an increase in profitability as high as 25–95% suggesting that small changes in loyalty and retention can provide large changes in profitability.

Jacoby and Chestnut (1978) further emphasize the importance of customer loyalty for companies with the following sentences; "The success of a brand on the long term is not based on the number of consumers that buy it once, but on the number of consumers who become regular buyers of the brand." Long-time customer commitment, in other words, loyalty, brings long-term profit to the companies. Brand loyalty is inseparable related to developing, maintaining, and protecting market share (Jacoby and Chestnut, 1978). How to convert a current customer to a loyal customer can be considered as a starting point. Satisfied customers return and buy more, and they tell other people about their experiences (Fornell et al., 1996). Thus, it can be concluded that customer satisfaction is a significant determinant of repeat purchase, recommendation to others, and customer loyalty. Despite the relation between satisfaction and loyalty, some experts have mentioned that in some cases, more than 50% of satisfied customers switch to another alternative (Jones and Sasser, 1995). To fill this gap, some scholars considered the importance of the role of brand image in the formation of loyalty.

Based on the above arguments, the purpose of this research is to investigate the relationship between brand image, customer satisfaction, brand loyalty and market share in Turkish automotive industry. Automobile companies, which perform in a very competitive and dynamic environment, are not able to provide distinctive differences in their products and services. Thus, ensuring customer satisfaction, positively perceived brand image and customer loyalty are becoming more and more important in that competitive environment to keep sustainable growth. Additionally, most marketing strategies that are aimed at increasing market share concentrate on increasing loyalty. For some brands, loyalty measures can provide an early warning indicator for a brand whose market share is beginning to slip. Considering a few studies conducted in Turkey for measuring loyalty in automotive industry, more than half of the brands on the market are not covered in the surveys. The aforementioned studies also did not consider the relationship between market share and loyalty. Therefore, this study aims to contribute not only to the literature analyzing the link between customer loyalty and market share; but it also tries to demonstrate the importance of these consumer-company relationship strength indicators within an under-studied analysis setting.

## 2. Literature Review and Hypotheses

Jacoby and Chestnut (1978) emphasized the importance of customer loyalty for companies to develop, maintain, and protect market share with the following sentences; "The success of a brand on the long term is not based on the number of consumers that buy it once, but on the number of consumers who become regular buyers of the

brand.” How to convert a current customer to a loyal customer can be considered as a starting point. Consumer loyalty was defined as “a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same-brand set purchases, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1999). Extant research regarding loyalty found that it is not only effective in shaping consumers' future purchase and recommendation intentions but also reduces consumers' switching tendencies and thus helps companies eventually increase their market share through repeat business and referrals (Cronin and Taylor, 1992; Fornell, 1992; Liang and Wen-Hung, 2007; Ranaweera and Jaideep, 2003). According to Aaker (1992) loyalty is the core dimension of brand equity, reflecting the true connection and attachment between the brand and the consumer and is strictly related to satisfaction. Loyal customers were found to show more favorable responses to a brand than non-loyal customers. Loyalty directly translates into sales, reduces marketing costs, attracts new customers, and provides time to respond to competitive threats (Aaker, 1992). Brand loyalty is one of the many advantages of creating a positive brand image and having high brand equity (Keller, 2003), significantly influencing consumers' purchase decisions (Shukla, 2009).

Researchers have also investigated the antecedents of loyalty and found that particularly customer satisfaction (Cronin and Taylor, 1992; Fornell, 1992; Liang and Wen-Hung, 2007; Oliver and Gerald, 1981) and image (Nguyen and Gaston, 2001; Sirgy, 1982) play a significant role. There are several different definitions of customer satisfaction in the marketing literature. One of the most well-known definitions was provided by Kotler (1994) as; “In general, satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance (or outcome) to expectations. If the performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied; if it exceeds expectations, the customer is highly satisfied or delighted.” Satisfied customers return and buy more, and tell others about their experiences (Fornell et al., 1996) all of which lead to improved profitability. The concept of customer satisfaction and its relation to loyalty has attracted a large group of researchers in recent years and produced vast amount of research in different industries, with most of the studies confirming this relationship (Cronin Jr, and Taylor, 1992).

While there are many studies linking satisfaction with loyalty, there are few studies that demonstrate the influence of brand image on loyalty (Kandampully and Suhartanto, 2000). As one of the important antecedents of loyalty, Yoo et al. (2000) defined brand image as an association or perception consumers make based on their memory toward a product. Basically, an organization's image was described as an important variable providing the information regarding the performance and linking the brand to the customer memory. Brand image was found to play an integral role in building long-term brand equity (Yoo et al., 2000) and influencing consumers' perceptions regarding products and services (Zeithaml et al., 1996). Not only is brand image highly correlated with consumers' satisfaction, image was also found to influence loyalty (Mazanec, 1995).

Regarding the relationship between the two antecedents of loyalty, previous literature provides mixed results. For instance, Ostrowski et al. (1993) examined airline service industry and argued that “positive experience over time (following several good experiences) will ultimately lead to positive image” (p.23). On the contrary, Andreassen and Lindestad (1998) and many others posit that corporate image, through a filtering effect, impacts customers' satisfaction. Within this particular study, customers evaluate brands that they already use and therefore their overall satisfaction would have an incremental influence on their brand image perception.

Based on the discussion above, we posit the following research model and hypotheses:

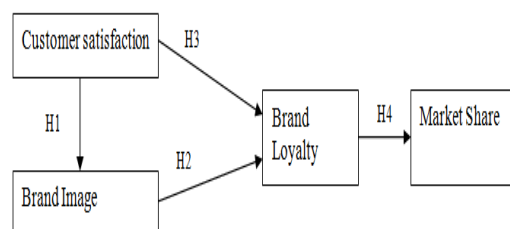


Figure 1. Conceptual Model

- H1: Brand image is related to customer satisfaction.
- H2: Brand image is related to brand loyalty.
- H3: Customer satisfaction is related to brand loyalty.
- H4: Customer loyalty is related to market share of the brand.

### 3. Methodology

#### 3.1 Sample

Convenience selected consumers who are using their own or family members' cars actively in daily lives are approached as study participants. Respondents were asked to indicate which car brand they use and then were directed to the questionnaire containing items related to their perception of this brand. In total, 148 respondents completed the survey, with a response rate of 45%. The sample consists of 37% female and 63% of male respondents with an average age of 31.4.

#### 3.2 Measures

All measures used to evaluate the constructs within the study were adopted from previous literature. The respondents evaluated the car brand they currently use on a five-point Likert scale from (1) "strongly disagree" to (5) "strongly agree". All items were translated and then back-translated between English and Turkish. To capture brand loyalty the study employed three items from Yoo et al. (2000). Brand image was measured by four items adopted from brand image 4 items from Low and Lamb Jr. (2000). Satisfaction was assessed by a sub-set of 6 items derived from Westbrook and Oliver (1981), which was developed by the authors to specifically test car owners' satisfaction. Real market values for the brands mentioned by the respondents were used for the market share.

### 4. Findings

Items were first subjected to exploratory factor and reliability analyses to test the factor structure hypothesized using IBM SPSS 19 software. Following a series of iterative procedures using principle components factoring with varimax rotation, a final structure was obtained. To improve discriminant validity all items with insignificant loadings (< 0.5) and the ones cross-loading were excluded. Overall three items that double-load or load low on their corresponding dimensions were removed from the analyses. Table I. shows the results of these analyses.

Table 1. Factor and Reliability Results

Dimension	Item	Loading	Cronbach's Alpha
Satisfaction	I am satisfied with my decision to buy this ____	0.787	0.867
	Owning this ____ has been a good experience	0.823	
	I am sure it was the right thing to buy this ____	0.663	
	This ____ is exactly what I need	0.596	
	This is one of the best ____ I could have bought	0.65	
Brand image	Unfriendly/Friendly	0.86	0.905
	Outdated/Modern	0.752	
	Not useful/Useful	0.835	
Brand loyalty	I will not buy other brands	0.904	0.909
	I prefer to buy X	0.899	

We next ran regression analyses to test for H1, H2, and H3. The results reveal that customer satisfaction significantly and strongly influences both consumers' brand image perceptions ( $R^2 = 0.546$ ;  $p=0.000$ ) but also their overall brand loyalty ( $R^2 = 0.346$ ;  $p=0.000$ ) thus confirming H1 and H3. The regression analysis to understand the effect of brand image on brand loyalty yielded an  $R^2$  of 0.448 with  $p=0.000$ , thus again confirming H2.

To test the relationship between brand loyalty and market share, the brand names provided by the consumers were identified and their respective market share within the period of 2014-2015 were assessed. Table II. provides that information. The table further shows the ranking of the brands as consumers responded as the brand they use.

Table 2. Market Share for Car Brands in the Study

Brand Name	Market share	Brand Name	Market share
FIAT	10.92%	HYUNDAI	5.42%
FORD	12.22%	OPEL	4.67%
RENAULT	11.88%	AUDI	2.03%
TOYOTA	5.11%	MERCEDES	4.05%
HONDA	1.65%	PEUGEOT	3.52%
NISSAN	2.69%	BMW	3.31%
VOLKSWAGEN	15.10%	Volvo	0.73%

Next car brands identified in the study were categorized into two groups (high vs low) based on their market share and logistic regression was employed to test loyalty is significant contributor to high vs low group membership. In logistic regression, the original logistics coefficients are useful in determining the direction of

the relationship but they should not be used for determining the magnitude of the relationship. Positive values are indication of an increase in the probability of the event. Exponentiated logistic coefficients directly reflect the magnitude and can be used for interpretation. The logistic equation can be written as Logit:  $0.682 + 0.825$  Loyalty and the exponentiated logistic coefficient for loyalty was found to be 2.282. This reflects that loyalty is very important for high market share so that an increase in 1 unit in the respondents' loyalty would will increase the odds of high market share by 128 %. confirming H4.

## 5. Conclusion

The results of the current study, based on both consumers' evaluations and actual market-share data, highlight the importance of loyalty that is reflected in the market share of the car brands investigated within this study. This finding is actually in line with the intuitive actions of automobile manufacturers to enhance the relationship between car brands and consumers. Brand loyalty, simply defined as repurchasing the same specific brand of vehicle, is often of major concern for manufacturers. If a customer purchases a Brand A vehicle, manufacturers want them to continue and enhance their relationship with that brand. The results of this study further highlight that the road to loyalty is satisfaction of the consumers with the brand's overall performance and positive image perceptions.

## 6. Limitations

The research poses some common challenges and limitations in social sciences such as common method biases like loss of meaning through the translation of the items, which may have caused some unanticipated cross-loadings between items or some low-loadings. However, Harman's single factor test found the total variance explained as 19.45%, indicating no problem with common method bias. Complete anonymity was guaranteed to participants to avoid evaluation apprehension. There is a potential threat of hypothesis guessing, in that participants might try to guess the hypothesis and support the result dependent on their attitude. Similarly, social acceptability bias might be introduced when participants believe that certain answers are more desirable and accepted, which may even have affected their response to the car brand they use. All instruments were administered in the same way to avoid threats from treatment implementation. Pre-tests were used to achieve reliable measures and questions.

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