

# The Influence of Brand Trust and Customer Satisfaction on Customer Loyalty by SEM

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## ABSTRACT

The purpose of this research is to investigate the relationship of customer satisfaction and brand trust on customer loyalty. A total of 320 questionnaires were distributed to Iranian Automobile consumers. The survey was distributed at Mahshahr and Abadan cities in Iran). 25-items scale was taken into account for brand trust(8-items), customer satisfaction(8-items)and customer loyalty(9-items).construct with a five likert scale ranging from1(strongly disagree)to 5(strongly agree).

The proposed relationships have been tested using structural equation Modeling (SEM) with lisrel. The research results showed that there is positive and significant relationship between customer satisfaction and brand trust on customer loyalty. The objective of the analysis to find out whether is significant relationship between the variables. 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:** Trust, Loyalty, Consumer satisfaction , Structural equation modeling, Marketing management

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## INTRODUCTION

Marketers have long been interested in the concept of customer loyalty, because loyalty is a measure of the attachment that a customer has to a brand [1,2].Customer loyalty brings the firm many benefits, including repeat purchase and recommendations of the brand to friends and relatives.

Trust is conceptualized in these works as a belief, in keeping with the tenets of social psychology research, as well as willingness or behavioral intention [3].The theoretical stance on trust, specifically, is ambiguous. Trust draws partly on the processing of past information. However, trust is chiefly a construct focused on the future, providing a guarantee that partner is motivated not to alter the terms of the exchange. Without trust, there can be no stable or durable relationship. The consequences of consumer trust in a brand are materialized by brand commitment [4]. The objective of this study is investigating brand trust and customer satisfaction on customer loyalty. In the next section, we review the relevant literature and discuss the conceptual framework. Then we develop several hypotheses to be tested and describe the empirical approach and data collection. The last section outlines the implications of our findings and discuss for future research.

## LITERATURE REVIEW

There are many definitions of both satisfaction and loyalty in the literature; a perusal of these reveals, however, that they are process definitions. That is, they define what consumers do to become satisfied and/or loyal. For example, satisfaction has been defined as an "evaluation of the perceived discrepancy between prior expectations... and the actual performance of the product" [5,6]. Generally, loyalty has been and continues to be defined in some circles as repeat purchasing frequency or relative volume of same-brand purchasing[5]. Of note is a definition crafted by some researchers, who defined loyal customers as those who rebought a brand, considered only that brand, and did no brand-related information seeking[7]. Brand loyalty is a focal point for many researchers and practitioners[8].All these definitions suffer from the problem that they record what the consumer does. None taps into the psychological meaning of satisfaction or loyalty .In Oliver (1997), *satisfaction* is defined as pleasurable fulfillment. That is, the consumer senses that consumption Fulfills some need, desire, goal, or so forth and that this fulfillment is pleasurable. Thus. Satisfaction is the consumer's sense that consumption provides outcomes against a standard of pleasure versus displeasure. For satisfaction affect loyalty, frequent or cumulative satisfaction is required so that individual satisfaction episodes become aggregated or blended. As will be argued here, however, more than this is needed for determined loyalty to occur. The consumer may require movement to a different conceptual plane—in all likelihood, one that transcends satisfaction. In accord with this distinction, loyalty has been defined quite differently. In a modification of Oliver's (1997) definition, to include the act of consuming, *loyalty* is described here as a deeply

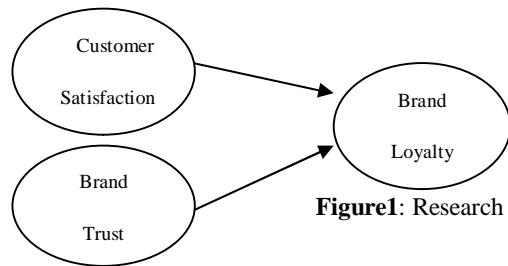
held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, *despite* situational influences and marketing efforts having the potential to cause switching behavior[9]. The literature shows positive effects of customer satisfaction on such desirable outcomes as repeat purchase, retention loyalty, retailer sales performance [10, 11, 12,13, 14]. Therefore we propose this hypothesis:

**H1: customer satisfaction will be positively related to customer loyalty**

Trust is defined as the expectation of the parties in a transaction and the risk associated with assuming and acting on such expectations [15].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 [16, 17]. Studies elaborated that trust plays an important role in customer repeated purchase decision and long term customer satisfaction [18,16]. Trust in brand management is regarded as one of the key ingredients required to create loyal customers [19,20 ,21], if customers trust a brand they will recommend it ,use more of its products and services, or look to it first for the things they need illustrate the difficulty in gaining trust in business relationships, [22,23,24] and the ease with which it can be lost again[25]. An individual has trust in the occurrence of an event if he or she expects its occurrence. Trust is the willingness to rely on another party in the face of risks .This willingness stems from an understanding of the other party based on past experience. It also involves an expectation that the other party will cause a positive outcome, despite the possibility that the action many cause a negative outcome[26].Survey such as conducted by Theng and Lee(1999)have shown that there is positive relationship between brand trust and customer loyalty. Previous studies have reported that underlying loyalty is always trust, a willingness to act without calculating immediate costs and benefits. Hence loyalty to a brand involves trusting it [27]. In summation, the previous literature implies the following hypothesis:

**H2: brand trust will be positively related to customer loyalty**

The research model depicted in Figure 1.



**Figure1: Research Model**

**METHODOLOGY**

**-Measurement Instrument**

In this section, the researchers focus on factors affecting of customer loyalty.

Specifically, the researcher's focus brand trust and customer satisfaction as factors influencing on customer loyalty.

To measure the effects of brand trust and customer satisfaction on customer loyalty, in the research was used the 25-items questionnaire developed by Oliver, 1997;Chaudhuri and Holbrook, 2001; Pritchard et al., 1999; Sirdeshmukh et al., 2002,Kiyani et al,2012 That shown in Appendix(1).25-items scale was taken into account for brand trust(8-items),customer satisfaction(8-items)and customer loyalty(9-items).construct with a five likert scale ranging from1(strongly disagree)to 5(strongly agree).for internal reliability ,cronbach's alpha coefficients were calculated for all items of each construct. Results indicated that all the scales were considered to be reliable (cronbach's alphas).For determining reliability and validity of the questionnaire in this research used cronbach's alpha .cronbach's alpha for constructs are: brand trust0.973, customer satisfaction0.946, customer loyalty0.962 so the questionnaire reliability is acceptable. These results depicted in table1.

**Table 1.cronbach's alpha measures**

Variables	Cronbach's Alpha
Brand trust	0.973
Customer satisfaction	0.946
Customer loyalty	0.962

**RESULTS**

Each constructions of the research are measured using the correlation between research items are depicted In table 2. The mean of research items above the central limit value, is the measured scale. Correlations between items related to brand trust and customer satisfaction on customer loyalty items are positive and meaningful. Pearson correlation values indicate that each of the indices have normal distribution.

**Table2.correlation of latent variables**

variables	Brand trust	Customer satisfaction	Customer loyalty
<b>Brand trust</b>	1.00		
<b>Customer satisfaction</b>	0.982	1.00	
<b>Customer loyalty</b>	0.970	0.970	1.00

The proposed hypotheses were tested using structural equation modeling (SEM) via Lisrel .As said the relationship between brand trust, customer satisfaction and customer loyalty. To determine whether the hypotheses were supported each structural path coefficient was examined displayed reasonably good fit to the data. In table 5 we depicted these results.

The findings revealed that brand trust and customer satisfaction have positive relationships with customer loyalty. These results depicted in table5. In this table  $\beta=0.87$  and T-value=6.46 these measures shows that brand trust have significant and positive relationship with customer loyalty. According to  $R^2=0.069$  thus brand trust and customer satisfaction have been able to predict 69 percent of customer loyalty. As it can be seen in table3, all factor loadings are above .50 since the overall fit of the model is acceptable. The reliability of the construct can be assessed based on Cranach's alpha, composite reliability and average variance extracted (AVE). Discriminant validity was determined by the variance extracted value. Also discriminant validity of constructs is larger than 0.6 that indicates the reliability of the items  $\alpha$ - Chronbach and composite validity supports the validity of items for each constructs. These results are depicted in table 3. The results of Fit-Index depicted in table3.

**Table3: Reliability and overall measurement model**

measurement items	Item	Factor loading	t-value	R <sup>2</sup>	COMPOSITE RELIABILITY	$\alpha$	AVE AVERAGE VARIANCE EXTRACTED
Brand trust	Q1	0.64	9.60	0.41	0.973	0.875	0.749
	Q2	0.66	10.00	0.43			
	Q3	0.68	10.54	0.46			
	Q4	0.78	12.56	0.61			
	Q5	0.81	13.27	0.65			
	Q6	0.79	12.52	0.63			
	Q7	0.71	11.5	0.51			
	Q8	0.54	7.81	0.29			
Customer Satisfaction	Q9	0.59	7.44	0.35	0.946	0.835	0.711
	Q10	0.52	7.44	0.27			
	Q11	0.57	8.29	0.32			
	Q12	0.74	11.60	0.54			
	Q13	0.67	10.16	0.45			
	Q14	0.61	8.96	0.37			
	Q15	0.65	9.84	0.43			
	Q16	0.57	8.31	0.32			
Customer Loyalty	Q17	0.57	10.24	0.32	0.962	0.849	0.737
	Q18	0.67	7.19	0.45			
	Q19	0.66	6.66	0.43			
	Q20	0.59	7.15	0.35			
	Q21	0.65	8.86	0.43			
	Q22	0.75	7.56	0.56			
	Q23	0.71	7.96	0.51			
	Q24	0.76	6.09	0.57			
	Q25	0.52	0.27				

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Table4.Fit-Indices Model

Fit indices	Results
IFI	0.96
NFI	0.92
CFI	0.96
GFI	0.9
AGFI	0.91
RMSEA	0.065
RMR	0.021

The analysis of SEM on the proposal model has generated results which are illustrated in figure2.

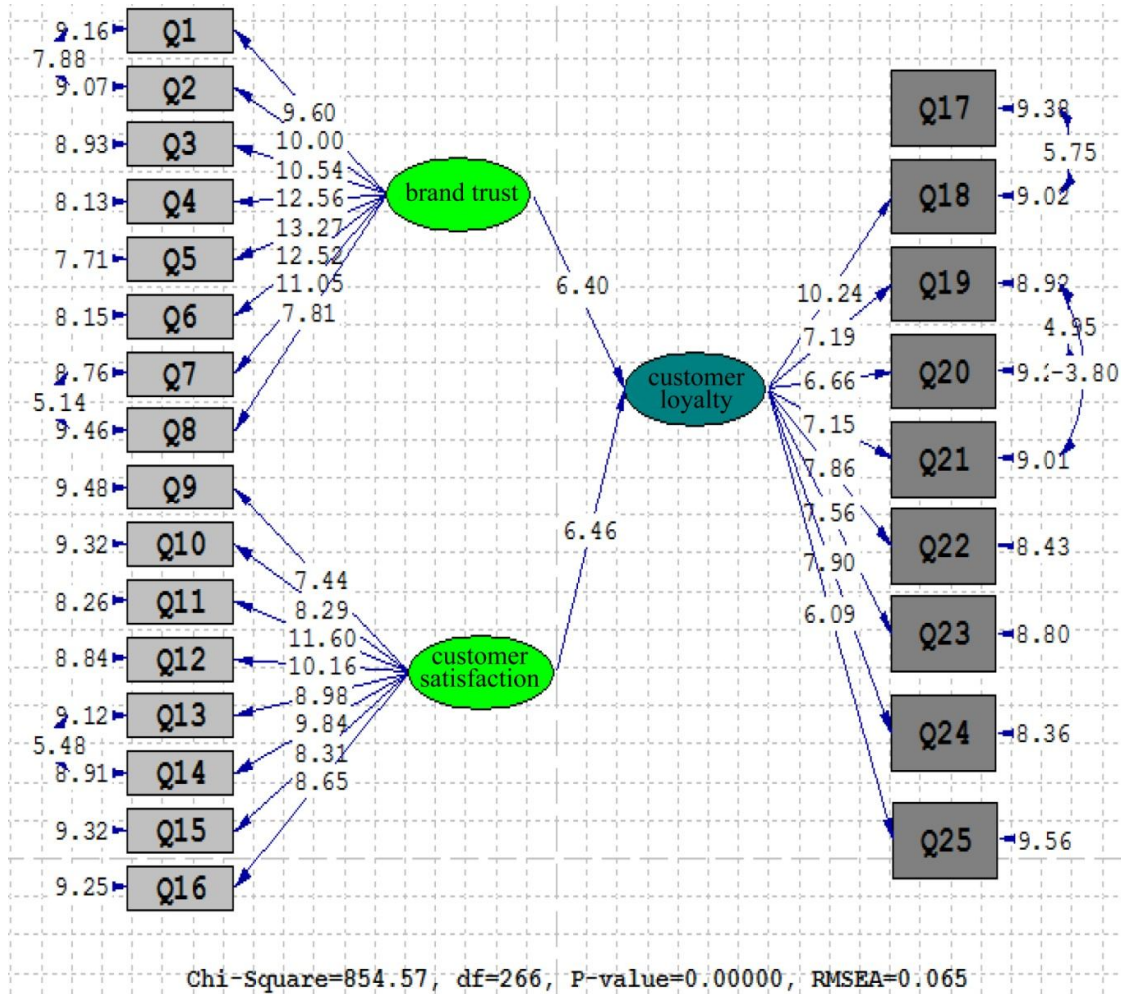


Figure2.structural model

The model tested subsumed the specified relationships proposed in the hypotheses. The overall Fit indices for the structural model revealed a chi-square of 858.57 with 266 degrees of freedom. For this model RMSEA=0.065 and RMR=.021 both within the acceptable level. The goodness-of-Fit index (GFI)=.9,NFI=.92 all accept for GFI which are acceptable.

**Conclusion**

The main objective of the research was to investigate the impact of factors of customer loyalty on Automobile user's behavior in Iran.

The findings provide evidence that a relationship exists between these variables. The results of this study have important implications for both marketers and managers, since evidence shows brand trust and customer loyalty affects on customer loyalty.

This research has provided insights into Automobile users behavior in Iran.

Customer loyalty is important for an organization to ensure that its product is kept in the minds of consumers and prevent them from switching to other brands. From the analysis of this study, it was shown that there are two factors of customer loyalty that were appropriate in Iran which are, brand trust and customer loyalty.

The findings revealed that brand trust and customer satisfaction have positive relationships with customer loyalty. These results are depicted in table5.

**Table 5.** path estimate for proposed model

path	path coefficients( $\beta$ )	t-value	R <sup>2</sup>
Customer satisfaction → Customer loyalty	0.81	6.40	
Brand trust → Brand loyalty	0.87	6.46	0.069

**Limitation and future research**

The limitation of this study is location, as we analyzed a very particular area and it would be important to carry out research in other places to confirm the results obtained in this study. It is highly recommended for future research to expand the span of attributes that affects on customer loyalty as well as to study more products and services in order to get an in depth and more clear picture about real relationship between the different product/service attributes customer loyalty.

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## APPENDIX 1

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