Investigation of the Effective Factors on Brand Loyalty and Repurchase Intention (Case study: Iranian Consumers)

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Abstract

This research aimed at designing and explaining a model of brand loyalty and repurchase intention and recognizing the effective factors on brand loyalty and repurchase intention among Iranian consumers. To conduct the research, a questionnaire was designed and then distributed among a sample composed of 400 shoppers of audio-visual appliances in three main markets of home appliances in Iran. Finally, having used structural equations modeling, the comprehensive model of brand loyalty and repurchase intention demonstrated that perceived quality, perceived value, and brand equity, as independent variables, and brand satisfaction, affective brand commitment, and continuance brand commitment, as mediator variables, had an effect on brand loyalty and repurchase intention.

Keywords: Brand loyalty, brand equity, brand satisfaction, continuance brand commitment, affective brand commitment.

Introduction

Many studies have been conducted in the context of the effective factors on the customer-seller relationship and customer loyalty. The study on the literature indicated that the terms loyalty, repurchase intention and behavioral loyalty (i.e. suggesting a brand to others or more purchase of that brand) need to be distinguished. Thus, although customer retention has been stressed in the marketing literature, achieving such a goal is a great challenge for companies in home appliances market. Each year millions of Dollars are spent on advertising home appliances’ brands. Despite these costs, however, researches show that customers are only able to distinguish a few of these brands. The main issue is that advertising a brand cannot ensure the brand’s success by itself. So, marketing experts need a clear and explicit strategy based on a perfect perception of what encourages consumers to repurchase a brand.

In the overcrowded market of home appliances in Iran, in which numerous brands are competing, on one hand the demand for this category of products is reduced due to the economic stagnation conditions and decrease in the purchasing power of the customers, and on the other hand competitors pay excessive effort to distinguish their own brands in the consumers’ mind. Thus, marketing professionals are needful to understand how to alter effective variables on brand loyalty in order to influence repurchase intention for a brand. For this purpose many studies have been conducted in the field of marketing. Wide researches on customer satisfaction and brand awareness indicated that, although a few brands gained significant success, most of them were not distinguishable and suffered diminishing brand loyalty.

According to Oliver, brand satisfaction and brand attitude are the main antecedents of the customer’s repurchase intention for a product:

\[
\text{Attitude} \rightarrow \text{Satisfaction} \rightarrow \text{Repurchase Intention}
\]

Hellier et al demonstrated that brand preference is also an antecedent for repurchase intention:

\[
\text{Satisfaction} \rightarrow \text{Brand Preference} \rightarrow \text{Repurchase Intention}
\]

Mittal et al suggested that although the relationship between satisfaction level and loyalty is claimed in some studies, very few researches have been conducted on the relationship between a repurchase behavior and satisfaction. Nadeem has posed this question: if satisfaction plays an important role in repurchase decisions, why do dissatisfied customers in some cases continue to buy a certain brand despite dissatisfaction? A study on research processes show ongoing change in empirical frameworks on which the researches are founded. This change has also posed a problem for marketing practitioners, who are responsible for enhancing brand loyalty, but yet is a provider of opportunities for researchers who tend to improve these relationships and gain a better perception of them. While literature on brand loyalty is so pervasive, very few studies have been conducted on repurchase intention with simultaneous consideration of brand loyalty.

The current study aims at investigating the effective factors on the Iranian customers’ brand loyalty in home appliances market. However, due to the vast variety of home appliances, the researchers narrow their population to the Iranian consumers of audio-visual appliances. The study is built upon relationship marketing concepts and tries to provide an answer for the
following main question: What are the effective factors on brand loyalty and repurchase intention among Iranian consumers?

Also, this study tries to provide answers for the following secondary questions: i. Is there any relationship between brand quality, brand value and brand equity with brand satisfaction? ii. Do affective and continuance brand commitment criteria have relationships with repurchase intention and brand loyalty variables?

**Brand loyalty/repurchase intention:** Fullerton suggested that loyalty should not be viewed only as repurchase behavior, but in the studies on loyalty, some other terms of consequences such as repurchase intention, loyalty intention, intention for developing relationships and buying the certain product or service at a higher price may also be considered as signs of loyalty\(^9\).

Researchers in relationship marketing have adopted a considerable attention to customer loyalty as an important variable. They have found that developing reference customers – customers who tend to propose good brands to others – has very important consequences on the brand consumption experience\(^9\). Positive and pervasive word of mouth is the advantage of brands which have strong continuance relationships with their customers.

**Brand satisfaction and affective brand commitment:** Affective brand commitment has its roots in identity, shared values, dependency and trust. While affective brand commitment is the main axis for building a relationship, its development takes time and having just one satisfactory experience with the relationship is not sufficient for developing commitment. Evaluating the consumption experience is the antecedent of commitment development in relationship marketing. Fournier et al found that consumers' positive affective relationships with the brands they use are due to the satisfactory consumption experiences\(^6\). Thus, brands increasingly provide opportunities for developing identity and dependency, in a way that we expect customers become affectively committed to the brands they are satisfied with.

**Brand satisfaction and continuance brand commitment:** Continuance brand commitment stems from economical and psychological switching costs and the lack of alternatives. Service brands provide some opportunities for developing continuance brand commitment because the personality of service brands could merge with the consumer’s personality\(^11\). Thus consumers may feel dependency toward the brand as the brand is so crucial to them; particularly when the customer feels advantages gained from a brand will probably not be provided with the alternative brands.

**Affective/Continuance brand commitment and repurchase intention:** Perhaps the most important dependent variable in relationship marketing researches is customer retention, i.e. repurchase intention. Some researches in recent years studied the relationship between affective brand commitment and customer retention, and all demonstrated the positive and strong influence of affective brand commitment on customer retention\(^12-14\). It is because customers tend to support things which they identify with and feel dependency toward. Based on the brand – service – consumer relationship, customers continue buying brands which they identify with and are affectively committed to.

Very few researches have studied the influence of continuance brand commitment on customer retention. General findings in relationship marketing literature suggest that continuance brand commitment has a positive but weak effect on customer retention. The argument is that when the consumer expresses dependency in continuance commitment, he/she becomes committed and obliged to the relationship partner.

**Affective/continuance brand commitment and brand loyalty:** Loyalty/advocacy is one of the appropriate consequences of customer commitment in marketing relationships. Research results showed that affective commitment has positive effect on pro-social behaviors, while continuance commitment undermines pro-social behaviors; the reason is the presence of individuals who want to be helpful for organizations toward which they feel strong affective dependency and seek their organizations’ success. In relationship marketing, customer loyalty/advocacy is a very important pro-social behavior. Prior research has demonstrated the strong positive effect of affective brand commitment on customer's intention to act as a reference consumer. Consumers act as reference consumers for brands which they psychologically feel dependency toward\(^15\).

However, continuance brand commitment has harmful effect on the customer’s inclination to be loyal/advocate. Dependency to any resource is not helpful to the development of pro-social behaviors such as loyalty/advocacy. The reason is that consumers are reluctant to support a partner toward which they feel as hostage.

**Perceived quality and brand satisfaction:** Perceived quality refers to the customer's perception of the overall quality or advantage of a certain product or service compared with other alternatives\(^16\). Research results have indicated that perception of the quality of a brand has an influence on customer satisfaction and customer satisfaction, in turn, influences his/her purchasing behavior.

The construct of brand quality is distinguished from the construct of customer satisfaction by two factors. First, satisfaction is transaction-specific, whereas perceived quality is held to be a general judgment or attitude\(^17\). Second, the expectations, which form the standard for comparison in disconfirmation process, are normative expectations or wishes based on what ought to be.
Perceived value and brand satisfaction: Pracejus suggested that customers are value-oriented and argued that perceived value is the customer’s overall evaluation of a brand’s utility based on his/her perceptions from what is offered and what is received. Blackwell et al. proposed a distinction between value and satisfaction. They suggested that value perception could be made without buying or using the brand, while satisfaction is related to a knowledge that is achieved through consuming a brand. They designed the customer satisfaction model then to combine the effects of perceived value and perceived quality on the customers’ intention. In their model, satisfaction antecedents are considered in the form of original quality (promised quality), relational quality (buy-sell process quality), and perceived value. These researchers found that there exists no agreement on what is called perceived value. So they proposed a simpler definition of value which is the difference between expenses and perceived advantages. They developed then a perceived value model based on customer satisfaction and loyalty with several components that include: customer needs overall satisfaction, advantage, sacrifice, personal preference and success assessment. Empirical researches by these researchers showed that perceived value has direct influence on repurchase intention and customer satisfaction.

Brand equity and brand satisfaction: Brand equity is the value added or reduced from a product once the brand is used. It is an intangible but crucial asset for the companies and encompasses both financial and psychological value. Brand equity is measured by the excess price the customers are willing to pay for a product of that brand compared to other brands. Research results have shown that brand equity has a reciprocal relationship with the amount of satisfaction the customers gain from that brand; namely, higher brand equity leads to a more satisfactorily experience with the brand and, in turn, brand satisfaction is one of the indices for brand equity.

Research hypotheses: The conceptual model for the current study, based on the above-mentioned discussions on the literature, is presented in figure 1. According to the model, effective factors on loyalty and repurchase intention are separated in three main categories: i. Independent variables: perceived value, perceived quality and brand equity; ii. Dependent variables: brand loyalty/advocacy, repurchase intention; iii. Mediator variables: brand satisfaction, continuance commitment and affective commitment.

The current studies aims at investigating the effective factors on the Iranian customers’ brand loyalty/advocacy and repurchase intention, and as mentioned before, the main question of the study is “What variables are effective on brand loyalty/advocacy and repurchase intention among Iranian consumers.” So the hypotheses of the study, with the aim to answer this main question, and with regard to the proposed model, are as follow:

- H1a: There is a significant relationship between affective brand commitment and brand loyalty/advocacy intention.
- H1b: There is a significant relationship between affective brand commitment and repurchase intention.
- H2a: There is a significant relationship between continuance brand commitment and brand loyalty/advocacy intention.
- H2b: There is a significant relationship between continuance brand commitment and repurchase intention.
- H3: There is a significant relationship between brand satisfaction and affective brand commitment.
- H4: There is a significant relationship between brand satisfaction and continuance brand commitment.
- H5: There is a significant relationship between brand equity and brand satisfaction.
- H6: There is a significant relationship between perceived quality of a brand and brand satisfaction.
- H7: There is a significant relationship between perceived value of a brand and brand satisfaction.

Research Methodology

Research type: Since the research aims at providing a model in brand loyalty and repurchase intention context and describe its practical application in the audio-visual appliances market, it is an applied research in terms of objective. In terms of data collecting method, it is descriptive and uses correlation, specifically based on “Structural Equations Modeling”. Structural Equations Modeling is a comprehensive statistical approach which examines the hypotheses regarding the relationship between observed and latent variables. Through this approach, the acceptability of theoretical models in certain populations can be examined. Since the majority of existing variables in management studies are latent, the urgency of utilizing these models increases every day.

Data collection tools: The utilized tools are reliable and valid questionnaire, free interview, library studies and internet searches, as well as reviewing documents and reports of active firms in the audio-visual appliances field, any of which were applied in a part of the research for collecting and adjusting certain data. A pretest and a main test were considered for the current study.

Pretest: The pretest sought to identify active foreign and local brands in Iran’s audio-visual appliances market. Two criteria used for selecting brands for this research were familiarity and quality. However, these two criteria in mind, two local and two foreign brands were selected. Results indicated that purchasers were more familiar, among foreign brands, with Sony and Samsung, and among Iranian brands, with Sanam and Snowa. In terms of quality also results were similar. Thus Sony, Samsung, Sanam, and Snowa were selected for the current study.
Research main questionnaire: The questionnaire was designed making use of the criteria utilized by the following researchers in their studies (table 1):

<table>
<thead>
<tr>
<th>Research variables</th>
<th>No. of Ques.</th>
<th>Researcher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Satisfaction</td>
<td>5</td>
<td>Fullerton (2005); Luarn &amp; Lin (2003)</td>
</tr>
<tr>
<td>Repurchase Intention</td>
<td>3</td>
<td>Gordon Fullerton (2005)</td>
</tr>
<tr>
<td>Affective Commitment</td>
<td>5</td>
<td>Fullerton (2005); Keller (2008)</td>
</tr>
<tr>
<td>Continuance Commitment</td>
<td>5</td>
<td>Fullerton (2005); Keller (2008)</td>
</tr>
<tr>
<td>Brand Loyalty</td>
<td>5</td>
<td>Fullerton (2005); Keller (2008)</td>
</tr>
<tr>
<td>Perceived Quality</td>
<td>4</td>
<td>Aaker (2001); Keller (2008)</td>
</tr>
<tr>
<td>Perceived Value</td>
<td>3</td>
<td>Sweeney and Souter (2001)</td>
</tr>
<tr>
<td>Brand Equity</td>
<td>3</td>
<td>Keller (2008); Aaker (1996)</td>
</tr>
</tbody>
</table>

Validity and reliability: Construct validity of the questionnaire was measured utilizing exploratory and confirmatory factor analyses. For measuring reliability, the Cronbach’s alpha factor was calculated for all the variables which resulted in following values: 0.92 for brand satisfaction, 0.93 for repurchase intention, 0.91 for affective brand commitment, 0.83 for continuance brand commitment, 0.91 for brand loyalty, 0.92 for perceived quality, 0.75 for perceived value, and 0.87 for brand equity; all in the acceptable range.

Population and sample: Research population included all the individuals who had seen one of the main shopping centers for home appliances (specifically audio-visual appliances) in Tehran. For determining the sample size, the attribute ratio in an infinite population was applied and the sample size was determined to be 400.

Having distributed 400 questionnaires among sample members, descriptive data analysis is exhibited in table 2.

As shown in table 2, from the 400 respondents, 51 percent were male and 54 percent were married. The respondents’ age average was 30, their average monthly income was 500 thousand to 1 million Tomans (Iranian currency), and more than 38 percent of them had a skill degree or higher.

Results and Discussion

Measurement model: Structural Equations Modeling requires two models to be tested. The first model includes measurement models for the latent variables. Measurement model indicates observed variable's factor loadings for each latent variable. Goodness of fit indices in measurement models for all eight latent variables of the research are given in table 3, and as it can be seen, all of them are in the acceptable range.

Explanation of the structural model: As shown in figure 2, two values are presented on each path in the structural model, one indicating the calculated t and the other indicating the goodness of fit. If the calculated t on each path is less than 1.96 then the path would not be confirmed.
According to the LISREL output (figure 2), the calculated t for independent variables of research are as follow: perceived value (t=2.3), perceived quality (t=3.3), and brand equity (t=2.4). LISREL output indicated that the most important effective variable on satisfaction is perceived quality. Since satisfaction is defined as customer's overall assessment of the organization and its products, customer satisfaction is usually defined as the customer's answer to the assessment of perceived contradiction between some comparison standards (e.g. expectations) and perceived product performance. Thus, audio-visual appliances with high quality and strong brand have a higher chance to be successful. In other words, if presented products don't possess an appropriate quality level in the consumers' attitude and perception, such an attitude could be effective on their loyalty and repurchase intention. Brand satisfaction (mediator variable) has a great influence on affective brand commitment (t=14.5) and continuance brand commitment (t=15.2). Research model showed that both affective brand commitment and continuance brand commitment affect brand loyalty and repurchase intention variables.

Also, LISREL output illustrates new relationships besides research primary model. The final model indicated that there are also significant mutual relationships between the independent variables of the research. In other words, the highest level of relationship exists between perceived quality and brand equity (t=22.3). Another path also indicates the relationship between perceived value and brand equity (t=22.1). Eventually, the last path indicates the relationship between perceived value and perceived quality (t=18.3).

**Research hypotheses testing:** At this stage, research hypotheses are examined to be confirmed or rejected utilizing Speareman’s correlation test. Findings are shown in table 4.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Exploratory factor analysis</th>
<th>Confirmatory factor analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KMO</td>
<td>Bartlett</td>
</tr>
<tr>
<td>Brand Satisfaction</td>
<td>0.863</td>
<td>0.000</td>
</tr>
<tr>
<td>Repurchase Intention</td>
<td>0.759</td>
<td>0.000</td>
</tr>
<tr>
<td>Affective Commitment</td>
<td>0.873</td>
<td>0.000</td>
</tr>
<tr>
<td>Continuance Commitment</td>
<td>0.809</td>
<td>0.000</td>
</tr>
<tr>
<td>Loyalty</td>
<td>0.860</td>
<td>0.000</td>
</tr>
<tr>
<td>Perceived Quality</td>
<td>0.858</td>
<td>0.000</td>
</tr>
<tr>
<td>Perceived Value</td>
<td>0.648</td>
<td>0.000</td>
</tr>
<tr>
<td>Brand Equity</td>
<td>0.606</td>
<td>0.000</td>
</tr>
</tbody>
</table>

**Table-3**

**Exploratory and confirmatory factor analyses**

![Figure-2]

**The structural model of brand loyalty and repurchase intention**
Correlation coefficient test results indicates that the significance level (sig) observed for all proposed hypotheses in the research are less than 0.01 and in fact zero (sig < 0.01), which is lower than the standard significance (α=5%). Therefore, at the confidence level of 99 percent, the relationship between all variables is significant. Correlation coefficients between these paired variables being positive, these variables change in the same direction. Thus H0 is not confirmed and H1, or the main research hypothesis, is confirmed at the 95 percent confidence level.

Also, results indicate that the highest positive correlation coefficients exist, respectively, between perceived quality and brand satisfaction (0.784), and between continuance brand commitment and repurchase intention (0.723). On the other hand, the lowest positive correlation coefficients exist, respectively, between perceived brand value and brand satisfaction (0.358), and between perceived brand equity and brand satisfaction (0.567).

### Conclusion

Having conducted this research, following findings and implications were achieved: Customer commitment components (affective and continuance), which had been applied earlier in B2B and consumer services contexts, were also tested in a consumer brands context (audio-visual appliances) and their application was proved. These findings are crucially important, because commitment is the shaft and center of creating all marketing relationships and provides a valuable insight on the nature of marketing relationships. Research results indicated that the consequence of affective brand commitment is positive and affective brand commitment is a positive and strong stimulus for developing both loyalty and repurchase intention. Unlike former researches which showed that continuance brand commitment has a positive but weak effect on repurchase intention, findings of this research indicated that continuance brand commitment affects marketing relationships positively and strongly. In other words, continuance brand commitment has an enormous positive effect on repurchase intention. Continuance brand commitment has a positive and strong effect on the loyalty intention. When a consumer feels dependency toward a specific brand, he/she expresses his/her feelings through positive word of mouth about that brand. This result is consistent with former research finding stating that in marketing relationships, continuance brand commitment has positive effect on customer intention and consumers have more loyalty to their favorite brands. Continuance brand commitment is formed when consumer finds brand personality consistent with his/her own qualities and feels dependent toward the brand. Brand commitment mediates the relationship between repurchase intention and brand loyalty. This finding is important because it indicates that the customer's brand commitment is a more crucial determinant than his/her brand satisfaction. Brand satisfaction affects repurchase intention and loyalty through mediator variables, continuance and affective brand commitment, so its effect is indirect. Consumer may have a favorable view toward a brand but still does not tend to buy it, because he/she does not have the sufficient commitment to it. Consumers have positive and sometimes negative relationships with brands they buy. Results indicated that the relationship with the brand stimulates consumer behavior (to keep the brand, or positive word of mouth) and has a positive and valuable consequence on marketing relationships. Research findings showed why brand satisfaction solely is not sufficient for the consumer loyalty or repurchase intention. Former researches also indicated that consumers should enjoy the bought product and there has to be a non-linear relationship between brand assessment and repurchase behavior. In other words, customer's brand satisfaction does not necessarily have positive effect on his/her loyalty or repurchase intention. Results indicated that brand is what customers perceive not what the firm claims. All marketing activities of the firm should be in line with affect or changing the consumers' brand perception and subsequently consumer's loyalty and repurchase behavior. Research results confirmed that brand equity, perceived quality and perceived value have positive but weak influence on brand satisfaction. In relationship marketing, brand is the symbol and sign of the consumers’ perceptions of the product or firm. Relationship marketing theory suggests that firms seek to create relationships with their customers to protect themselves from competitors and the ever-changing market; also the brand's relationship with consumers and the level of brand commitment are considered as the control center for relationship marketing. In order to develop and retain their brand's relationships with the customers, firms
apply a lot of supplies. Because of this strong psychological force which develops the relationship between consumers and the brand, consumer’s brand commitment is the main factor in developing brand strategies and relationship marketing programs. Since creating and retaining brand satisfaction has an effect on the consumer’s commitment (affective and continuance), it can be concluded that the firm and brand's long-term success requires brand satisfaction. Brand satisfaction is the result of consumer's perceptions of quality, perceived value, brand equity and product performance. Audio-visual appliances manufacturers can create value by providing qualitative products, inserting specific qualities in the product or providing appropriate after-sales services. Therefore the base for the perceived value may include factors like customer’s need; overall satisfaction, product advantages, product performance, and consumer’s assessment. Research results indicate that positive experiences with the brand, which lead to loyalty, commitment and specifically continuance brand commitment is the positive result of brand ownership and consumption. Developing and retaining brand loyalty reduces the risks for the company in the market and increases its profits. Relationship marketing stresses the extension of customers’ life-time value (CLV) by strategies which focus on the maintenance of target customers. The results of this research indicated the importance of brand satisfaction and the effect of brand commitment on developing long-term relationships between consumers and brand and thus its effect on loyalty and repurchase intention. Therefore the marketing and branding role is not only assigned to the marketing department, but all organizational departments are engaged in that. Appropriate advertising and promotion campaigns will convince consumers to test the product. However, according to Bansal et al if the customers’ experience with brand is disappointing, negative experience transmissions by the consumer will be more than positive experience transmissions. Relationship marketing strategy should be formed based on confidence in long-term success. Brand satisfaction and brand commitment could be developed by managing and controlling customers. For example, product development strategy should be formed based on a process which considers consumers and customer's feedbacks before the product is released in the market (marketing philosophy), rather than producing a product and then trying to sell it (selling philosophy). Thus, determining the consumer’s needs at the very beginning of the product development process leads to an increase in customers’ satisfaction based on understanding the consumers’ perceptions of the brand quality, brand value and brand equity.

References


