THE EFFECT OF BRAND EXPERIENCE AND PERCEIVED QUALITY ON BRAND IMAGE AND BRAND LOYALTY: A STUDY OF IPHONE USERS IN MALANG

By:
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Abstract
This research aimed to determine the effect of brand experience and perceived quality on brand image and brand loyalty from iPhone users. The samples in this research were the users of iPhone in Malang city. The sampling technique was convenience sampling with 150 respondents. This study used Partial Linear Square (PLS) analysis technique to analyse the data.

The findings of this study revealed that brand experience has a significant effect on brand image and brand loyalty. Meanwhile, brand image has a significant effect on brand loyalty. Then, perceived quality has a significant effect on brand image, but has no significant effect on brand loyalty.

Keywords: Brand Experience, Brand Image, Perceived Quality, and Brand Loyalty

INTRODUCTION

In this era, the technology has been growing rapidly for the society. One of the rapid growing technologies is a smartphone. Based on research of International Data Corporation on 2015, a worldwide quarterly mobile phone tracker found that worldwide smartphone grows 13% over year in the second quarter of 2015, indicated by 341.5 million shipments. Since with high competitive market in smartphone industries makes consumers have many choices in buying smartphone products. They tend to choose a product or brand which they already know rather than choosing a product or brand which is not yet known. Therefore, if a product wants to be better known and trusted by consumers, the brand factor becomes very important for the company in order to make the product able to be recognized.

There are many benefits when a company creates a brand loyalty to their customers. Creating brand loyalty can increase the value of companies and continue the growth of brands. Organizations should ensure that creating and holding brand loyalty is central to their marketing strategies in order to ensure greater leverage of trade, reduced costs, customer retention, satisfaction and attraction (Aaker, 1991 and Keller, 1993). In addition, people who become loyal to a brand are surely a great advantage for a company. Then it is expected that consumers may have trusted it, feel comfortable with it and be motivated to shop and purchase it repeatedly (Saleem, Rahman & Umar, 2015).

In this study, brand loyalty became the main topic, and the subject of this study is an Apple product namely iPhone. Since Apple as the company become the most valuable brand in the world (Forbes, 2015), and iPhone has superiority and differentiated product like design, high features, and branding rather than another smartphone. Thus, it is interesting to examine the loyalty of the iPhone users.

This study have tended to link brand experience and perceived quality variable in directly to other construct such as brand image and brand loyalty, because it will be an opportunities for the future researcher to examine the indirect effect of the variable.
Thus, this study are not examine the indirect effect of the relationship between brand experience and perceived quality on brand image and brand loyalty. Although some studies found that perceived quality has effect to brand loyalty, brand experience has effect to brand loyalty and brand image has effect to brand loyalty, there are still less researchers who conduct studies on the effect and relationship between brand experience, brand image and perceived quality, especially in the case of smartphone industry.

Based on these research backgrounds, this study aimed to:

1. To examine the effect of brand experience on brand image of iPhone user.
2. To examine the effect of brand experience on brand loyalty of iPhone user.
3. To examine the effect of perceived quality on brand image of iPhone user.
4. To examine the effect of perceived quality on brand loyalty of iPhone user.
5. To examine the effect of brand image on brand loyalty of iPhone user.

This study provides some contribution for both theoretical and practical perspective. From theoretical perspective, this study is a tested model on the effect of brand experience and perceived quality on brand image and brand loyalty of iPhone. Another significance of this study is a simultaneously modelling of relationships among brand image, brand experience, perceived quality and brand loyalty of iPhone users. From practical perspective, this study will benefit for marketers to understand how a product with a good brand image develops brand loyalty. It will also show how brand image, brand experience, and perceived quality affect brand loyalty. Furthermore, this study will help the organization in developing and implementing successful brand management strategies.

LITERATURE REVIEW AND MODEL DEVELOPMENT

This study propose a research model that describes the relationship brand experience and perceived quality and brand image taking into account and exploring the effects of brand loyalty.

First, the definition of experiences is a distinct economic offering, as distinct from services as services are from goods (Pine and Gilmore, 1998). Experiences arise in some conditions, namely when consumers search for products, shop for them, and receive service, and consume them (Brakus, Schmitt & Zaratonotello, 2009). Brakus et al (2009) defined brand experience as subjective, internal consumer responses (sensational, feelings, and cognitions) and behavioural responses evoked by brand-related stimuli which is a part of brand’s design and identity, packaging, communications, and environments. Moreover, some brand experiences occur spontaneously without much reflection and are short-lived; other occurs more deliberately and last longer (Brakus et al, 2009). Over time, these long lasting brand experiences, stored in consumer memory, should affect consumer satisfaction and loyalty (Oliver, 1999).

Brakus et al (2009) defined the four dimension of brand experience including three items question in each dimensions, as follows:

a. Sensory: Using a sense of customers to measure the customer experiences.

b. Affective: Using feelings and emotional of customer to measure the customer experience.

c. Behaviour: Using the ability of brand to engage customers.
d. Intellectual: Using bodily experience, lifestyle and interactions with the brand to measure the customer experience.

Brand experience may influence on brand image. The previous research Swaminathan (2003) and Alexander (2005) suggested that brand experience improves the brand extension evaluation and avoids the risk brand image dilution. Furthermore, another research (Ismail, 2007) found that brand experience affects brand personality, brand image, and brand love to formulate a positive word mouth. A positive word mouth indicates the positive response of customer and loyalty. Thus, both of previous research indicated that brand image has a relation with a brand experience. As a result, this study proposed the following hypotheses

Hypotheses 1 (H1): Brand experience has a significant effect on brand image.

Furthermore, there are some previous research that describe factors affecting brand experience to brand loyalty proved by the previous research (Brakus et al, 2009). Another research of Sahin, Zehir and Kitapci (2011) found that brand experiences encourage loyalty by creating emotional connection through an engaging, compelling, and consistent context. In addition, a long lasting brand experiences, stored in consumer memory, should affect consumer satisfaction and loyalty (Oliver, 1999). Therefore, it can be assumed that brand experience has a positive relationship with brand loyalty. Accordingly, this study had following hypotheses:

Hypotheses 2 (H2): Brand experience has a significant effect on brand loyalty.

Perceived quality is an important concept in marketing literature because it is a part of brand value which leads consumer to select a particular brand (Yoo et al, 2000). In marketing literature, perceived quality is a psychological assessment of a consumer about the quality of any products based on his/her perceptions. Previous studies considered that perceptions on quality have a strong relationship with a brand image in literature (Saleem et al, 2015). For example, Hsieh and Li (2008) reported that when brand image is supported, then the published message of a company can easily match with customer perception on quality, and as a result the intensity of that message increases. Further, Jacoby et al (1971) conducted an experiment research and found that consumer’s perception on quality and value are significantly affected by brand image. Therefore, there is strong relationship between perceived quality and brand image.

Hypotheses 3 (H3): Perceived quality has a significant effect on brand image

Previous studies also showed that perceived quality has a significant impact on brand loyalty. (Nguyen et al, 2011) found that there is a positive relationship between perceived quality and brand loyalty. Another scholar (Ha et al, 2011) found that perceived quality has a direct and positive impact on brand loyalty through customer satisfaction. For example, when the perceived quality of brand increases, the customer satisfaction also raises, thus it leads to brand loyalty. Consequently, there is a significant impact between perceived quality and brand loyalty.

Hypotheses 4 (H4): Perceived quality has a significant effect on brand loyalty

Brand image is an important variable in the studies on brand. According to Keller (1993) brand image could be defined as a brand brought to the consumer’s mind by the brand association. Other scholar (Roy and Banerjee, 2007) agreed that brand image is also defined as consumer’s thoughts and feelings about the brand. If customers have good thoughts and feelings about products or services, they will tend to choose that product than others.
Marketing literature found that image can impact the customer perception of quality, perceived value, customer satisfaction (Zeithaml et al., 2006). Previous study by (Li and Hung, 2009) in research journal, they found that brand image can lead to brand loyalty. Li and Hung (2009) reported while studying the school image, the loyalty of parents was associated with the school image. Furthermore, Oliver (1999) agreed if a company has a strong and positive brand image it will strengthen perceived quality and assist in the development of brand loyalty. Therefore, we can assume that brand image has a positive relationship to brand loyalty. Accordingly, this study has the following hypotheses:

Hypotheses (H5): Brand image has a significant effect on brand loyalty

Based on review of literature, a conceptual model is proposed by this study. Figure 1 depicts the conceptual model used in this study

![Figure 1. Research Model](image)

**RESEARCH METHOD**

**Sample**

The respondents of this study are the users of iPhone in Malang City, East Java Province, Indonesia. A total 150 questionnaires were distributed and used in this study. These respondents were recruited using convenience sampling method. The following is the demographic profile that emerged from the sample: 60.7% of the respondents are female, around 94% aged between 15-25 years old, 40.7% have tertiary education, and 73.3% are students.

**Data Analysis**

This study used Structural Equation Model (SEM) with Partial Least Square (PLS) approach to process the data. PLS is a soft modelling approach to SEM (Wong, 2013) and a very good analytical method because it can be applied to all scales of data. It does not require a lot of assumptions, and sample size should not be necessarily large (Ghozali, 2006). Thus, PLS becomes a good alternative when the following situations are encountered: (1) the sample size is small; (2) the application has a little available theory; (3) the predictive accuracy is paramount; (4) the correct model specification cannot be ensured (Bacon, 1999; Hwang, et al., 2010; Wong, 2013).

In using PLS, two steps of analysis were required. The first step is outer model evaluation that consists of convergent validity, discriminant validity and unidimensionality test. According to Ghozali (2011), in convergent validity, the value of loading factor per indicator should be higher than 0,70; yet, in the research stage of scale development, loading 0,50 until 0,60 is still acceptable. Thus, this study is using boundary of loading factor 0.60. For discriminant validity, if the indicator has a higher correlation with its respective latent variable than with another latent variable, it implies that all indicators are valid. The reliability test uses internal consistency reliability based on the value of composite reliability and alpha cronbach. If the value of composite reliability and alpha Cronbach are 0,7 or higher, so the latent variable (construct) can be categorized as reliable. The second step is inner model evaluation which will be indicated by the
score of coefficient of determination and the index of goodness of fit.

FINDINGS

The Evaluation of Outer Model

The evaluation outer model in this study was used to test validity and reliability of indicators and latent variables. The first outer model evaluation is convergent validity. By using algorithm calculation in PLS, the score of loading factor varies between 0.331 and 0.828. According to Ghozali (2011), a construct should not have items which have factor loading below 0.6. Therefore, four items were deleted (BE1, BE3, BI2, and PQ5). Because their scores were below 0.6, those items were considered as non-valid items. After deleted the item that as non-valid, the same step was taken in algorithm calculation by using PLS. This second model calculation found that all items had outer loading scores higher than 0.6. After getting score higher than 0.6 for all items, it confirmed that all items were valid. Further, we analysed the score of average variance extracted (AVE) shown in Table for second model calculation of all latent variables.

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<th>Indicators</th>
<th>Loadings</th>
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Source: Primary Data Processed (February, 2016)

Evaluation of Inner Model

To evaluate reflective inner model, R-square was used for dependent construct and also Goodness of Fit (GoF), t-test, and the significance of path coefficients of structural parameters. Figure in below showed the structural model of this study.
Determining the coefficient of determination could be done by looking the numbers in the circle. Those numbers showed how much the variance of the latent variable could be explained by other latent variables. The score of R-square for brand image (BI) was 0.492 and for brand loyalty (BL) was 0.597. These results showed that 49.2% of brand image (BI) could be influenced by both brand experience (BE) and perceived quality (PQ) as its exogenous variables and 59.7% brand loyalty (BL) could be influenced by brand experience (BE), perceived quality (PQ) and brand image (BI).

To ensure the robustness of the model, this study also employed GoF indicator. The calculation of GoF indicates that the index is 0.560 which indicates it is good. Higher score of GoF is better than small score of GoF. Therefore, hypotheses testing can be conducted.

**Hypotheses Testing**

From the result of path coefficient, the relationship between two variables could be classified significant when the value was higher than 0.1. By using a two tailed t-test with significance level of 0.05% (5%), the path coefficient will be significant if the t-statistics is larger than 1.96 (Ghozali, 2011).

Table in below summarized all the results. The findings of this study were explained below based on its hypothesis:

| Hypothesis | Path Coefficient | T Statistics (|O/STERR|) | Explanation |
|------------|------------------|--------------------------|-------------|
| 1 (BE → BI) | 0.383541 | 4.792119 | Supported |
| 2 (BE → BL) | 0.211093 | 2.270954 | Supported |
| 3 (PQ → BI) | 0.483836 | 6.126248 | Supported |
| 4 (PQ → BL) | 0.023435 | 0.204805 | Not Supported |
| 5 (BI → BL) | 0.633528 | 7.189403 | Supported |

The result of this study shows that brand experience has a positive and significant effect on brand image. Its path coefficient is 0.383 and its t-statistic is 4.800 which was higher than 1.96. Based on this result, it can be concluded that
Hypothesis 1 is supported. Then, brand experience has a positive and significant effect on brand loyalty with t-statistic 2.270 and 0.211, which are higher than 1.96. This results support Hypothesis 2.

In addition, the statistic estimation confirmed that there is a positive and significant effect of perceived quality on brand image value with its path coefficient value and t-statistic which show 0.483 and 6.126. It means hypotheses 3 is supported. Then, perceived quality has a positive but no significant effect on brand loyalty. Its path coefficient is 0.023 and its t-statistic is 0.205 which lower than 1.96. It means Hypotheses 4 is not supported. Hypotheses 5 is proposed that Brand image has a significant effect on brand loyalty. Hypotheses testing found that its t-statistic is 7.190 and path coefficient 0.633, which means Hypotheses 5 is supported.

**DISCUSSION AND CONCLUSION**

The results of this study show that the Hypotheses 1 found there is a positive and significant effect between brand experience and brand image. This is same with the result from previous research by Yulianti & Tung (2013) which stated that companies have to provide positive experience to customer to create a strong brand image. Thus, positive experience needs to be delivered by the company to the customers to create a strong brand image. The image of brand is created based on customer’s perception about a brand held in their memory. If the company has already had a good image of its brand, it means that company can stimulate customer’s mind by using its own brand image. As proposed in Hypotheses 2, this study found there is a positive and significant effect between brand experience and brand loyalty. This results means to make the customers loyal to the brand, the company was required to deliver a better experience to the customers. The finding of this study indicated that iPhone already delivered good experience to the customers. The customers agreed that the physical (design, attributes, and features), and direct interaction of iPhone gave strong impression when they looked and touched it. This is same with the result from previous research conducted by Hussein et al. (2015) which said that brand experience has a significant effect on brand loyalty. They concluded that the better experience with the brand perceived by the customers, the more loyal the customers were to the brand.

The significant effect of perceived quality on brand image is confirmed in this study (Hypotheses 3). According to study result, the users of iPhone agreed that iPhone had a good image associated with good reputation, prestige, unique, and comfortable. Because of the perception regarding iPhone’s image, it indicated that they had received high quality perception during their use of iPhone. By assessing users’ perceptions about what they perceived in quality of iPhone, they tended to agree that iPhone could satisfy their needs compared to what they had sacrificed such as the price offered by Apple which was considered as an expensive smartphone when Apple offered high quality for money.

The results of this study show that Hypotheses 4 which captured the relationship between perceived quality and brand loyalty. The results concludes that perceived quality has a positive but no significant effect on brand loyalty. An interesting finding is showed by this study. While other studies (Hameed, 2013; Saleem et al, 2015; Ha and Park, 2012) found that perceived quality has a significant effect on brand loyalty, this study showed a converse finding. Similar with previous research conducted by Howat and Assaker, (2013) found that perceived quality has no significant effect on brand loyalty. The same result found in this study, perceived quality required another factor to create brand loyalty. In this research, brand image mediating between perceived quality and brand loyalty. Thus, we can also
assume that brand image variable probably affects the influence of perceived quality to brand loyalty.

Finally, as proposed by Hypotheses 5, in this study confirms there is a positive and significant effect of brand image on brand image. This finding is similar with previous research by (Ogba and Tan, 2009; Suhartanto, 2011) found that brand image has significant effect on brand loyalty. According to study result, the customers agreed that iPhone had already been successful in creating a good brand image when Apple as the company was seen as the most reputable brand in the world. In this study, the respondents agreed that iPhone had a good reputation, prestige, and uniqueness.

For future researcher, the results of this study can be used as an additional reference to conduct a research on the issues related to brand loyalty. They should consider other factors such as brand identity, brand trust, and customer satisfaction which may also have an influence on brand loyalty. Besides, the sample used must be larger than this study to get more accurate data.

As the limitation of this study, this research did not examine the relationship between exogenous, intervening, and endogenous variables. It is suggested for further research to examine intervening variable, so that the influence of that variable could be measured in terms of intervention between exogenous and endogenous variable. Furthermore, in assessing the role of brand loyalty, this study ignored other factors which could be related to brand loyalty and just focused on brand image, perceived quality, and brand experience.
REFERENCES


