

THE EFFECT OF BRAND REPUTATION, BRAND RELATIONSHIP QUALITY AND SWITCHING COST TO BRAND LOYALTY

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ABSTRACT

In the current global era, progress is happening very fast, companies all over the world are competing to continue to survive and win in increasingly fierce business competition. One way for companies to win in the competition is to win the hearts of consumers, which will lead to customer loyalty to the brand of the company. This research was conducted to determine the effect of brand reputation, brand relationship quality, and switching costs on brand loyalty in Nike brand basketball shoes. The data collection technique in this study was using purposive sampling. While the data processing method was done using validity, reliability, and descriptive statistical analysis. For the data analysis method used was PLS-SEM which was a multivariate analysis technique consisting of analysis of outer model, inner model, and hypothesis testing. From the results of this study, it was known that brand reputation and brand relationship quality significantly influence brand loyalty in Nike brand basketball shoes. While switching costs proved to be able to moderate the relationship between brand reputation to brand loyalty and the relationship of brand relationship quality to brand loyalty significantly.

Keywords: *Brand reputation, brand relationship quality, switching cost, brand loyalty.*

INTRODUCTION

The main goal for every company is not only to survive but also to win the intense competition through focusing into what customer needs and wants (Chadhiq, 2007). These type of company hope to provide customer convenience and stimulate repeat purchase behavior. This kind of customer behavior will lead to brand loyalty and will lead to the creation of revenue for company sustainability (Istijanto, 2009). Dick and Basu (1994) argued that the company must adopt certain unique strategy and approach for instance by emphasizing on brand reputation, utilizing customer relationship, and directing the entire company resources to improve customer loyalty.

A reputable brand plays significant role in determining consumer behavior in terms of product selection and it will lead to brand loyalty. Therefore, whenever the customers had received the product benefits or values then the customers tend to be loyal to the particular brand and tend to be less price sensitive (Wibisono, 2015). Nevertheless, several research findings showed the influences of brand reputation towards customer loyalty, on the contrary some other research showed the opposite findings. The company with a reputable brand somehow neglected its customers by making a certain services mistakes and as the consequences this will lead the customer to do brand switching (Ott, 2013). Aydin, Ozer, and Arazil (2005) explained that switching cost moderating the effect of reputable brand towards customer loyalty by reducing customer sensitivity on product performance evaluation.

Nike as one of the reputable brands worldwide is perceived highly by its loyal customer to increase their self-prestige or to gain a certain group status or symbol. Nowadays the customer has so many advantages in terms of information through the development of internet and technology, the customer can easily browse from A to Z regarding their favorable brand. As the consequences, the customers have more expectations toward the brand performances to fulfill their needs and wants. This research will investigate the effect of brand loyalty toward brand loyalty through brand relationship quality as the intervening variable and switching cost as the moderating variable by using Nike brand as the object study.

LITERATURE REVIEW

Brand Reputation

Brand reputation is the customer opinion either positive or negative towards a particular brand. The factors which affected brand reputation are the product quality, product performances, product advertisement, and product publication. Moreover, brand reputation plays significant roles to stimulate a positive customer expectation (Creed & Miles, 1996). In addition, Shandi (2011) stated that brand reputation as the customer base to evaluate brand reliability. Alam and Yasin (2010) added that previous customer experience, word of mouth, media publicity, and company public relation toward the brand are the factors impacting to brand reputation. Next, Aaker (1991) mentioned four indicators to measure brand reputation, they are memorability, uniqueness, personality.

Brand Relationship Quality

According to Sheth and Mittal (2004) brand relationship quality is relationship oriented view of consumer brand interaction which are positively held, voluntarily engaged, long term and affectively intense (in short, brand-loyal relations) in nature. Keller and Kotler (2008) added there are five indicators to measure brand relationship quality, they are intimacy, self-concept connection, love/passion, interdependence, commitment, and quality partner. Brand relationship quality refers to the important perception to foster entire things related to the brand in purpose to win the intense competition, therefore the company may use brand relationship quality to increase market share as well as to increase profit and as foundation to support marketing strategy program (Sweeney & Chew, 2002).

Switching Cost

Caruana (2003) explained switching cost as the cost which is occurred as the consequences of customer decision to do brand or product switching. Company can use switching cost as a tool to create barrier and to maintain its customers. There are three main important factors affecting switching cost, they are financial switching cost, procedural switching cost, and relational switching cost. In addition, Trijp (1996) argued two types of customer motivation to do brand switching, they are internal motives and external motives. The internal motives or true variety seeking behavior is a switching behavior in purpose to search for variation to avoid personal boredom, to fulfil the anxiety towards the new brand. Meanwhile the external motives or derived varied behavior is the switching behavior caused by other brand functional values for example the cheaper price, more product feature, etc.

Brand Loyalty

Brand loyalty is the loyalty measurement towards a particular brand (Rangkuti, 2002). In addition, Hawkins and Mothersbaugh (2013) explained that brand loyalty made customer less price sensitive toward the changing of the price. Next Aaker (1991) divide brand loyalty into five categories; they are brand awareness, brand association, brand quality, brand asset, and brand loyalty. There are two methods in measuring brand loyalty; firstly, is attitudinal brand loyalty which refers to customer tendency to do product repeat buying in the future and to recommend the brand to other customers, secondly is behavioral brand loyalty which refers to customer activity to do product repeat buying in certain period of time and the tendency to spend the majority of customer income to buy the certain brand (Chahal & Mehta, 2010).

RESEARCH METHOD

Sample and Data Collection

This research is using quantitative research approach, non-probability sampling with purposive sampling method. There are 120 respondents which are collected based on these criteria; age between 18–40 years old, residing in Surabaya City, registered at a basketball community, using Nike brand at least six times when playing basketball within three previous months. The researcher visited several basketball communities in Surabaya City to collect the research data by distributing the questionnaire and interviewing the potential respondent.

Measurement

The research using structural equation modelling through PLS to measure research variable. The research variables are Brand Reputation as independent variable, Brand Loyalty as dependent variable, Brand Relationship Quality as the intervening variable, and Switching Cost as the moderating variable.

FINDINGS

Description Analysis

The result for description analysis showed that the respondent perceived Nike brand as a good reputable brand, the respondents have a good brand relationship quality with Nike brand, the respondent loyal to Nike brand, and finally the respondents perceived high switching cost for Nike brand. There are rooms to be improved especially for brand relationship quality by improving customer trust and customer love toward Nike brand.

Hypotheses Testing

The research variables have meet the minimum requirement for validity and reliability testing. There are five hypotheses for this research:

H₁: Brand Reputation affecting Brand Relationship Quality

H₂: Brand Reputation affecting Brand Loyalty

H₃: Brand Relationship Quality affecting Brand Loyalty

H₄: Switching Cost moderating the effect of Brand Reputation to Brand Loyalty

H₅: Switching Cost moderating the effect of Brand Relationship Quality to Brand Loyalty

The research structural model can be seen on Figure 1.

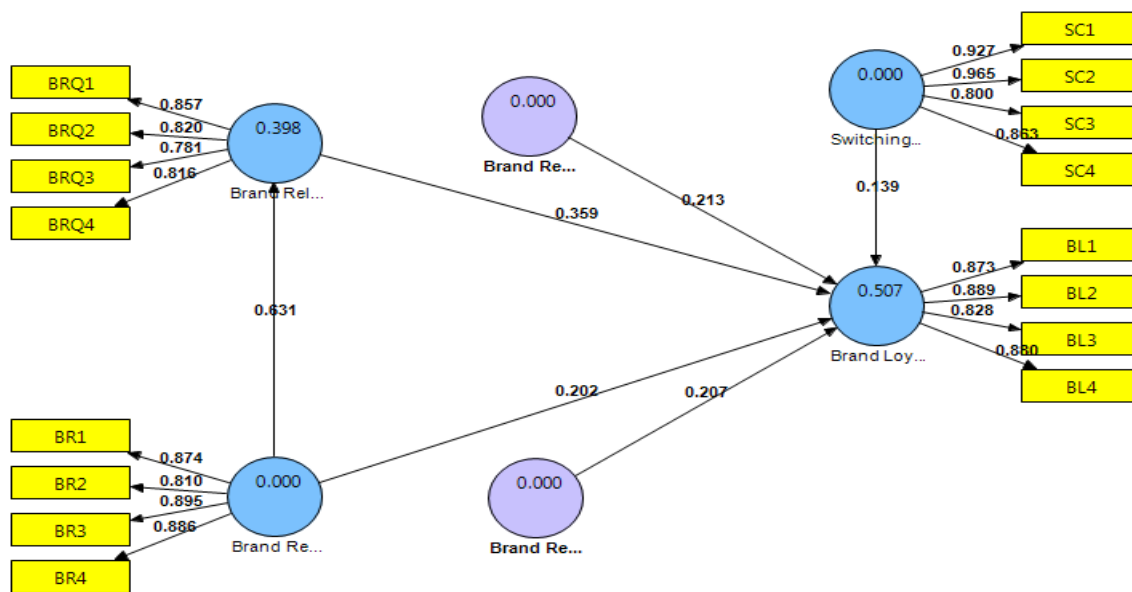


Figure1. PLS structural model

Based on hypotheses testing, it can be concluded that those five hypotheses were significantly accepted.

DISCUSSION

Based on research findings showed that brand reputation significantly affecting brand relationship quality, the biggest loading factor score on brand reputation indicates that customer trust on Nike brand (product quality, store services) plays significant role in creating brand reputation. Nike management need to focus on its product quality and services to maintain its brand reputation in purpose to keep brand loyalty. This finding supported Seo and Park (2017) which explained that the company need to keep innovating in purpose to be the best it its product category and as the consequences it will lead to brand loyalty. Next brand reputation also affecting brand relationship quality, the higher Nike brand

reputation will increase the level of customer engagement or relationship toward the brand. Giovanis and Athanasopoulou (2016) argued that the company has to improve its product quality in order to keep brand reputation and it will stimulate brand relationship quality. The finding showed that customer has a high relationship toward Nike brand and also showed that customer switching cost is high which mean the customer face more cost if they switch from Nike brand to other footwear product brand. This finding is consistent with Aydin *et al.* (2005) who explained that the company has to create more barrier to exit for its customers.

CONCLUSION

Brand loyalty is the main goal for every company by considering the benefits gained from this customer behavior. Brand reputation plays significant and very important roles in creating brand loyalty. The reputation can be improved by innovating product quality and product services. In addition, the company also need to focus on developing brand relationship quality through improving customer trust and customer love toward the brand. Finally, the company need to keep its performance in every aspect of the product in purpose to create the exit barrier both emotional and functional barrier. This barrier will increase customer switching cost and will impact to brand loyalty.

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