The Effect of Brand Experience on Brand Loyalty in Indonesian Automotive Industry: The Mediating Role of Customer Satisfaction and Brand Trust

Putra Cahya Wijaya¹*
Ananda Sabil Hussein²
Agung Yuniarinto³
¹,²,³Magister Management, Economic and Business Faculty, Universitas Brawijaya, Malang, Indonesia

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ABSTRACT

The automotive industry is one of the mainstay sectors of national economic growth in Indonesia. The performance of this automotive industry sector always grows and leads in a positive direction every year, making business competition dynamic and competitive. Marketers in the automotive industry need to strive to increase brand loyalty and word of mouth marketing to gain customer repurchase intentions. Customer repurchase intention is very important for business continuity in every company. Meanwhile, word of mouth is a powerful marketing strategy to increase brand trust which impacts increasing sales. Customer satisfaction is an aspect that can create repurchase intention, while brand trust will increase customer word of mouth. The best strategy to achieve customer satisfaction and brand trust is by creating a positive brand experience for customers. This research aimed to determine the effect of brand experience on brand loyalty directly and indirectly through customer satisfaction and brand trust on Toyota brand car customers in Madiun. The research approach used was quantitative descriptive analysis with explanatory research method, while sampling was performed by using random sampling technique. The number of samples was determined using purposive sampling technique so that 200 respondents was obtained. The data collection method used was questionnaire which was analyzed by SEM-PLS using smartPLS3 software. The findings of this research indicated that brand experience did not have a significant effect on brand loyalty directly. Meanwhile, customer satisfaction and brand trust were able to perfectly mediate the relationship between brand experience and brand loyalty.

Introduction

The automotive industry in the country is now continuously encouraged to make a significant contribution to the Ministry of Industry’s national economy (2020). Along with the development of technology in the automotive sector, the number of vehicles has increased dramatically in Indonesia. Vehicles have become an essential part of human life (Japarianto, 2006). People prefer four-wheeled or two-wheeled private transportation since it is more efficient than public transportation (Bambang & Heriyanto, 2017). The increase in automotive users affects the competition in the automotive industry, including Toyota. Researchers observed the phenomenon of the intense competition in the automotive industry which makes consumers have many
choices of vehicle brands. These various choices make new consumers may confused in making their choices. In fact, in more extreme conditions, it could make Toyota brand customers do brand switching from Toyota to other brands. Researchers raised brand loyalty as a strategy to defend the business from the shocks of the massive automotive industry competition. Marketing strategies of companies with strong brand loyalty tend to have a greater chance of surviving in the face of business competition with very dynamic conditions. Companies that successfully utilize brand loyalty will increase their profits, because they don't require high amount of money and resources to acquire new customers (Oliver, 2010). Marketers expect high brand loyalty from customers by carrying out various strategies to maintain their company since brand loyalty in various studies is examined from two perspectives, namely behavioral loyalty and attitude loyalty based on research conducted by Bandyopadhyay & Martell (2007); Brunner et al. (2008); Dick & Basu (1994); Gounaris & Stathakopoulos (2004).

According to research by Brakus et al., (2009), brand experience is conceptualized as sensations, feelings, cognitions, and behavioral responses evoked by brand-related stimuli that are part of brand design and identity, packaging, communication and the environment. Brand experience appears under various conditions when customers search for, shop for, and consume the brand Sahin et al. (2011). Consumer behavior is studied to derive most of the attitudes, values, tastes, behaviors, preferences, symbolic meanings, and feelings through the study of Mothersbaugh et al. (2019). Customers prefer brands that provide a unique and memorable experience (Zarantonello & Schmitt, 2010). This is where the importance of brand experience lies because the brand experience scale includes four dimensions consisting of sensory, affective, intellectual and behavioral which attracts a lot of attention in the marketing field that understanding how customers feel the brand experience is very critical to develop marketing strategies. Previous researchers found that brand experience has a positive effect on brand loyalty. Brakus et al., (2009); Zarantonello & Schmitt, (2010); Ha & Perks, (2005); Hussein.,(2018); Başer et al., (2016). Meanwhile, other studies found that brand experience did not have a significant direct effect on brand loyalty, namely the research of Choi et al., (2011); Iglesias et al., (2011); Putra & Keni (2020); Semuel & Putra (2018).

Literature Review

Brand Experience

Brand experience is one of the most promising concepts emerging in consumer research over the past decade (Andreini et al., 2019). Able to be a concern because it is very important in developing a marketing strategy (Nadzri et al., 2016). Brand experience can be applied in a variety of contexts, such as retail (Dolbec & Chebat, 2013), service (Nysveen et al., 2013), and manufacturing (Tafesse et al., 2014). Brand experience is conceptualized as sensations, feelings, cognitions, and behavioral responses evoked by brand-related stimuli that are part of brand design and identity,
packaging, communication and environment (Brakus et al., 2009). Brand experience appears under various conditions when customers search for, shop for, and consume the brand (Sahin, et al., 2011). Consumer behavior is studied to obtain most of the attitudes, values, tastes, behaviors, preferences, symbolic meanings, and feelings through the study of Mothersbaugh et al. (2019). Eventually the brand experience will not only be a marketing tool but also important as a tool to keep customers happy (Schmitt et al., 2015).

Brand Loyalty

Oliver (1997) defined loyalty as a deeply held commitment to repurchase or subscribe to a preferred product or service consistently in the future, regardless of situational influences and marketing efforts that have the potential to cause behavioral switching. Brand loyalty is a deep customer commitment to make consistent brand repurchases in the future (Arnould et al., 2004). Academics and practitioners agree that brand loyalty is one of the most important strategic parts in creating a sustainable competitive advantage (Iglesias et al., 2011). High brand loyalty will contribute to positive word of mouth communication for the brand (Gounaris & Stathakopoulos, 2004; Brunner et al., 2008). Customers who have reached the brand loyalty stage will continue to buy and subscribe to the same brand and are even willing to carry out promotional activities through word of mouth communication and are willing to recommend the brand to others. This is because customers perceive no other brand is able to offer the same thing as they feel so far. Brand loyalty provides many benefits for companies with regard to entry barriers (Ballester & Munuera-Alemán, 2001). Companies that have loyal customers do not have to allocate a large budget for promotional activities (Chaudhuri, 1995). According to Knox & Maklan (1998), a total of 10% to 20% loyal customers can contribute 50% to 85% of the company's revenue.

Customer Satisfaction

Customer satisfaction has been a topic of discussion with scientific relevance as well as the focus of attention of academics and practitioners for more than four decades (Broyles et al., 2009). Although researchers agree on the importance of customer satisfaction (Ahmed et al. 2014; Baser et al. 2016; Brakus et al. 2009; Hussein 2018; Nam et al. 2011), there is no consensus or a mutually agreed upon definition of customer satisfaction. This may come from academics and practitioners who usually set a definition that reflects their preferred point of view on customer satisfaction. If referring to the leading researchers such as Oliver (1997), then customer satisfaction can be defined as an assessment that the features of a product or service, or the product or service itself, giving (or provide) a level of satisfaction related to pleasant consumption including a less or more level of fulfillment. Customers always feel very satisfied when interacting with products from companies that are able to provide a level of satisfaction to customers through the products and services produced (Ha & Perks, 2005) and potentially build high commitment and loyalty to a brand or company (Anderson & Sullivan, 1993).
Brand Trust

Brand trust is the willingness of customers to trust the brand with all the risks where the hope of the brand can provide positive benefits for customers (Ahmed et al., 2014). The concept of trust has been defined in various disciplines from psychology to economics (Hosmer, 1995). Marketing considers brand trust as a bond that can be a relationship that occurs between customers and companies through brands (Huang, 2017). The relationship of trust between the brand and its customers affects the customer's purchasing decisions, according to Fournier (1998). Similarly, customers are always in a relationship with various brands in their daily life (Park & Lee, 2005). This type of relationship can be defined as a combination of cognitive, emotional, and behavioral processes that occur between a brand and its customers (Blackston, 2003). Customers will prefer a trusted brand or product because the perception of trust reduces or eliminates risk and ambiguity (Power et al., 2008). Therefore, it can be said that the first step that must be taken to establish a long-term relationship between customers and brands is to gain customer trust (Morgan & Hunt, 1994). Customer trust in a brand is an expectation and a goal to provide many benefits for the company (Başer et al., 2016).

Conceptual Framework of the Research

This research investigates four main constructs consisting of one independent variable (brand experience) and one dependent variable (brand loyalty). Furthermore, this study also adds two mediating variables (customer satisfaction and brand trust). The details are presented in Figure 1:

![Figure 1: Research Framework and Hypothesis](image)

Method
Participants in this study were customers of Toyota brand cars in Madiun City who had made a purchase at least once. Considering that the research sample was selected based on certain criteria, a non-probability technique with a purposive sampling approach was used as a sample selection technique so that 200 participants were obtained. The data in this study were collected using a questionnaire. The method of data analysis used in this research was SEM (Structural Equation Modeling) based on Partial Least Square (PLS) that using SmartPLS 3.0 software application. All indicators to measure the four variables were adopted from several past studies. Indicators of brand experience variables were adapted from Brakus, et al (2009) study which consisted of 4 indicators. Brand loyalty variables were measured through 2 indicators from Hussein (2018). Customer satisfaction variables were measured through 3 indicators from Wilson, et al (2016). Brand trust variables were measured through 2 indicators from Baser, et al (2016).

Result and Discussion

Result

Based on the results of respondent data processing, it is known that the characteristics of 200 consumers who have bought a Toyota brand car in Madiun and were involved in this research consist of 144 respondents are male (72.0%) and 56 female respondents (28.0%). This finding indicates that men are more likely to make brand choices in decisions when buying a vehicle.

On the characteristics of respondents based on age, it is known that 11.0% or 22 respondents aged 21-30 years, 33.0% or 66 respondents aged 31 to 40 years, 34.0% or 68 respondents aged 41 to 50 years, and 22% or 44 respondents are more than 50 years old. This shows that most of the Toyota brand cars customers in Madiun involved in this research are aged 31 to 50 years. Respondents in this age group include adults who make or decide to make the most purchases.

Furthermore, in terms of consumers’ last education, it is known that 15.0% or 30 respondents have the last education of SMA/SMK/equivalent, 7.0% or 14 respondents have the last education of D3, then 60.0% or 120 respondents have the latest undergraduate education, 17.0% or 34 respondents have a master's degree in education and 1.0% or 2 respondents are doctoral graduates. This shows that most of the consumers who have purchased a Toyota brand car in Madiun and participated in this research have a bachelor's degree in education. This indicates that many consumers who have a bachelor's degree buy vehicles because they have a sufficient level of income.

Based on the work of consumers, it is known that 23.5% or 47 respondents are civil servants, 43.5% or 87 respondents are private employees/BUMN employees (State-owned Enterprises), and 33.0% or 66 respondents are entrepreneurs. This shows that the majority of customers who make purchases of Toyota brand cars in Madiun are private employees/BUMN employees, followed by entrepreneurs not far away. This
shows that the majority of respondents involved in this study are private employees/BUMN employees and entrepreneurs. In other words, these two groups are potential consumers in purchasing vehicles in Madiun.

Based on monthly income, the majority of Toyota brand car customers in Madiun are those who have a monthly income of IDR 3,000,000 up to IDR 6,000,000 which is equal to 35.0% or 70 respondents. This is possible because the majority of respondents in this study are those with a bachelor's educational background.

The frequency of purchases shows that most of the respondents in this study, namely 54.0% or as many as 108 respondents made a purchase once and 46.0% or as many as 92 respondents made a purchase more than once. These results explain that the respondents in this research are customers who are quite familiar with Toyota brand cars.

Table 1: Composite Reliability & Cronbach Alpha

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Composite Reliability</th>
<th>Cronbach's Alpha</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Experience</td>
<td>0.940</td>
<td>0.928</td>
<td>0.634</td>
</tr>
<tr>
<td>Brand Loyalty</td>
<td>0.901</td>
<td>0.864</td>
<td>0.646</td>
</tr>
<tr>
<td>Brand Trust</td>
<td>0.935</td>
<td>0.919</td>
<td>0.672</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.900</td>
<td>0.868</td>
<td>0.601</td>
</tr>
</tbody>
</table>

Source: Primary data processed, 2021

Table 1 indicates that the scale, magnitude, and statistical concordance are accepted. The average variance extracted (AVE) value of all latent variables shows a score of 0.634 for the brand experience variable, 0.646 for the brand loyalty variable, 0.672 for the brand trust variable, and 0.601 for the Customer Satisfaction variable. Cronbach's alpha value for the reliability criteria is quite high where brand experience has the highest cronbach alpha value. The cronbach alpha coefficient values for the four variables used in this study ranged from 0.864 to 0.928 in a sequential order, which was acceptable.

The composite reliability (CR) values are 0.940, 0.935, 0.901, 0.900 (above 0.80) which indicates that all constructs are reliable, both according to composite reliability and Cronbach alpha. The R-square value of the brand loyalty variable in the research model is 0.536. Goodness of Fit (GoF) in this study is calculated using the equation $Q^2 = 1 - [(1 - R_{12}) (1 - R_{22}) (1 - R_{32})] = 1 - [(1 - 0.442) (1 - 0.309) (1 - 0.536)] = 0.821$. A score of 0.821 in the Q-Square calculation indicates that the model in this study has a good goodness of fit.

The effect of brand experience is not significant on brand loyalty as indicated by the path coefficient value of 0.027 and p-value of 0.777 (more than the significance value of 0.05) which indicates that hypothesis 1 is rejected. This finding means that brand experience has no significant effect on brand loyalty. Thus, hypothesis 1 is
rejected. The effect of brand experience on customer satisfaction is known to be significant with a path coefficient of 0.665 and a p-value of 0.000 (below the critical value of 0.05). Based on these findings, hypothesis 2 is accepted, which means that brand experience has a significant effect on customer satisfaction and hypothesis 2 is accepted. The effect of brand experience on brand trust is known to be significant with a path coefficient of 0.556 and p-value 0.000 (under the critical value of 0.05). Based on these findings, hypothesis 3 is accepted, which means that positive emotion has a significant effect on impulse buying behavior. Thus, hypothesis 3 is accepted. The effect of customer satisfaction on brand loyalty is known to be significant with a path coefficient of 0.483 and a p-value of 0.000 (under the critical value of 0.05). Based on these findings, hypothesis 4 is accepted, which means that customer satisfaction has a significant influence on brand loyalty. Thus, hypothesis 4 is accepted. The effect of brand trust on brand loyalty has a significant effect, with a path coefficient of 0.308 and a p-value of 0.002 (under the critical value of 0.05).

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship between Variables</th>
<th>Path coefficient</th>
<th>t-statistics</th>
<th>p-values</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Brand Experience → Brand Loyalty</td>
<td>0,027</td>
<td>0,284</td>
<td>0,777</td>
<td>Not significant</td>
</tr>
<tr>
<td>H2</td>
<td>Brand Experience → Customer Satisfaction</td>
<td>0,665</td>
<td>7,030</td>
<td>0,000</td>
<td>Significant</td>
</tr>
<tr>
<td>H3</td>
<td>Customer Satisfaction → Brand Trust</td>
<td>0,556</td>
<td>5,574</td>
<td>0,000</td>
<td>Significant</td>
</tr>
<tr>
<td>H4</td>
<td>Brand Satisfaction → Brand Loyalty</td>
<td>0,483</td>
<td>3,714</td>
<td>0,000</td>
<td>Significant</td>
</tr>
<tr>
<td>H5</td>
<td>Brand Trust → Brand Loyalty</td>
<td>0,308</td>
<td>3,110</td>
<td>0,002</td>
<td>Significant</td>
</tr>
<tr>
<td>H6</td>
<td>Brand Experience → Customer Satisfaction</td>
<td>0,321</td>
<td>2,899</td>
<td>0,004</td>
<td>Significant</td>
</tr>
<tr>
<td>H7</td>
<td>Customer Satisfaction → Brand Loyalty</td>
<td>0,171</td>
<td>2,341</td>
<td>0,020</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Primary data processed, 2021

Table 2: Hypothesis Testing Results
Based on these findings, hypothesis 5 is accepted which means that brand trust has a significant effect on brand loyalty. Thus, hypothesis 5 is accepted. The correlation between brand experience and brand loyalty mediated by customer satisfaction is known to be significant with a path coefficient value of 0.321 and p-value 0.004 (under the critical value of 0.05). These results indicate that customer satisfaction can play a role in mediating the relationship between brand experiences to brand loyalty. Thus, hypothesis 6 is accepted. The correlation between brand experience and brand loyalty mediated by brand trust is known to be significant with a path coefficient value of 0.171 and a p-value of 0.020 (under the critical value of 0.05). These results indicate that brand trust can play a role in mediating the relationship between brand experience and brand loyalty. Thus, hypothesis 7 is accepted.

Discussion

The hypothesis tested in this study proved that brand experience did not directly affect brand loyalty. This is reasonable because brand experience is not simply related to the establishment of brand loyalty from customers. Customer brand loyalty will be formed if customers gain trust and satisfaction. Someone will repurchase and do the word of mouth if they believe and are satisfied with the brand of the product or service they have consumed. That said, a product needs to provide a unique and unforgettable experience to its infringers in order to remind customers to choose it again. It is natural that customers have high trust in a brand, it will lead to brand loyalty. A good brand experience, on the other hand, creates customer satisfaction which makes customers have brand loyalty. The results of this research indicated the development of concepts were related to brand experience, customer satisfaction, brand trust and brand loyalty. The results of this study can be used as a reference for studies related to brand experience on brand loyalty with customer satisfaction and brand trust as mediation. Based on the findings of this study, it has been revealed that brand experience as measured through sensory, affective, cognitive and behavioral confirmed did not have a direct effect on a consumer’s brand loyalty. The results of the descriptive analysis showed that the lowest indicator of the brand experience variable which was an indicator of behavioral experience represented that not all customers in Madiun found that their experience was positive overall. In other words, some consumers feel that behavioral experience requires better stimulation or encouragement overall intensive to bring customers in determining the attitude of commitment to the brand of a product they use. The indicator that has the lowest average value on the brand loyalty variable based on the findings was repurchasing intention. It means that some consumers need the company to provide the best through products, design, safety and comfort to pamper and fulfill their desires so that it will create a more positive and enjoyable experience that will make customers forget similar products from other brand.

The results showed that brand experience has a significant effect on brand loyalty through customer satisfaction. The impact of consumer satisfaction mediation is known to be complete mediation. Thus, it can be interpreted that to make the brand
experience a significant effect on brand loyalty, it must first consider customer satisfaction. This is because customer satisfaction bridges the influence of brand experience on brand loyalty to Toyota brand car customers in Madiun. Brand experience is able to create and increase brand loyalty by creating customer satisfaction for Toyota brand car consumers in Madiun.

The findings of this research also revealed that brand experience has a significant effect on brand loyalty mediated by brand trust. The impact of brand trust mediation is known to be complete mediation, thus it can be interpreted that in order for brand experience to have a significant influence on brand loyalty, it must be mediated by brand trust. Brand trust, in this case, connects the influence of brand experience on the brand loyalty of Toyota brand car customers in Madiun. Brand experience is able to create and increase brand loyalty by creating brand trust for Toyota brand car customers in Madiun.

**Conclusion**

From this research, it can be concluded that brand experience does not directly affect brand loyalty. Furthermore, brand experience cannot directly make customers experience brand loyalty because it is the influence of satisfaction and trust in the brand which will affect the relationship between the two which getting is higher and positive which will ultimately affect brand loyalty. Apart from the sensory, affective, cognitive and behavioral dimensions of customers, it takes time to get customers to internally process their brand loyalty. Future research is important to add minimal time in sampling so that individual internal processes can be matured. Thus, they will process the experience so that a comprehensive experience can be generated through sensory, affective, cognitive and customer behavioral processes. In other words, more comprehensive research results can be obtained.

**Suggestions**

a. It is recommended for further researchers to further expand the object of research, not only to the Toyota brand, but also to other vehicle brands in the Indonesian automotive market. The research population can also be expanded not only in the city of Madiun so that the research results obtained have a wider scope.

b. Further research can add other variables or replace the mediating variable in this study. For example, research that examine brand experience on brand loyalty mediated by brand equity, brand love and so on.

c. Future researchers still need to be enriched by increasing the number of respondents used as research samples because the larger the number of research samples used will provide better and comprehensive research results.
d. Further research is expected to collect and survey respondents directly to ensure more reliable respondents so that errors in research results can be minimized.

e. Further research is suggested to add a minimum time for customers in using the product. This aims to find out that brand experience will be able to affect brand loyalty based on the time span of using the product brand.

References


