

Effects of Perceived Quality and Brand Loyalty on Perceived Brand Equity of Sabah SMEs' Food Brands: The Moderating Role of Brand Credibility

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Abstract

Purpose of the study

The purpose of this study is to assess the effects of perceived quality and brand loyalty on perceived brand equity of Sabah SMEs' food brands with the moderating effects of brand credibility.

Methodology

The empirical part consists of an extensive search and analysis of academic articles and government publications related to local food brands in Sabah.

Social Implications

The local food brands need to concentrate on creating powerful brand awareness and strong brand associations to uplift and bring attention to Sabah's consumers. Thus, it will provide long-term attractiveness to enhance home-grown brands in Sabah market.

Novelty of the Study

The originality and value of this paper are strengthening The Signalling Theory particularly in brand equity literature and to enhance understanding on the customer's perceived brand equity. The novelty of this study also lies in contribution to the practitioners specifically Small and Medium Enterprises (SMEs) and the moderating role of brand credibility of SMEs food brands in Sabah context.

Keywords: Malaysia; Customer-based brand equity (CBBE); Perceived quality; Brand Loyalty; Food brands.

Introduction

In Malaysia, SMEs mainly face major difficulties in innovating and transforming their organisations into Industry 4.0. The primary problem facing small and medium-sized enterprises is the lack of knowledge of marketing technology, branding, customer loyalty (Lau, 2017). Allaudeen (2018) added, more than 50% of local SMEs were found to have inadequate marketing and branding resources and elevated branding costs. In fact, latest findings showed that the main concern of tiny and medium-sized companies (SMEs) is the maintenance of sales

and profit margins, according to a latest national study of CTOS customer base companies (Sunbiz, 2019).

In Sabah, East Malaysia, the issues and challenges slowing the development of SMEs have been highly debated and became major headlines for years. For instance, among issues facing local SMEs are scarce markets, elevated logistic costs, financial access and legal problems (The Borneo Post Sabah, 2017). In addition, SMEs are also reported to have lack entrepreneurship, low technological capabilities, restricted financing, absence of information and expertise in current economic leadership and marketing, lacked good packaging and branding and face high packaging costs (Daily Express, 2018).

The performance of local brands produced by SMEs particularly food have also been an interest of past scholars and some findings indicates unfavorable views towards local food brands. For instance, Hew (2017) found Malaysian consumers show increasing preference for imported brands rather than local brands. In addition, factors such as expanding distribution, e-commerce offerings and better access to modern trade retail channels enhance Malaysian customers' awareness of global brands. Customer's perceived quality on global brands is also found to be better hence; customers are shifting their preference towards global brands. Past studies have also shown that customers are aware of local food and drinks brands by SMEs but they do not have the intention to buy (Diana-Rose, Zariyawati, Norazlina, Annuar & Manisah, 2016). Customers prefer to purchase the brands they are familiar with (Liu & Chou, 2016).

For local SMEs brand marketers, it is crucial to curb the challenges facing their brands hence a good brand management strategy such as customer-based brand equity (CBBE) can be a good basis to manage brands. Successful CBBE can result in higher revenues, increased profits, reduced expenses (Keller, 1993); premium charging, easy brand expansion, increased efficiency in communication campaigns, increased margins, reduce vulnerability of a company to the competition (Bendixen, Bukasa & Abratt 2004); provide commercial leverage (Pouromid & Iranzadeh 2012) and develop efficient advertising programs (Kimpakorn & Tocquer 2010).

Theoretical Background - The Signalling Theory

Traditionally, a brand is defined as "a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors" (Kotler, 1997, p. 443). A brand signal consists of a company's past and present marketing mix strategies and related activities. In other words, a brand becomes a signal because it symbolizes the marketing strategies of the past and present of a company. Thus, brands can serve as reliable market signals with asymmetric and imperfect information.

A signal is also characterized by its clarity and credibility. The clarity of a brand signal refers to the absence of ambiguity in the information conveyed by the brand's past and present marketing mix strategies and associated activities. One factor that influences the clarity of a brand signal is its consistency-that is, the degree to which each mix component or decision reflects the intended whole. Consistency may pertain to two or more elements of the marketing mix or to the components of each marketing element as well as to the conformity of mix elements to the objectives to be achieved (B. Shapiro, 1985).

A clear and credible brand signal creates value to consumers by decreasing both information costs and the risk perceived by the consumer and thus increasing consumer-expected utility. Further, the credibility and clarity of the brand signal may increase perceived

quality by creating favourable attribute perceptions. Indeed, cognitive psychological work on brand equity emphasizes how brands influence perceived quality (e.g., Aaker, 1991). Favorable attribute perceptions may stem from symbolic attributes that are purely perceptual, from positive discrepancies between perceived and objective attribute levels, or both (Park & Srinivasan, 1994)

Signaling theory suggests that signal credibility determines whether a market signal conveys information effectively (Tirole, 1990). When a market is characterized by imperfect and asymmetric information, it is important for a firm to convey credible information to consumers. In other words, the information about a brand's position that is communicated to the consumer by a firm should be perceived as truthful and dependable. The firm must be able and willing to deliver what is promised. Hence, credibility underlies consumer confidence in a firm's product claims.

All in all, the effects of a brand signal on consumer attribute perceptions, perceived risk, and information costs are expected to increase expected utility. This increase can be conceptualized as the "added value" associated with brands (Farquhar, 1989, p. 24) or as "additional utility not measured by objective attributes" (Park & Srinivasan, 1994, p. 271). It is this increase in expected utility that underlies the value of a brand signal to consumers. Consequently, consumer-based brand equity can be defined as the value of a brand as a signal to consumers.

Conceptual Model and Research Hypotheses

3.1.1 Perceived Quality

Various researchers have defined perceived quality from the point of view of subjective judgement of consumers regarding the total excellence or superiority of a product (Dodds, Monroe & Grewal, 1991; Zeithaml, 1988). The perceived quality of a brand influences the brand's inclusion and exclusion from the consumer's consideration set. It has also been found to influence the brand loyalty (Yang & Wang, 2010). The perceived quality advantage provides the firm an ability to charge a premium which, in turn, may lead to increased profits and/or provide resources for reinvestment in the brand (Aaker, 1991). In addition, being a relative concept, perceived quality is influenced by situational-, comparative-, and even individual-specific variables that includes consumer's previous experience, education level, purchase purpose, time pressure, purchase situation, and social background (Holbrook & Corfman, 1985). Several researchers have examined the construct 'brand perceived quality' (Yaseen, Tahira, Guizar & Anwar, 2011; Severi & Ling, 2013). Since perceived quality is an important brand value constituent (Zeithaml, 1988), a high perceived brand quality will lead to a customer choosing a brand and not that of the competitor. Hence, brand equity will increase to the extent consumers perceive quality of a brand.

3.1.2 Brand Loyalty

Brand loyalty, which is seen as the core of CBBE, has been defined as "the attachment that a customer has to a brand" (Aaker, 1991, p.39). Many previous studies confirmed that brand loyalty was positively correlated with the overall brand equity dimensions (Yoo and Donthu, 2001; Washburn and Plank, 2002; Taylor, Celuch and Goodwin, 2004; Tong and Hawley, 2009). Principally, brand loyalty has been conceptualised in extant brand literature based on an attitudinal as well as a behavioural perspective. Oliver (1997) defined it based on the behavioural perspective that customers have a deeply held commitment to rebuy a preferred product or service in the future regardless of how situational influences or marketing efforts

might result in their switching behaviour. This definition emphasises consumers' actual loyalty to the brand reflected in purchase choices. Another definition based on the attitudinal perspective underscores consumers' intentions to be loyal to the brand. Chaudhri and Holbrook (2001, p.82) asserted "attitudinal brand loyalty includes a degree of dispositional commitment in terms of unique value associated with the brand". They proposed a brand equity model suggesting that greater purchase loyalty could create a greater market share. Pappu, Quester and Cooksey (2005) and Pappu, Quester and Cooksey (2007) further conceptualised brand loyalty based on consumers' perceptions and attitudes congruous with the overall conceptualisation of brand equity and defined it as "the tendency to be loyal to a focal brand, which is demonstrated by the intention to buy the brand as a primary choice" (Yoo and Donthu, 2001, p.3).

3.1.3 Brand Credibility

Brand credibility is the key factor that maintains an amicable relationship between consumers and brands. Long-term trusting relationships with customers are essential for survival in a business environment of rapid change. Such relationships based on trust are important assets in ensuring a company's competitive advantage (Lee & Park, 2008; Moon, 2007). Brand credibility is a brand name's ability to reduce consumers' risk perception in a product-purchase situation (Delvecchio, 2000). In fact, brands can function as signals since, if and when they do not deliver what is promised, their brand equity will erode (Erdem & Swait, 2004).

According to Keller (2008), brand credibility describes the extent to which customers see the brand as credible in terms of three dimensions: perceived expertise, trustworthiness, and likability. Brand expertise indicates that the brand is seen as competent, innovative, and a market leader; brand trustworthiness represents the brand's being seen as dependable and keeping customer interests in mind; and brand likability stands for a brand's being seen as fun, interesting, and worth spending time with. In other words, credibility measures whether consumers see the company or organization behind the brand as good at what it does, concerned about its customers, and just plain likable. In this study, brand credibility is defined as the believability of the product position information contained in a brand, which entails "consistently delivering what is promised". That is, consumers perceive that a brand has the ability (i.e., expertise) and willingness (i.e., trustworthiness) to continuously deliver what has been promised (Erdem & Swait, 1998).

3.2 Hypothesis Development

3.2.1 Perceived Quality and Perceived Brand Equity

Perceived quality refers to the aggregated portrayal of relative standard of the product, service or firm (Zeithaml, 1988). Perceived quality is regarded to be what customers' associate of the brand in their mind (Sharma, 2017). Perceived quality is the essential role of developing brand equity (Huang & Shih, 2017). The high perceived quality of brand equity buildings can lead to customers buying the product, allowing the company itself to differentiate between the rivals and the premium price. Customers identify the perceived product quality from past experience and feelings with the company. (Sharma, 2017). Actual customer perceptions take place after the consumer has encountered the product (Sürücü et al., 2019). Influenced by perceived value and monetary price, customer satisfaction will eventually lead to repeat purchases, positive word-of-mouth and customer loyalty (Nazri & Zainal, 2016). Customer satisfaction can be increased by food quality (Hanaysha, 2016). He adds the customer uses factors like great freshness, appropriate temperature, choice, impeccable taste quality and attractive appearance to assess food quality. Based on their high

average profit, consumers consider branded and packaged foods as high-value items (Utami, Sadeli & Perdana, 2016). They conclude that branding and branding are therefore essential for increasing the product's consumer value. Brochado & Oliveira (2016) found that perceived brand value is improved by focusing on performance metrics defined as affecting quality, including appeals to senses, prizes, awards, ratings and other customers' reviews. The success in building brand equity would make comparisons of superior quality in the minds of customers positive and impressive (Tran et al., 2019). Thus, the following hypothesis is proposed:

H1: There is a positive relationship between perceived quality and perceived brand equity of Sabahan food brands in Sabah.

3.2.1 Brand Loyalty and Perceived Brand Equity

Loyalty is a term defined as “a deeply held predisposition to re-patronize a preferred brand or service consistently in the future, causing repetitive same brand purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1999, p.34). Customers are most likely loyal to a brand when individuals, thus forming a brand community influence each other to shape their belief on the brand (Kashif et al., 2018). Brand loyalty has strong impact for low brand equity compared to high brand equity (Huang & Shih, 2017). They add brand loyalty is required to strengthen consumer preference in identifying those brands with low brand equity. Moreover, brand loyalty appears acceptable to be used strongly to create a link with customers (Rani, 2019). Therefore, brand loyalty can be used to understand brand equity development (Brochado & Oliveira, 2018). They further explain building brand equity is of utmost importance in the context of the highly competitive and fragmented marketplace. Furthermore, Cifci et al., (2018) reported that consumers develop brand loyalty because brand identification enhances their social identity. Maintaining a customer usually costs less than building a new customer (Kim & Joung, 2016). Perceived similarities between the self-concept of customers and brand associations, such as brand value, may allow brands to turn the dedicated community customer into loyal brand customers (Coelho, Rita & Santos, 2018). The loyalty of customers to a product is increased by positive word-of-mouth feedback of others that have prior reviews from people whom they trust (Hanaysha, 2016). Other than that, brand loyalty and positive word-of-mouth are influenced by positive association of consumer-brand identification, customer satisfaction, price image and strong associations which promote competitively attractive and distinctive product positions that produce positive feelings and acts toward a brand (Su & Chang, 2018; Popp & Woratscheck, 2017). Customers who are pleased and loyal are willing to pay more because the product generates value for them (Esmailpour, Mohamadi & Rajabi, 2016). Up to now, previous studies have highlighted brand loyalty positively relate to brand equity (Kashif et al., 2018; Huang & Shih, 2017; Rani, 2019; Brochado & Oliveira, 2018; Cifci et al., 2018). Based on this, the following hypothesis is posited:

H2: There is a positive relationship between brand loyalty and perceived brand equity on Sabahan food brands in Sabah.

3.2.2 Brand Credibility and Perceived Brand Equity

Brand credibility refers to the ability of a brand to deliver what they promise, encompassing the positivity (or negativity) of the brand's image, whether the brand makes

a sincere and honest impression, and whether the brand is reliable in terms of innovation (Erdem & Swait, 1998). This definition has three main dimensions: trustworthiness, expertise and attractiveness (Erdem & Swait, 2004). From the above definitions, trust is the main player in brand credibility, especially when a brand behaves according to its promise; it develops a good reputation that leads to trust, which can make a brand more credible than competitors' brands (Vincent, 2012). The brand with the most trust usually wins and credibility is its most important ingredient. The more people come in contact with a brand, the more chances it has to showcase its credibility. The more credibility it has, the easier it is to be promoted (Morgan, 2012). The trust and consistency of the product, and ability of the brand to reach beyond customer satisfaction are effective in communicating emotional brand commitment and eventually, customer-based brand equity (Dwivedi, Johnson, Wilkie & De Araujo-Gil, 2018). Creating credible and unique brand could be a successful way to attract buyers and promotes the reason for customers paying higher price (Dwivedi, Nayeem & Murshed, 2018). The credibility of the brand affects increase brand attitude, customer purchase intention, also brand-self linkages and brand-social connections, which in turn are good for word-of-mouth (Sheeraz, Khattak, Mahmood & Iqbal, 2016; An, Do, Ngo & Quan, 2018). In addition, purchase intention increases by decision convenience and affective commitment generated by brand credibility (Jeng, 2016). The researcher add the brand strengthens its credibility through investment in brands, such as ads, logos and help and corporate socially responsible action, which demonstrates its confidence and dedication to brand. The brand is known and viewed as a trustworthy brand if it signals credible value and data. It indicates that customers are positive towards the product when brand reputation is strong (Sheeraz et al., 2016). Purchase intention is also increased when the brand is seen as credible and provide clear and accessible information as it would help lessen difficulty concerning customer purchase intention (Martin-Gon Suegra, Faroni, Diaz & Ranfagni, 2018). The lock-in effect on the current brand, when a new brand appears, implies brand familiarity and safety, and reputation, leading to the inhibition of adopting a new brand. Brand love, brand trust and brand credibility can help promote sustainable business innovation (Lee, Workman & Jung, 2016). Based on Kashif et al. (2018) , only two relationships were found significant, i.e. brand credibility \times perceived quality and brand credibility \times brand. These results are in line with the results of studies conducted (Hyun Baek and Whitehill King, 2011). This also postulates a strong role played by brand credibility to counter branding challenges such as low brand loyalty and brand rejection of charity organisations (Faulkner et al., 2014). This highlights the importance of brand credibility to enhance quality perceptions about the brand. Furthermore, in a context where brands are facing competition from category (product based) as well as non-category players (i.e. substitutes such as donation through personal means) (Kashif, Faisal Jamal and Abdul Rehman, 2017), brand credibility is a source to strengthen charity brand loyalty.

H3a: The relationship between perceived quality and perceived brand equity is strengthened when moderated by high brand credibility of Sabah SMEs' food brands in Sabah.

H3b: The relationship between brand loyalty and perceived brand equity is strengthened when moderated by high brand credibility of Sabah SMEs' food brands in Sabah.

Conceptual Framework and Research Hypotheses

The conceptual model that guides the present empirical effort is presented in Figure 1. The conceptualized model is adopted from Kashif, Fernando, Samad & Thurasamy (2018).

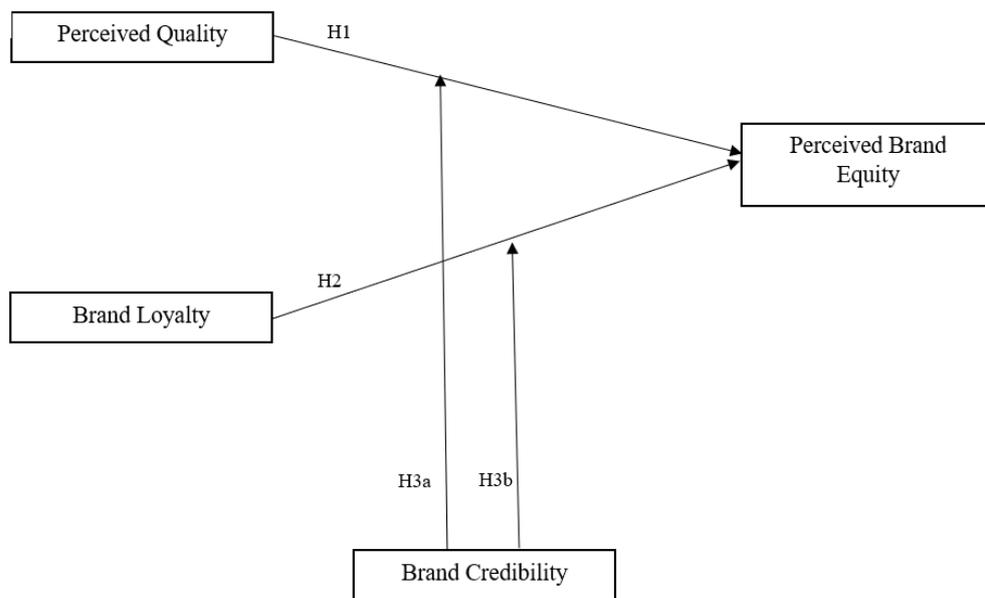


Figure 1: Conceptual Framework
Source: Kashif, Fernando, Samad & Thurasamy (2018)

Concluding Remarks

This study is limited to local Sabah food brands by local SMEs, thus this study does not represent customer perceived brand equity of food brands nationally. Since Sabah has unique cultures and economic growth as compared to West Malaysia, different buying patterns are expected. This study also contributes in the brand management literature as previous studies mainly focused on the brand management for multinational companies or large organizations, while studies in the SMEs context have yet to be fully covered. The authors have recently embarked on empirical research to test the model developed in this study and findings will be reported in future publications

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