

# The Impact of Brand Loyalty on Buying Behavior of Consumers: an Examination of Consumer Electronics

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**Abstract:** *The attempt of this study is to examine the impact of the brand loyalty generates on consumers buying behavior especially concerning to LED television. Hence, the purpose of the study is to determine the factors contribute to construct brand loyalty in the minds of consumers and to what extent they influence on consumers' buying decision towards LED televisions.*

*The researcher initiates the study in finding relevant literature with regard to the brand loyalty and consumer buying behavior. Based on that literature, the conceptual framework is developed and examined during the study taking the variables from the available literature. The factors such as brand awareness, brand image, perceived quality and company reputation and consumers' buying decision are the main variables investigated in the current study. The research methodology mainly focused on gathering primary data using a questionnaire. The analysis of primary data allowed the researcher to examine the hypotheses developed based on the variables identified as main contributory factors in constructing brand loyalty which influence the buying decision of the consumers.*

*The conclusions of the study suggest that there are statistically significant relationship exist between the identified variables and consumers' buying decision. Therefore, the recommendations are given by the researcher to increase effectiveness of factors affecting in constructing the brand loyalty towards the selected LED television brand.*

**Keywords:** *Brand Loyalty, Awareness, Consumer Buying Behavior*

## 1. Introduction

The success of a firm highly depends on attracting consumers towards its brand[1]. In the current market, companies are in rivalry to acquire more and more customers and increase their market shares. Therefore, in this scenario it is very critical for the survival of any given company to retain its existing customers or acquire new customers and make them more loyal to the brand suppressing the competition. It is very essential to create brand loyalty in customers, because brand loyal customers reduce the marketing cost of the firm as the cost of attracting a new customer have been found to be about six times higher than the cost of retaining an old customer [2]. Therefore, brand loyalty places a vital role in the competitive market because it provides the firm leverage and valuable time to respond to competitive moves[3].

The study done by the Ceylon Chamber of Commerce (CCC) has revealed that the growth in consumer electronics and domestic appliances imports into Sri Lanka has dropped in 2013/2012 compared to healthy growth witnessed in 2011/2010. Though the CCC study shows that the number of consumer electronic products imports has recorded a decline both in terms of value and quantity in 2012 and growth is moderate, in some product categories like air condition machines, televisions and mobile phones indicate a sharp increase. The television imports in 2011 and 2012 surpassed 500000 units a year. Further, the study reveals that increasing income levels of people and changing lifestyles have also increased demand for consumer electronics and home appliances in Sri Lanka [4].

Consumer electronics and home appliances are products that are purchased by consumers for long-term use. But, due to reasons such as technology, features, design, and change of lifestyle, consumers tend to go for replacements. In Sri Lanka, most of households are having a few items of consumer durables out of them a

television is definitely. Therefore, it is very important for firms to understand the behavior of consumers they target in order to successfully manage their marketing activities and attract consumers as they point out their needs and wants but act otherwise.

The consumer electronic market is highly competitive and fragmented in Sri Lanka. Larger companies involved in consumer electronics business use various techniques to attract more and more consumers, to increase the market share and to build loyalty among consumers on their brands. Consumers are loyal to different brands and very rarely switch brands due to reasons like technology, service provided by the company, quality, and prestige so on. Consumers remain loyal for the unique attributes of the product or the service processes. For example: in the auto mobile industry, consumers attach to a unique attribute of each brand which in the consumer's mind cannot be replaced by an alternate car brand. Mercedes Benz is attached with prestige, Volvo with safety, BWM luxury and performance, and Toyota with reliability etc. At present Singer leads market in television segment having 40% of the market share and Abans and Softlogic take the 2<sup>nd</sup> and 3<sup>rd</sup> positions capturing 35% and 15% markets share respectively (Source: Singer internal data).

## 2. Symptoms of the Problem

Television importers' annual sales conference of the financial year 2012/2013 held at a revealed that the sale of light-emitted diodes (LED) television (TV) category dropped significantly and it has affected to the top line and bottom line of the company. New entries of the market such as Olan (Crown Investment), Innovex (Damro), BG (Browns) and un-branded Chinese TV captured branded TV market. Biggest threat of the new entries is they provide almost same features at half a price of the branded TV. Sales team has also pointed out that the behaviors of consumers who purchase televisions are different as they buy them for long-term use.

Concern of the sales department was that building consumer loyalty towards each and every TV brand is vital for sales according to the prior researches there is a positive relationship between brand loyalty and consumer buying behavior (Eg:[5],[3]). Therefore, the companies has strongly emphasized that the they should carry out focused brand promotions underlying brand attributes to build the consumer loyalty which will definitely help them to increase sales.

## 3. Justification of Problem

Singer Sri Lanka PLC being the market leader in consumer electronics sector focuses its individuals brands when designing promotional campaigns whereas companies are focusing more on their core brand which is the star brand of its range of brands. As a result of that 'Singer' holds the market leadership in the LED TV segment in Sri Lanka having 38% of market share (Source: Singer Internal Data). Therefore, due to the lack of attention on LED TVs' the sales have been losing over the past years compared to the other TV brands they market. This has created an effect on the bottom line of LED TV dealers in Sri Lanka.

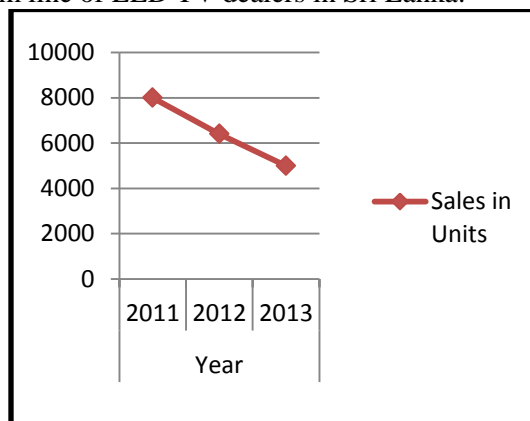


Fig 1: Past Sales Performance of LED Television

The figure 1 show the past sales performance of the said TV brand and it clearly indicates a sharp drop in sales over the years. Therefore, it is of paramount importance to do a further study to determine the impact of

brand loyalty over the consumers' buying behavior when they make a purchasing decision on a particular TV brand.

### **3.1. Problem of the Study**

Whether brand loyalty has an impact on buying behavior of consumers' in making the buying decision on an LED television?

### **3.2. Objective of the Study**

- To study and explore the relationship between brand loyalty and consumers' buying behavior when it comes to LED TVs.
- To examine whether brand loyalty is a critical factor when consumers making a buying decision on an LED TV.
- To determine the factors that affects the brand loyalty.

### **3.3. Significant**

The study investigates the critical factors that would contribute to construct brand loyalty and how those factors influence the buying behavior of consumers in relation to a television. Through this study, researcher makes suggestions to the selected firm to capture more sales utilizing brand loyalty in the business. Further, this study will help the brand custodians and the top management of any industry who look for effective ways to improve the area of 'brand building' which helps to instill brand loyalty among potential consumers. For brand custodians, this study will help to understand the importance of building brand loyalty and to plan out and implement marketing strategies effectively. For top management, this will encourage to think strategically and positively to build brands to have competitive advantage and sustain in the industry gaining long term benefits.

## **4. Literature**

### **4.1. What is Brand**

[6] Stated that brand could be identified as the interface between the company and the consumer and over time brand loyalty may develop in consumer's mind and explains that brands are of utmost strategic importance in consumer markets. The most distinctive skill of the professional marketers is the ability to create, maintain, protect and enhance brands in the market they operate. It is considered that branding is an art and also the initial stage of marketing. American Marketing Association (AMA) defines the brand as a "name, term, symbol, or design or a combination of them that is intended to identify the goods or services of one seller or group of sellers and to differentiate them from products of competitors". Accordingly, by a brand, seller or maker can be identified. As per Trademark law, exclusive rights are granted to seller to use the brand name in perpetuity [7].

### **4.2. Brand Loyalty**

According to [8] brand loyalty is defined as "... biased, behavioral response, expressed overtime, by some decision making unit, with respect to one or more brands out of set of such brands and is a function of psychological processes". Brand loyalty has been defined by [9] as "...a favorable attitude towards, and consistent purchase of a particular brand". The implication of this definition is that consumers' loyalty towards a brand depends on the favorability of behavior and attitude. According to [10] brand loyalty is "...a deeply held commitment to purchase or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts that have been the potential to cause switching behavior".

Expanding the thoughts on the same concept, it was concluded that the scope of brand loyalty majorly covers two elements. They are as follows;

- Action loyalty
- Affective loyalty

Action loyalty is concerned of the actual purchase of the product or the service that is on offer whereas affective loyalty assesses the level of affinity and the preference of a consumer for a given brand.

According to [11] four factors have been regarded as contributing to brand loyalty.

### **4.3.Brand Awareness**

Brand awareness could be regarded as the strength of the brand to be traced, assessed and evaluated as an ability of the consumer to identify the brand even under different states. Brand awareness is comprised of brand recall and brand recognition attributes. In literature Brand recall could be regarded as the ability of the consumer to search the brand from memory, when given the category of product, the needs that are accomplished by the given product category, or a usage of purchase situation as a hint [12]. Brand recall will be important when consumers make their purchase decisions being away from the point of purchase.

### **4.4. Brand Image**

According to [13] consumers keep on buying popular brands with lot of confidence because it reduces the purchase risk. It implies that a brand with a good image has the ability to reduce the product perception risk of the consumers and increase positive response from consumers. [14]Brand image is the way that public perceives a product or service offered by a company. Image can be shaped by various factors and it is beyond the control of the company. Consumer finds the unique attribute that each brand accommodates and this result in a collection of brand beliefs being constructed in mind of the consumers.

### **4.5. Perceived Quality**

Perceived quality is a relationship which is generally essential to build brand equity and also is a main dimension of brand equity. Perceived quality has an association with brand usage, price premiums, stock return, and price elasticity etc. Perceived quality is also having a critical characteristic that can be applied over product categories [3]. The quality of product is an attribute of an established brand name and stimulates buying intention. Mean time [15] emphasized that possession of high quality products helps to marketers to be more competitive in their marketing mix implementation.

### **4.6. Company Reputation**

Companies which have built a good reputation among consumers frequently have an easier time taking back the confidence level of customers once faced to a crisis. Literature described that the reputation of a company indicates the history of its past acts and hits the buyer's expectancies with regards to the quality of its offerings [16]. Among consumers, the reputation of the company ascertains by the level of trust they have built in the company. It ascertains the company's credibility with customers, and their consent to return to the products offered by the company. According to [17] the typical model of customer buying object holds that company reputation interrelates with both information about an offering and other factors of the marketing mix.

### **4.7. Consumer Buying Behavior**

Consumer behavior evaluates how groups, individuals, organizations choose, purchase, consume and dispose of services, goods, experiences or ideas to address to their unique needs and wants [18]. Consumer behavior is comprised of feelings, ideas, experiences and relationships of consumers with environmental factors such as advertisements, process and comments. Moreover, consumer behavior is a process of a dynamic nature due to the continuous alternations that take place in perceptions, ideas and activities of consumers [19].

### **4.8. Relationship between Brand Loyalty and Buying Decision**

A positive relationship has been found to be in existence between brand loyalty and higher market share by [20], [21]. Customers who are loyal to a given brand would be less responsive to price changes in different products that are found in the market place, carry and spread across positive messages about the product, continue to spend more on the offerings of the company and etc., But more importantly it was observed by [21], just having satisfied customers will not result in brand loyalty.

## 5. Conceptual Framework

Based on the theoretical background presented in literature review section, conceptual framework has been developed to conduct the empirical study as follows.

In firstly brand recall could be regarded as the ability of the consumer to search the brand from memory, when given the category of product, the needs that are accomplished by the given b product category, or a usage of purchase situation as a hint [12]. According to [22] supported the above argument pointing out that a brand with a good image has the ability to reduce the product perception risk of the consumers and increase positive response from consumers. The qualities of product are an attribute of an established brand name and stimulate buying intention [3]. Finally, [17] the typical model of customer buying object holds that company reputation interrelates with both information about an offering and other factors of the marketing mix. Therefore an independent variable is one that influences the dependent variable in either a positive or negative way. The independent variable for the study is brand loyalty and the dependent variable is consumer buying behavior. Company reputation, brand image and product quality and brand awareness of electrical appliances have been identified as independent variables which influence the relationship between the brand loyalty and the consumer buying behavior.

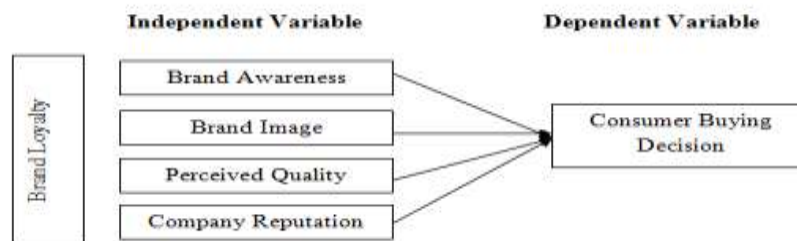


Fig 2: Conceptual Framework

## 6. Hypotheses

Considering to the relationship between brand awareness and consumers' buying decision, following hypotheses were formulated,

H<sub>1a</sub> - There is a positive relationship between brand awareness and consumers' buying decision

H<sub>1b</sub> - There is a negative relationship between brand awareness and consumers' buying decision

Considering to the relationship between brand image and consumers' buying decision, following hypotheses were formulated,

H<sub>2a</sub> - There is a positive relationship between brand image and consumers' buying decision

H<sub>2b</sub> - There is a negative relationship between brand image and consumers' buying decision

Considering to the relationship between perceived quality and consumers' buying decision, following hypotheses were formulated,

H<sub>3a</sub> - There is a positive relationship between perceived quality and consumers' buying decision

H<sub>3b</sub> - There is a negative relationship between perceived quality and consumers' buying decision

Considering to the relationship between company reputation and consumers' buying decision, following hypotheses were formulated,

H<sub>4a</sub> - There is a positive relationship between company reputation and consumers' buying decision

H<sub>4b</sub> - There is a negative relationship between company reputation and consumers' buying decision

## 7. Research Method

### 7.1. Research Design

The research design is an exploratory research design. Data will be collected both from primary sources or secondary sources. A survey method was used to collect primary data from the respondents using a structured questionnaire. Secondary data collected from different articles, journals, books, websites and magazines etc. The

survey will be conducted on the television buyers within the age group of 20 – 60 years because this age group has consistently been found to contain individuals who are most likely to purchase televisions.

## **7.2. Sample Design**

Probability sampling technique is used to design sample and to choose the subjects of the sample.

## **7.3. Population**

The target population of the survey is the LED television users in Sri Lanka. However, for the purpose of this study, the target population consisted of LED television purchasers who have purchased LED televisions on hire purchase basis in all over the Sri Lanka.

# **8. Analysis**

## **8.1. Correlation Analysis**

### **8.1.1. Correlation between Brand Awareness and Consumer Buying Decision**

The  $r$  value is identified as +0.439. This implies that there is a positive relationship between the brand awareness and consumers' buying decision. The strong relationship is measured at  $r = 0.5$ . In the above scenario, the  $r$  value is just falling short to 0.5. Therefore, it can be said that the relationship between the two variables is positive moderate. The  $p$  value of the correlation analysis between brand awareness and consumer buying decision is 0.01. This implies that the correlation value is significant at 99% confidence level. The coefficient determination value ( $r^2$ ) is 0.19 and it implies that there is a responsiveness of 19% of consumers' buying decision to brand awareness

### **8.1.2. Correlation between Brand Image and Consumer Buying Decision**

In the analysis  $r$  value is displayed as +0.470. This implies that there is a positive weak relationship between the brand image and consumers' buying decision. As the  $r$  value is just falling short the 0.5 where the strong relationship is measured at, it can be said that the relationship between the two variables is more towards positive strong. The  $p$  value of the correlation analysis between brand awareness and consumer buying decision is 0.01. This implies that the correlation value is significant at 99% confidence level. The  $r^2$  value which describes the coefficient is 0.220 and it demonstrates that there is a responsiveness of 22% of consumers' buying decision to brand image.

### **8.1.3. Correlation between Perceived Quality and Consumers Buying Decision**

In the analysis interprets as  $r$  value is projected as +0.353. This indicates that there is a positive relationship between the perceived quality and consumers' buying decision. As the  $r$  value is less than 0.5, it can be said that the relationship between the two variables is positive weak. The  $p$  value of the correlation analysis between brand awareness and consumer buying decision is 0.01. This implies that the correlation value is significant at 99% confidence level. The  $r^2$  value is identified as 0.136 and it implies that there is a responsiveness of 13% of consumers' buying decision to perceived quality.

### **8.1.4. Correlation between Company Reputation and Consumer Buying Decision**

Here  $r$  value is identified as +0.576. This means that there is a positive relationship between the company reputation and consumers' buying decision. As the  $r$  value is more than 0.5, it can be said that the relationship between the two variables is positive strong but is more towards moderate. The  $p$  value of the correlation analysis between brand awareness and consumer buying decision is 0.01. This implies that the correlation value is significant at 99% confidence level. The  $r^2$  value is identified as 0.33 and it implies that there is a responsiveness of 33% of consumers' buying decision to company reputation.

As per the above table II, the  $r$  value of the company reputation indicates the highest. This implies that the strength of the relationships of the above variable and the consumers' buying decision is high. The  $r$  value of the perceived quality is the lowest and it implies that the strength of the relationships of the above variable and the consumers' buying decision is low.

TABLE I: R and R<sup>2</sup> Comparison

Independent Variable	Dependent Variable	
	Consumer Buying Decision	
	Correlation Coefficient (r)	Coefficient of Determination (r <sup>2</sup> )
Company reputation	0.576**	0.332
Brand Image	0.470**	0.220
Brand Awareness	0.439**	0.193
Perceived Quality	0.353**	0.136

\*\* Correlation is significant at the 0.01 level (2-tailed)

Source: SPSS Output

The  $r^2$  value of company reputation indicates the highest. It implies that company reputation has a high responsiveness which is 33% towards consumers' buying decision. Meanwhile, the  $r^2$  value of the perceived quality shows the lowest. It indicates that perceived quality has a low responsiveness which is 13% towards consumers' buying decision.

## 9. Findings

It was statistically proved that there are significant relationships existed between each independent variable and dependent variable. Brand loyalty constructive variable such as brand awareness, brand image and perceived quality showed a positive weak correlation on consumers' buying decision while company reputation indicated a strong positive correlation. According to findings, all four factors have identified as important factors in creating the brand loyalty which will have a high influence on consumers' buying decision. The company reputation and brand image have been identified as most critical in creating brand loyalty in relation to the selected brand and the company.

- Positive moderate relationship existed between brand awareness of the selected brand and consumers' buying decision. Based on the response rating percentage analysis, it can be further concluded that the most of factors which used to measure level of brand awareness in relation to the selected brand was rated very low. It concluded that the brand awareness on the selected brand is very poor.
- Positive relationship which indicated more towards strong existed between brand image of the selected brand and consumers' buying decision. Based on the response rating percentage analysis, it can be further concluded that the most of factors which used to measure the image of the brand in the consumers' mind in relation to the selected brand was rated moderate. It concluded that the brand image on the selected brand is not very high.
- Positive weak relationship but more towards strong existed between perceived quality of the selected brand and consumers' buying decision. Based on the response rating percentage analysis, it can be further concluded that the most of factors which used to measure the level of perceived quality of the selected brand in the consumers' mind was rate moderate. It can be concluded that the perceived quality of the selected brand is not up to the expectation of the consumers.
- Positive strong relationship existed between company reputation with regard to the selected company and consumers' buying decision. Based on the response rating percentage analysis, it can be further concluded that the most of factors which used to measure the level of reputation on the selected company in the consumers' mind was rated high. It can be concluded that the reputation on the selected company is satisfactory.

## 10. Discussion

It is recommended to increase print advertising which can give more information to the consumers with regards to features and benefits and special promotional schemes etc. Also it will be possible to run loyalty program which will get the attention of consumers who have attached to competitor brands. By doing this, the company will be able to increase the awareness level of the brand.

Also so the brand should be able to build its image by offering its consumers a unique experience as well as by participating or sponsoring events which will be in line with the brand values. In that sense, consumers will feel more attachment towards the brand and their perception will be positive. In turn, it will help to increase the image of the brand. Also should sponsor for attractive events such as cricket matches, rugby matches, get-togethers, and CSR programs etc. to increase the image of the brand. Example: 'Philips' Cup Cricket Match as they for 'LG' brand

When it comes to an electronic item, perceived quality plays a vital role. There can be well known and well aware brands with negative perception of the perceived quality. So the brand should offer 'high quality' product as a whole to the consumer which is lacking in this brand. It can be rectified by offering innovative and user-friendly with more functional benefits and product differentiation. Example: 'Samsung' smart LED television.

The strong positive position with regard to the company reputation should be further strengthened by delighting the consumers in its full operation. This mainly depends on the 'employees' of the company whom can many negatives into positives. For example; in case a customer makes a complaint to sales department about the product he has purchased at a time salesmen are very busy, the salesman should patiently listen to it and should be able to give a satisfactory solution to the customer. This is good customer handling. If salesman did not give a proper answer, the customer gets disappointed and loses the confidence about the company. Therefore, company should continuously do training and development program, incentive rewards to motivate employees.

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