

The Relationship of Perceived Value, Service Quality, Brand Trust, and Brand Loyalty. A Literature Review

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The concept of loyalty has evolved as an important issue in the world of marketing as companies are focusing their strategy in retaining customers and increasing their sales. The purpose of this study is to re-evaluate the involvement of various factors related to the perception of value, service quality, brand trust and brand loyalty in the industry of mobile phones through literature review and examination of previous research. Some studies have found that the observed variables are the key drivers of brand loyalty. However, other opinions are also presented for their different perspectives and a broader view of the research topic.

Keywords: brand loyalty, perceived value, service quality, brand trust

JEL Classification: M31

1. Introduction

Research on brand loyalty had been widely conducted in a variety of contexts including in the mobile phone industry, particularly in measuring the determinants of brand loyalty of pre-paid products. Indonesia has great market potential for the mobile phone industry, but a very intense competition has developed recently. The high level of penetration of mobile phone market in Indonesia makes the number of mobile phone players in this industry interested to take a part in achieving a higher market share in Indonesia (Ningsih, 2014).

Indonesia currently has eight telecommunication operators that serve the needs of approximately 257.9 million people. Five of them are based on Global System for Mobile Communication (GSM). They are PT Telekomunikasi Seluler (Telkomsel), PT Indosat Tbk (ISAT), PT XL Axiata (EXCL), PT Smartfren Telecom Tbk (FREN), and PT Hutchison CP Telecommunication. Besides, four of them are based on Code Division Multiple Access (CDMA) that consist of PT Bakrie Telekom Tbk (BTEL)/Mobile-8, PT Sampoerna Telekomunikasi Indonesia (STI), and Natrindo Telepon Indonesia/PT Axis Telekom Indonesia (Ditjen SDPPI, 2014 and Anestia, 2015). Statistically, the growth of cellular phones since 2004 reached 29,836,607 customers and continued to grow to 358,130,675 customers, in 2015. The evolution of cellular customers in Indonesia from 2004 to 2015 can be seen in Figure 1.

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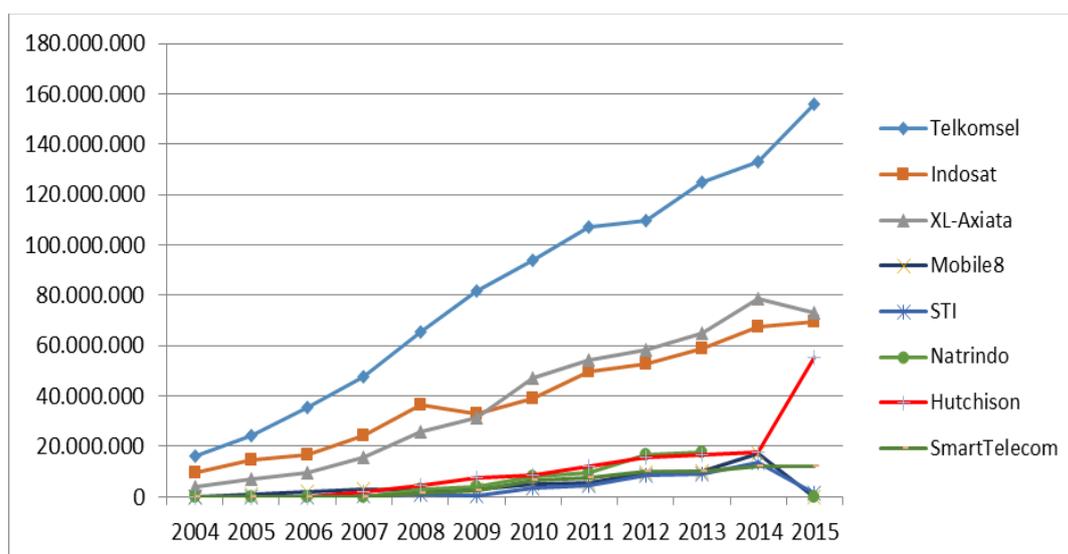


Figure 1. Mobile Phone Customers Growth from 2004 to 2015
Source: Ditjen SDPPI, (2015)

The high growth of mobile phone customers in Indonesia could encourage a higher mobile phone market share that could make Indonesia as an important potential area for the telecommunications market. The trend of positive growth to all mobile phone operators has caused little changes in the market share of each operator in recent years. Telkomsel, Indosat, and XL-Axiata are the three operators with the largest share of customers in Indonesia. The customer is the important unit in telecommunication services which is operating in a competitive brand environment where telecommunication brand service providers need to be aware of the various factors boosting brand loyalty in order to build effective business strategies for customers' retention (Lim *et al.*, 2006).

Attention to the determinants of brand loyalty through perceived value, service quality, and satisfaction have also been used to measure the significance of the relationship between brand loyalty and its determinants. Deng *et al.*, (2010) Ishaq *et al.*, (2014, 2015) and Osman *et al.* (2016) conclude that the observed variables can be used, or not, in measuring brand loyalty, therefore, debates and inconsistencies occur in marketing literature.

2. Theoretical Review of Brand Loyalty

The study of brand loyalty has been widely conducted in various areas and contexts, including in the mobile phone industry. To measure brand loyalty, previous researchers used various variables as determinants of brand loyalty, such as perceived value (Rasheed and Timeless, 2014; Chang, 2015; Yeh *et al.*, 2016), service quality (Hou and Wonglorsaichon, 2011; Hafeez and Muhammad, 2012; Rasheed and Abadi, 2014), customer satisfaction (Chang, 2015, Asiamah *et al.*, 2016; Hew *et al.*, 2016), and brand trust (Hou and Wonglorsaichon, 2011; Liao, 2015).

The researchers also prove that a customer's loyalty to a brand is also conducted through customer brand identification, brand trust, and word of mouth communication (Nikhashemi *et al.*, 2015). Furthermore, (Chang, 2015 and Yeh *et al.*, 2016) says that value perception through the dimensions of emotional value, social value, price value, and quality value can increase the brand loyalty for a service. While Dehghan *et al.* (2015) say that the dimensions of utilitarian value, hedonistic value, value perception, customer satisfaction and customer value can measure the customer loyalty for a brand. Park and Kim (2016) state that brand loyalty can be measured through dimensions of brand value, brand trust, and brand effects. Further, Hou and Wonglorsaichon (2011) and Lam and Shankar (2014) use dimensions of value perception, brand satisfaction, trust, and brand attachment to enhance brand loyalty.

3. The Relationship between Loyalty and its Determinants

Referring to the problems of the mobile phone industry in Indonesia, the relationship framework of the determinants of brand loyalty measured by value perceptions, service quality, brand trust through the study of various previous researches literature is structured as follows in the two sub-sections, namely the relationship between customer value and brand loyalty, and the relationship between service quality and brand loyalty.

3.1. The Relationship between Customer Value and Brand Loyalty

Value perception is the value of a product that is expected and perceived by the consumer. The expectation of a customer regarding a product is different than for other consumers, in terms of purchase quantity, service quality, convenience (before purchase, using and after purchasing) and so on. Krisnanto (2017) mentions that the value of the customer is the source of all value in the organization, and creating strong customer value is the main goal of every company.

From the perspective of the customer, Chuah *et al.* (2014) state that the value model that is oriented on the customer is based on the functional value, monetary value, emotional value, adjustment value, and relational values, which are the predictors that can be used to influence various aspects of customer loyalty to brands (behavioral attitudes and composites). Ishaq (2012) reports that the value perception is proven and able to build the customer loyalty to the brand in the telecommunications industry. The value perception also affects the customer in consuming the brand, directly, and can also cause the customer loyalty to the brand, indirectly (Wongsuchat and Ngamyan, 2014).

In addition, Rasheed and Abadi (2014) say that service quality, trust, and value perceptions are antecedents of loyalty where they find that service quality, trust, and perception value factors have a positive relationship with brand loyalty. Value perception consists of the emotional value, social value, price value for money and performance/quality value have a relationship with brand loyalty (Chang, 2015; Chua *et al.*, 2015). Some surveys support the loyalty model as a function of expressive response and instrumental customer that result in trust of customer on the brand intrinsically or extrinsically and heuristics and rational values based on perceived value.

Meanwhile, Lam and Shankar (2014) report that in the early adoption type of inter-generation adopters of the equipment telecommunication technology is influenced by the perceived brand value. Furthermore, (Deghan *et al.*) 2015; Yeh *et al.* (2016) find that perceived values that include functional value, emotional value, social value, and brand identification have a positive effect on brand loyalty for mobile phones in Taiwan. In line with previous researchers, Nikhasemi *et al.* (2016) and Rahmani *et al.* (2017) conclude that the creation of customer value would have an effect on the high loyalty of customers in consuming telecommunication brands.

3.2. The Relationship between Service Quality and Brand Loyalty

Nowadays, the concept and measurement of service quality have experienced a rapid growth in research. Krisnanto (2017) claims that service quality has an accurate capability to meet the needs of a service, willingness to help customers, knowledge, and friendliness of employee, and personal attention to customers, as well as the provision of physical facilities and overall employee appearances. According to Parasuraman, Zeithaml and Berry (1985), the main contributor to the measurement of service quality is presented in five dimensions, namely:

1. Reliability is the ability to deliver promised services immediately, accurately and satisfactorily.
2. Responsiveness is the desire of the staff to help the customers and provide services with responsiveness.
3. Warranties which include knowledge, competence, courtesy and credentials of staff, free of danger, risk or doubt.
4. The empathy that consists of simplicity in making relationships, good communication, personal attention, and understanding the needs of consumers.
5. Direct evidence which includes physical facilities, equipment, employees, and means of communication.

According to Akbar *et al.* (2010), the quality of service has a positive influence on loyalty. Furthermore, Zehir *et al.* (2011) say that the quality of service and perception of brand communications affect brand trust which will ultimately affect brand loyalty either directly or indirectly.

Further, Hafeez and Muhammad (2012) and Ishaq (2012) conclude that service quality, customer satisfaction, and loyalty programs are important factors that can increase customer loyalty to the brand. Rasheed and Abadi (2014) say that service quality is the antecedent of customer loyalty to the brand. But it is unlike with the previous opinions stated by Hou and Wonglorsaichon (2011), that the perception of the perceived quality of consumers will negatively affect brand loyalty.

3.3. The Relationship between Brand Trust and Brand Loyalty

Hasan *et al.* (2014) say that trust along with the believed values has a long-term relationship with the brand. The belief in the brand will ultimately lead the customers to their commitment and loyalty to the brand.

In addition, the brand must also be able to increase the customers emotional involvement so that the customers have a bond and loyal to the brand (Barusman, 2016).

The first dimension of trust is known as cognitive-based beliefs, knowledge-based beliefs, or system beliefs (Lewicky and Stevenson, 1997). While Hou and Wonglorsaichon (2011) state that brand trust has a positive effect on loyalty, Zur *et al.* (2012) report that the type of perceived belief is objective and it is based on a rational process that determines whether the other parties in the relationship can be trusted.

The second dimension of trust is known as the trust-based influence, emotional trust, interpersonal trust, or relational trust (Guenzi and Georges, 2010). The perceived type of belief is subjective naturally and based on feelings, emotions, and other moods (Zur *et al.*, 2012). Further, Ahmed (2014) and Liao (2015) say that brand trust still becomes a positive determinant of brand loyalty.

4. Theoretical Framework

The theoretical framework proposed in this research is presented in Figure 2.

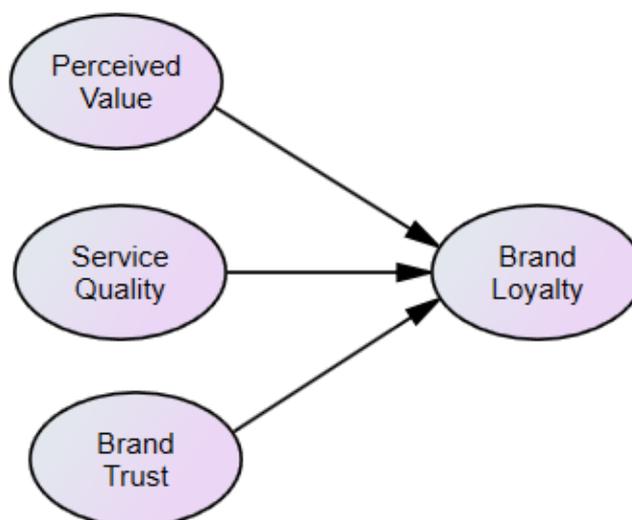


Figure 2. Theoretical Framework

5. Research Methodology

This research is conducted on the customers of mobile phone in Aceh Province and analyzed using Structural Equation Modeling (SEM) techniques which is operated through the Analysis of Moment Structure (AMOS) program.

6. Conclusion

6.1. Theoretical Contribution

The objectives of this literature study are to identify the dimensions of the value perception, service quality, and brand trust of customers in the telecommunications industry and to examine the relationship between value perception, service quality, and brand trust toward brand loyalty in the telecommunication industry. This research also provides value enrichment which arises from the model submission of brand loyalty of customers in further studies with different perspectives and dimensions.

In terms of practical contribution, if this conceptual framework were empirically tested, it can provide valuable insight to marketing practitioners in formulating customer-oriented marketing strategies. This framework will also assist marketing practices in creating competitive advantages in telecommunications industry which will ultimately create customer loyalty to the brand.

6.1. Suggestions for Further Researches

Brand loyalty is an important concept in improving sustainable income. The concept of brand loyalty has evolved in various business dimensions as a customer retention strategy for businesses where the loyal customers will always make frequentative purchases when the needs and desires arise. In a competitive business telecommunication service context, brand loyalty is an absolute necessity.

This study examines the effect of perceived value, service quality and brand trust on brand loyalty in the mobile phone industry. Future researchers are expected to test the concept of brand loyalty through other concepts, such as brand commitment (Fullerton, 2005), customer credibility (Bachri, *et al.*, 2016), brand experience (Wulandari, 2016), and Brand Attachment (Chinomona, 2013).

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