THE EFFECT OF STRATEGIC FACTORS AND THE ROLE OF RELATIONSHIP QUALITY AS MEDIATOR ON BRAND EQUITY OF AUTOMOTIVE INDUSTRY

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ABSTRACT

Building brand equity in today's competitive markets is important for organizations. A number of strategic factors such as advertising, product innovation, product quality, and country of origin have affected brand equity significantly. Equally important is the role of relationship quality in building brand equity. Although past researches have examined the effect of these strategic factors on brand equity, only limited research has investigated the role of relationship quality as a mediator between such strategic factors and brand equity. This research was planned to fill this gap by investigating the effect of the said mediating variable between strategic factors and brand equity. This research focuses on brand equity, relationship quality and the strategic factors of the automotive industry in Malaysia. The data was collected through questionnaires which were distributed to passenger car users in Malaysia. The research employed systematic sampling technique and structural equation modeling (SEM) using the AMOS software to draw inferences and make conclusions. The results indicated that product innovation and country of origin had significant positive effects on brand equity. However, product quality had a negative effect on brand equity. Moreover, the effect of advertising on brand equity was insignificant. It was also found that relationship quality had a significant positive effect on brand equity. The results also revealed that relationship quality mediated the relationship between strategic factors and brand equity. The results of this research have further strengthened the theory and related literature on brand equity and put forward recommendations for car manufacturers about the best approaches to build brand equity by using strategic factors as independent variables and relationship quality as mediating variable. Future research is recommended to integrate other strategic factors which may strengthen the theory besides enabling management to make better decisions.

Keywords: advertising, brand equity, country of origin, relationship quality, product innovation.

ABSTRAK

Pasaran kompetitif masa kini menitikberatkan pembangunan ekuiti jenama bagi sesebuah organisasi. Beberapa faktor strategik seperti pengiklanan, inovasi produk, kualiti produk dan negara asal pengeluar telah dikenal pasti mampu memberi kesan yang signifikan kepada ekuiti jenama. Di samping itu, kualiti hubungan juga mempunyai peranan yang turut menyumbang kepada pembangunan ekuiti jenama. Walaupun kajian-kajian lalu ada menyelidiki kesan faktor-faktor strategik berkenaan terhadap ekuiti jenama, namun kajian terhadap peranan kualiti hubungan sebagai faktor perantara adalah terhad terutamanya di antara faktor strategik dengan ekuiti jenama. Justeru, kajian ini dijalankan untuk mengisi lompang berkaitan. Kajian ini menyelidik kesan pemboleh ubah perantara tersebut terhadap hubungan di antara faktor-faktor strategik dengan ekuiti jenama. Kajian ini memberi fokus terhadap ekuiti jenama, kualiti hubungan dan faktor-faktor strategik dalam sektor automotif di Malaysia. Data dikumpul melalui penggunaan borang soal selidik yang diedar kepada pengguna kereta penumpang di Malaysia. Kajian ini menggunakan teknik persampelan sistematik dan kaedah permodelan kesamaan berstruktur melalui perisian AMOS bagi melakar inferensi-inferensi dan rumusan yang berkaitan. Keputusan kajian menunjukkan inovasi produk dan negara asal pengeluar mempunyai kesan signifikan yang positif terhadap ekuiti jenama. Manakala, kualiti produk mempunyai kesan negatif terhadap ekuiti jenama. Di samping itu, kesan pengiklanan terhadap ekuiti jenama menunjukkan hubungan tidak signifikan. Namun bagitu, kualiti hubungan juga didapati mempunyai kesan signifikan yang positif terhadap ekuiti jenama. Keputusan-keputusan tersebut menjelaskan bahawa kualiti hubungan menjadi perantara kepada hubungan di antara faktor-faktor strategik dan ekuiti jenama. Hasil kajian ini turut menguatkan lagi teori dan kajian-kajian terdahulu berkaitan ekuiti jenama di samping mengetengahkan cadangan-cadangan kepada para pengeluar kereta tentang pendekatan yang perlu diambil untuk membangunkan ekuiti jenama berdasarkan faktor-faktor strategik sebagai pemboleh ubah tidak bersandar dan kualiti hubungan sebagai perantara. Oleh itu, kajian masa depan disyorkan agar mengintegrasikan faktor-faktor strategik lain yang boleh memperkuatkan lagi sumbangan kepada teori di samping membantu pihak pengurusan untuk membuat keputusan yang lebih baik.

Kata kunci: pengiklanan, ekuiti jenama, negara asal pengeluar, kualiti hubungan, inovasi produk.

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TABLE OF CONTENTS

APPENDICES

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Branding concept has emerged in the literature for the first time 60 years ago and since then, it has become among the most important topics in strategic marketing (Keller, 1998). Powerful brand plays a very important role in marketing strategy, and is considered as one of the main assets and sources for organizational differentiation and competitiveness (Harun, Kassim, Igau, Tahajuddin, & Al-Swidi, 2010). Kotler (1994) thought about a brand as a symbol, name, term, sign, design, or a blend of them that aims to classify or differentiate the products or services of an organization from other organizations. A memorable brand plays important role in differentiating a firm from its competitors and can help it to create better customer loyalty (Nedeljković-Pravdić, 2010).

Consumers evaluate a brand based on their past experiences about whether product or service of such brand meets their expectation (Aaker, 1996a; Siddiqi, 2011). In highly competitive business environment, organizations realize that they must constantly monitor, develop, and reinforce their brands as to ensure consumers received intended value as planned on the long-term basis (Yang, 2010). As a result, being able to position a brand successfully in the minds of customer creates several benefits and one of them is a formation of brand equity.

Brand equity measures the capability of an organization in attracting loyal customers and enabling it to remain financially profitable (Haefner, Deli-Gray, & Rosenbloom, 2011). Creating strong brand equity has become the top objective for numerous organizations (Keller, 2003). This is because organizations with strong brand equity can enjoy several benefits such as: higher profit margins through increased sales and price premium, improved market share, less marketing costs, easier brand extension, and minimized threats from competition (Ailawadi, Lehmann, & Neslin, 2003; Tuominen, 1999).

As brand equity has become the main priority for many organizations (Keller and Lehmann, 2006), therefore, it has been realized that several factors significantly aid in developing brand equity. Moorthy and Zhao (2000) pointed out that advertising had a positive impact on brand equity. Sriram, Balachander, and Kalwani (2007) also reported that advertising and product innovation had positive effects on brand equity. Moreover, Dua, Chahal, and Sharma (2013) considered product quality as one of the significant factors that could develop brand equity. Country of origin is another important factor that influences consumers' perceptions and evaluations of brands (Hulland, 1999), but not many empirical studies to date have examined how country of origin image may influence brand equity (Saydan, 2013).

Similarly, many scholars have researched relationship quality and found it to be related to advertising, product innovation, product quality and country of origin (Baidya & Basu, 2008; Hameed, 2013; Hu & Huang, 2011; Rosenbloom & Haefner, 2009). In fact, certain scholars have argued that relationship quality had positive effect on brand equity (Lin & Chung, 2013; Pi & Huang, 2011) and it could play as mediating role between country of origin and brand equity (Sondoh Jr, 2009).

This research aims to examine the effect of strategic factors, namely, advertising, product innovation, product quality, country of origin, and the mediating effect of relationship quality on brand equity of automotive industry in Malaysia. As discussed in the preceding section, all these variables have strong relevance to the automotive industry. Section 1.2 provides an introduction to the Malaysian automotive industry.

1.1 Introduction to the Malaysian Automotive Industry

Under these sub-sections, history, background, and challenges faced by Malaysian automotive industry are presented.

1.2.1 History and Background

Malaysia is one of the rapidly growing economies in Asia with Gross Domestic Product (GDP) at an average rate of 5% in the 1980s and more than 7% in the 1990s (Malaysian Investment Development Authority, 2010). The GDP growth rate in 2012 was recorded at 5.6% (Ministry of International Trade and Industry, 2013). One of the most important sectors in driving Malaysian economy is manufacturing and this includes automotive industry.

The history of Malaysian automotive industry goes back to 1983 when the first national car, Proton was introduced. The establishment was basically due to the government of Malaysia's strategic plan to make manufacturing sector as a backbone to the country's economic development (Abdulsomad, 1999). In 1993, another national agenda for the automotive industry took off when the second national car company known as Perodua was introduced. Later in 1994, heavy vehicles segments such as buses and trucks were introduced. Then in 1995, the government introduced its national motorcycle which is known as Modenas, and two years later introduced commercial vehicle known as Inokom. To affirm its commitment to build sustainable automotive industry, the government announced the National Automotive Policy (NAP) in 2006. Later in 2009, NAP was reviewed as to further enhance the performance of the industry (Wad & Govindaraju, 2011).

No doubt, the automotive industry has played an important role in the improvement of the manufacturing sector in Malaysia (Kari & Rasiah, 2008). As a result of successful first national car project, Proton company expanded its business by going into international market. However, to become highly competitive industry, players in automotive and other manufacturing sectors must enhance their competitiveness especially in product and market development (Wad & Govindaraju, 2011). The following table provides a glimpse on the importance and current status of Malaysian automotive industry. By looking at the milestones and achievements it has made so far, it can be concluded that the industry is one of the main contributors to the Malaysian economy (Kari & Rasiah, 2008; Noor Hasmini, 2012). Hence, this research on Malaysian automotive industry is extremely important.

Table 1.1
Current Status of Malaysian Automotive Industry

No	Industry Achievements	Outcomes
1	Number of manufacturing licenses issued	77
2	Number of assembly plants and manufacturers	Currently 35 licensed motor vehicle assembly plants and manufacturers in operation.
3	Total production capacity	More than 80,000 units
4	Spare parts manufacturing	More than 700 component parts manufacturers producing more than 5,000 parts.
5	Total Employment Generated	More than 300,000 workers
Source: Asia-Pacific Economic Cooperation (2012)		
6	Total number of new passenger cars registered in 2012	552,189
7	Total number of new passenger cars produced and assembled in 2012	509,621
8	The percentage increase in total number of new passenger cars registered in last 5 years (2008 – 2012)	About 10%
9	The percentage increase in total number of new passenger cars produced and assembled in last 5 years (2008 – 2012)	About 5%
Source: Malaysian Automobile Association (2013)		

All these facts clearly indicate the intensity of this industry and the following subtopics discuss challenges in automotive industry in Malaysia.

1.2.2 Challenges in Malaysian Automotive Industry

According to the Malaysian-German Chamber of Commerce and Industry ([MGCCI], 2012), the market share of the two Malaysian national cars, Proton and Perodua was 59% of the overall car sales in 2009, and their market share remained 59% in 2011. However, the market share has decreased due to ASEAN Free Trade Agreement (AFTA) (MGCC, 2012).

AFTA, or ASEAN Free-Trade Agreement, is an agreement among ASEAN countries in 1992 to promote free trade among member countries (Masron & Nor, 2012). It was established in response to emerging regional grouping and agreements at international level such as NAFTA and European Union. The basic purpose of AFTA is to improve competitiveness of firms among ASEAN countries in meeting regional, international, and global challenges. Apart from that, AFTA promotes intra-regional cooperation through elimination of intra-ASEAN tariffs and other related barriers (MGCC, 2012). The establishment of AFTA has affected the economic structure and competitiveness of various industries and sectors of member countries and this include automotive sector.

AFTA has great implications for policy makers in Malaysian automotive sector (Salleh, Kasolang, & Jaafar, 2012). It drives automotive manufacturers to focus on quality, innovation, and other branding aspects. However, Malaysian manufacturers have not yet able to uplift their quality standards and compete successfully against well-known international automotive brands (Dewan, 2005, Noor Hasmini, 2012). Acknowledging this threatening scenario, the Malaysian government has been playing significant role in the improvement and protection of local automotive industry (Economist Intelligence Unit, 2010). In order to facilitate growth of Proton and Perodua and in response to strong competition from foreign automotive brands, the government has imposed specific tax structure on imported cars (Economist Intelligence Unit, 2012). By doing so, the government attempts to protect local manufacturers and encourage customers to buy local products at affordable prices. However, in spite of such challenges, AFTA provides a great opportunity for domestic manufacturers to benefit at regional, international, and global markets (EIU, 2012; Masron & Nor, 2012).

Apart from that, competitive brand is critical to all automotive companies as it will enable them to secure better market share (Noor Hasmini, 2012). Unfortunately, Malaysian brands are neither competitive locally nor internationally, and are less preferred by domestic customers if compared to foreign brands (Dewan, 2005; Noor Hasmini, 2012). Thus, appropriate strategies that could enhance automotive brands in the country are needed. Hence, this research aims to examine effect of strategic factors (advertising, product innovation, product quality, and country of origin) and relationship quality as mediating variable on building brand equity. A brief introduction of the variables is discussed in the following sub-sections.

1.3 Background and Introduction to Key Research Variables

1.3.1 Brand Equity

Aaker (1991) thought about brand equity as a combination of assets and liabilities related to a brand, its symbol and name that could add or deduct the value provided by a product or service to a firm or its customers. Moreover, Keller (1993) expressed brand equity as the marginal impact of brand knowledge on customer responses to the marketing of a brand. Aaker (1991) added that brand equity is associated with several elements such as brand awareness, brand loyalty, brand image, and perceived quality that could add value to a product provided to the end customers.

Brand equity has also been expressed previously in terms of brand loyalty, brand awareness, and brand leadership (Aaker, 1991, 1996b; Liaogang, Chongyan, & Zi'an, 2007). Further, Keller (1993) emphasized on brand image as one of the fundamental determinants of brand equity. Hence, it is imperative to define and measure brand equity in the context of Malaysian automotive sector using the four dimensions namely brand loyalty, brand awareness, brand leadership and brand image.

1.3.2 Strategic Factors

1.3.2.1 Advertising

Advertising is one of key factors that influences consumers' tastes and preferences besides capable to enhance differentiation of a product among others (Shah & Akbar, 2008). Advertising refers to the monetary investment of a brand on promoting its goods and services (Kotler, Armstrong, Saunders, & Wong, 2005). Marketing practitioners and academicians (Aaker 1991, Keller, 1993) demonstrated that advertising played a significant role in building powerful brands. Ha, Janda, and Muthaly (2010) proposed that advertising had a strong impact on the improvement of brand awareness and can influence consumer's decision toward purchase of products and services.

1.3.2.2 Product Innovation

Product innovation is important in today's market as it can become a good tool to market share and competitive advantage of a firm (Alegre, Lapiedra, & Chiva, 2006;

Beverland, Napoli & Farrelly, 2010). Product innovation can be defined as the ability of a brand to introduce new or considerably improved goods or services into a certain market (Un, Cuervo-Cazurra, & Asakawa, 2010). Product innovation is therefore important for creating brand equity because it strengthens and in several cases extends brand meaning (Beverland, 2005 & Keller, 2003).

1.3.2.3 Product Quality

Product quality reflects a firm's commitment to develop and provide products that improve the perceptions of customers toward its quality and superiority over competing brands (Menon, Jaworski, & Kohli, 1997). Previous studies proposed that consumer's perception towards product quality has strong impact on the creation of brand equity (Nowak & Washburn, 2002; Yoo & Donthu, 2001). Firms should continuously maintain their product quality as to obtain competitive advantage in marketplace (Eze, Tan, & Yeo 2012; Hilman, 2009). Furthermore, product quality plays a critical role in development of brand reputation (Hoq, Ali, & Alwi, 2010).

1.3.2.4 Country of Origin

Country of origin has received a noticeable concern in brand equity literature (Ahmed & d'Astous, 2006; Chen, Su, & Lin, 2011). It has been accepted as one of the main strategic factors that influence customer's perception and behavior (Kleppe, Iversen, & Stensaker, 2001). Thakor and Kohli (1996) defined country of origin as the country where a product or brand originally came from.

In the context of this research, it focuses on automotive industry in Malaysia. In today's competitive market environment among car brands, it has become very important for car manufacturers to focus on branding strategies of their products (Baltas & Saridakis, 2010; Thiripurasundari & Natarajan, 2011). Specifically, brand equity influences customers' purchasing decisions (Chattopadhyay, Shivani, & Krishnan, 2009; Baltas & Saridakis, 2010).

1.3.3 Relationship Quality

Relationship quality has gained scholarly attention as an important marketing strategy that aims to confine the critical features of the relationship between a brand and its customers (Walter, Muller, Helfert, & Ritter, 2003). It reflects the extent to which the strength of a relationship between a brand and its customers may drive long-term retention (Sublaban & Aranha, 2008). Relationship quality is composed of three elements: satisfaction, commitment, and trust (Ulaga & Eggert, 2006).

1.4 Problem Statements

A strong brand is a brand that owns positive equity by which customers respond more favorably to its marketing activities (Keller, 1993). Indeed, it can create competitive advantage for a firm (Hoeffler & Keller, 2003; Keller, 2001). Importantly, for a firm to be a global brand producer, it has to understand the reality that right branding strategy is an essential source for getting sustainable competitive advantage (Harun *et al.*, 2010; Kumar, Bohling, & Ladda, 2003).

As argued by certain scholars (Noor Hasmini, 2011; Valette-Florence, Guizani, & Merunka, 2011), in order to remain competitive, firms have to look at the antecedents of brand equity intensively and continuously. But surprisingly, limited studies have focused on determining the factors associated with the formation of brand equity (Barwise, 1993; Valette-Florence *et al.*, 2011). Thiripurasundari and Natarajan (2009) also urged researchers to examine brand equity determinants.

As stated by Wad *et al.* (2011), Japan which was later followed by South Korea have improved their competitiveness and global market share in automotive industry. However, the export competitiveness of Malaysia in this sector is not progressing well (Loke, 2007). The automotive industry in Malaysia is still struggling to enter the global markets, unlike Japanese and Korean car brands (Wad *et al.*, 2011).

One of the important strategies that play important role in determining market success is advertising (Olufayo, Ladipo, & Bakare, 2012). In the present state of competition, organizations that employ advertising as one of the effective communication strategies can create customer awareness of a brand and hence brand equity (Buil, de Chernatony, & Martínez, 2011). A number of studies found that advertising had significant effect on various dimensions of brand equity (Chattopadhyay, Dutta, & Sivani, 2010; Chen & Green, 2012; Hameed, 2013). Moreover, some past researchers found that advertising significantly affected relationship quality (Baidya & Basu, 2008; Jakpar, Na, Johari, & Myint, 2012). However, a thorough review of past studies reveals that there are limited studies which examined the effect of advertising on brand leadership as a dimension of brand equity.

Furthermore, literature indicates product innovation as an important factor for strengthening market competitiveness and improving firm's performance (Hashi & Stojčić, 2013). But the theoretical and empirical research that investigated its effect on brand equity is limited (Stock, 2011). Product innovation is an important aspect of product strategy (Lages, Silva, & Styles, 2009; Menon *et al.*, 1997) which can determine and significantly affect brand equity (Bayus, Brexendorf, & Keller, 2013). Certain scholars (Hu & Huang, 2011; Hussain, Munir, & Siddiqui, 2012) found a significant relationship between product innovation and relationship quality.

Similarly, product quality as a key strategic tool might also affect customer's perception of quality or brand image in comparison with competitors' products (Menon *et al.*, 1997). Several scholars (Musekiwa, Chiguvi, & Hogo, 2013; Yoo, Donthu, & Lee, 2000; Nowak, Thach, & Olsen, 2006) found that product quality had a significant impact on brand equity. Previous studies also found out product quality had a significant impact on relationship quality (Hameed, 2013; Hong-Youl & Kang-Hee, 2012). However, based on the review of literature, it is observed that only few studies intended to test the effect of product quality on brand leadership; a dimension of brand equity. Hence, this research aims to fill this gap by investigating the effect of product quality on brand leadership.

According to Diamantopoulos, Schlegelmilch, and Palihawadana (2011), brand value can be affected by the perception of country of origin. Country of origin has been considered to be a significant strategic factor for international marketers (Clarke, Owens, & Ford, 2000; Josiassen & Harzing, 2008) especially for their branding strategy (Kleppe *et al.*, 2001). Therefore, future researches should look into the effect of country of origin on brand equity (Diamantopoulos *et al.*, 2011; Saydan, 2013). Fetscherin and Toncar (2009) noted that limited researches had examined the effect of country of origin on brand equity for automotive brands. Further, Michaelis, Woisetschläger, Backhaus, and Ahlert (2008) indicated that only few studies have tested the role of country of origin in building relationship quality.

Moreover, previous studies indicated that for a brand to be successful, building quality of relationships with customers is fundamental (Morgan & Hunt, 1994). But relationship quality in the branding area still needs further research (Kyung, Kang, Dong, Jong, & Suk, 2008; Hamlin & Chimhundu, 2007), particularly in Asian countries such as Malaysia (Noor Hasmini, 2012). Certain scholars found that relationship quality had a significant positive impact on brand equity (Aziz & Kapak, 2013; Lin & Chung, 2013; Nezakati, Yen, & Akhoundi, 2013). However, Ha *et al.* (2010), and Pi and Huang (2011) stated that there are limited studies that have empirically investigated the effect of relationship quality on brand equity. Ha *et al.* (2010) further indicated that there are limited studies that looked the effect of quality on brand equity and used relationship quality as a mediator between both variables.

Overall, certain scholars consider brand equity as a strategic issue and therefore, it should be managed strategically (Karadeniz, 2010; Wickham, Wong, & O'Donohue, 2011; Wood, 2000). While advertising, product innovation, product quality, and country of origin (Clarke *et al.*, 2000; Lages *et al.*, 2009; Menon *et al.*, 1997; Olufayo *et al.*, 2012) have been considered to be important strategic factors in affecting firms's competitive advantage and success, but there are few research works that investigated the effect of these factors on brand equity and considered relationship quality as a mediator between them in one research framework. Past studies have investigated these variables at the operational level. This research plans to fill this gap by studying these factors from strategic perspective.

Additionally, through the review of literature, it could be derived that the majority of past studies have somewhat ignored brand leadership, a dimension brand equity and studied the other frequently used dimensions (brand awareness, brand loyalty, brand associations, and perceived quality) of brand equity which represents a research gap where this study aims to target.

In particular, there is a need for conducting this research in the context of automotive sector in Malaysia because there prevails common dissatisfaction among customers about the quality (Ashari, Sim, & Teh, 2010; Mun, 2007; Wee, Khee, Warren, Pei, & Ping, 2012) and innovation of local made cars (Mahidin & Kanageswary, 2004; Mun, 2007). Moreover, there appears to be less effective advertising on the part of local car manufacturers (Mun, 2007) coupled with low perceived value of Malaysian cars compared to Japanese and other foreign brands (Wee *et al.*, 2012; Woo & Yap, 2007).

Concerning the gaps mentioned above in the literature, empirical work therefore is needed to fill those gaps. Consequently, the problem that this research seeks to address is: "To what extent strategic factors influence brand equity and whether relationship quality plays a mediator role between strategic factors and brand equity of automotive industry in Malaysia".

1.5 Research Questions

Based on the above problem statements, this research aims to address the following research questions:

1. Does advertising have any significant effect on brand equity?
2. Does product innovation have any significant effect on brand equity?
3. Does product quality have any significant effect on brand equity?
4. Does country of origin have any significant effect on brand equity?
5. Does relationship quality have any significant effect on brand equity?
6. Does relationship quality mediate the relationship between advertising and brand equity?
7. Does relationship quality mediate the relationship between product innovation and brand equity?
8. Does relationship quality mediate the relationship between product quality and brand equity?
9. Does relationship quality mediate the relationship between country of origin and brand equity?

1.6 Research Objectives

Based on the above problem statements, the present research aims to meet the following objectives:

1. To investigate if advertising has any significant effect on brand equity.
2. To investigate if product innovation has any significant effect on brand equity.

3. To investigate if product quality has any significant effect on brand equity.
4. To if country of origin has any significant effect on brand equity.
5. To investigate if relationship quality has any significant effect on brand equity.
6. To investigate the mediating effect of relationship quality between advertising and brand equity.
7. To investigate the mediating effect of relationship quality between product innovation and brand equity.
8. To investigate the mediating effect of relationship quality between product quality and brand equity.
9. To investigate the mediating effect of relationship quality between country of origin and brand equity.

1.7 Scope of Research

This research focuses on determining the factors that act as strategic contributors in building strong brand equity in the automotive industry. To achieve the above research objectives, questionnaires were distributed on passenger car users at shopping malls in Northern Malaysia (Penang, Kedah, and Perlis). Based on the review of literature, it is observed that there are few studies that have been done on this topic in this part of Malaysia.

1.8 Contribution of the Research

This research aims to contribute to socio economic development of Malaysia's besides theoretical and practical aspects of brand equity. Moreover, it seeks to offer best strategies to develop most competitive brand equity.

1.8.1 Significance of the Research

The automotive industry in Malaysia is rated as one of the main industries under manufacturing sector to drive the economy of the country (Ministry of International Trade and Industry [MITI], 2014). It has contributed to almost 3.2% of GDP in 2012 (Gilbert, 2013). According to Mohamad (2013), the contribution of local industries to economic GDP is what enhances a country's growth and helps it to be more developed. In line with Malaysia's dedication to inspire the competitiveness of local automotive brands, the industry contributed by RM30 billion to the national GDP and appointed nearly 550,000 employees in 2013 (Malaysian Automotive Association [MAA], 2014). These facts clearly show the importance of automotive industry in helping Malaysia towards its economic development.

Moreover, the automotive industry has set its target for total investment volume growth forecasts for 2015, 2016, 2017, and 2018 at 2%, 2.1 %, 2.2 % and 2.3 %, respectively (Ahmad, 2014; MAA, 2014). The vehicle production is also predicted to increase to 1.35 million units. Thus, this research was designed to help this industry to achieve its production and sales volume targets for the purpose of increasing its overall brand equity. Moreover, the automotive industry is expected to provide extra

150,000 employment opportunities by the year of 2020 (MAA, 2014). Similarly, the overall growth rate of GDP has been set between 5% and 6% in 2014, and the industry plans to contribute to GDP by 10% in 2020 (Malaysian Automotive Institute [MAI], 2014; MAA, 2014). This research was designed to identify the best approach on how the industry can help the country to achieve the desired economic growth rate.

Through its findings and recommendations about the relevant variables including strategic factors, relationship quality and brand equity, this research helps to achieve socio economic goals of the country. Adoption of recommendations of this research by the Malaysian automotive industry will result in improved brand equity and innovation of cars, in particularly, local brands. This would help increase their demand among customers leading to increased sales, market share, and reputation. Eventually this would result in more production of local cars and creation of more employment opportunities and contribute to the economic development of the country. This as a result will help customers to have more choices of better cars with innovative features and it will give them higher levels of satisfaction when they use Malaysian local brands, thus, contributing to the welfare of the society as a whole.

1.8.2 Theoretical Contribution

This research focuses on making a contribution to brand equity theory by acknowledging the effects of strategic factors (advertising, product innovation, product quality, and country of origin) and relationship quality as mediating variable on brand equity. This theory is improved because the findings indicated that product innovation and country of origin affect brand equity, and advertising affected one dimension of brand equity which was brand awareness. The mediator also affected brand equity which provides further contribution to brand equity theory.

The most significant contribution of this research is the introduction of relationship quality as mediator between the strategic factors and brand equity to reduce existing gaps on perspective and theory related to brand equity. This is because based on the review of past literature; it is evident that past studies which investigated the mediating role of relationship quality between such factors are limited. Moreover, the majority of past studies on brand equity were conducted in western countries and very few have focused on Asian contexts such as Malaysia.

Another important contribution that this research intends to make to brand equity theory includes examining the effect of strategic factors and relationship quality on brand leadership which is considered as an important element of brand equity. The review of literature indicates that only few studies intended to examine the effect of such factors on brand leadership, particularly, in Asian context. The analysis of results would enhance the establishment of generalization across relevant research stream especially with regards to the role of relationship quality as a key mediating variable.

1.8.3 Practical Contribution

As stated by previous studies, it is very important to assess and manage brand equity for durable products such as cars by which firms can generate high profits and by which customers usually evaluate the brand carefully before making their purchase decisions (Sahin, Zehir, & Kitapçi, 2011; Zehir *et al.*, 2011). Findings of this research should empower managers with better decision making knowledge especially in the context related to the effects of strategic factors – advertising, product innovation, product quality, and country of origin – on brand equity of Malaysian automotive sector. Additionally, it provides new insights on the role of relationship quality as a mediator between strategic factors and brand equity. With such knowledge, brands like Proton, Perodua, and others should have better chances to secure higher percentage of market share at local, regional, or international markets.

1.9 Definition of Key Terms

Brand Equity: It refers to a set of assets and liabilities related to a brand, its symbol and name that could add or deduct the value provided by a product or service to a firm or its customers (Aaker, 1991).

Brand Awareness: It refers to the ability of customers to recall or recognize a brand given product or service category (Keller, 2003)

Brand Loyalty: It refers to customer's affiliation and adherence to a brand reflected in repurchases behavior (Nigam & Kaushik, 2011).

Brand Image: It refers to the overall impression attached in consumer's memory about a brand (Nigam & Kaushik, 2011).

Brand Leadership: It refers to customer's acceptance of a brand's popularity and innovation and is reflected through higher brand recognition in global markets (Aaker, 1996b).

Advertising: A sponsored activity by a number of stakeholders that aims to influence peoples' attitudes and persuade them to purchase their products and services (Patrick, Maggie, & Van den, 2010).

Product Innovation: The ability of a brand to come up with goods or services that are new and useful to customers and have differences from other alternatives (Stock, 2011).

Product Quality: The extent to which the products provided by a brand fulfill or exceed customers' expectations (Kennedy, Ferrellb, & LeClair, 2001).

Country of origin: It refers to the country where a brand is perceived to be originating from (Sanyal & Datta, 2011).

Relationship Quality: It refers to the customer's general view towards their relationship strength with a certain brand (Crosby, Evans, & Cowles, 1990).

Brand Trust: It refers to customer's confident belief that he/ she can rely on a brand in delivering its products and services as promised (Mohammad, 2012).

Brand Commitment: It refers to the desire reflected by a brand and its customers to maintain valuable relationships on the long-term basis (Ok, Choi, & Hyun, 2011).

Brand Satisfaction: It refers to consumers' judgment towards a product or service feature in providing them with a pleasurable level of consumption related to fulfilling and matching their expectations (Zboja & Voorhees, 2006).

1.10 Organization of the Thesis

The thesis is organized as follows:

Chapter One includes an introduction, followed by background of research, problem statements, research objectives, research questions, scope of research, and contributions for carrying out the research in the area of brand equity for the automotive industry in Malaysia.

Chapter Two provides a detailed review of literature on strategic factors, relationship quality and brand equity. It also discussed related underpinning theories.

Chapter Three includes a research framework and highlights the methodology adopted for data collection and analysis. This chapter also addressed sampling procedure and techniques. The chapter is concluded by highlighting techniques employed in data analysis.

Chapter Four presents research results and a comprehensive discussion of the results.

Chapter Five provides conclusion and summary to main findings, research implications, limitations, and recommendations.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Brand equity literature has seen some interesting developments in recent years. This chapter starts by highlighting the definition of a brand and explaining brand management. Then the concept of brand equity and its dimensions are presented. It also provides a detailed review of literature on the strategic factors namely; advertising, product innovation, product quality, and country of origin and their effects on brand equity. Moreover, it reviews the literature on relationship quality and its effect on brand equity. Proceeded by is the discussion on related underpinning theories that explain the link between variables. Finally, the theoretical framework is developed according to the literature and related theories.

2.2 Definition of Brand

To understand brand equity concept, it is necessary to figure out the meaning of brand (Mourad, Ernew & Kortam, 2011). Aaker (1991) and AMA (2007) described brand as logo or name that aims to differentiate the products or services of a company from those of competitors. On the other hand, Marconi (1993) argued that a brand is more than just a name to be called by others, but also it is formed in order to distinguish the products or services of certain a company from its competitors and is created to provide customers with added values. Additionally, Ambler (1992) described a brand as a promise to offer a package of attributes that consumers purchase to meet their satisfactions.

The following section provides brief information about brand management and its role in helping firms to build strong brand equity.

2.3 Brand Management

Branding is considered as one of the essential assets for any organization (Curtis, Abratt, & Minor, 2009). A strong brand is expressive by its personality, and its ability to position itself positively in the hearts and minds of customers (Keller, 2008; Martisiute, Vilutyte, & Grundey, 2010). In fact, powerful brands focus on building strong connections with customers so that they stay alive and can face intense competition. In this way, strategic brand management is crucial for business success (Kotler, 2000).

Brand management has been the key concern for several organizations (Keller, 2008). It is basically influenced by the relationships between a brand and it customers. From this viewpoint, brand management refers to the process of planning, controlling, organizing, and observing the interactions between a firm and its customers (Schultz & Barnes, 1999), which is reflected by the vision of a firm and customers' feelings about it.

Brand management is an essential area of research, because it can assist marketers and managers to build their brand names, direct their marketing strategies, and boost customers' loyalty (Low & Lamb, 2000), mainly as firms try to communicate the eternal compound and intangible features as a key component of brand building activities (Goodchild & Callow, 2001). Establishing successful brands requires firms to innovate, plan strategically, and manage their brands effectively by which they have to communicate and internally develop their brands on a consistent basis (M'zungu, Merrilees, & Miller, 2010). In this way, business brand management has a significant role in creating positive attitude towards the organization (Curtis *et al.*, 2009).

Different people have different views on what brand management is (Krake, 2005). Particularly, implementing brand strategy and brand management is a regular marketing strategy and should follow the improvement of the organization (Keller, 1998). Keller (2008) demonstrated that effective brand management includes the design and implementation of the relevant programs and activities that are focused toward building, measuring, and managing brand equity. He further stated that organizational brand management is incorporated into everyday operation of a company. Moreover, Kapferer (2004) demonstrated that brand management is about gaining power by successfully making a brand widely known, more purchased, and more shared.

Strategically, managing a brand can protect brand equity and grant the organization sustainable competitive advantage (Hilman, 2009; M'zungu *et al.*, 2010) and long-term success (Liao, Chung, Hung, & Widowati, 2010). In order to manage a brand effectively and efficiently, it is crucial to adopt practical strategies to maintain and enhance brand equity in the face of different competitions (Keller, 2006). That is, the organization must be able to progress promptly to take advantage of new opportunities in the market. Zaichkowsky (2010) asserted that brand managers should start with a vision of what they want their brands to be, and then employ the fitting strategy to build them. In addition, Hilman (2009) stated that a company which understands its strategic direction and has the ability to well manage and execute its strategic plans will have better chances to beat competitors and obtain sustainable competitive advantage. The following section explains the concept of brand equity and elaborates on its dimensions.

2.4 The Concept of Brand Equity

Brand equity has been one of the most important topics under brand management which received scholarly attention from a number of scholars in past researches (Boo, Busser, & Baloglu, 2009). Several definitions of brand equity exist in the literature. At first, brand equity was described by Farquhar (1989) as the intangible value that a brand endows to its products. Similarly, it was defined by Lassar, Mittal, and Sharma (1995) as the improvement in perceived utility that a brand confers on its products. Aaker (1991) described brand equity as a set of assets and liabilities associated with intangibles values incurred in a product or service that a brand provides to its customers. Furthermore, Keller (1993) expressed brand equity as the differential impact of brand knowledge on customers' reactions to various activities designed to promote a brand.

In general, brand equity is an important concept in the field of branding as it has a key strategic role in helping organizations to achieve sustainable competitive advantage through the effective strategic management (Moradi & Zarei, 2011). The basic foundation of brand equity is linked with the success of an organization. This is because when it is established, greater profits and less promotional expenses will be encountered (Keller, 2003; Myers, 2003). Brand equity has also been viewed as a critical factor for coping with competition through utilizing different strategies and brand development programs (Fetscherin & Toncar, 2009). Undeniably, brands with high equity can receive higher profit margins, improve customer loyalty, avoid the threats of competitive attacks, and gain favourable customer reactions (Gill & Dawra, 2010). In addition, this intangible value can be the main criteria in selecting a certain brand among others.

Other relative advantages of acquiring strong brand equity include the ease of building competitive advantage, charging premium price, and maximizing advantages over customer demand (Aaker, 1991; Keller, 2008). There are additional advantages for obtaining high brand equity. For example, brand extension will become easier; advertising campaigns would be more appealing to customers; trade power will be enhanced; profit margins can be enlarged; and the organization becomes less subject to rivalry (Bendixen, Bukasa, & Abratt, 2003).

In past research, it is evident that brand equity is measured based on a number of dimensions. The following section explains views of certain scholars on dimensions that form brand equity. Specifically, it discusses the four dimensions that this research used to measure it.

2.4.1 Brand Equity Dimensions

Aaker (1991) proposed that brand equity is a multidimensional construct which includes perceived quality, brand awareness, brand association, brand loyalty, and other proprietary assets. Similarly, Keller (1993) presented brand equity as a concept that consists of brand association and brand image. Aaker (1996b) included brand leadership as a key element of brand equity. Yoo, Donthu, and Lee (2000) suggested that brand equity could be formed by strengthening the dimensions that are proposed by Aaker (1991). But other researchers (King & Grace, 2010; Papasolomou & Vrontis, 2006) declared that strong brand equity reflects the degree to which a firm gains strong brand associations, superior customer loyalty, high awareness, positive perception towards quality, and credibility.

Based on the review of literature on brand equity, it shows that majority of scholars have used the four dimensions proposed by Aaker (1991) to measure this concept. This research also focuses on four dimensions to measure brand equity which are brand awareness, brand loyalty, brand image, and brand leadership. The following section elaborates on these dimensions.

2.4.1.1 Brand Awareness

Brand awareness is expressed in terms of customers' abilities to recall or recognize certain products and services of a brand from equivalent brands in a particular industry (Aaker, 1991; Keller, 1998). In addition, Aaker (1991) suggested that brand awareness involves different elements such as: brand power, first choice, brand opinion, and brand knowledge. Similarly, Keller (2003) illustrated that brand awareness involves brand recognition and brand recall. Particularly, brand recognition reflects the degree to which customers can recognize a certain brand given within a group of brands. On the other hand, brand recall refers to the degree to which customers have the ability to remember a brand when thinking about a certain category of a product or service (Gill & Dawra, 2010).

According to Gordon *et al.* (1993), the development of brand equity is highly influenced by building brand awareness and customer loyalty. They further stated that awareness leads to brand associations that ultimately influence brand loyalty. Certainly, in order to enhance brand equity, firms should invest in marketing programs so that customers will have better awareness and familiarity towards offerings attached to brand associations when evaluating a brand against others in similar or identical category (Petruzzellis, Romanazzi, & Tassiello, 2010). This means brand awareness has a vital role in influencing consumers' decision making, especially when they had previously heard about that brand (Alamgir, Nasir, Shamsuddoha, & Nedelea, 2010). For instance, customers generally don't favor to purchase an unknown brand particularly for expensive products such as motor car, TV, refrigerator, apartment, etc. Consequently, brand awareness plays an important role in influencing consumers' purchase decisions (Biedenbach, 2012).

2.4.1.2 Brand Loyalty

Brand loyalty was defined in the literature as a commitment to repurchase a preferred product or service from the same brand despite existing similar products or services from other competitors (Oliver, 1999). Yoo and Donthu (2001) referred brand loyalty to the willingness of customers to consider a brand as a primary choice without having an intention to switch to others. Similarly, Chaudhuri (1997) assumed that brand loyalty is the customer's preference to purchase a certain brand name in a given product category frequently. Hence, brand loyalty reflects customers' commitment to repurchase a favorable product or service regularly in the future.

Fundamentally, brand loyalty is the basic element in the formation of brand equity. Assessing and managing brand loyalty is important especially for durable product categories such as cars through which products entail huge profit margins (Zehir *et al.*, 2011). Therefore, it is vital for brands to invest in customer loyalty as to create and sustain brand equity (Aaker, 1991, Gil, Andrés, & Salinas., 2007; Yoo *et al.*, 2000).

Due to intensity of rivalry at international markets, nurturing brand loyalty as to increase organizational performance and earnings growth has become a strategic priority for firms in seeking or building sustainable competitive advantages (Tsai, 2011). In fact, loyal customers show more positive reaction to a brand as compared to those who are not loyal (Chen *et al.*, 2011). Brand loyalty explains customers' preferences to choose a certain brand assuming that it provides them with pleasant features and superior quality at acceptable prices. Thus, brand loyalty is an important asset which results in better customer repurchase intention over time (Alamgir *et al.*, 2010).

2.4.1.3 Brand Image

Enhancing brand equity for any organization requires establishing a well-known brand name with positive image (Keller, 1993; 2003). Brand image refers to customers' perceptions toward brand associations that are grasped in their memories (Keller, 1993). Moreover, Aaker (1991) defined brand image as a set of useful associations structured in a proper way in the minds of customers. Thus, the image allied with a brand may affect perceived quality, price, or its value (Andrews & Kim, 2007). Consequently, positioning any brand at international markets requires a firm to improve its brand image (Park, Jaworski, & MacInnis, 1986).

Certain scholars thought about brand image as the overall perception of customers toward a brand through the valuation of associations that they attach in their memories (Henard & Dacin, 2010; Rio, Vazquez, & Iglesia, 2001). Henard and Dacin revealed that a brand which enjoys a positive image is likely to be considered as an industry leader and thus, customers develop positive impression about it. Similarly, Biel (1992) stated that brand image involves a bundle of characteristics and associations that customers link to a certain brand name.

Lassar *et al.* (1995) believed that brand equity is shaped in customers' minds through the confidence and remarkable images. Likewise, Kim, Kim and Lee (2010) demonstrated that the decision to buy a certain brand is taken when customers feel that it fits the images they seek and provides the desired features. Consequently, this would improve brand loyalty, affect their purchase decisions, and make them eager to pay premium prices for such brands that elicit these elements in their minds.

2.4.1.4 Brand Leadership

Brand leadership has also been established as a key dimension of brand equity (Allan, 2011; Morgan, Pritchard, & Pride, 2011). It was proposed by Aaker (1996b) who is regarded as one of the most well-known scholar in the field of branding, as an important component of brand equity. However, surprisingly, the majority of past studies have somewhat ignored this important dimension and focused on the other frequently used dimensions (perceived quality, brand associations, brand loyalty, and brand awareness) of brand equity. Thus, this research would investigate the effect of strategic factors on brand leadership as a key dimension of brand equity.

Keller (2008) defined brand leadership as the ability of a brand to influence customers and gain high market share, which in turns allow it to charge premium prices and cope with competitive players. Aaker (1996b) added that brand leadership covers aspects of market share, popularity, and innovation. It is particularly applied for global brands that emphasize on organizational creativity (Allan, 2011). All of these elements have made brand leadership sufficiently essential to worth this attention. It is generally common among powerful brands that lead a particular category of products or services in diverse markets (Morgan *et al.*, 2011).

Differentiation is another essential factor for brands that search to become strong leaders in particular product categories (Rozin & Magnusson, 2003). Differentiation stems from the ability to stand in marketplace in the presence of others; it reflects the degree by which customers find a brand as unique, different, and distinctive. Gehlhar, Regmi, Stefanou, and Zoumas (2005) specified that brand leadership can be sustained through the ability to differentiate organizational products and services from those of rivals. They further stated that in order to maintain a leadership position, it is necessary to focus on product innovation.

The above discussion indicates the significance of brand equity dimensions such as brand loyalty, brand image, brand awareness, and brand leadership. All of such dimensions should strengthen the credibility and worth of brands. In relation to that, this research aims to investigate the effect of strategic factors such as advertising, product innovation, product quality, and country of origin on brand equity with relationship quality as a mediator.

2.5 Strategic Factors

2.5.1 Advertising

Hilman (2009) specified that efficient business plan requires organizations to search for relevant strategies that could help them in meeting the needs of consumers. Advertising is one of the most well-known marketing communication means used to influence or persuade customers to buy certain products or services (Buil *et al.*, 2011). Most commonly, the main purpose of advertising is to develop consumer behavior towards products/ services being offered (Aaker, 1991; Keller, 2003).

The intensity of advertisements refers to consumers' perception on the frequency of a brand being advertised and scale or size of the campaign (Kabadayi, Aygun, & Cipli, 2007). Advertising is recognized as a strong communication tool for creating positive, strong, and unique associations with brand equity (Alamro & Rowley, 2011; So & King, 2010; Tong & Hawley, 2009). For example, it helps brands to differentiate their products from competitors and it further creates a strong platform to generate customer preference (Yoo *et al.*, 2000). Advertising also facilitates the development of brand image by establishing market confidence and trust, hence making customers consider that brand as a favorable choice (Madhavaram, Badrinarayanan, & McDonald, 2005; Zehir *et al.*, 2011).

Advertising programs typically aim to communicate a brand and can be viewed through numerous traditional communication media such as radio, television advertisements, outdoor advertising, newspaper or direct mail; or new media which include text messages, blogs, or websites (Iranzadeh, Norouzi, & Heravi, 2012). Simialrly, Sedaghat, Sedaghat, and Moakher (2012) suggested many advertising techniques to communicate a brand and this includes magazines, television (satellite, local, terrestrial, and national), journals, cinema, outdoor advertising (bus sides and posters), and newspapers (free, trade, national, and local). Moreover, Chattopadhyay *et al.* (2010) suggested television advertisement, mobile phone advertisement, event sponsorship, print advertisement, and internet advertisement as means to advertise a brand.

In short, advertising acts as a major tool in influencing consumers' decisions to select a certain brand (Ayanwale, Alimi, & Ayanbimipe, 2005; Kabadayi *et al.*, 2007). Milgrom and Roberts (1986) described advertising expenditure as a measure of advertising frequency and a predictor to product quality which could have a significant influence on firm's brand equity. The following section discusses the effect of advertising on brand equity.

2.5.1.1 Advertising and Brand Equity

Advertising has been of great interest for several companies in their efforts to create competitive advantages and maximizing brand equity (Chattopadhyay *et al.*, 2010; Doraszelski & Markovich, 2007; Gil *et al.*, 2007). Several scholars found that advertising spending had significant positive effect on brand image (Hameed, 2013) and overall brand equity (Clark, Doraszelski, & Draganska, 2009; Smith 2007; Sriram *et al.*, 2007; Tariq, Humayon, Bhutta, & Danish, 2014). Sedaghat *et al.* (2012) also indicated that advertising had a significant influence effect on two dimensions of brand equity (perceived quality and brand awareness).

Similarly, Chattopadhyay *et al.* (2010) found out advertising had a significant effect on brand awareness, but not with other brand equity dimension (perceived quality) in the context of Indian passenger cars. Their results were supported by Chen and Green (2012), Gil *et al.* (2007), Sedaghat *et al.* (2012), and So and King (2010) who found that advertising had a significant positive influence on brand awareness. Buil *et al.* (2011) also studied the influence of advertising among consumers in United Kingdom and reported that it had significant positive influence on brand awareness, but not on perceived quality and brand association. Therefore, it is believed that by using creative and original methods of advertising, firms can increase brand awareness and appeal. The insignificant affect on brand association and perceived quality could be explained due the transformation of conventional advertising into new media and excessive promotions (Wang *et al.*, 2009).

Previous literature also revealed that advertising significantly effected on other brand equity elements such as brand image and brand leadership. For instance, Tilley (1999) demonstrated that advertising played a key role in building brand leadership. Previous researches (Gil *et al.*, 2007; Chen & Green, 2012) also supported the significant positive effect of advertising spending on brand image. The findings of Gil *et al.* (2007) showed that advertising perception had a significant positive effect on brand equity dimensions (perceived quality, brand associations, and brand awareness).

Additionally, certain scholars (Chen & Green, 2012; Doostar, Asil, & Behrang, 2013) found that advertising had a significant positive influence on brand loyalty. But Tong and Hawley (2009) found that advertising expenses using TV as a means of communication had a negative effect on brand loyalty. Similar result was reported by Chen and Robert (2012) who conducted a study in Taiwan to test the perception of age groups' among retailers' marketing mix strategies and their impact on brand equity. The authors found that among the marketing mix strategies, advertising spending had negative effect on perceived quality, but its effect on other brand equity dimension (brand association, brand loyalty, and brand awareness) was significant and positive.

The above studies conducted by Chen and Robert (2012); Tong and Hawley (2009) were in Asian context. The insignificant effect of advertising on brand loyalty might be due to perceptual cultural differences among customers and ineffective advertising programs as compared to those in western cultures. Based on the above discussion, it can be concluded that most of the past studies agreed that advertising had significant and positive effect on brand equity; therefore, the following hypothesis is presented:

H1: Advertising has a significant effect on brand equity.

2.5.2 Product Innovation

Product innovation is another key strategic factor which can become as another competitive advantage to a firm (Chien, 2013; Moon, Miller, & Kim, 2010). Product innovation can be defined as the creation of new products or the development of existing products to fulfill customers' needs (Nemati, Khan, & Iftikhar, 2010). As customers' needs and requirements are frequently changing in terms of buying a product, their decisions are formed based on perceptions of a brand's products in terms of product design and innovative features (Moon *et al.*, 2010).

Specifically, an innovative product refers to a product that contains new ingredients or features (Anselmsson & Johansson, 2009). Customers usually evaluate a brand according to its involvement in innovation activities which reflect the differentiation features, usefulness, added values, and functionality (Lee & O'Connor 2003). For some purchasers, product innovation is determined by comparing a particular product with similar products related to different brands that exist in a certain marketplace (Anselmsson & Johansson, 2009).

In general, innovation is recognized as a driving force for organizational growth (Chimhundu, Hamlin, & McNeill, 2010). Firms with continuous innovation should be able to maintain strong presence in a particular market (Johne, 1999; Keller, 2003). Moreover, brands that actively work on product innovation will have better opportunities to gain higher growth and profits than those that do not, and they typically obtain higher brand awareness and appeal (Kingsland, 2007).

Product innovation plays a key role in guiding business managers toward establishing global market competitiveness (Kaplan, 2009). For instance, consumers are likely to create inferences about innovativeness by looking at product design as it has a power to hold strategic messages (Karjalainen, 2004; Muller, 2001). Additionally, it has an important role in transmitting the information about the purpose of a product, its benefits, features, origin, and the profile of its owners (Monö, 1997). Such information in turn contributes to the improvement of brand image and brand awareness (Schmitt & Simonson, 1997), which ensures the value of design as the main differentiator.

Several studies on innovation have mostly focused on product innovation because it is widely accepted as necessary to brand success (Saridan, Mohamed, & Intan, 2008). This is evident in the case of strong brands which introduce their products in highly competitive markets with innovative features that are difficult for competitors to copy, and through high investment in developing new product introductions for the purpose of meeting customers' needs (Henard & Dacin, 2010). Therefore, in order to meet their needs, firms have to cope with fierce competition by looking for new and better ways to satisfy their customers.

In short, the drive for product innovation and its development is common in some companies assuming that their brand images are inevitably allied with the innovative features of a product (Henard & Dacin, 2010). These companies frequently advertise and promote to the public that they are highly innovative and frequently launch products with new features to the marketplace. For instance, a firm's performance will increase when it initiates innovative products and make sufficient investment in marketing programs (Kaiser, 2001). In the following section, the effect of product innovation on brand equity is presented.

2.5.2.1 Product Innovation and Brand Equity

Despite the importance of product innovation for brand success, there is limited research that addressed its effect on brand equity (Milenkov, 2012). By exploring this link, a better understanding can be obtained. According to Sinapuelas and Sisodiya (2010), the interaction between brand equity and innovation is positive and statistically significant whereby a greater record of innovative products leads to higher parent brand equity. This argument was supported by previous literature indicating that innovation had significant positive effect on brand equity (Chien, 2013; Sriram *et al.*, 2007; Yang, 2008; Zhang, Ko, Kim, Hirose & Jeon, 2010).

Sriram *et al.* (2007) proposed that product innovation played an important role in developing brand equity. In addition, innovative products may create new demand and thus, facilitate organizational growth (Rosenbusch, Brinckmann & Bausch, 2011). Consequently, organizations have to utilize product innovation as a key strategy to manage brand equity (Sriram *et al.*, 2007).

Henard and Dacin (2010) studied the influence of reputation for product innovation on brand image and customer loyalty. The authors focused on analyzing customers' perceptions towards innovative product reputation of car manufacturers and found out product innovation had significant positive effect on brand image and loyalty. In a similar manner, Ko, Kim, Kim, Li, Zou, and Zhang (2009) demonstrated that innovation added to brand equity, value equity, and relationship equity positively affected brand loyalty intentions. Therefore, it is believed that by successfully managing to influence consumers' behavior through innovation, brands would have better abilities to position themselves in their minds. As customers become psychologically involved in innovation activities of a brand, their overall impression and loyalty toward that brand will be improved.

Based on certain studies conducted in Pakistan and Taiwan, it was found that innovation had significant positive effect on brand image (Gul, Jan, Balouch, Jan & Jan, 2006; Nemati, 2009; Shiau, 2014). They further indicated that innovation makes customers more attracted towards products, improves brand image, and increases customer satisfaction. Their results also revealed that innovative and improved product features had strong positive effect on loyalty. The above studies have clearly discussed innovation outcomes on brand image, therefore, firms should be continuously innovative and creative in developing their products in order to engage customers and differentiate them from those of competitors.

To support the significance of product innovation in developing brand equity dimensions, Abdullah (2012) found out innovation and brand loyalty were positively and significantly related in the context of store brand loyalty in Malaysia. Certain scholars (Shiau, 2014; Tepeci, 1999) also provided greater support to the positive effect of product innovation on brand loyalty. Further, Holland, Schekleton, and Na (2011) found out product innovation activity such as design image had significant positive impact on brand image and overall brand equity. The authors concluded that based on the design attributes which are attached to the products; customers tend to evaluate product quality.

But these results are inconsistent with others who found that innovation had no significant effect on brand loyalty (Dimyati, 2011; Nemati *et al.*, 2010). For instance, Nemati *et al.* (2010) examined the influence of innovation on brand satisfaction and brand loyalty and found out innovation had significant influence on customer satisfaction but not on brand loyalty. They added that through product innovation, valuable social benefits can be delivered which ultimately improve people lives and enhance their perceptions on respective brands.

Gehlhar, Regmi, Stefanou, and Zoumas (2009) revealed that brands can maintain leadership positions through introduction of innovative products. Based on the above discussion, it can be concluded that previous research results generally seem to show that innovation influences customers' perceptions and had positive and strong effect on brand equity with regards to different product categories. Meanwhile, organizations seeking to obtain sustainable competitive advantage and improve brand equity, they should focus on product innovation and maintain it. Therefore, the following hypothesis is presented:

H2: Product innovation has a significant effect on brand equity.

2.5.3 Product Quality

Quality has been considered to be important in automotive industry (Jahanshahi, Gashti, Mirdamadi, Nawaser, & Khaksar, 2011; Shaharudin, Mansor, Hassan, Omar, & Harun, 2010). It can be evaluated based on product attributes and specifications that aim to satisfy customers' needs (Chavan, 2003; Winder & Judd, 1996). A product can be considered as satisfactory and of good quality when it fulfills customers' expectations (Jahanshahi *et al.*, 2011). According to Shaharudin *et al.* (2010), product quality is the main factor for selecting a particular automotive brand in the presence of high competition.

Product quality is regarded as among important positioning tools in marketing (Shaharudin, Mansor, Hassan, Omar, & Harun 2011). Certain scholars considered higher product quality as one of the mechanisms for improving brand image (Baltas & Argouslidis, 2007; Junyean, 2007). Product quality also plays a key strategic role in building favourable competitive advantage as it provides an improved level of useful utility and added value to consumers (Eze *et al.*, 2012; Hilman, 2009; Wen-Cheng, Chien-Hung, & Ying-Chien, 2011).

The concept of product quality has been defined by different scholars from different perspectives. For example, Aaker (1991) described it customers' general perceptions toward the quality or performance of a product in terms of its intended purpose as compared with other existing alternatives. Insch and McBride (1998) categorized product quality as design quality, manufacturing quality and overall quality. On the other hand, Zeithaml (1988) conceptualized product quality as the perception of customers about a product's superiority as compared to other alternatives regarding several aspects such as product value, relationship value, trust, and commitment.

As customers nowadays are concerned with high quality products that endow them with greater benefits and useful usage, it would be crucial to meet these needs (Winder & Judd, 1996). For example, consumers in United States cited numerous criteria for viewing product quality such as: reliability, ease of maintenance, durability, a trusted brand name, and perceived ease of use (McDaniel, Lamb, & Hair, 2011).

As reported by Garvin (1984), there exist eight dimensions for evaluating product quality: durability, performance, features, serviceability, reliability, perceived quality conformance, and aesthetics. On the other hand, certain scholars combined several elements to conceptualize product quality and this include performance, features, specification, aesthetics, and durability (Crosby, Raffaele, & Michael, 2003; Hoq *et al.*, 2010), high quality product, dependable and consistent, and innovative (van Riel, Mortanges, & Streukens, 2005), digitalizability, tangibility, perishability, and fulfillment ease (Yadav & Varadarajan, 2005). In the following section, some previous researches that examined the effect of product quality on brand equity are presented.

2.5.3.1 Product Quality and Brand Equity

Product quality in the context of automotive industry has received scholarly attention since 1980s (Shaharudin *et al.*, 2010). Superior quality products enhance customers' delight and improve brand loyalty (Jahanshahi *et al.*, 2011; Shaharudin *et al.*, 2010). Particularly, customers prefer to purchase well-known brands, because they believe that they focus on introducing high quality products (Eze *et al.*, 2012). As a result, a brand with a high quality product image influences the impression of consumers' view towards its products and minimizes the risk of purchase (Loudon & Della-Bitta, 1988).

Previous researches indicated that product quality significantly affected brand equity and it was the main driver of brand success (Musekiwa *et al.*, 2013; Nowak *et al.*, 2006). It further allows a brand to stay competitive and provides it with several benefits (Tan, Liew, William, Michelle, & Tan, 2012). For example, product quality plays a vital role in building brand reputation and influencing customers' purchase decisions (Hoq *et al.*, 2010).

Furthermore, Buzzell (2004) revealed that product quality helps brands to increase their market shares and profitability. Buzzell's study was conducted in the context of automotive industry and demonstrated that if car manufacturers are concerned with profitability (which most companies look for), they should focus on product quality, because it is the main criterion for customer's purchase decision. Similarly, Sun and Paswan (2011) asserted that product quality influences country of origin image and purchase intention. Thus, higher product quality could improve brand image in the long-term and position it positively in customers' minds (Junyean, 2007).

Several studies indicated that product quality had a significant impact on creating brand equity (Abad & Hossein, 2013; Jahanshahi *et al.*, 2011; Ngoc, 2014;

Shaharudin *et al.*, 2010; Tan *et al.*, 2012). Jahanshahi *et al.* (2011) studied the effect of product quality on brand equity in Indian automotive sector. Their findings revealed that product quality significantly and positively affected brand loyalty. This implies that a better product quality has a significant role in driving brand loyalty. This is because product quality perceptions' create a kind of comfort and positive feelings which make customers more willing to purchase the same brand at any circumstances.

Moreover, Tan *et al.* (2012) found out perceived quality had a significant positive influence on both brand loyalty and brand awareness. Likewise, Grewal, Krishnan, Baker, and Borin (1998) revealed that product quality had a significant positive impact on brand awareness. Shaharudin *et al.* (2010) also revealed that product quality significantly influenced brand loyalty. The situation exists when customers' expectations toward a product are fulfilled. Thus, positive perception of product quality could be a driving factor that influences customer loyalty and brand awareness because in most cases, quality is the main purchasing factor (Omar, 1994).

Furthermore, product quality has been argued to be a key factor in driving brand image as it plays a considerable role in developing brand preferences (Baltas & Argouslidis, 2007; Saydan, 2013) and it is an important criterion for purchasing decision (Omar, 1994). In line with Tan *et al.* (2012), perceived quality could enable firms to create strong brand image due to the benefits, value, besides the favourable brand associations as perceived by customers.

Apart from that, maintaining product quality could lead to customer satisfaction and further generate customer loyalty (Chumpitaz & Paparoidamis, 2004; Dehestani, Zadeh, & Noori, 2013; Kotler *et al.*, 2005). Particularly, if customers develop favorable images towards a certain brand, then it will reinforce their loyalty and repurchase behaviour (Kandampully & Hu, 2007).

Based on the discussion presented above, it can be concluded that several past studies seem to provide agreements on the importance of product quality perceived by customers in building brand equity (Yoo & Donthu, 2002) and hence, purchase intention (Bhaskaran & Sukumaran, 2007; Gill, Byslma, & Ouschan, 2007; Tsiotsou, 2006). Consequently, the following hypothesis is presented:
H3: Product quality has a significant effect on brand equity.

2.5.4 Country of Origin

The significance of country of origin has initially been recognized in the literature particularly in 1960s as a strategic factor that influences consumer behavior worldwide. Schooler (1965) indicated that the favourability towards a brand using country of origin is based on the perceptions of customers towards products originating from a certain country. The definition of country of origin was introduced by Chen *et al.* (2011) as the image, stereotype, and reputation that customers link with the products of a particular country, and is usually evaluated according to its national characteristics, political background, economic development, history, and its traditions.

Additionally, Li, Wang, and Yang (2011) defined country of origin as the extent to which consumers evaluate the country where a product is manufactured as an extrinsic cue to form purchase decisions (Li *et al.*, 2011, p.60). For example, if a country possesses a positive image associated with a particular product category that is noteworthy to the brand concerned, then customers would hold strong and favorable attitudes toward brands originating from that country (Li *et al.*, 2011) leading to a larger purchase toward its products (Roth & Romeo, 1992).

Pappu, Quester, and Cooksey (2007) argued that cars are highly sensitive to country of origin image. They further added that country of origin image can affect the main elements of brand equity including perceived quality, brand associations, brand awareness, and brand loyalty. In particular, country of origin equity is assumed to be developed from connecting a certain product with a particular country. For instance, brands such as Honda, Toyota, Suzuki, and Mitsubishi could commonly share some unique associations in consumers' minds such as durability and reliability, because of their universal originating country which is Japan.

Owing to the fact that that a brand's country of origin is a cue that has developed gradually, it has become an important success factor for firms due to the increasing patterns in globalization of marketing and production, particularly there are growing types of products that are manufactured and advertised in different countries (d'astous, Voss, Colbert, Caru, Caldwell, & Courvoisier, 2008). Hence, it is vital to understand and interpret the perceptions of customers toward products and services originating from a certain country for the purpose of strategic brand management (Moradi & Zarei, 2011).

Yasin, Noor, and Mohamad (2007) demonstrated that customers tend to purchase brands that originate from countries with favourable image associations, and are likely to accept them over brands originating from countries that have negative images (Yasin *et al.*, 2007). To support this, certain scholars stated that brands originating from favorable country images can gain higher customer loyalty and brand popularity (Kim & Chung, 1997; Moradi & Zarei, 2011; Saydan, 2013). Therefore, it has become very important for brands seeking to enhance their brand equities at international markets to utilize favorable country of origin image (Fetscherin & Toncar, 2010). The following section presents previous studies that examined the effect of country of origin on creating brand equity.

2.5.4.1 Country of Origin and Brand Equity

Country of origin is considered as a significant strategic factor that affects the perceptions of customers towards a brand (Ko *et al.*, 2009; Roth, Diamantopoulos, & Montesinos, 2006; Saydan, 2013). Previous studies indicated that country of origin had a significant positive impact on brand equity (Lee, Chen, & Guy, 2014; Lin & Kao, 2004; Norouzi & Hosienabadi, 2011; Pappu & Quester, 2006; Shahin, Kazemi, & Mahyari, 2013; Shahrokh, & Azodi, 2013; Yang, 2008) and is positively related to brand evaluation. Additionally, certain scholars found out country of origin significantly affected on brand equity elements. Koubaa (2008); Lin and Kao (2004) revealed that favourable country of origin had a significant influence on creating positive brand image. Ranjbarian, Mahmoudi, and Ghasemi (2013) also found that country of origin significantly affected brand awareness.

Similarly, other scholars (Yasin *et al.*, 2007; Norouzi & Hosienabadi, 2011; Shahrokh, Azodi, & Vahidinia, 2014) found out country of origin image associated with a brand had significant positive influences on brand awareness, brand associations, and brand loyalty. Sanyal and Datta (2011) added that country of origin had significant positive effect on brand awareness and brand strength. Moreover, Panda and Misra (2014) reported that country of origin had significant positive effect on brand awareness and brand loyalty.

Norouzi and Hosienabadi (2011) assessed the role of country of origin in building brand equity in the context of TV sets in Iran. They found out country of origin image played a significant role in enhancing brand equity. Moreover, they reported that country of origin image had a direct effect on brand equity dimensions namely brand awareness, brand loyalty, and brand association. The authors concluded that brand loyalty was the foremost significant dimension of brand equity and suggested that firms should organize diverse loyalty programs in relations to promoting product quality and positive country image through advertisements.

Similarly, Roth *et al.* (2006) studied the effect of country of origin on brand equity in Spain and found that it significantly and positively affected brand equity. The authors generally concluded that if customers perceived a country as having favourable image in certain product categories, they will be more willing to purchase such products from that country. Based on the literature review presented above, the following hypothesis is presented:

H4: Country of origin has a significant effect on brand equity.

The above discussion demonstrates that a number of studies found that strategic factors such as advertising, product innovation, product quality, and country of origin had significant effects on brand equity. However, as the preceding discussion illustrates, based on the critical review of the past researches, relationship quality is considered to play a role of a mediator between these strategic factors and brand equity.

2.6 Relationship Quality: The Important Role of Mediator

A mediator is also called an intervening variable which bridges the relationship between independent and dependent variables and provides clarity to the cause and effect relationship (Baron & Kenny, 1986; MacKinnon, Lockwood, & Williams, 2004). Therefore, the inclusion of mediator variable in any research framework should enrich its research design. In this research, relationship quality is used as a key mediator between strategic factors and brand equity.

Relationship quality refers to various activities which are managed in a particular way to build and sustain relational exchanges and determine customers' perceptions and satisfaction towards a brand (Jarvelin & Lehtinen, 1996; Morgan & Hunt, 1994). A detailed explanation of relationship quality and its dimensions follows in sections 2.6.1 and 2.6.2. Review of literature in relationship quality indicates that the concept has been investigated widely and one stream of research indicates that relationship quality has been used as a mediator in various research designs in the past. For instance, numerous studies have examined the role of relationship quality as a mediator between variables such as product innovation, advertising, brand loyalty and brand image (Keating, Alpert, Kriz, & Quazi, 2011; Ke-yi & Qian, 2010; Li & Krit, 2012).

Chen and Myagmarsuren (2011) conducted their study in Taiwan's telecommunication service industry and reported that relationship marketing components including relationship value and relationship quality acted as mediators in the link between brand equity and customer loyalty. In the same context, another study by Pi and Huang (2011) found that commitment, satisfaction, and trust mediated the relationship between relationship orientated promotion and customer loyalty.

Taleghani, Largani, and Mousavian (2011) examined the effect of relationship quality in context of automotive industry in Iran and found out it mediated the relationship between brand experience and customer purchase intention. In a case study of Starbucks Thailand, Supatn (2007) found out relationship quality mediated the relationship between brand equity and purchase intention. Some of the studies on the topic also concluded that relationship quality acted as a partial mediator between certain independent variables and dependent variables (Hennig-Thurau, Gwinner & Gremler, 2002; Keating, Alpert, Kriz, & Quazi, 2011; Valta, 2013).

Importantly, relationship quality has been examined as a mediating variable in the context of Malaysia (Hashim & Yasin, 2012; Tan, Mavondo, & Worthington, 2011). Hashim (2011) conducted his study in the Islamic banking sector in Malaysia and reported that relationship quality mediated the relationship between customer perceived value and switching intention. In another study of palm oil sector in

Malaysia, Tan *et al.* (2011) revealed that relationship quality played as a mediator between innovativeness, market orientation, learning orientation, and firm's performance. Furthermore, a number of studies involving relationship quality dimensions in their frameworks tested the effect of brand trust, brand satisfaction and brand commitment (dimensions of relationship quality) as mediators between certain independent and dependent variables (Akbar & Parvez; 2009; Zehir *et al.*, 2011).

Based on the above discussion, it can be concluded that relationship quality has been extensively researched as a mediator between various independent and dependent variables and plays a strong mediator role between them. However, there are limited studies that used relationship quality as mediator between strategic factors and brand equity in the context of automotive industry. This research is intended to fill this gap. Therefore, the following hypotheses are presented:

H5: Relationship quality mediates the relationship between advertising and brand equity.

H6: Relationship quality mediates the relationship between product innovation and brand equity.

H7: Relationship quality mediates the relationship between product quality and brand equity.

H8: Relationship quality mediates the relationship between country of origin and brand equity.

2.6.1 Relationship Quality Concept

Relationship quality has been among the key issues for firms in establishing their reputable brands especially in the context of relationships between firms and customers (Morgan & Hunt, 1994). Relationship quality can be described as customers feel that the relationship meets their expectations, needs, and desires concerning the overall relationship (Jarvelin & Lehtinen, 1996). Morgan and Hunt (1994) referred relationship quality to all activities that are focused toward creating, developing, and sustaining useful relationship exchanges. Moreover, Pi and Huang (2011) defined relationship marketing as the relational process that aims to provide, improve, and sustain values for both customers and businesses. In general, relationship equity signifies the view of customers towards the strength (or quality) of the actual relationship between them and a brand (Sublaban & Aranha, 2008).

Relationship quality plays an essential role in buying behavior (Chen & Myagmarsuren, 2011). It is also very important to the growth of organizations in both manufacturing and service contexts (Chen & Myagmarsuren, 2011). Certain scholars established that creating successful relationships with customers has a key strategic role in building and sustaining competitive advantage and influencing the success of a brand (Palmer, 2002; Peppers & Rogers 1995). Ford and Hakanson (2006) added that good quality relationships with business customers are perhaps very important for all organization’s assets, which can be regarded as the primary step for attaining competitive advantage and enhancing organizational profit (Hunt, Arnett, & Madhavaram, 2006). This is because a marketing strategy based on good and long-term relationships cannot be imitated, thereby providing a unique and sustained competitive advantage (Buttle, 1996) and, thus, superior financial performance (Hunt *et al.*, 2006).

The review of past literature reveals that relationship quality was measured using different dimensions. For instance, several scholars (e.g., Baker, Simpson, & Siguaw, 1999; Lewin & Johnston, 1997) maintained that commitment and trust are the fundamental components of relationship quality. On the other hand, Crosby, Evans, and Cowels (1990) proposed satisfaction and trust as the main element of relationship quality. Further, Dorsch *et al.* (1998) demonstrated that relationship quality is formed in terms of three main elements namely trust, satisfaction, and commitment of customers. While, Hibbard, Kumar, and Stern (2001) regarded relationship quality as a concept that involves two dimensions namely trust and commitment. However, this research focuses on brand trust, brand satisfaction, and brand commitment as the key components of relationship quality. This is because trust, satisfaction, and commitment are the most cited components of relationship quality (Yang, Wu, & Wang, 2010). The preceding sections provide brief explanations on each of these dimensions.

2.6.2 Relationship Quality Dimensions

2.6.2.1 Brand Trust

The growth of brand relationships has been the center of branding theory in the last few years (Sahin *et al.*, 2011). A brand acts as a means to involve both customers and manufacturers in a long-lasting relationship (Keller 1993, 1998). This relationship can be sustained by establishing brand trust in consumers' minds with regards to value perception activity. Evidently, the significance of trust has already been confirmed as the most critical factor for maintaining customer and brand relationships (Morgan & Hunt, 1994).

Doney and Cannon (1997) expressed brand trust as the perception of customers towards how credible and benevolent is a brand. Particularly, the perceived credibility highlights the level of believability in a certain brand, indicating that customers can depend on it in delivering what is promised. Benevolence on the other hand, relates to the degree by which customers are authentically concerned with the welfare and stimulus to look for mutual gains (Kim, Kim, Kim, Kim, & Kang, 2008). Another definition for brand trust was suggested by Chaudhuri and Holbrook (2001) as the ability and willingness of customers to rely on a brand to perform what is promised.

Consequently, in order to obtain competitive and economic advantages and further build strong brand equity, organizations have to build brand trust by influencing customers' perception positively (Delgado-Ballester & Munuera-Aleman, 2005). Creating brand trust and brand equity are in fact very essential, especially for automotive producers who seek to gain competitive advantage. This is because automotive brands have experiential and relational facet, thus the management and development of brand trust is very essential in the context of durable products like cars as this kind of product entails huge profit margins and results in favourable brand success (Sahin *et al.*, 2011).

Morgan and Hunt (1996) demonstrated that brand assets such as trust are difficult to be copied, purchased, or imitated by competitors. This asset can be pooled in order to enhance the creation and development of brand equity from which sustainable competitive advantages can be achieved. Thus, brand equity inspires the enduring process of improving and sustaining important and valuable relationships with customers through brand trust (Chaudhuri & Holbrook, 2001).

Because brand equity is a valuable asset, hence, creating and retaining brand trust is the hub of building brand equity (Delgado-Ballester & Munuera-Aleman, 2005). This is because it plays an important role in establishing long-lasting relationships between a brand and its customers (Morgan & Hunt, 1994). Doney and Cannon (1997) specified that trust includes an implication concerning the organization's benevolence to operate in the greatest welfare of customers according to collective values and aspiration. They added that honesty, reliability, beliefs, and safety are all key aspects that customers integrate in their conceptualization of brand trust.

Based on the critical review of literature as discussed above, it is evident that building brand trust can help brands to create favourable relationships between them and their customers (Keller, 2003). Particularly, as customers purchase a product before experiencing it, hence, engendering and management of trust are the means to build positive relationships with them (Kinard & Capella, 2006). Therefore, brand trust influences the development of brand equity due to the role that it plays in crafting valuable exchange relationships (Morgan & Hunt, 1994; Zehir *et al.*, 2011). In the following section, another important dimension of relationship quality; brand commitment is discussed.

2.6.2.2 Brand Commitment

Previous studies reported that brand commitment has a key role in determining the strength of relationship success between a brand and its customers (Achrol, 1991; Berry & Parasuraman, 1991; Taleghani *et al.*, 2011). For instance, Morgan and Hunt (1994) demonstrated that good quality of relationships depend on trust and commitment as the main elements in the improvement of customer and business relationships. Moreover, commitment has been considered as a significant mediating factor that influences customer behaviors (Aggarwal, 2004). Theoretically, there exists a considerable agreement on the role of brand commitment as a mediating factor that results from trust and satisfaction, which then could have a direct effect on customer behavior (Sung & Campbell, 2009).

There are several definitions for brand commitment as shown in past literature. For instance, it was defined by Morgan and Hunt (1994) as an enduring desire reflected by customers to create and sustain a long-lasting relationship with a brand. Brand commitment was also defined as the attitude and behavior of a customer toward a brand which results in the long-term purchase (Chaudhuri & Holbrook, 2001).

Brand commitment continues to improve with the passage of time (Keller, 2003). Specifically, committed customers tend to feel pleased to communicate with a brand that builds and maintains strong relationships with them (Escalas & Bettman, 2003). They further tend to regard that brand as an integral part of their life (Fournier, 1998). Accordingly, brand commitment has a strong influence on customer intention to purchase a certain brand (Fullerton, 2005). Thus, by strengthening the relationships between a brand and its committed customers, it can protect itself from being poached by competitors.

As stated earlier, it is very important to build brand commitment for maintaining customers' long-term relationships and obtaining competitive advantage (Taleghani *et al.*, 2011; Wang, 2009). Customers usually remain loyal to a brand which strengthens its relationship with them and performs its function as expected and promised. As a result, both a brand and its committed customers will jointly explain their trustworthiness through relational exchanges (Wang, 2009).

Moreover, commitment is not only a significant factor for maintaining long-term relationships, but also an expression of consumer's desire to stay with a brand and recommend it to others (Odekerken-Schroder, Wulf, & Schumacher, 2003). A brand, whose employees express the willingness to provide good service customers as desired is likely to have favourable relationship commitment and better customer values (Parahoo, 2012). Furthermore, committed consumers probably have less intention to switch to other competing brands (Raju, Unnava, & Montgomery, 2009). The above explanation indicates the importance of brand commitment in shaping valuable customer-brand relationships which could lead to enhanced levels of organizational success. The following section explains brand satisfaction as a dimension of relationship quality.

2.6.2.3 Brand Satisfaction

Brand satisfaction is regarded as a very important concept for business success and customer acquisition. It was defined by Oliver (1997, p. 27) as “the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer’s prior feeling about the consumption experience”. Nemati *et al.* (2010) referred brand satisfaction to the ability to please or satisfy customers through the products or services provided. Similarly, Islam, Khadem, and Alauddin (2011) described brand satisfaction as the extent to which the services of a brand match the needs and expectations of customers and result in their favor.

Powerful brands indeed focus on improving and building brand satisfaction by incorporating it into their business strategies for the purpose of winning customers’ loyalty and improving their lifetime value to that brand (Keller & Lehmann, 2006; Torres & Tribó, 2011). Hence, satisfied customers communicate brand name positively resulting in their favorable repurchase and willingness to recommend others to consider it in their future purchasing decisions (Choi, Ok, & Seunghyup, 2011).

According to Stock (2011), brands can improve customer satisfaction and meet his/her needs by introducing innovative products. In fact, product innovation maximizes the value and satisfaction of customers towards brands that emphasize on such offering. However, although there exists a significant link between product innovation and brand satisfaction, there are limited empirical research works that investigated the effect of innovation on brand satisfaction (Stock, 2011). Therefore, this research investigates the effect of product innovation on relationship quality measured by brand satisfaction.

Furthermore, Prasad and Dev (2000) demonstrated that brand satisfaction is very important for managing brand equity. By investigating the role of brand satisfaction in creating brand equity, it can be said that satisfaction plays a critical role in its development process. However, there are only limited studies that examined the effect of brand satisfaction on brand equity (Ha *et al.*, 2010). Therefore, this research also aims to fill this gap by examining the mediating effect of brand satisfaction on brand equity.

The previous discussion on relationship quality and its dimensions (brand satisfaction, brand trust, and brand commitment,) showed their importance in improving organizational competiveness and success. The following section provides a detailed review about past studies that investigated the effect of strategic factors on relationship quality.

2.7 Strategic Factors and Relationship Quality

2.7.1 Advertising and Relationship Quality

Creating strong customer-brand relationships is very important for long-term success and gaining competitive advantage (Delgado-Ballester & Munuera-Aleman, 2005). This can be attained through high-quality relationship marketing objectives (Morgan & Hunt, 1994). Mainly, companies must have in place advertising and marketing strategies that attract new customers before any relationship marketing objectives can be initiated (Auruskeviciene, Salciuviene, & Skudiene, 2010; Bennett & Barkensjo, 2005). As stated earlier, relationship quality in this research consists of three dimensions; brand trust, brand commitment, and brand satisfaction. This section critically reviews previous literature on the effect of advertising on relationship quality.

Past studies (Hameed, 2013; Krishnan, 1996; Lee & Back, 2009) found out relationship quality assets such as trust can be influenced by several factors such as advertising spending. Zehir *et al.* (2011) tested the effect of advertising on brand trust in Turkish automotive industry and found that it had significant positive effect on brand trust. The result was confirmed by certain scholars (Grace & O'Cass 2005; Low & Lamb, 2000) who found that advertising created and built relationship trust between both customers and a brand. Similarly, other scholars (Balaji, 2011; Mitchell & Olson, 1981) demonstrated that a brand which spends enough budget on advertising in order to convey its messages to prospective customers can build its image, develop customer trust, and attract new ones to buy its products, because customers in most cases tend to trust product quality of familiar brands.

Additionally, past literature showed that advertising had a significant effect on other relationship quality assets such as brand satisfaction (Angulo, Fernando & Rialp, 2006; Ansari & Joloudar, 2011; Grewal, Chandrashekaran, & Citrin 2009; Stephen, 2009). For example, Baidya and Basu (2008) examined the effect of marketing efforts such as advertising expenditure on brand satisfaction in context of hair care brands in India. The authors relied on powerful methodological approach to test the variables and their results revealed advertising was the most important factor that effected brand satisfaction.

Similarly, Grewal *et al.* (2009) examined the impact of advertising expenditures on customer satisfaction in the U.S. airlines industry. They indicated that advertising spending had a significant impact on customer satisfaction, and it was seen as a fundamental vehicle for customer acquisition. The study relied on longitudinal data from various sources which provides stronger support for their results. Moreover, Ansari and Joloudar (2011) surveyed the effects of TV advertisement on customer satisfaction about clothing products in Iran, and their results demonstrated that it had significant effect on satisfaction and purchasing decision. However, the authors used only one type of advertising to test its effect on customer satisfaction. It is believed that by utilizing different tools of advertising, the levels of satisfaction and awareness among customers would be higher.

To further support the importance of advertising spending in affecting relationship quality, Morgan and Hunt (1994) found that it had a significant effect on developing relationship commitment which is one of the main elements for any successful relationship. Specifically, they indicated that advertising played an important role in establishing brand trust which ultimately resulted in favourable relationship commitment. The finding was supported by certain scholars (Goodman & Dion, 2001; Anderson & Weitz, 1992) who illustrated that advertising had a considerable role in increasing brand commitment. Because advertising is interactive (Merisavo, 2008), it can be proposed that commitment is an outcome of advertisement. Based on the above discussion presented on advertising and its effect on relationship quality elements, the following hypothesis is presented:

H9: Advertising has a significant effect on relationship quality.

2.7.2 Product Innovation and Relationship Quality

Product innovation is one of the most important factors that could help firms to establish strong relationships with customers. Previous research showed that it had a significant impact on creating brand relationship quality and influencing customers' responses (Hussain, Munir, & Siddiqui, 2012; Lee & O'Connor, 2003). For instance, Dimyati (2011) examined the influence of product innovation on certain dimensions of relationship quality and found that it had significant effect on trust which in turn affected customer loyalty and commitment. The finding was confirmed by certain past studies indicating that brand innovativeness which is referred to the introduction of new components (Daneels & Kleinschmidt, 2001; Lee & O'Connor, 2003) was strongly related to brand relationship quality (Eisingerich & Rubera, 2010). Specifically, when consumers do passionately accept or appreciate new products, they will be more committed to the brand on the basis of its innovativeness.

Moreover, past studies reported that innovativeness had significant effect on other relationship quality elements such as brand satisfaction (Hu & Huang, 2011; Ke-yi & Qian, 2010; Langerak, Hultink, & Robben 2004; Nemati *et al.*, 2010; Tatikonda & Montoya-Weiss, 2001) which ultimately effected behavioral responses of customers (Athanassopoulos, 2001). Stock (2011) demonstrated that innovativeness is an important predictor of customer satisfaction and thus, firms have to bring new changes and features in their products to attract them. Similarly, Ke-yi and Qian (2010) surveyed the effect of product innovation on brand satisfaction in telecommunication industry of China and found out product innovation had a positive impact on brand satisfaction. They concluded that when new products are introduced according to the preferences of customers, their satisfaction will be increased. Because the study has focused only on telecommunication industry, the perception of customers on innovation related to durable products that involve high cost such as cars may yield different results.

In sum, it can be concluded that according to the past studies as mentioned above, product innovation had a significant effect on developing relationship quality, and it plays a vital role in helping businesses to achieve their objectives. Innovation is also one of the critical factors in establishing and maintaining competitive advantages for various brands. Taking the advantage of the first mover to create new products can provide brands with several benefits in terms of building customer loyalty and saving them from intense competition. Based on the above discussion, the following hypothesis is presented:

H10: Product innovation has a significant effect on relationship quality.

2.7.3 Product Quality and Relationship Quality

Product quality can be an excellent starting point to improve customer relationship quality. In previous literature, several scholars argued that maintaining superior product quality may enable firms to build better customer relationships and further generate brand loyalty (Chumpitaz & Paparoidamis, 2004; Kotler *et al.*, 2005). The most cited components pertaining to relationship quality are trust, commitment, and satisfaction (Yang *et al.*, 2010). Thus, the effect of product quality on the dimensions of relationship quality is discussed in this section.

Past studies examined the effect of product quality on brand satisfaction and supported a significant positive result between both variables (Anderson, Fornell, & Lehmann, 1994; Atilgan, Aksoy, & Akinci 2005; Chang & Fong, 2010; Eskildsen, Kristensen, Juhl, & Ostergaard, 2004; Jakpar *et al.*, 2012). For example, Jahanshahi *et al.* (2011) assessed the impact of product quality on brand satisfaction in Indian automotive industry and found out positive link between both variables. They further added that product quality had strong influence on customers' purchase decisions, and satisfied customers tend to recommend others to buy same brand. Therefore, perceived product quality is seen as a vehicle for engendering customer satisfaction which would eventually lead to better brand commitment.

Product quality is becoming an important strategy for enhancing brand competitiveness as it has been shown to be strongly related to customer value and brand satisfaction (Hilman, 2009). Naumann (1995) revealed that customers evaluate a product before making purchase decisions according to their perceptions of its price and quality. Besides, Atilgan *et al.* (2005) showed that perceived quality or superiority of products forms the basis of customer satisfaction and brand value. Particularly, customers are likely to express their willingness to purchase products which are perceived as of better quality than those with less quality, thus, brand trust will be created (Ganesan 1994; Geyskens, Steenkamp, & Kumar 1999).

Previous researches also revealed that product quality had a significant impact on brand trust (Kennedy, Ferrellb, & LeClair, 2001; Walter, Mueller, & Helfert, 2002). For example, Bawon, Sondakh, and Mawikere (2012) examined the effect of product design quality on brand trust in the clothing industry in Indonesia and found out quality of product design significantly affected brand trust. The result was confirmed by Kennedy *et al.* (2001) who declared that evaluating product quality should be done frequently, because customers prefer to buy brands that introduce high quality products, and this ultimately leads them to develop better brand trust (Kennedy *et al.*, 2001).

Furthermore, past studies reported that product quality had an important role in influencing other relationship quality elements such as brand commitment (Seng, 2010; Walter *et al.*, 2002). Specifically, products which have high quality not only influence consumers' decisions to buy a brand, but also increase their retention and willingness to recommend that brand to others (Walter *et al.*, 2002). Eze *et al.* (2012) added that brands should maintain or improve their product quality to achieve competitive advantage in highly competitive marketplaces for the purpose of maintaining customer relationships.

Based on the above findings, it can be concluded that product quality plays a significant role in developing customer relationships and it can guide manufacturers to work on introducing products that meet the needs and expectations of customers. For example, successful brands such as Toyota, BMW, and Honda were able to increase customer commitment by producing quality cars with innovative designs and to enhance their competitiveness worldwide. Therefore, in order for a brand to enhance customers' commitment and overall relationships with it, product quality is of high significance. Based on the discussion which is presented above, the following hypothesis is presented:

H11: Product quality has a significant effect on relationship quality.

2.7.4 Country of Origin and Relationship Quality

Country of origin is an important purchasing factor that influences customers' overall evaluations of a product (Sanyal & Datta, 2011). It is considered to be a critical factor in purchasing foreign products and had a strong effect on building relationship quality assets such as trust (Tam, 2008). Country of origin affects the perceptions of customers about products or brands originating from certain countries whereby customers tend to form trust among brands originating from developed countries such as Japan and Germany (Johansson & Nebenzahl, 1986; Vida & Reardon 2008).

Dehkordi, Rezvani, and Shenyari (2012) examined the effect of country of origin on brand trust and found a reciprocal relationship between the perception of country of origin and brand trust. They also indicated that positive country images developed satisfaction and thus built brand trust. Similarly, Rosenbloom and Haefner (2009) revealed that brand trust develops as customers prefer brands originating from countries which acquire positive images, but those preferences are in general strongly restricted by region. Jiménez and Martýn (2010) added that brands with positive country of origin image can protect their international businesses and establish brand trust in foreign markets easier than those with less favorable image.

Furthermore, past studies found that country of origin significantly affected brand satisfaction and brand choice (Arambewela & Hall, 2006; Srivastava, 2014; Stephen, 2009). For instance, Ayyildiz and Cengiz (2007) investigated the influence of country of origin image on building brand satisfaction and loyalty and found out it had significantly influenced both variables. Stephen (2009) further tested the impact of brand satisfaction as a mediator on the relationship between country of origin image and brand loyalty intention in the colored cosmetic products in Malaysia. His results revealed that overall brand satisfaction fully mediated the relationships between country of origin image and loyalty intention.

Additionally, past literature established that country of origin had significant impact on other relationship quality assets such as brand commitment. For example, Norouzi and Hosienabadi (2011) found out a brand's country of origin image had a direct influence on brand commitment and favourability to purchase brands that originate from countries with favourable images. Their result was previously confirmed by Ahmed and d'Astous's (1996) research where they revealed that customers develop commitment toward brands that originate from countries with favourable images for certain product categories. For instance, Toyota is considered a high quality car that originated from Japan. Yassin *et al.* (2007) ascertained that Malaysian customers perceive brands that originate from countries with a favorable image as highly reliable and of good quality.

The above discussion has shown that country of origin has a vital strategic role in affecting brand relationship quality. Particularly, customers are more anxious with country of origin, particularly in the case of cars products (Josiassen & Harzing, 2008). Therefore, this research is designed to examine the strategic role of country of origin in affecting relationship quality in the automotive sector in Malaysia. Hence, the following hypothesis is presented:

H9: Country of origin has a significant effect on relationship quality.

The above discussion showed the importance of strategic factors in building relationship quality. In fact, building strong relationships with customers could help firms in establishing their reputable brands. The following section elaborates on past studies that examined the effect of relationship quality on brand equity.

2.8 Relationship Quality and Brand Equity

The significance of relationship quality in developing brand equity was supported in past researches. For instance, certain scholars (Nezakati *et al.*, 2013; Akbar & Azhar, 2010) reported that relationship quality with customers plays a significant role in building brand equity and had a significant positive effect on its dimensions such as brand awareness (Loureiro & Miranda, 2011) and brand leadership (Beverland, Napoli, & Lindgreen, 2007; Ghodeswar, 2008). Similarly, other scholars (Kim *et al.*, 2008; & Kim *et al.*, 2008) found that relationship quality significantly affected brand awareness and brand image.

Moreover, past researches found out relationship quality had a positive effect on brand loyalty (Anwar**,** Gulzar, Sohail, & Akram, 2011; Azizi & Kapak, 2013; Delgado-Ballester & Munuera-Aleman, 2005; Hur, Kim, & Kim, 2010; Mohammad, 2012; Tuan & Jusoh, 2013). For example, Kiyani, Niazi, Rizvi, and khan (2012) examined the impact of relationship quality (brand trust and brand satisfaction) on brand loyalty among car users of international and domestically assembled brands in Pakistan and revealed that relationship quality had a significant impact on brand loyalty.

Overall, past studies established that relationship quality assets had significant effects on brand equity (Hong-Youl, Janda, & Muthaly, 2010; Mei, 2015; Torres & Tribó, 2007; Torres & Tribó, 2011). Ha *et al.* (2010) assessed the mediating effect of relationship quality between perceived quality and brand equity and found that relationship quality acted as a mediator between perceived quality and brand equity. They further added that it had a significant impact on developing brand equity (brand associations, brand loyalty, and perceived quality).

To further confirm the effect of relationship quality on brand equity, Pappu and Quester (2006) examined these factors in context of retail industry in Australia among shopping mall consumers. They revealed that brand relationship quality assets such as satisfaction influenced perceived quality, brand associations, and brand awareness. Their findings were supported by the research of Noor Hasmini (2012) who found that relationship quality assets such as trust, commitment, and satisfaction also led to higher brand equity asset such as brand loyalty and brand leadership. Hence, the following hypothesis is presented:

H13: Relationship quality has a significant effect on brand equity.

According to the discussions made in sections 2.7 until 2.9, it can be seen that some studies found that strategic factors (such as advertising, product innovation, product quality, and country of origin) significantly affected relationship quality while some revealed that relationship quality is an significant predictor of brand equity. Particularly, past studies showed that brand trust and customer satisfaction are important antecedents of brand equity. Hence it can be concluded that relationship quality could play a mediator role between strategic factors and brand equity. As stated by Baron and Kenny (1986), a mediator variable is any variable which works between a predictor variable and the criterion variable and signifies the relationship between independent and dependent variables. The mediating role of relationship quality between strategic factors and brand equity is the main contribution of this research. The preceding section explains the underlying theories for the variables presented in this research.

2.9 Theories for Brand Equity, Relationship Quality, and Strategic Factors

2.9.1 Brand Equity Theory

Several researchers made significant contributions to the development of brand equity theory. Farquhar (1989), Srivastava and Shocker (1991), Aaker (1991, 1996a, 1996b), Keller (1993), Lassar *et al.* (1995), and Yoo *et al.* (2000) are some of the prominent brand researchers who introduced brand equity theory. According to Farquhar (1989), brand equity refers to the added value to a product or service through its brand name. This added value can be interpreted from a consumer's perspective or financial perspective. A consumer can be firms, owners, retailers or potential acquire. Moreover, brand equity in financial perspective has been examined from a brand’s financial value which is the most important value for the firm.

Similarly, Srivastava and Shocker, (1991) established that consumer's as well as retailer's values become the main sources of brand strength, which differentiate it from competitors and help it to gain competitive advantage (i.e., market share, profitability, and sales volume). Srivastava and Shocker (1991) described brand equity as the value endowed to the products of a brand through the investment in marketing programs. They indicated that brand equity has a positive impact on profits and brand success in the future.

Fundamentally, brand equity incorporates both the strength and value of a brand (Srivastava & Shocker, 1991) and it can be viewed from two different perspectives. The two perspectives are financial (measuring brand value) and the consumer-based (measuring brand strength). Brand strength comprises the associations seized by customers toward a brand, parent brand, and channel members which allow it to obtain a competitive advantage. Conversely, brand value reflects the revenues and profits as a result of brand strength and its ability to enhance and maintain them in the future. The importance of both brand strength and brand value depends on the ability of the management to leverage brand strength from the perspective of customers to gain higher profits and lower risks. This as a result would confirm the important role of subjective based data assessed by customers as the key factor that influences brand value creation.

Furthermore, Srivastava and Shocker (1991) stressed that the influence of customers on brand equity is highly significant. The role of customers as a source of brand equity becomes evident when firms have to rely on them to market their products, whether durable or business to business products. The value they provide to their final customers will enhance brand equity that they carry. Therefore, firms should please customers through their products and services to enhance or sustain brand equity in a competitive marketing environment.

Similar perspective is also shared by Aaker (1991, 1996a) who emphasized that customer's participation in evaluating brand equity is very important. In fact, the word "customer" refers to end user. The theory of brand equity developed by Aaker clarifies that brand equity consists of a sub-set of assets and liabilities associated with a brand, its name, and symbol, that can either adds or subtracts product value for a firm or customers (Aaker, 1991). Aaker (1991) stated that several dimensions cover the variable of brand equity and this includes brand awareness, brand associations, perceived quality, brand loyalty, and other proprietary brand assets. These dimensions are the basic cornerstones and represent important elements in the process of improving brand equity and generating competitive advantage. These are most important when they can avoid competitors from eroding the base of customers and brand loyalty. The success of these brand assets in protecting the brand from others can contribute to brand equity.

Keller (1993) is another scholar who made important contribution to the theory of brand equity. He defined brand equity as the extent to which brand knowledge influences consumers' responses to various brand activities. That is, brand equity can be gained when customers are aware about the brand and seize some favorable, strong, and positive brand associations in their memories towards it. The influence can be evaluated by making a comparison between the reactions of customers to the marketing programs initiated by a brand with their reactions to the same marketing programs of an unknown name of another product from the same category. Keller (1993) explained brand knowledge as it involves brand image, brand awareness, and brand response, reflecting consumers' perceptions, attitudes, and preferences as a result of the marketing mix activities.

The significance of understanding how to measure brand equity from the perspective of customers was explained by Keller (1993) who maintained that strong customer based brand equity can enjoy several benefits such as higher profit, greater revenue, and less costs. In addition, it strengthens the ability of a brand to charge higher prices on its products and increases the willingness of customers to search for new distribution channels. It has also positive implications towards the success of marketing communications and provides a basis for licensing and future brand extensions (Keller, 1993). Keller argued that increasing brand awareness and obtaining a favorable brand image would increase the possibility of the brand to be selected in a given product category. It is also important for generating customer loyalty as well as decreasing the threats of competitive marketing actions. Specifically, higher brand awareness towards a product leads to higher probability that customers will buy and recommend it to others (Keller, 2008).

Yoo and Dontu (2001) are also some of the most well-known scholars who investigated the impact of marketing activities on building brand equity. They proposed that brand equity can be created, sustained, and enhanced by reinforcing its dimensions. Additionally, they identified a number of antecedents for the dimensions of brand equity. For instance, advertising plays an important role in influencing brand equity because it reflects the strength of a brand through the investments in marketing programs.

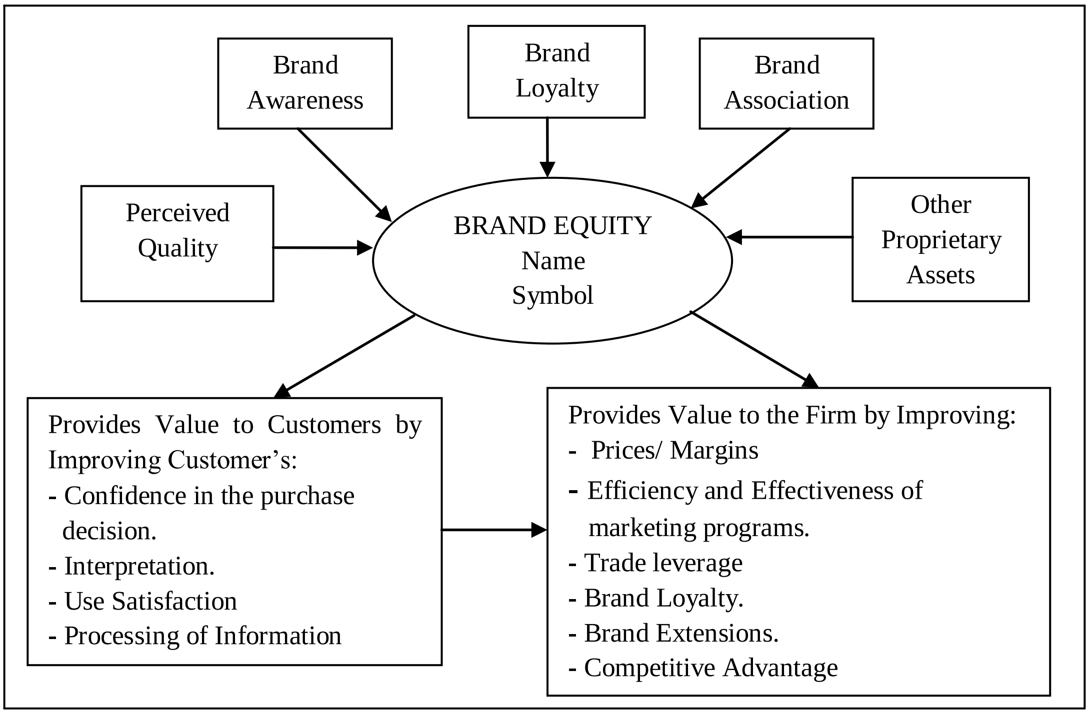

Figure 2.1
Aaker's Brand Equity Model

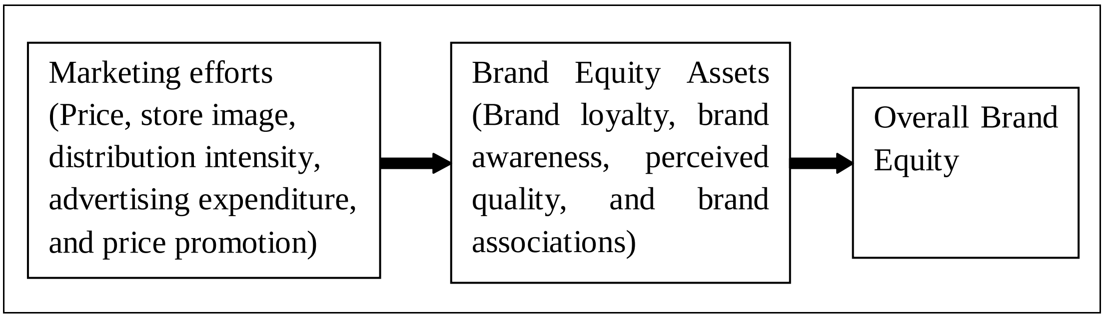

Figure 2.2
Model of building Brand equity according to Yoo et al. (2000), incorporating the work of Keller (1993), and Aaker (1991)

The ideas of Yoo *et al.* (2000) were based on the work of Keller (1993) and Aaker (1991). In Figure 2.1, Aaker's (1991) model demonstrates that brand equity is a multidimensional construct that can be built based on five dimensions; brand awareness, brand loyalty, brand associations, perceived quality, and other proprietary brand assets. The ability of the brand to perform well on these dimensions could provide it with better opportunities to lead consumers to improve brand equity. Hence, brand equity gives added value to customers and firms.

Based on Aaker's (1991) work, Yoo *et al.* (2000) investigated the antecedents-dimensions-brand equity linkages. They extended the model of Aaker (1991) in two ways (see Figure 2.2). First, they added another construct of brand equity that did not exist in the original model of Aaker. This separate construct of brand equity represents the overall brand equity, and is placed between the brand equity assets and the value provided for both customers and firms. To them, setting a separate brand equity assists in understanding how each brand equity asset contributes to overall brand equity. In addition, they included marketing activities such as store image, price promotion, distribution intensity, price, and advertising spending as antecedents of brand equity. The inclusion of marketing activities as antecedents of brand equity was mainly based on the idea of Keller (1993) who postulated the influence of marketing activities on brand equity assets such as brand loyalty, perceived quality, brand associations, and brand awareness.

Yoo *et al.* (2000) illustrated that there exists a strong relationship between the elements of marketing activities and brand equity, either negative or positive. For example, they argued that regular price promotion could damage brand equity, whereas good store image, high advertising spending, distribution intensity, and price can enhance or develop brand equity. Other factors, for example, company image, slogans or jingles, country of origin, symbols, warranties (Boulding & Kirmani

1993), packages (Aaker, 1991), promotional events (Keller, 1993), and public relations (Aaker, 1991) have also been proposed to be significant for developing brand equity.

Since brand equity is embedded in its dimensions, thus looking at the effect of strategic factors on the dimensions of brand equity is important in building customer-based brand equity (Aaker, 1996). Based on the model of Yoo *et al.* (2000) on the process of creating brand equity, this research aims to investigate how to develop brand equity through the selected strategic factors in the context of an automotive industry by placing relationship quality as a mediator.

2.9.2 Social Exchange Theory

Relationship marketing has been in the literature for several years. It emphasizes on organization's ability to build exchange relationships with customers and sustain them. A key concept of relationship marketing is relationship quality which was defined by Morgan and Hunt (1994) as a desire reflected by customers to build long-lasting relationships with a brand based on mutual trust and commitment. In particular, there is a general agreement among scholars that relationship quality is made up of three main elements, namely, trust, commitment, and satisfaction (Dorsch *et al.*, 1998; Yang *et al.*, 2010; Hilman, Abd. Ghani, & Hanaysha, 2013).

According to Aggarwal (2004), commitment has been considered as a significant mediating factor that influences customer behaviors. Theoretically, there exists a considerable agreement on the role of brand commitment and trust as mediating factors that have direct effects on customer behavior (Sung & Campbell, 2009). Morgan and Hunt (1994) proposed that commitment and trust mediate the relationships between variables, and future researches should consider further elements to measure relationship quality.

Thibaut and Kelley (1959) indicated that a common theoretical framework for studying the interpersonal relationships between brands and their customers is social exchange theory. One of the first economic theories about relationships developed by Thibaut and Kelley, social exchange theory states that "relational exchange participants can be expected to derive complex, personal, non-economic satisfactions and engage in social exchange" (Dwyer, Schurr, & Oh, 1987, p.12). It is a model of human behavior that is developed to explain the processes of building relationships with customers and sustaining them. According to social exchange theory, customers assess their relationships with a brand according to the benefits that they might receive from that brand (Perkins & Algren, 2011) and then they form decisions about their relationships in comparison with the other alternatives.

Social exchange theory has been applied in the field of customer relationships (Dainton & Zelley, 2011). It describes when and why customers are willing to develop and sustain their personal relationship with certain brands and not with others. Moreover, the theory explains the level of users' satisfaction and to what extent are they willing to maintain it (Perkins & Algren, 2011).

In general, social exchange theory has been accepted as a relevant theory to explain relationship quality elements such as trust, satisfaction, and commitment with regard to various brands (Perkins & Algren, 2011; Williams, 2012). The basic premise of this theory stresses that customers assess relationships in terms of their consequences (Dainton & Zelley, 2011). In particular, each relationship contains rewards and costs linked with it, and thus the consequences of a relationship can be analyzed in terms of the incurred costs as well as received rewards (Thibaut & Kelley, 1959). Costs refer to shortcomings which are not pleasant or stop us to reach our objectives, whereas rewards refer to any pleasant paybacks that could enable us to attain a particular goal (Dainton & Zelley, 2005).

Nyadzayo, Matanda, and Ewing (2011) considered social exchange theory as a relevant theory for understanding the effect of relationship quality on creating brand equity. According to several researchers (Farquhar *et al.*, 1991; Son, Narasimhan, & Riggins, 2005), the theoretical assumption about the effect of relationship quality on brand equity is explained based on the main exchanges, benefits, and values through social exchange theory. Moreover, Delgado-Ballester and Munuera-Aleman (2005) indicated that relationships with customers are the main antecedents and assets of brand equity. Thus, social exchange theory provides the theoretical base for the link between relationship quality and brand equity (Dhanushanthini, 2011).

Based on the above discussion, this research proposes that social exchange theory is relevant to understand the relationships between customers and brands. This research seeks to provide a contribution to this theory as well as to understand customer relationships in the field of branding.

2.9.3 Resource-Based View (RBV)

The resource-based view of the firm (RBV) is one the most important strategic management concepts that established its substance in past literature (Fhay & Smithee, 1999). It is a framework to understand strategic marketing issues (Fhay & Smithee, 1999). The RBV proposes that the resources owned by an organization are the main determinants of its success, and these can ultimately lead to sustainable competitive advantage (Hoffer & Schendel, 1978; Wernerfelt, 1984). Barney (1991) stated that resources include capabilities, information, organizational processes, knowledge, firm attributes, assets, etc. that are controlled by an organization which enable it to set relevant strategies to enhance its performance.

In particular, the RBV as the most dominant strategic management theory assumes that organizations are heterogeneous to one another due to different strategic resources and capabilities on which competitive advantage is developed (Barney, 1991; Wernerfelt, 1984). It posits that competitiveness is merely gained through distinctive resources and capabilities owned by an organization (Henri, 2006). In other words, when an organization acquires distinct capabilities and resources that are rare, non-substitutable, valuable, and cannot be imitated (Barney, 1991), and utilize them in a way that is not being simultaneously utilized by another organization, it would have a competitive advantage over its competitors (Barney, 1991; Day, 1994). Thus, intangible resources and capabilities that are hard to imitate give a more momentous basis for marketing strategy development (Bareney, 1991).

The resource based view is relevant for explaining the strategic factors used in this research namely, advertising, product innovation, product quality, and country of origin. For instance, an organization's advertising creates intangible market-based assets and these assets reinforce its market and financial performance (Barney, 1991). Keller (2001) described advertising as an element of marketing communication at the brand level which reflects organizations' capabilities to create a dialogue with consumers concerning their product offering. In a messy, complex market place, marketing communication elements such as advertising can help products and services to stand out and assist consumers realize their comparative advantages (Kim, 2007).

Previous studies further considered innovation as one of the most important competitive advantages of organizations (Chapman & Hyland, 2004; Hamel & Prahalad, 1994; Teece, Pisano, & Shuen, 1997). Teece *at al.* (2000) affirmed that innovation is a sort of "capital" for a firm to acquire a competitive advantage. Hamel and Prahalad (1994) indicated that resources-based view is strongly linked with product innovation. They explained product innovation as a dynamic capability of a firm's core competence that makes it capable to renew and reconfigure its resources.

Innovative capability refers to the ability of an organization to successfully develop new products by bringing strategic innovative orientation in the operations and culture of that organization (Wang & Ahmed 2004). Certain scholars (Lazonick & Prencipe, 2005; Petroni, 1998) affirmed that in numerous organizations, innovative capability is an important source for their development and growth, particularly in markets characterized by high competition. The more innovative an organization is, the more it has dynamic capabilities.

Furthermore, the resource-based view assumes that competitive advantage is developed by obtaining distinctive organizational competencies based on unique capabilities and valuable resources such as product quality (Hays, Hill, & Carlson, 1999). Hays and Hill, (1999) confirmed superior product quality as one of the most distinctive competencies that can improve competitive advantage. They further demonstrated that quality is an important determinant of both market share and brand equity in diverse markets. Similarly, Siddiqi (2011) considered quality as a competitive factor for an organization which differentiates it from competitors and facilitates its ability to gain sustainable competitive advantage.

A review of literature reveals that product quality is an important factor that influences both market share and brand equity (Chu & Keh, 2006; Laverty, 2001; Robinson, 1990; Rubio & Yague, 2009). A competitive brand position assures customers of the quality of its products (Keller, 1998). According to these researchers (Aaker & Jacobson 2001; Angulo, 2007; Frieder & Subrahmanyam 2005), product quality is an important organizational resource that strengthens customer relationships and brand equity.

Furthermore, the resource based view assumes that intangible assets such as country of origin are very important sources of heterogeneity of performance as compared to tangible assets, because of comparatively high barriers to imitation (Hall, 1992). According to Kim (1995), long-term intangible assets that come from the popular image and country of origin image commonly have a positive influence on enhancing brand performance. The ability to transfer intangible assets from country to country can lead to a superior competitive advantage. For this reason, the intangible assets play important roles in enabling organizations to create long-term competitive advantages (Furrer, Krug, Sudharshan, & Thomas, 2004).

2.9.4 Dynamic Capabilities Perspective

The dynamic capabilities perspective focuses mainly on a firm's ability to deal with rapidly changing environments and has received increased attention in many disciplines such as strategic management, strategic marketing, and other research domains (Barreto, 2010). Particularly, the dynamic capabilities perspective is basically an extension of the resource-based view of a firm rather than an entirely new concept or theory (Richard, Bella, Kuo, & Po, 2007). Dynamic capabilities refer to the firm's ability to integrate, establish, and reconfigure internal and external competences to respond to quickly changing environment (Teece *et al.*, 1997). Dynamic capability explains the capability of a firm to deliberately create, expand, or change its resource base (Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece, & Winter, 2007).

Advertising is considered to be one of the communication capabilities in an organization (Aaker, 1996; Morgan, 2012). The advertising capability of an organization encompasses reminding current product users about the availability and benefits of a product, reinforcing buying decision, and reducing customers' cognitive dissonance (Morgan, 2012). These are essential advertising skills that an organization must possess to strategically address advertising competency which results in the creation of strong brand equity and competitive advantage.

Desarbo, Di Benedetto, Song, and Sinha (2005) considered advertising as one of the strategic capabilities of an organization and measured it by information about competitors and customers, integration of marketing activities and the effectiveness of other marketing elements. Dynamic capabilities in advertising might enable an organization to create brand trust, brand commitment, and brand satisfaction which might in turn lead to strong brand equity (Baidya & Basu, 2008; Hameed, 2013; Morgan & Hunt, 1994).

Duncan and Moriarty (1997) demonstrated that advertising is one of the communication capabilities that play strategic roles in managing the intangible side of a business. Moreover, advertising strategy is an important external driver of brand equity (Brodie, Glynn, & Little , 2006; Grace & O'Cass, 2005). According to Haefner *et al.* (2011), through advertising competency, firms can build strong customer relationships and improve brand equity. The argument was supported by several previous studies indicating that the success of customer relationships depends on communication capabilities such as advertising that influence brand awareness and improves the interaction between a brand and its customers (Dahlstrom & Nygaard, 1995; Singh & Sirdeshmukh, 2000).

Innovative capability has also been considered to be one of the important components of dynamic capability which refers to the organization's ability to come up with new products through new markets as well as addressing strategic orientation in terms of innovative processes and behaviors (Wang & Ahmed, 2007). Past studies relating to dynamic capabilities tended to focus on the importance of new product introductions for bringing change in an organization as well as its transformation (Dougherty, 1992; Daneels, 2002). Studies (e.g., Lazonick & Prencipe, 2005; Petroni, 1998; Tripsas, 1997) have also revealed that organizations' innovative capability is a critical strategic factor for their development and existence in external competition and change.

Product innovation is largely a function of dynamic capabilities an organization possesses (Wang & Ahmed, 2007). Innovative capability is reflected in terms of innovation of new and creative products as well as entry into strategically crucial markets, which determine an organization's success. Innovative capability expresses the associations between various firm's capabilities and resources, making a robust network of activities and processes, thus making it difficult for competitors to study (Wang & Ahmed, 2007). Sustained innovativeness depends on the organization's combination of dynamic capabilities, which are continuously evolved and improved with a passage of time to address quickly changing competition and environments (Teece *et al.*, 1997).

A review of literature reveals that product innovation is an important variable that influences both market share and brand equity (Chu & Keh, 2006; Laverty, 2001; Robinson, 1990; Rubio & Yague, 2009). Resource-based theory posits that superior firm performance is contingent on how well a firm develops and deploys its resources and capabilities (Barney, 2014). A common means by which the firm achieves superior performance is through the development of innovative and high quality products (Zott & Amit, 2008). By coming up with innovative products, the firm can create an appropriate level of market based value that aids in the improvement of brand equity.

Product innovation is a key element of branding because it shapes and drives brand's performance (Aaker, 1996). Davcik and Grigoriou (2013) reported that by applying different innovation types such as technology and production standards, it would result in positive brand equity. Several researchers consider relationship quality as an important resource for a firm. For instance, Tan *et al.* (2011) indicated that a firm's ability to innovate and introduce products that are unique and innovative will determine its ability to gain better customer relationships.

By placing an organization's capabilities such as advertising and product innovation as strategic factors in this research framework, this research will build upon the concepts of dynamic capabilities and contribute towards this perspective through its findings and recommendations.

2.9.5 Information Processing Theory

Information-processing theory states that customers use product cues to establish their beliefs and assessments about a certain product; the country of origin is regarded as an extrinsic product cue to evaluate that product (Bilkey & Nes, 1982; Cordell, 1992; Hong & Wyer, 1990, Yasin *et al.*, 2007). Customers are known to form stereotypical beliefs and assumptions about product features from certain countries. Consequently, the image of country of origin has the power to influence the belief of importers and customers about product features and to affect the evaluation of products and brands originating from those countries (Srikatanyoo & Gnoth, 2002).

A number of scholars have confirmed that a brand's country of origin is a vital factor that influences customers' decision making (Khachturian & Morganosky, 1990; Knight, 1999; Piron, 2000). Particularly, most of the past studies reveal that country of origin information that is usually specified by the "Made in" label provides numerous functions in the decision making of customers. When customers have to form a decision under asymmetrical information conditions and limited rationality, they may be encouraged to look for additional information about a product before purchasing it (Yasin *et al.*, 2007).

Country of origin influences how other attributes of a product are interpreted by customers, however, this influence over other attributes is pronounced when the information of country of origin is communicated before other information (Torres & Gutiérrez, 2007). Since customers' perceptions of certain country of origin affect their assessments towards products originating from that country, this will affect their preferences and purchase intention as well as the choice of the brand. Evidently, this has important implications on brand equity creation (Yasin *et al.*, 2007).

This influence on the choice of a certain brand, preference, and customer's purchase intention will result in strengthening the linkage between customers and a certain brand. Hence, the relationships of customers with a brand are established after gathering information about that brand (Haefner *et al.*, 2011). In this way, the information about country of origin results into improved customer relationships and better brand familiarity. Jiménez and Martín (2012) indicated that the information about country of origin could enhance company relationships with customers.

The repute of certain country brands becomes an important assessment criterion for available offer and a keystone in building relationship trust (Jiménez & Martín, 2012; Michaelis *et al.*, 2008; Nijssen & Herk, 2009). Therefore, as relationship quality is highly associated with brand's country of origin, business managers should exploit diverse incentives to enhance perceived company's reliability in global markets that assure continuous transactions (Dahlstrom & Nygaard, 1995; Singh & Sirdeshmukh, 2000).

By placing country of origin as a strategic factor in research framework, this research will build upon the concept of information processing and contributes towards this theory through its findings and recommendations.

2.10 Theoretical Framework

Brand equity has received a significant attention in previous researches. As demonstrated by Aaker (1991), several dimensions reflect the strength of brand equity. These dimensions include perceived quality, brand loyalty, brand awareness, brand associations, and other proprietary brand assets. Aaker (1996b) further stressed on the salience of brand leadership as another important dimension of brand equity. Being able to manage these assets could protect a brand from others and enable it to enhance its overall brand equity. Similarly, Keller (1993) explained that brand equity can be measured by brand knowledge which includes the combination of brand image, brand awareness, and brand response, reflecting consumers' perceptions, attitudes, and preferences as a result of the marketing mix activities.

However, this research aims to contribute to the theory of brand equity by incorporating four dimensions to measure brand equity in the automotive industry in Malaysia. The dimensions include brand awareness, brand loyalty, brand leadership based on the model of Aaker (1991, 1996b), and brand image based on the model of Keller (1993). By combining these dimensions from both models, a significant contribution to the brand equity theory could be made.

There are several factors that contribute to brand equity. For instance, Yoo and Dontu (2001) investigated the impact of marketing activities on building brand equity and suggested that it can be established, sustained, and enhanced by reinforcing its dimensions. They further indicated a number of antecedents to brand equity such as advertising, because has a vital role in influencing it, and reflects the strength of a brand through the investments in marketing programs. Duncan and Moriarty (1997) considered advertising as a significant variable which is related to dynamic capabilities, and it plays a strategic role in managing the intangible side of business to drive brand equity (Grace & O'Cass, 2005). Haefner *et al.* (2011) added that through advertising competency, firms can build strong customer relationships and improve brand equity.

Product innovation is another important variable which was proposed by Aaker (1996a) to improve brand equity and enhance the power of a brand. Aaker indicated that successful brands focus on product innovation which includes differentiated product features with added values to customer. Wang and Ahmad (2007) further considered product innovation as one of the important components of dynamic capability that can influence the creation of brand equity, and thus, helps firms to gain sustainable competitive advantage. Particularly, the innovative capability will help brands to strengthen their relationships with customers (Tan *et al.*, 2011).

Aaker (1991) also demonstrated that brand equity is a construct composed of several dimensions which can be built through product quality. Specifically, the ability of a brand to introduce products with high quality in international markets would provide it with better opportunities to lead customers to improve brand equity (Aaker, 1991). According to resource based theory, superior product quality is one of the main distinctive competencies that can lead to sustainable competitive advantage and enhanced brand equity (Hays, Hill & Carlson, 1999). Angulo (2007) added that product quality is an important organizational resource that strengthens customer relationships and brand equity.

Yoo *et al.* (2000) also reported that country of origin can develop brand equity through the intangible value endowed to a brand; thus brands originating from a favorable country image are likely to have higher brand equity. Torres and Gutiérrez (2007) added that country of origin affects how other product attributes are interpreted, but this effect over other attributes is pronounced when the country of origin information is conveyed before other information. Particularly, the country of origin information provides a strong platform for strengthening brand equity (Yasin *et al.*, 2007), and it has a key role in helping firms to establish successful relationships with customers (Jiménez & Martín, 2012)

Based on the definition of Aaker (1991), brand equity can be evaluated by the intangible assets and liabilities linked to a brand. Relationship quality is an intangible value that firms can use to develop their brand equities. Specifically, the ability of a brand to successfully manage to develop brand satisfaction, brand trust, and brand commitment among its customers would provide it in better chances to develop its overall brand equity and get it leveraged with the passage of time (Palmer, 2002; Peppers & Rogers 1995). Therefore, relationship quality with customers plays an important role in the development and contribution to the theory of brand equity (Nyadzayo *et al.*, 2011).

The review of literature in relationship quality indicates that the concept has been investigated widely and one stream of research indicates that relationship quality has been used as a mediator in various research designs in the past. In other words, a number of studies involving relationship quality dimensions in their frameworks tested the effects of brand satisfaction, brand trust, and brand commitment (dimensions of relationship quality) as mediators between certain independent and dependent variables (Akbar & Parvez; 2009; Zehir *et al.*, 2011). However, there are limited studies that used relationship quality as mediator between strategic factors and brand equity in the context of automotive industry. Hence, this research is intended to fill this gap.

Certain scholars (Perkins & Algren, 2011; Williams, 2012) accepted social exchange theory as a relevant theory to explain relationship quality elements, such as trust, satisfaction, and commitment with regard to various brands. Such assertion is consistent with Thibaut and Kelley (1959) who demonstrated that the interpersonal relationships between business and their customers can be explained based on social exchange theory. This theory describes when and why customers are willing to develop and sustain their personal relationships with certain brands while stopping them with other brands.

This research emphasizes on the importance of relationship quality and the aforementioned strategic factors (advertising, product innovation, product quality, and country of origin) linkages with brand equity. Based on the models of Aaker (1991, 1996b), Keller (1993), and Yoo *et al.* (2000), these factors provide a strong platform for firms seeking to enhance brand equity. Particularly, this research examines the effect of strategic factors on brand equity with relationship quality as a mediator in one research framework, which is the contribution of this research.

2.11 Summary

This chapter has critically discussed the literature on the main variables selected in this research. It started by providing an introduction and basic definitions of a brand, along with commentary on brand management. Preceded by this was the dependent variable, that is, brand equity. The brand equity variable was also discussed at length along with its dimensions – brand awareness, brand loyalty, brand image, and brand leadership. Then, it proceeded towards explaining the independent variable of the research, which is the strategic factors with comprehensive discussions on the dimensions: advertising, product innovation, product quality, and country of origin. After that, a detailed explanation was provided on the mediating variable-relationship quality along with its dimensions, namely brand commitment, brand trust, and brand satisfaction. In the end, a detailed coverage was made on the underpinning theories related to brand equity and relationship quality, followed by theoretical framework.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that is used in this research. It presents the theoretical framework, research hypotheses, research design, sampling design, population, unit of analyses, operationalization of constructs, and data collection. Additionally, it discusses in detail survey instrument and data analyses. Finally, it highlights the form of which data and findings are presented.

3.2 Theoretical Framework

Based on the literature review and underlying theories presented in the previous chapter, the theoretical framework for this research is presented as follows:

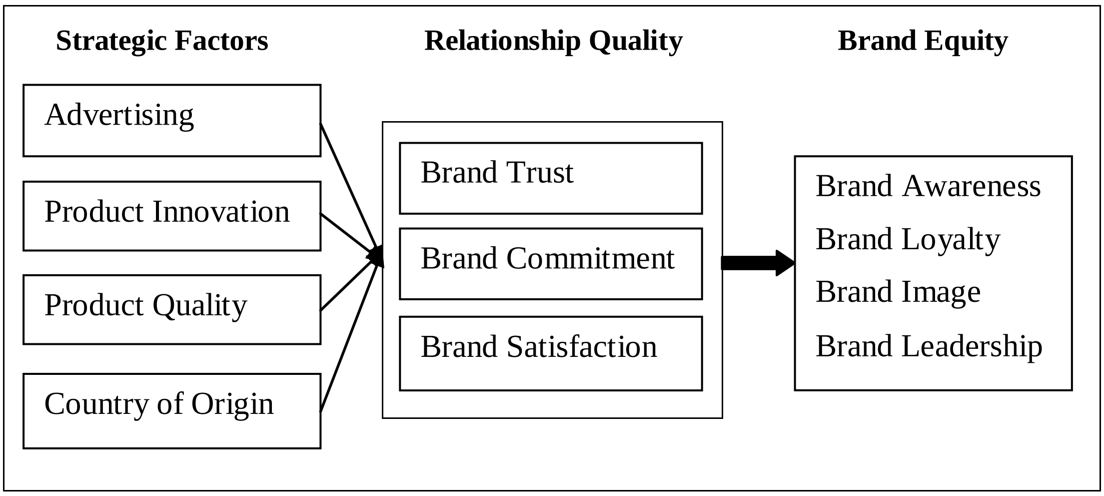

Figure 3.1
Theoretical Framework

In line with research objectives presented earlier, a number of hypotheses are presented in the following sections.

3.3 Research Hypotheses

3.3.1 Advertising and Brand Equity

Past studies found that advertising spending had a significant influence on brand equity and its dimensions which include brand loyalty, brand image, perceived quality, brand awareness (Doostar *et al.*, 2013; Haghighi, Afrasiabi, & Moetamedzadeh, 2013; Tariq *et al.*, 2014; Villarejo-Ramos & Nchez-Franco, 2005), and brand leadership (Rajagopal, 2013; Tilley, 1999). Likewise, Yoo and Donthu (2001) confirmed that extensive advertising spending is an important factor that leads to favorable brand equity. In line with the research of Arora *et al.* (2009), firms that have low brand equity may perhaps need to focus further on advertising in order to sustain their positions in target markets. Based on the above discussion, the following hypotheses are proposed:

H1: Advertising has a significant effect on overall brand equity.

H1a: Advertising has a significant effect on brand awareness.

H1b: Advertising has a significant effect on brand loyalty.

H1c: Advertising has a significant effect on brand image.

H1d: Advertising has a significant effect on brand leadership.

3.3.2 Product Innovation and Brand Equity

Product innovation is recognized as a main driver for growth of organizations and it has the power to influence customers' perceptions toward a brand (Kaplan, 2009). Numerous studies found out product innovations had a significant positive effect on brand equity (Ponnam & Balaji, 2015; Sriram *et al.*, 2007 & Yang, 2008). Specifically, a greater number of innovative products lead to higher parent brand equity (Ko *et al.*, 2009; Sinapuelas & Sisodiya, 2010).

Kingsland (2007) demonstrated that organizations pursuing innovation could engender high growth and obtain greater brand awareness and appeal. Gehlhar *et al.* (2009) also indicated that brands can maintain leadership positions through introducing innovative products. Further support was reported by certain scholars (Henard & Dacin, 2010; Nemati, 2009; Shiau, 2014) who demonstrated that product innovation had a significant positive influence on brand image and loyalty. Thus, the following hypotheses are presented:

H2: Product innovation has a significant effect on overall brand equity.

H2a: Product innovation has a significant effect on brand awareness.

H2b: Product innovation has a significant effect on brand loyalty.

H2c: Product innovation has a significant effect on brand image.

H2d: Product innovation has a significant effect on brand leadership.

3.3.3 Product Quality and Brand Equity

Previous studies indicated that product quality had a significant effect on brand equity (Jahanshahi *et al.*, 2011; Musekiwa *et al.*, 2013; Shaharudin *et al.*, 2010; Tan *et al.*, 2012). Moreover, Saleem, Rahman, and Uma (2015) revealed that the perceptions of product quality had significant positive effect on brand loyalty. Intagliata, Ulrich, & Smallwood (2000) further stated that brands can achieve the status of leadership by providing products with high quality. Thus, the following hypotheses are proposed:

H3: Product quality has a significant effect on overall brand equity.

H3a: Product quality has a significant effect on brand awareness.

H3b: Product quality has a significant effect on brand loyalty.

H3c: Product quality has a significant effect on brand image.

H3d: Product quality has a significant effect on brand leadership.

3.3.4 Country of origin and Brand Equity

Country of origin image is an important factor for product branding (Nayir & Durmusoglu, 2008). Certain Scholars (Lee *et al.*, 2014; Panda & Misra, 2014; Yasin *et al.*, 2007; Norouzi & Hosienabadi, 2011) indicated that a brand's country of origin image had a significant positive influence on brand equity and its dimensions (brand awareness, brand loyalty, and brand associations). Similarly, Saydan (2013) provided further support for the significant effect of country of origin on certain elements of brand equity including brand awareness and brand loyalty. Other scholars found out country of origin influenced brand image (Koubaa, 2008; Lin & Kao, 2004; Pappu & Quester, 2006). Thus, the following hypotheses are presented:

H4: Country of origin has a significant effect on overall brand equity.

H4a: Country of origin has a significant effect on brand awareness.

H4b: Country of origin has a significant effect on brand loyalty.

H4c: Country of origin has a significant effect on a brand image.

H4d: Country of origin has a significant effect on brand leadership.

3.3.5 Mediating Effect of Relationship Quality on the Relationship between Advertising and Brand Equity

Previous studies showed that advertising was a significant antecedent of relationship quality (Ansari & Joloudar, 2011; Baidya & Basu, 2008; Grewal *et al.*, 2009; Hameed, 2013). Previous researches also found that relationship quality had a significant positive influence on brand equity (Anwar *et al.*, 2011; Delgado-Ballester & Munuera-Aleman, 2005; He, Li, & Harris, 2012). Brand equity is a relational market-based asset which entails that creating and sustaining customer relationships is the hub of brand equity (Delgado-Ballester & Munuera-Aleman, 2005), because it is a main characteristic for winning long-term customer relationship (Morgan & Hunt, 1994). Based on the above discussion, the following hypotheses are presented:

H5: Relationship quality mediates the relationship between advertising and brand equity.

H5a: Relationship quality mediates the relationship between advertising and brand awareness.

H5b: Relationship quality mediates the relationship between advertising and brand loyalty.

H5c: Relationship quality mediates the relationship between advertising and brand image.

H5d: Relationship quality mediates the relationship between advertising and brand leadership.

3.3.6 Mediating Effect of Relationship Quality on the Relationship between Product Innovation Brand Equity

Previous studies revealed that product innovation has a significant effect on relationship quality (Ke-yi & Qian, 2010; Hu & Huang, 2011; Stock, 2011) and brand commitment (Eisingerich & Rubera, 2010). Dimyati (2011) found that product innovation had significant positive influence on relationship quality which in turn affected brand equity. Additionally, past studies found out relationship quality as a significant factor that affected brand equity (Afsar, Rehman, Qureshi, & Shahjehan, 2010; Ha *et al.*, 2010; Torres & Tribó, 2007; Torres & Tribó, 2011). Prasad and Dev (2000) also revealed that customer relationships are very important for managing brand equity. Based on the separate streams of research whereby product innovation had a significant effect on relationship quality, which was found to predict brand equity, the following hypotheses are presented:

H6: Relationship quality mediates the relationship between product innovation and overall brand equity.

H6a: Relationship quality mediates the relationship between product innovation and brand awareness.

H6b: Relationship quality mediates the relationship between product innovation and brand loyalty.

H6c: Relationship quality mediates the relationship between product innovation and brand image.

H6d: Relationship quality mediates the relationship between product innovation and brand leadership.

3.3.7 Mediating Effect of Relationship Quality on the Relationship between Product Quality Brand Equity

Several scholars argued that maintaining superior product quality will build customer relationships and further generate brand loyalty (Chumpitaz & Paparoidamis, 2004; Kotler *et al.*, 2005). Moreover, previous studies indicated that product quality had a significant influence on relationship quality dimensions such as trust (Kennedya *et al.*, 2001; Walter *et al.*, 2002), commitment (Seng, 2010; Walter *et al.*, 2002), and relationship satisfaction (Atilgan *et al.*, 2005; Chang & Fong, 2010; Jahanshahi *et al.*, 2011). In other studies, relationship quality was found to be a significant factor that influenced brand equity (Ahmad & Hashim, 2011; Martisiute *et al.*, 2010; Nawaz & Usman, 2011). These studies indicated that consumer relationship quality is one of the brand equity enhancing factors.

By integrating the two different lines of research above, the following hypotheses are presented:

H7: Relationship quality mediates the relationship between product quality and brand equity.

H7a: Relationship quality mediates the relationship between product quality and brand awareness.

H7b: Relationship quality mediates the relationship between product quality and brand loyalty.

H7c: Relationship quality mediates the relationship between product quality and brand image.

H7d: Relationship quality mediates the relationship between product quality and brand leadership.

3.3.8 Mediating Effect of Relationship Quality on the Relationship between Country of Origin and Brand Equity

Previous studies demonstrated that country of origin significantly affected relationship quality dimensions such as trust (Jiménez & Martýn, 2010; Michaelis *et al.*, 2008; Rosenbloom & Haefner, 2009), relationship commitment (Ahmed & d'Astous's 1996; Norouzi & Hosienabadi 2011; Pappu & Quester, 2006), and relationship satisfaction (Arambewela & Hall, 2006; Srivastava, 2014; Stephen, 2009). Other studies found that relationship quality had a significant positive influence on brand equity (Akbar & Azhar, 2010; Kim *et al.*, 2008; Loureiro & Miranda, 2011). Consequently, the following hypotheses are presented:

H8: Relationship quality mediates the relationship between country of origin and brand equity.

H8a: Relationship quality mediates the relationship between country of origin and brand awareness.

H8b: Relationship quality mediates the relationship between country of origin and brand loyalty.

H8c: Relationship quality mediates the relationship between country of origin and brand image.

H8d: Relationship quality mediates the relationship between country of origin and brand leadership.

3.3.9 Advertising and Relationship Quality

Advertising is an important factor for brands seeking to establish meaningful long-term relationships with customers, because it can build and enhance trust-based relationships between them and their customers (Zehir *et al.*, 2011). Past researches showed that advertising had a significant influence on relationship quality assets such as brand satisfaction (Ansari & Joloudar, 2011; Baidya & Basu, 2008; Grewal *et al.*, 2009; Hameed, 2013; Stephen, 2009), brand trust (Grace & O'Cass, 2005; Low & Lamb, 2000; Zehir *et al.*, 2011), and brand commitment (Morgan & Hunt, 1994). Particularly, advertising in all of its forms builds further interest and inspires action especially when consumers perceive a brand as of high quality (Arora, Raisinghani, Arora, & Kothari, 2009). Based on the above discussion, the following hypothesis is proposed:

H9: Advertising has a significant effect on relationship quality.

3.3.10 Product Innovation and Relationship Quality

Firms innovate and develop their products because new products provide unique opportunities for competitive advantage. Most importantly, product innovation helps a brand to build its competitive advantage, obtain new customers, maintain current customers, and enhance its relationship with its distributors (Cooper & Kleinschmidt, 1990; Kotler & Keller, 2006). Dimyati (2011) found out product innovation had significant influence on brand trust, which in turns affected customer loyalty and commitment. In addition, previous researches reported a significant positive effect of innovativeness on customer relationship elements such as satisfaction (Hu & Huang, 2011; Ke-yi & Qian, 2010; Luo & Bhattacharya, 2006; Stock, 2011). Hence, the following hypothesis is proposed:

H10: product innovation has a significant effect on relationship quality.

3.3.11 Product Quality and Relationship Quality

A number of studies found that product quality had a significant influence on relationship quality and its elements such as brand trust (Kennedya *et al.*, 2001 & Walter *et al.*, 2002), brand satisfaction (Anderson *et al.*, 1994; Atilgan *et al.*, 2005 & Eskildsen *et al.*, 2004), and brand commitment (Seng, 2010 & Walter, 2002). Evidently, products characterized by high quality not only influence consumers' decisions to buy a brand, but also increase their retention and intentions to recommend it to others (Walter *et al.*, 2002). Moreover, Jakpar, Na, Johari, and Myint (2013) found that product quality had a significant effect on relationship quality. Hence, the following hypothesis is proposed:

H11: Product quality has a significant effect on relationship quality.

3.3.12 Country of origin and Relationship Quality

Previous research found that country of origin had a significant impact on relationship quality and its dimensions such as a brand satisfaction (Arambewela & Hall, 2006; Srivastava, 2014; Stephen, 2009), brand trust (Dehkordi *et al.*, 2012; Rosenbloom & Haefner, 2009; Tam, 2008), and brand commitment (Pappu & Quester, 2006). Specifically, country of origin is related to different marketing factors that influence customers' behavior and maintain valuable relationships with them (Michaelis *et al.*, 2008; Shahrokh & Azodi, 2013). Hence, the following hypothesis is proposed:

H12: Country of origin has a significant effect on relationship quality.

3.3.13 Relationship Quality and Brand Equity

Past studies reported that relationship bonding significantly affected the establishment of brand equity (Mei, 2015; Tuan & Jusoh, 2013; Wulf, Schroder, & Lacobucci, 2001). Morgan and Hunt (1996) demonstrated that resources like commitment and trust cannot be imitated or purchased. These resources can be used in order to create strong brand equity and build sustainable competitive advantages (Azizi & Kapak, 2013). Similarly, certain scholars (Kim, Lee, & Suh, 2015; Kim *et al.*, 2008) reported that relationship quality had significant positive influence on building brand loyalty, brand awareness, and brand image. Thus, the following hypotheses are proposed:

H13: Relationship quality has a significant effect on overall brand equity.

H13a: Relationship quality has a significant effect on brand awareness.

H13b: Relationship quality has a significant effect on brand loyalty.

H13c: Relationship quality has a significant effect on a brand image.

H13d: Relationship quality has a significant effect on brand leadership.

3.4 Unit of Analyses

Unit of analyses refers to the type of unit that a researcher employs during variable's measurement (Neuman, 2005). In this research, the main purpose is to explore the effect of strategic factors on brand equity through the mediating effect of relationship quality. As the unit of analysis is a customer, this research treated each customer as one respondent.

3.5 Operationalization and Measurement of Variables

This research aims to investigate the effect of strategic factors on brand equity via relationship quality as mediator in context of automotive industry in Malaysian market. The measurement items of constructs were adapted from past studies to fit the scope of this research which is guided by research objectives. The items of each construct were chosen due to their validity and reliability results as reported in previous studies, and were tested in different contexts for different brands. To further ensure the validity and suitability of the questionnaire, it was circulated among experts and was discussed with the respondents. The following section presents the measurement scales of each construct.

3.5.1 Measurement of Brand Equity

Past studies revealed that measuring brand equity is very important and matches with the definition of the added value given by a brand to its products. For example, Aaker (1991) reported that brand equity can be measured in terms of four dimensions; perceived quality, brand loyalty, brand associations, and brand awareness. Later, brand leadership was added. In a similar vein, Yoo and Donthu (2001) suggested that brand equity can be measured by the following dimensions: brand association or attention, brand loyalty, and perceived quality. Similarly, Keller (1993) proposed brand knowledge which includes brand image and brand awareness as the basic dimensions of brand equity. Consistent with Aaker's (1991) proposition that it would be valuable and reasonably suitable to initiate a particular summary of four brand equity measures, four dimensions were considered in measuring brand equity. The dimensions are brand awareness, brand loyalty, brand image, and brand leadership.

Brand awareness in this research refers to brand familiarity, brand reputation, or recognition (Yasin *et al.*, 2007). The measurement scale employed in this research to test brand awareness was adapted from Yasin *et al.* (2007) to fit the context of the automotive industry. These items were selected because they had an acceptable reliability of 0.82 (Hair, Black, Babin, Anderson, & Tatham, 2010) and were validated in several previous studies. The items are presented below in Table 3.1.

Additionally, brand loyalty in this research refers to customers' affiliations and adherence to a brand (Nigam & Kaushik, 2011). Understanding and measuring brand loyalty in durable product categories such as cars is important through which products entail high profit margins and enhance organizational competitive advantage (Zehir *et al.*, 2011). The measurement scale of brand loyalty was adapted from Nigam and Kaushik (2011) to fit the context of the automotive industry. Specifically, four items were selected, because they were tested in several previous studies and had an acceptable reliability.

Brand image is another dimension which was proposed in this research to measure brand equity. It refers to customer's judgment or perception and overall feelings about a particular brand (Nigam & Kaushik, 2011). As shown in Table 3.1, five items were used to measure brand image. The items were adapted from Nigam and Kaushik (2011) to fit the context of this research. The items were selected, because they had an acceptable reliability with Cronbach's alpha of more than 0.70 (Hair *et al.*, 2010).

Finally, brand leadership is an important dimension considered to measure brand equity. Few scholars have contributed to the measurement of brand leadership. However, in this research, brand leadership was measured by five items adapted from Aaker (1996b), and Liaogang *et al.* (2007). This is because the items were validated in their studies and considered to be suitable for the context of this research. Table 3.1 shows the definition and items to measure brand leadership in the present research.

Table 3.1
Measurements of Brand Equity

Brand Equity Dimensions	No of Items	Operational Definition of Dimension	Source
Brand Awareness	4	Brand Awareness refers to brand familiarity, brand reputation, or recognition.	Yasin *et al.* (2007)
Brand Loyalty	4	It refers to customers' affiliation and adherence to a brand.	Nigam and Kaushik (2011)
Brand Image	5	It refers to customer's judgment or perception and overall feelings about a particular brand.	Nigam and Kaushik (2011)
Brand Leadership	5	Brand leadership refers to customers' acceptance of a brand popularity and innovation.	Aaker (1996b) & Liaogang *et al.* (2007)

3.5.2 Measurement of Strategic Factors

3.5.2.1 Measurement of Advertising

This research used seven items to measure advertising on a seven-point Likert scale. The items were adapted from Villarejo-Ramos and Sanchez-Franco (2005) to fit the context of this research. The items were selected because they were reported at an acceptable reliability coefficient of more than 0.8 (Hair *et al.*, 2010) and were fit for the automotive industry. The definition and number of items to measure advertising are presented in Table 3.2.

3.5.2.2 Measurement of Product Innovation

As claimed by Aaker (1991), product innovation can enhance the success of businesses today, but the challenge for the business is to communicate the culture to the current as well as new customers. This research defines product innovation as the ability of a brand to come up with products or services that are new or significantly updates with new features which provide added values to customers (Stock, 2011). As shown Table 3.2, it was measured using seven items adapted from Stock (2011). The selected items were reported at high reliability with Cronbach's alpha of 0.77 (Hair *et al.*, 2010).

3.5.2.3 Measurement of Product Quality

This research defines product quality as the extent to which customers perceive a product as highly reliable/dependable, functional, and durable. It was measured using five items adapted from Kennedy *et al.* (2001). Five items were chosen because they were validated in the automotive sector and had an acceptable reliability. The definition and number of items to measure product quality in this research are presented in Table 3.2.

3.5.2.4 Measurement of Country of Origin

Country of origin in this research refers to the country where a brand is perceived to be originating from (Sanyal & Datta, 2011). It was measured using five items adapted from Sanyal and Datta (2011). The items were selected because they were reported at high reliability with Cronbach's alpha of more than 0.70 (Hair *et al.*, 2010). The number of items and their source are presented in Table 3.2 for better clarifications.

Table 3.2
Measurement of Strategic Factors

Strategic Factors	No of Items	Operational Definition	Source
Advertising	7	It refers to customers' perception and evaluation of a brand's advertising program.	Villarejo-Ramos and Sanchez-Franco (2005)
Product Innovation	7	The ability of a brand to come up with products or services that are new or significantly updates with new features which provide added values to customers.	Stock (2011)
Product Quality	5	The extent to which customers perceive the product as highly reliable/ dependable, functional, and durable.	Kennedy *et al.* (2001)
Country of Origin	5	It refers to the country where the brand is originated from.	Sanyal and Datta (2011)

3.5.3 Measurement of Relationship Quality

As stated earlier, brand relationship quality contains three dimensions; trust, commitment, and satisfaction. The instrument utilized to measure relationship quality in this research is based on past studies with some modifications made to ensure it would be appropriate with the context of this research. In general, relationship quality refers to all activities that are directed to create, improve, and sustain successful relational exchanges (Morgan & Hunt, 1994).

Morgan and Hunt (1994) recommended that in addition to brand trust and commitment, other relationship marketing variables should be explored and considered for further critical assessment, replication, and extension. Based on their recommendation, brand satisfaction was included in this research. Overall, the relationship quality construct was operationalized in terms of three important behavioral elements: trust, commitment, and satisfaction. These components are conducive to relationship marketing success. The definition and measurement scale of each element are given below.

3.5.3.1 Measurement of Brand Trust

This research defines brand trust as a customer's confident belief that he or she can rely on a brand to deliver its products and services as promised (Mohammad, 2012). Specifically, it was measured using five items adapted from Mohammad (2012). The items were selected, because had high reliability with Cronbach's alpha of 0.811 (Hair *et al.*, 2010). The definition and number of items to measure brand trust are presented in Table 3.3.

3.5.3.2 Measurement of Brand Commitment

Brand commitment refers to the desire reflected by brands and their customers to maintain valued relationships (Ok *et al.*, 2011). For the purpose of this research, four items adapted from Ok, Choi, and Hyun (2011) were used to measure brand commitment (see Table 3.3). The items were selected, because they had an acceptable reliability with Cronbach's alpha of 0.8 (Hair *et al.*, 2010).

3.5.3.3 Measurement of Brand Satisfaction

In this research, brand satisfaction is defined as customers' judgment towards a product or service feature in provideing them with a pleasurable level of consumption related to fulfilling and matching their expectations. It was measured using five items adapted from Zboja and Voorhees (2006). The items were selected, because they exhibited strong construct reliability with Cronbach's alpha ranging from 0.94 to 0.96 (Hair *et al.*, 2010). The items and their source are presented in Table 3.3.

Table 3.3
Measurement of Relationship Quality

Relationship Quality	No of Items	Operational Definition of Dimension	Source
Brand Trust	5	A customer's confident beliefs that he or she can depend on a brand to deliver its products and services as promised.	Mohammad (2012)
Brand Commitment	4	An enduring desire to maintain a valued relationship.	Ok *et al.* (2011)
Brand Satisfaction	5	A judgment that a product or service feature is provideing a pleasurable level of consumption related to fulfillment and also matching the expectations of customers.	Zboja and Voorhees (2006)

3.6 Questionnaire Design

Questionnaire was used as a means to collect the necessary data. Each respondent was asked to assess his/her existing car brand based on the perception about advertising, product innovation, product quality, country of origin, brand relationship quality, and brand equity. In designing the questionnaire, various measures were assembled by using the following procedure:

A. An extensive literature review was done to get a clear understanding about all constructs used in this research.

B. The questionnaire was given to relevant faculty as well as to some experts in the automotive industry of Malaysia in order to obtain feedback on the relevance of the selected measures and other aspects such as clarity of sentences and instructions.

C. Suggested comments were incorporated into the questionnaire for the purpose of a pilot study to determine the suitability of the items for each variable. The final modification on the questionnaire instrument was done after the pilot study.

D. The questionnaire was originally prepared in English language, but it was translated into Malay version for ease of some respondents.

The first section of the questionnaire dealt with questions related to strategic factors constructs. The second section was about questions on relationship quality. The third section measured brand equity.

Following is the number of items used to measure each of the strategic factors in the theoretical framework:

(1) Advertising: Seven items,

(2) Product innovation: Seven items,

(3) Product quality: Five items,

(4) Country of origin: Five items.

Relationship quality is mediating variable for which following numbers of items are proposed:

(1) Brand trust: Five items,

(2) Brand commitment: Four items, and

(3) Brand satisfaction: Five items.

Finally, brand equity is the dependent variable consisting of four dimensions. The number of items for measuring each dimension is suggested as follows:

(1) Brand awareness: Four items,

(2) Brand loyalty: Four items,

(3) Brand image: Five items, and

(4) Brand leadership: Five items.

A number of past studies used Likert scale to measure the variables in consideration because such scale has been shown to have high validity (Henard & Dacin, 2010; Ok *et al.*, 2011; Zehir *et al.*, 2011). In addition, Dawes (2008) indicated that Likert scale is suitable when the data have to be used for factor analysis, regression analysis, or structural equation modeling. Cooper and Schindler (2006) stated that seven-point Likert scale improves the reliability of the measure. Thus, this research used a seven-point Likert scale for all questions in order to maintain consistency. All items required respondents to evaluate their degree of agreement or disagreement ranging from ‘1’ “Strongly disagree” to ‘7’ “Strongly agree.”

3.7 Data Collection

This research is a cross-sectional in nature where the data was collected from respondents once throughout the entire study. Specifically, a survey method was used in this research whereby a questionnaire was administered to a large sample of automotive brand owners in the Northern region of Malaysia.

This research is quantitative in nature for the ease of collecting observable and measurable data on variables. Therefore, in this research, quantitative data were collected based on structured closed-ended questions. Moreover, quantitative research is more appropriate for understanding how one or more variables can influence each other (Creswell, 2012).

3.8 Population Frame and Respondents

The population of this research comprised of passenger car users in Malaysian automotive market. Particularly, in order to accomplish the research objectives, data were collected from respondents in the Northern part of Malaysia, specifically at Penang, Kedah, and Perlis in line with several past studies (Hasnizam, 2012; Mohamad, 2012; Rababah, 2012; Yean, 2010).

3.9 Sampling Design

3.9.1 Determination of Sample Size

The official portal of road and transport department indicated that in 2012, the total number of passenger cars on the Malaysian road in Northern region was more than one million (see Appendix C). According to Krejcie and Morgan (1970), the appropriate sample size for a population of one million or more is 384. Therefore, following Krejcie and Morgan's recommendation, 384 passenger car users in Malaysia meet the minimum sample size. However, in order to reduce the non-response error, the sample size was doubled in line with several previous studies (Al-Ekam, 2013; Hair *et al.*, 2008; Shamsudin, 2012). Therefore, 768 questionnaires were distributed on the respondents in Northern region of Malaysia. Besides, Lei and Lomax (2005) demonstrated that a sample size of 100 is generally the minimum requirement for analyzing data using structural equation modeling. They also indicated that a sample size between 250 and 500 is typically the most appropriate sample for studies using SEM analysis.

3.9.2 Sampling Methodology

This research employed systematic random sampling technique for data collection. Particularly, the data was collected from the respondents at several shopping malls in Northern area of Malaysia. List of shopping malls was developed by taking information from attractionmalaysia.com and then three large shopping malls were randomly selected from each state, however, in Perlis being small size, questionnaires were distributed to only one shopping mall. Specifically, the data collection was done between July and August, 2013 during different times of the day to minimize periodicity and non-coverage issues. Systematic sampling is a type of probability sampling techniques in which a random selection is made on the first element for the sample, and then following elements are selected using a systematic or fixed interval until securing the required sample size (Daniel, 2011). As for this research, respondents were chosen from passenger car users who visited the shopping malls.

According to Malhotra (2010), systematic sampling can be used for collecting data from respondents even if the list of sampling frame for the targeted population is not available. Besides, he indicated that systematic sampling is often used for surveying customers at shopping malls. Therefore, to randomize the sample in each shopping mall, every 10^{th} leaving customer was approached at the entrance to fill the questionnaire. Random number (10^{th} element) was selected using the random number table. If the 10^{th} customer was not car user, then the questionnaire was given to the next customer as a substitute.

3.10 Validity

Validity reflects the degree to which a test measures what it is intended to measure (Sekaran, 2006). Measuring the validity of any test is important in order to apply and interpret the results accurately. In this research, face validity, construct validity, convergent, content validity, and discriminant validity were employed.

Face validity is the most common form of validity. It refers to the opinion of outside experts on a tool towards measuring what it is intended to measure (Neuman, 2003). In other words, face validity reflects the content of the concept in questions (Bryman & Bell, 2003). However, for the purpose of this research, the questionnaire items were given to three Professors from the same field and to some managers from industry to evaluate the scales and give suggestion to improve them for better understandings of respondents. The suggestions given by them were followed and thus, some amendments were done.

Moreover, this research used content validity to ensure that the measurements reflect the intended domain of content (Carmines & Zeller, 1991). To achieve content validity, items from previous research were adopted (Saunders, Lewis, & Thornhill, 2007). In addition, content validity was assessed by seeking opinions from experts and academic scholars (Hair, Money, Samouel, & Page, 2007). In this research, face and content validity were established by asking a panel or group of experts in the field of study. The measures were then modified based on their suggestions.

Similarly, construct validity refers to the extent by which a group of measured variables in fact represent the theoretical latent construct that they intend to measure (Bryman & Cramer, 1990). As for the purpose of this research, construct validity was conducted through confirmatory factor analysis (CFA) on the actual data collected from respondents to test each construct in the measurement model.

On the other hand, convergent and discriminant validity are considered as sub-categories or sub-types of construct validity (Westen & Rosenthal, 2003).

Discriminant validity refers to testing statistically whether two constructs that are supposed to be different or discriminant from each other, are in fact discriminant or not highly correlated (Rosen, Henson, Finney, & Moos, 2000). For instance, Average Variance Extracted (AVE) and correlation estimates were calculated to test the discriminant validity of the instrument (Fornell & Larcker, 1981). On the other hand, convergent validity test was measured through the internal consistency within one construct as factor analysis and Cronbach's alpha show (Rosen *et al.*, 2000). These two types of validity work together to ensure overall construct validity.

3.11 Reliability Measurement

Reliability test is used to determine the consistency of a certain measure. A highly reliable measure is one that yields similar outcomes under stable conditions. In this research, Cronbach's alpha was used to explain the reliability of the instrument, because it is the most commonly used estimate to assess the reliability of the scale, particularly on an instrument that uses a Likert scale (Hair *et al.*, 2007; Pallant, 2007; Sekaran, 2006). Cronbach's alpha ranges normally between 0 and 1 with values closer to 1 indicating greater internal consistency. Commonly, a Cronbach's alpha which ranges between 0.70 and 0.79 is considered adequate, a value that ranges from 0.80 to 0.89 is considered good, and a Cronbach's alpha which ranges between 0.90 and 0.99 is considered excellent (Hair *et al.*, 2010).

3.12 Pilot Study

To ensure the reliability of the selected measurements, a pilot study with the use of random sample of 100 car users was conducted. Based on this pilot data, the reliability of each instrument was determined. Furthermore, the pilot study was carried out to make sure that the respondents could easily understand the questions in the survey. In the pilot study, the participants were asked to evaluate the clarity of the questions and give suggestions on how to improve the format of the questionnaire.

3.13 Data Analyses Strategy

After the minimum sample size requirement was met, the collected data were then coded, summarized and analyzed using SPSS and structural equation modeling on AMOS 18. The following sub-sections explain the descriptive and inferential analyses on the data.

3.13.1 Factor Analysis

Factor analysis is a multi-variable technique for analyzing variable measurement and is commonly used in diverse fields of research, especially in social sciences that focus on investigating the relationships between variables (Esengun, Gunduz, Akay, & Cicek, 2006). The primary objective of factor analysis is to determine the degree to which related variables can be put together; hence they can be grouped under one variable rather than as a group of many separate variables (Abdullah & Asngari, 2011). In addition, factor analysis can be utilized to decrease a big number of variables into a smaller set of underlying factors that sum up the necessary information enclosed in the variable. This could possibly be done by defining common underlying dimensions which is also called factors (Hair *et al.*, 2007).

In this research, confirmatory factor analysis (CFA) was applied to ensure the convergent validity of the instrument and to solve the problem of Multicollinearity (Gray, Matear, Boshoff, & Matheson, 1998) which resulted in deletion of few items from certain variables. Based on the results of CFA, Average Variance Extracted (AVE) and correlation estimates were then calculated to test the discriminant validity of the instrument (Fornell & Larcker, 1981).

3.13.2 Structural Equation Modeling

Structural equation modeling (SEM) is a well-known statistical approach used to establish and test statistical models which are usually causal models (Hair *et al.*, 2010). This research employed structural equation modeling to examine the causal relationships between the strategic factors, relationship quality, and brand equity. Existing literature has established SEM as a powerful second generation multivariate technique that is good for analyzing data which have many variables. This is by allowing the evaluation of measurement properties and theoretical/structural relationships with multiple relationships simultaneously in the same analysis (Hair *et al.*, 2010; Byrne, 2010). SEM also allows the researcher to use a combination of confirmatory factor analysis, regression, and path analysis.

The structural equation model (multivariable analyses by using latent variable) was used in this research to verify the hypotheses with reference to the relationships between latent and observed variables (Hair *et al.*, 2010; Rezaiean, Givi, Givi, & Nasrabadi, 2010). The data were analyzed using AMOS 18 whereby data screening was done to meet the requirements of AMOS to generate structural model and be able to produce the results of hypotheses through standardized regression weight.

Specifically, the structural equation modeling method of brand equity measurement has the potential to provide results that are easy to interpret (Lieberman, 2010). Largely, due to its powerful modeling capabilities and easy-to-understand graphical output, SEM gives marketers lucid visual evidence about what is truly driving equity to its brand, division of brand strength, and how all the pieces are related to one another (Lieberman, 2010).

3.14 Presentation of Findings and Results

Findings were presented in various forms such as frequency distribution tables, contingency tables, and figures. The results of hypotheses were presented in the final model prepared in AMOS using structural equation modeling. In addition, output of confirmatory factor analysis was provided in the forms of diagrams and tables. The findings of this research are presented in the following chapter.

3.15 Summary

This chapter has discussed the methodology implemented in this research. It has started with an introduction of the chapter, followed by the theoretical framework and research hypotheses. Then, unit of analysis, operationalization and measurements of variables were presented. After that, a detailed explanation about questionnaire design, data collection, population, and sampling was provided. Ascertaining validity and reliability of the measurements was elaborated, followed by a note on the pilot study conducted. Finally, data analyses strategy and the presentation of findings were highlighted.

CHAPTER FOUR

DATA ANALYSES AND RESULTS

4.1 Introduction

The main purpose of this chapter is to present findings of this research based on the data collected through survey questionnaire from the targeted respondents. In particular, it reports the results of respondents' profile, data screening, reliability, validity of the measurements, confirmatory factor analysis (CFA), and the model fit using AMOS. Moreover, it presents the path analysis and results of hypotheses testing.

4.2 Data Collection

In order to ensure the reliability of measurement items of the selected variables before the actual study took place, a pilot test with 100 car users in the Northern region of Malaysia was carried out. Based on the results of pilot data, the researcher ascertained the reliability and validity of the measurements of each variable. Then, the actual data collection was carried out. The next sections describe in detail the results of this research including pilot study.

4.3 Results of Pilot Study

As demonstrated by Byrne (2010) and Hair *et al.* (2010), the main criteria for choosing an instrument from previous research is the internal consistency between items which can primarily be obtained by calculating the Cronbach's alpha. Table 4.1 presents result of the reliability of instruments obtained from the pilot test of 70 respondents. It shows that the reliability estimates ranged between 0.890 and 0.964, which exceeded the cut off value of 0.70 (Nunnally & Bernstein, 1994). This indicates that the selected scales were highly reliable. However, from the pilot study, the researcher was able to identify some problems in the content of the questionnaire. For instance, some questions were eliminated as they were reported to be similar to other questions according to the respondents (e.g. from product quality, one item is deleted because it was found to be the same in another variable). The item is "the car brand I am using is reliable". Some questions were rephrased as suggested by the respondents. These modifications were incorporated into the final questionnaire for the actual data collection. Appendix A shows the final questionnaire used.

Table 4.1
Reliability Cronbach's Alpha (Pilot Study)

Construct	**No. of Items**	**Cronbach's Alpha Pilot Study**
Advertising	7	0.890
Product Innovation	7	0.916
Product Quality	5	0.949
Country of origin	5	0.952
Relationship Quality Dimensions		
Brand Trust	5	0.915
Brand Commitment	4	0.907
Brand Satisfaction	5	0.964
Brand Equity Dimensions		
Brand Awareness	4	0.921
Brand Loyalty	4	0.917
Brand Image	5	0.927
Brand Leadership	5	0.956

4.4 Analysis of Results of Main Data

4.4.1 Response Rate

In compliance with data collection requirements, 768 questionnaires were personally distributed to passenger car users in the Northern region of Malaysia (Penang, Kedah, and Perlis). To avoid multiple responses from the same customers, the researcher selected three large shopping malls from each state particularly in the main capital cities. Each respondent was asked to answer the questionnaire if they did not receive one before. However, only 545 questionnaires were returned. Seven questionnaires out of 545 were discarded, because they were incomplete, resulting in 538 usable responses. This yielded an overall response rate of 70%.

4.4.2 Respondents' Profile

Characteristics of respondents are presented in Table 4.2. As shown, 48.5% were male, while 51.5% were female. With regard to age, only 89 (16.5%) were 25 years old or less, but almost half of the respondents (45.5%) fell in the age category of 26-35. Those whose ages between 36 and 45 years old were represented by 16.7%, while 21.2% were 46 years old and above. The majority of respondents (74.3%) were Muslims, 83 (15.4%) Buddhists, 27 (5%) Hindus, 24 (4.5%) Christians, while the remaining respondents (0.7%) were from other religions.

With regards to education, 219 (40.7%) had a high school certificate/ SPM/ PMR, 125 (23.2%) diploma, 131 (24.3%) bachelor's degree, 37 (6.9%) master's certificate, 16 (3%) doctoral certificate, while 1.9% had other certificates. With respect to place of work, the majority of respondents (57.2%) worked in the government sectors, 28.8% in private companies, 8.2% had their own business, and 5.8% were unemployed. Additionally, 57 (10.6%) of the respondents owned their cars since less than six months compared with 23 (4.3%) who had their cars between six months and one year, and 67 (12.5%) owned their cars between one year to two years. The majority (72.7%) owned their cars for more than two years.

Moreover, 40.3% of the respondents owned Proton and 27.9% owned Perodua, 11% owned Toyota, 8.6% owned Honda, while 12.3% owned other foreign brands. Specifically, 21.6% used an MPV, 4.8% had an SUV, 5.6% had a sports car, while 42.8% had a compact car. The remaining (25.3%) owned other types of cars. The respondents were also asked about the car brand they would prefer to buy in the future, and the results showed that Honda was chosen by 21.6% of the respondents, while 17.3% preferred to buy Toyota. More details on descriptive statistics of respondents are shown in Appendix D.

Table 4.2
Respondents' Profile

	Category	**Frequency**	**Percent**
Gender	Male	261	48.5
	Female	277	51.5
	Total	538	100
Age	25 years or less	89	16.5
	26 – 35 years	245	45.5
	36 – 45 years	90	16.7
	46 years and above	114	21.2
Religion	Muslim	400	74.3
	Buddhist	83	15.4
	Hindu	27	5
	Christian	24	4.5
	Others	4	0.7

Table 4.2 (Continued)

	Category	Frequency	Percent
Qualification	High school certificate/ SPM/ PMR	219	40.7
	Diploma	125	23.2
	Bachelor degree	131	24.3
	Master	37	6.9
	Doctorate	16	3
	Others	10	1.9
Job	Government	308	57.2
	Private company	155	28.8
	Own business	44	8.2
	Unemployed	31	5.8
Ownership of Car	Less than 6 months	57	10.6
	6 months – 1 year	23	4.3
	1 year – 2 years	67	12.5
	More than 2 years	391	72.7
Brand Name Currently Driving	Proton	217	40.3
	Perodua	150	27.9
	Toyota	49	11
	Honda	46	8.6
	Others	66	12.3
Type of car Currently Driving	MPV	116	21.6
	SUV	26	4.8
	Sport car	30	5.6
	Compact	230	42.8
	Others	136	25.3

Table 4.3

Prefered car brand to be purchased in the future

Brand Name	Frequency	Percent	Brand Name	Frequency	Percent
Audi	17	3.2	Mitsubishi	5	0.9
Bently	1	0.2	Nissan	11	2
BMW	41	7.6	Perodua	16	3
Ferrari	5	0.9	Peugeot	1	0.2
Ford	7	1.3	Porsche	2	0.4
Honda	116	21.6	Proton	33	6.1
Hyundai	4	0.7	Renault	1	0.2
Kia	7	1.3	Subaru	2	0.4
Lamborghini	1	0.2	Suzuki	5	0.9
Lexus	3	0.6	Toyota	93	17.3
Mazda	7	1.3	Volkswagen	19	3.5
Mercedes	12	2.2	Volvo	5	0.9
Mini Cooper	2	0.4			

4.4.3 Descriptive Statistics of Constructs

Table 4.4 shows the descriptive statistics of independent, mediating, and dependent variables. Among the independent variables, advertising had the lowest mean value of 4.80, while product quality indicated the highest mean value of 5.16. The standard deviations of all variables appeared in a range between .966 and 1.28, which reflected the existence of adequate acceptable variability within the dataset. Among the mediating variables, brand commitment had the lowest mean value of 4.64, while brand trust indicated the highest mean value of 5.1. Besides, the mean value of dependent variables ranged between 4.56 and 5.53. More details about all observed variables are shown in Appendix E.

Table 4.4
Descriptive Statistics of All Latent Variables (N=538)

Construct	Code	Original Items	Remaining Items	Min	Max	Mean	Std. Deviation
Advertising	Ad	7	3	1	7	4.8020	0.96667
Product Innovation	PI	7	5	1	7	4.8767	1.01332
Product Quality	PQ	5	3	1	7	5.1614	1.07342
Country of Origin	COO	5	4	1	7	4.8341	1.22266
Relationship Quality Dimensions							
Brand Trust	BT	5	3	1	7	5.1246	1.02811
Brand Commitment	BC	4	3	1	7	4.6476	1.26967
Brand Satisfaction	BS	5	4	1	7	5.0978	1.20079
Brand Equity Dimensions							
Brand Awareness	BA	4	3	1	7	5.5388	0.99789
Brand Loyalty	BL	4	3	1	7	4.562	1.28669
Brand Image	BI	5	4	1	7	4.8321	1.11709
Brand Leadership	BLe	5	4	1	7	4.9078	1.18512

4.4.4 Data Screening

In order to fulfill the assumptions of AMOS, different approaches of data screening were employed such as detecting and replacing the missing values, deleting the outliers, conducting normality test, linearity and homoscedasticity, non-response bias, and checking for Multicollinearity between constructs.

4.4.4.1 Missing Data

Missing data is an issue of significant concern in research as it can affect the results (Cavana, Delahaye, & Sekaran, 2001). In the actual data of this research, 18 returned survey questionnaires (0.033%) had missing values. These missing values were replaced, because AMOS software will not run without doing so. Particularly, the missing values were replaced using SPSS with median of nearby points as recommended by Hair *et al.* (2010) taking into consideration that they all had minor omissions. In addition, seven questionnaires had many missing values and even some sections were not answered. Based on the suggestions of Hair *et al.* (2010), when the missing values are more that 50% and the study still fulfill the sample size requirement, researchers are advised to delete the case respondents. As a result, these questionnaires were eliminated.

4.4.4.2 Checking for Outliers

Outliers refer to any observations that are numerically distant in comparison with the whole dataset (Bryne, 2010). There are various methods to identify outliers. One of them is the classification of data points according to an observed (Mahalanobis) distance from the projected values of research (Hair *et al.*, 2010; Hau & Marsh, 2004). The treatment of outliers according to Mahalanobis distance represents an effective way for identifying outliers by settings some predetermined cut-off value that will help to determine whether a point can be considered as outlier or not (Van, Gerrit, Gary, & Kacker, 2002).

Hair *et al.* (2010) suggested that in order to identify outliers, it is necessary to create a new variable in SPSS with the numbering of "response" for all questionnaires from the beginning to the end. Specifically, Mahalanobis can easily be attained by running a simple linear regression on SPSS by the selection of the variable which is called as response number and adding it to the list of the dependent variable, and adding all measurement items excluding the demographic variables in the list of independent variables. Using this procedure, the current study was able to detect the outliers by creating a new output variable called Mah_1.

Under Mah_1, out of 538 cases, 74 cases were identified as outliers because their Mah_1 was greater than the threshold value of 94.46054 which is taken from Chi-square table (see appendix G). These 74 cases were later deleted from the main dataset. After deleting these outliers, the current research finally utilized only 464 cases for the analysis of data.

4.4.4.3 Assumption of Normality

Assessing the normality of data is very essential before running AMOS as reported by Hair *et al.* (2010). This is because data that are not normally distributed will have high skewness and can potentially distort results of the tests, and affect the results of hypotheses (Hulland, 1999). To overcome this issue, data cleaning such as replacing missing values, removing outliers through Mahalanobis, linearity and homoscedasiticty was done. Besides, non-response bias and Multicollinearity tests were conducted.

4.4.4.4 Linearity and Homoscedasticity Status

The assessment of linearity was conducted through the residual analysis that resulted from regression analysis. As shown in Figure 4.1, the scattered points were concentrated at the center along zero point. This suggests linearity assumption was met (Hair *et al.*, 2010). By examining the scatter plot residuals using SPSS, the results indicated a straight line which was associated with the predicted dependent variable’s scores mean of brand equity, which in turn did not show any support for non-linearity. Consequently, there was no proof to challenge the linearity assumption as shown in Figure 4.1.

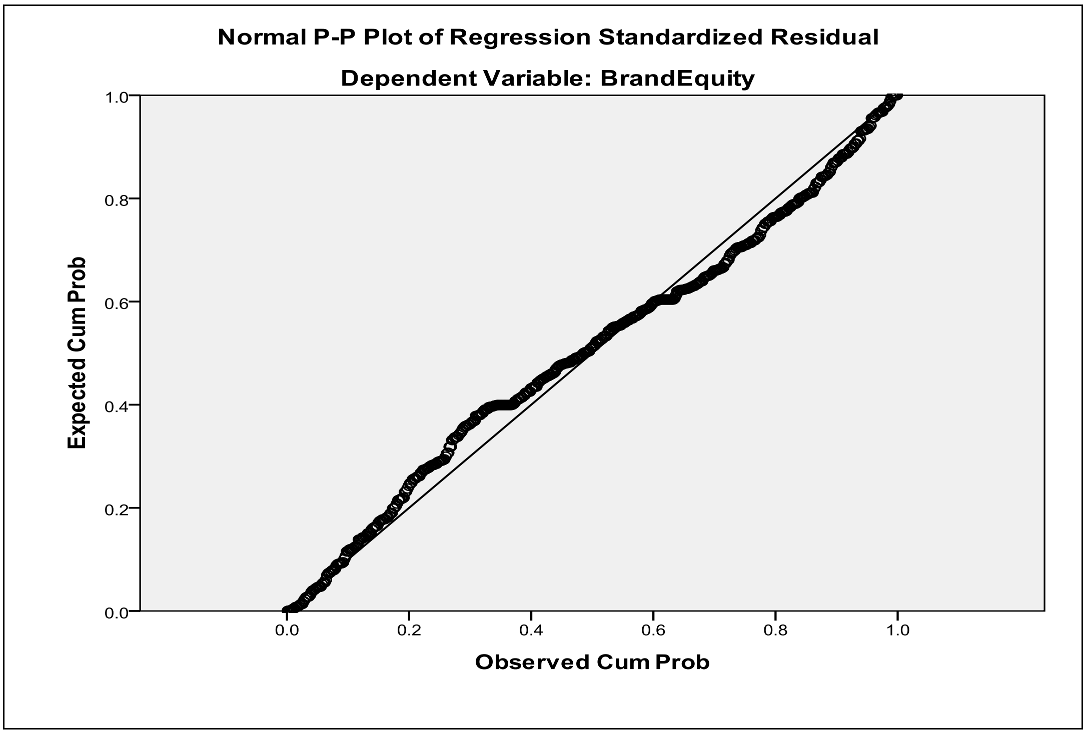

Figure 4.1
Linearity Assumption

Moreover, the results of the homoscedasticity test which was conducted through scatter plot diagrams of standardized residuals showed that homoscedasticity existed in the set of independent variables and the variance of the dependent variable. Furthermore, a visual inspection of the distribution of residual suggested an absence of heteroscedasticity as shown in Figure 4.2. The results of homoscedasticity of other endogenous variables can be found in Appendix F.

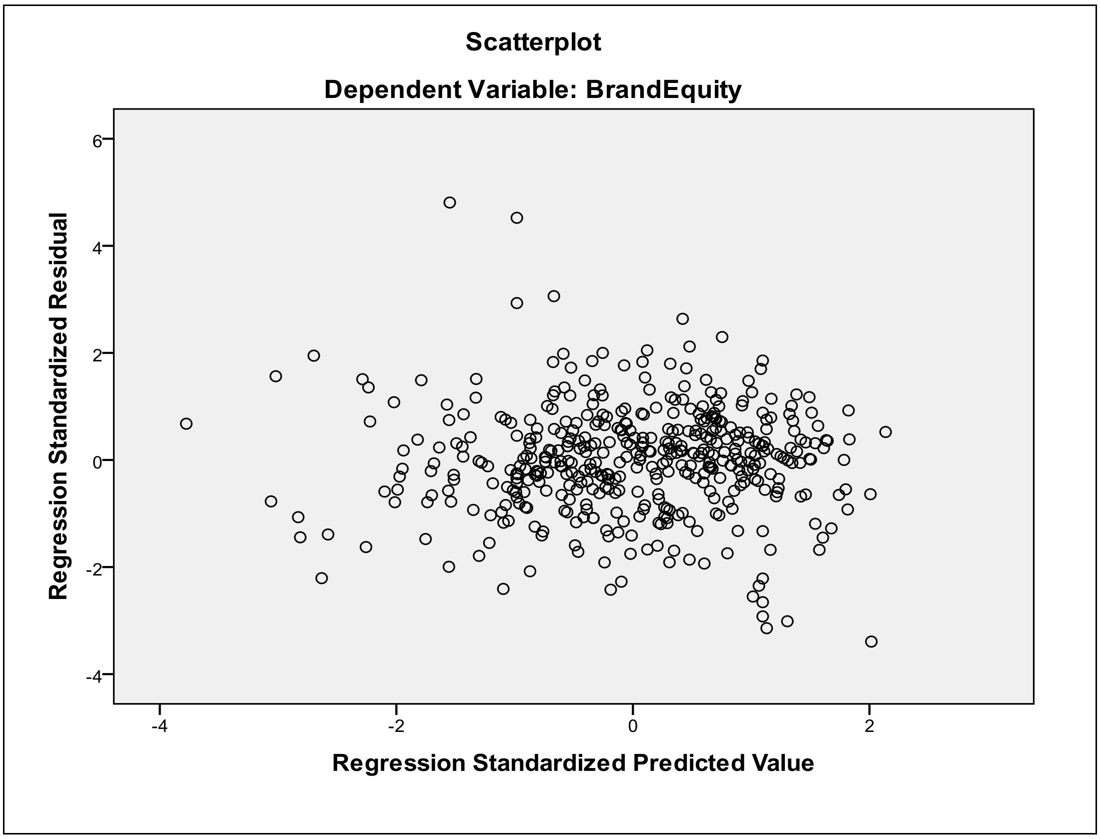

Figure 4.2
Homoscedasticity Assumption

4.4.4.5 Multicollinearity

Multicollinearity occurs when correlation matrix between any two variables is extremely high (0.9 and above) (Tabachnick & Fidell, 2001). According to Pallant (2001), Multicollinearity describes the condition in which latent variables have high correlation with each other. This research assessed the multivariate correlation between variables through the residual analysis and the coefficients output on AMOS. The result indicated no correlation between any two latent variables that is 0.9 or more, suggesting that the threat of Multicollinearity did not exist (see Appendix J).

4.4.4.6 Non-response Bias

To check the response bias, the researcher conducted a comparison test with known values of the population. Independent sample t-test is employed to compare the differences between two different groups on some continuous variables (Pallant, 2001). Based on the response time (morning and evening), 216 respondents were classified as morning responses and 248 as evening responses. Independent sample t-test was conducted on all the variables, i.e. independent, mediating, and dependent variables.

As shown in Appendix F, the mean value of the responses did not reflect a significant difference in any variable, either in the morning or evening responses. As demonstrated by Pallant (2001), if the value of significance level of Levene's test is more than 0.05 ($p > 0.05$), this indicates that the assumption of equal variances between the morning and evening responses was not violated. In order to verify if there exists any significant difference between the two groups, significant 2-tailed test ($p > 0.05$) was used. Appendix H shows the significance level of the Levene's test for all variables. As clearly evident in the Table shown in Appendix H, the lowest value of the 2-tailed significance test was 0.135, while the highest value was 0.909, which indicates that the p value for all variables was larger than 0.05. This shows that the morning and evening responses were not different.

4.4.5 Reliability Analysis

Reliability measure indicates the stability and consistency of the measure used. A reliable measure is one that provides consistent results which can be depended upon. In general, Cronbach’s alpha and composite reliability are both measures of reliability. A Cronbach’s alpha value which ranges between 0.60 and 0.70 is considered the lowest limit of acceptability (Hair *et al.*, 2010), while a Cronbach’s alpha value between 0.70 and .80 is considered adequate. A Cronbach’s alpha with coefficient value of more than 0.80 indicates a high reliability of the measure.

Table 4.5 illustrates the result of Cronbach’s alpha for each construct. The values ranged from 0.905 to 0.970. This indicates that all constructs had acceptable reliability (internal consistency). For more details, appendix L shows the reliability results for all of the constructs. Moreover, composite reliability test was conducted to check the reliability in the measurement model (see Appendix M). In general, the results indicated that the composite reliability values ranged from 0.820 to 0.971. This means that the internal consistency was confirmed since all the values were above 0.7, providing support for convergent validity (Hair *et al.*, 2010).

Table 4.5
Reliability Analysis

Variable Name	**No. of Items**	**Cornbach's alpha**	**Composite Reliability**
Advertising	3	0.907	0.971
Product Innovation	6	0.933	0.933
Product Quality	4	0.945	0.947
Country of Origin	4	0.970	0.970

Table 4.5 (Continued)

Variable Name	No. of Items	Cornbach's alpha	Composite Reliability
Relationship Quality Dimensions			
Brand Trust	3	0.944	0.946
Brand Commitment	3	0.919	0.903
Brand Satisfaction	4	0.970	0.970
Overall Relationship Quality	10	0.965	0.934
Brand Equity Dimensions			
Brand Awareness	3	0.959	0.911
Brand Loyalty	4	0.924	0.925
Brand Image	4	0.934	0.935
Brand Leadership	4	0.955	0.956
Overall Brand Equity	15	0.905	0.820

4.4.6 Discriminant Validity

Discriminant validity is an important measure that researchers use to test if the concepts or measurements that are assumed to be unrelated are in fact, unrelated. Farrell (2010) indicated that discriminant validity reflects the extent to which the items or measures of a latent variable are dissimilar or discriminated from other latent variables. To ensure discriminant validity, average variance extracted (AVE) was calculated (Fornell & Larcker, 1981). They indicated that the squared multiple correlations (SMC) between any two variables as calculated in every item that measures it should be lower than the calculated AVE that is measuring the item. In other words, in the AVE analysis, we determined whether the square root of every AVE of each latent variable was higher than the correlation among any two latent variables (Zaid & Bertea, 2011). AVE measures the explained variance of the latent variable. Particularly, while comparing AVE with correlation coefficient, in fact we want to check if the items of the variable explain higher variance than the items of the other variable.

Table 4.6 indicates the values of AVE for all constructs. The values ranged between 0.637 and 0.891 which exceeded the recommended value (Fornell & Larcker, 1981). Besides, Byrne (2010) revealed that an AVE value that is more than 0.50 should be considered as an indication that discriminant validity exists among each construct and variable in the proposed model. For additions details of AVE calculations, see Appendix M.

Table 4.6
Average Variance Extracted (AVE) of Latent Variables

Variable Name	**AVE**
Advertising	0.767
Product Innovation	0.700
Product Quality	0.818
Country of Origin	0.866
Brand Trust	0.854
Brand Commitment	0.824
Brand Satisfaction	0.891
Overall Relationship Quality	0.825
Brand Awareness	0.876
Brand Loyalty	0.790
Brand Image	0.784
Brand Leadership	0.845
Overall Brand Equity	0.728

The results indicate that the AVE SQRT is higher than the actual variance shared between the constructs and other values of the same constructs shown in Table 4.7

according to the hypothesized model (Hulland, 1999). Therefore, discriminant validity was achieved in this research.

Table 4.7
Discriminant Validity

	RQ	BE	COO	PQ	PI	AD	BT	BC	BS	BLe	BI	BL	BAW
RQ	1												
BE	0.927	1											
COO	0.740	0.753	1										
PQ	0.798	0.728	0.743	1									
PI	0.709	0.716	0.762	0.785	1								
AD	0.529	0.527	0.445	0.577	0.661	1							
BT	0.895	0.830	0.662	0.714	0.634	0.473	1						
BC	0.901	0.835	0.666	0.719	0.639	0.476	0.806	1					
BS	0.928	0.861	0.687	0.741	0.658	0.491	0.831	0.836	1				
BLe	0.848	0.915	0.689	0.666	0.655	0.482	0.759	0.764	0.787	1			
BI	0.900	0.970	0.730	0.706	0.695	0.511	0.805	0.810	0.835	0.888	1		
BL	0.860	0.928	0.699	0.675	0.664	0.489	0.770	0.775	0.799	0.849	0.900	1	
BAW	0.483	0.521	0.392	0.379	0.373	0.275	0.432	0.435	0.448	0.477	0.505	0.483	1

4.4.7 Confirmatory Factor Analysis (CFA)

Structural equation modeling (SEM) is a useful technique to be employed using software like AMOS for testing confirmatory factor analysis (CFA), especially for models which have multiple variables and to examine the interrelationships between them (Hair, Black, Babin, Anderson, & Tatham, 2006). The main purpose of conducting CFA is to confirm the factor loadings for each construct of strategic factors (advertising, product innovation, product quality, country of origin), relationship quality (brand trust, brand commitment, brand satisfaction), and brand equity (brand awareness, brand loyalty, brand image, and brand leadership).

Hair *et al.* (2006) provided lucid guidelines on the interpretations of factor loadings value. They stated that factor loadings with a value of +0.50 or more are considered to be very significant; a loading value of +0.40 is considered to be very important; and a loading value of +0.30 is considered to be significant. In this research, all items had factor loadings of more than 0.70, indicating that the items correlated were very significant to the factor itself.

4.4.7.1. CFA of Strategic Factors

Table 4.8 shows that the factor loadings on the items of strategic factors were satisfactory, ranging from 0.79 to 0.96, considered acceptable as suggested by Hair *et al.* (2006). Therefore, it can be said that all constructs met the construct validity criterion. The residual number of items for each construct was as follows: advertising (3 items), product innovation (6 items), product quality (4 items), and country of origin (5 items). More details are shown in Appendix I.

Table 4.8
Factor Loading of Strategic Factors (CFA)

Construct	Code	Factor Loading
	Ad1	0.82
Advertising	Ad2	0.92
	Ad3	0.88
	PI1	0.79
	PI3	0.82
Product Innovation	PI4	0.86
	PI5	0.84
	PI6	0.88
	PI7	0.83

Table 4.8 (Continued)

Construct	Code	Factor Loading
	PQ2	0.88
Product Quality	PQ3	0.93
	PQ4	0.92
	PQ5	0.88
	COO1	0.89
	COO2	0.94
Country of Origin	COO3	0.96
	COO4	0.95
	COO5	0.92

Moreover, several indices were used to determine the goodness of fit of the exogenous model. For example, the modified model of the strategic factors as shown in Table 4.9 yielded an expected significant chi-square (423.315, $p<0.05$) given the large sample size employed in this research. Other fit indices as shown in appendix I were also used to support chi-square and ensure the goodness of fit (e.g., Ratio = 3.282, GFI = 0.908, AGFI = 0.878, TLI = 0.962, CFI = 0.968, and RMSEA = 0.070). From these indices, it can be said that the model achieved a good fit for the data (Hair *et al.*, 2010).

Table 4.9
Goodness-of-fit of Strategic Factors

Measures	Fit indices	Threshold Values	Source
GFI	0.908	> 0.8	Hair *et al.* (2010)
AGFI	0.878	> 0.08	Cuttance (1987)
Ratio	3.282	< 5	Marsh and Hocevar (1985)
CFI	0.968	> 0.09	Bentler (1990)
TLI	0.962	> 0.09	Hair *et al.* (2010)
RMSEA	0.070	< 0.08	Byrne (2001)

4.4.7.2 CFA of Relationship Quality

Similarly, confirmatory factor analysis was conducted on the mediating variable. The results in Table 4.10 indicated that factor loadings of the items of relationship quality dimensions were satisfactory, ranging from 0.85 to 0.95 which achieved the minimum cut-off value as suggested by Hair *et al.* (2006). Therefore, it can be said that all constructs met the construct validity criterion. The residual number of items of each dimension was as follows: brand trust (3 items), brand commitment (3 items), and brand satisfaction (4 items). More details are shown in Appendix I.

Table 4.10
Factor Loading of Relationship Quality (CFA)

Construct	Code	Factor Loading
	BT1	0.94
Brand Trust	BT2	0.97
	BT4	0.86
	BC1	0.92
Brand Commitment	BC2	0.89
	BC4	0.85
	BS1	0.95
Brand Satisfaction	BS2	0.95
	BS3	0.95
	BS5	0.93

In further establishing CFA analyses for mediating variable as shown in Table 4.11, several indices to determine the goodness of model fit of relationship quality were used. For instance, the modified model yielded an expected significant chi-square (122.019, $p<0.05$) given the large sample size employed in this research. Other fit indices were also used to support chi-square and ensure the goodness of fit (e.g., Ratio = 3.813, GFI = 0.952, AGFI = 0.917, TLI = 0.979, CFI = 0.985, and RMSEA = 0.078). From these indices, it can be concluded that the model achieved a good fit for the data (Hair *et al.*, 2010).

Table 4.11
Goodness-of-fit of Relationship Quality

Measures	**Fit indices**	**Threshold Values**	**Source**
GFI	0.952	> 0.8	Hair *et al.* (2010)
AGFI	0.917	> 0.08	Cuttance (1987)
Ratio	3.813	< 5	Marsh and Hocevar (1985)
CFI	0.985	> 0.09	Bentler (1990)
TLI	0.979	> 0.09	Hair *et al.* (2010)
RMSEA	0.078	< 0.08	Byrne (2001)

4.4.7.3 CFA of Brand Equity

Confirmatory factor analysis was also conducted on the dependent variable (brand equity). As shown in Table 4.12, factor loadings of the items of brand equity dimensions were satisfactory, ranging from 0.85 to 0.96 which exceeded the recommended value as suggested by Hair *et al.* (2006). Therefore, it can be said that all constructs met the construct validity criterion. The residual number of items of each dimension was as follows: brand awareness (3 items), brand loyalty (4 items), brand image (5 items), and brand leadership (5 items). For more details, see Appendix I.

Table 4.12

Factor Loading of Brand Equity (CFA)

Construct	Code	Factor Loading
Brand Awareness	BA1	0.91
	BA2	0.95
	BA3	0.94
Brand Loyalty	BL1	0.86
	BL2	0.90
	BL3	0.91
	BL4	0.81
Brand Image	BI1	0.87
	BI2	0.91
	BI3	0.89
	BI4	0.86
	BI5	0.87
Brand Leadership	BLe1	0.85
	BLe2	0.85
	BLe3	0.96
	BLe4	0.95
	BLe5	0.91

Moreover, Table 4.13 shows several indices to determine the goodness of fit of brand equity model. For instance, the modified model yielded an expected significant chi-square (401.371, $p<0.05$) given the large sample size employed in this research. Other fit indices were also used to support chi-square and ensure the goodness of fit (e.g., Ratio = 3.552, GFI = 0.906, AGFI = 0.872, TLI = 0 .963, CFI = 0.969, and RMSEA = 0.074). From these indices, it can be concluded that the model achieved a good fit for the data (Hair *et al.*, 2010). For further details, see Appendix I.

Table 4.13
Goodness-of-fit of Brand Equity

Measures	Fit indices	Threshold Values	Source
GFI	0.906	> 0.8	Hair *et al.* (2010)
AGFI	0.872	> 0.08	Cuttance (1987)
Ratio	3.552	< 5	Marsh and Hocevar (1985)
CFI	0.969	> 0.09	Bentler (1990)
TLI	0.963	> 0.09	Hair *et al.* (2010)
RMSEA	0.074	< 0.08	Byrne (2001)

4.4.8 Generated Model

The generated model was produced based on the suggestions of modification indices to achieve a good fit for the data (Hair *et al.*, 2010). In particular, some items were eliminated because they had high error values; this process was done to improve the goodness of fit indices for the structural models. Since the present research aimed to test the effect of strategic factors and relationship quality on overall brand equity and its dimensions, two structural models were generated to test the hypotheses. This procedure would make it easier to test the effects of strategic factors and relationship quality on brand equity by constructing the models in such way.

First, the structural model of the variables with brand equity dimensions was produced with the goodness-of-fit indices. Table 4.14 shows that the Ratio was equal to 3.003 which indicated a significant fit. Other values (e.g., GFI = 0.830, AGFI = 0.802, TLI = 0.933, CFI = 0.940) also achieved the recommended cut-off values of model fit. Finally, RMSEA of 0.066 also indicated a goodness of fit for the generated model (see Appendix K). Therefore, it can be concluded that the model had achieved the goodness of fit as shown by the indices. Figure 4.3 illustrates the results of each variable as represented by its dimensions.

Table 4.14
Goodness-of-fit of Generated Model for Brand Equity Dimensions

Measures	**Fit indices**	**Threshold Values**	**Source**
GFI	0.830	> 0.8	Hair *et al.* (2010)
AGFI	0.802	> 0.08	Cuttance (1987)
Ratio	3.003	< 5	Marsh and Hocevar (1985)
CFI	0.940	> 0.09	Bentler (1990)
TLI	0.933	> 0.09	Hai *et al.* (2010)
RMSEA	0.066	< 0.08	Byrne (2001)

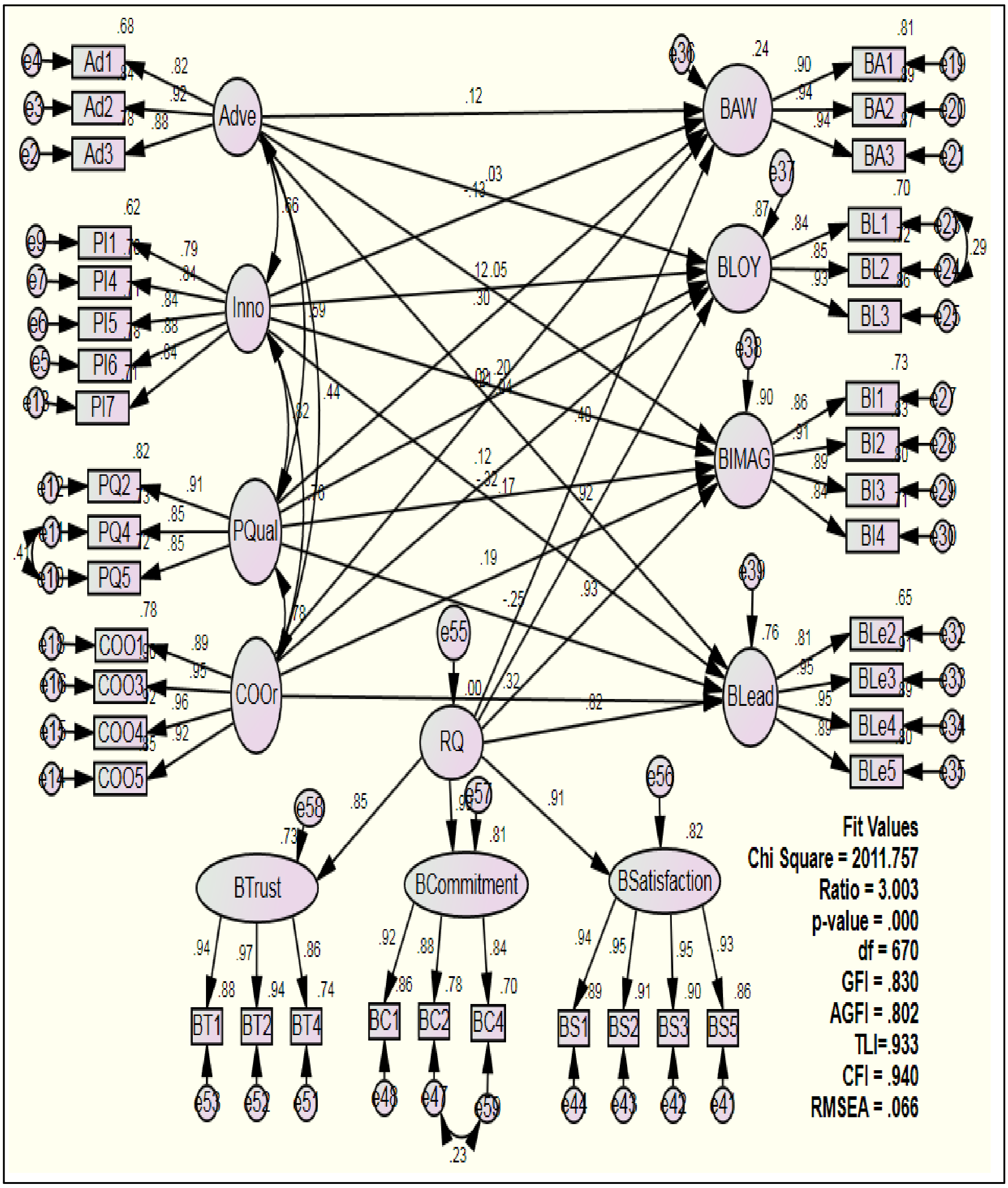

Figure 4.3

Generated model for the Variables with Brand Equity Dimensions

The generated model of overall brand equity was then produced with the goodness-of-fit indices. Table 4.15 shows that the Ratio was equal to 2.270 which indicated a significant fit. Other values (e.g., GFI = 0.853, AGFI = 0.830, TLI = 0.958, CFI = 0.961) also achieved the recommended values to ensure the goodness of fit. Finally, RMSEA of 0.052 also indicated a goodness of fit for the current structural model (see Appendix K). Therefore, it can be concluded the model had achieved acceptable fit as shown by the aforementioned indices. Figure 4.4 shows the result of each variable as represented by its dimensions.

Table 4.15
Goodness-of-fit of Generated Model for Overall Brand Equity

Measures	**Fit indices**	**Threshold Values**
GFI	0.853	> 0.8
AGFI	0.830	> 0.08
CMIN/ Ratio	2.270	< 5
CFI	0.961	> 0.09
TLI	0.958	> 0.09
RMSEA	0.052	< 0.08

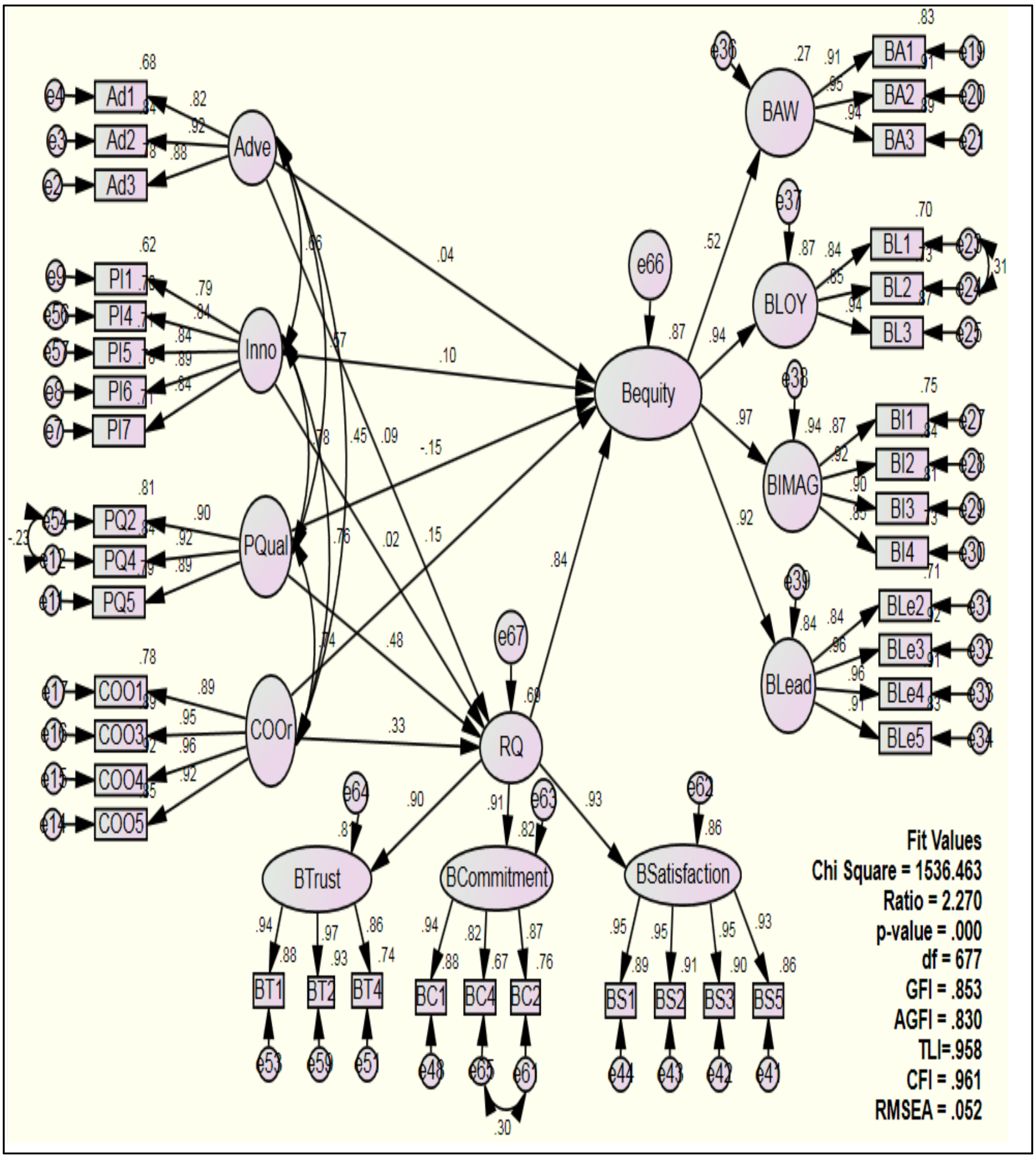

Figure 4.4

Generated Model for the Variables with Overall Brand Equity

4.4.9 Direct Hypothesis Results

This research aimed to test 29 direct and 20 indirect hypotheses between the independent, mediating, and dependent variables. However, in order to test the direct hypotheses, regression tables were extracted from the structural models.

Interestingly, the result supported 22 hypotheses out of 29, while 7 hypotheses were not supported. Table 4.16 which is presented below shows the results of direct hypotheses between variables.

Table 4.16

Direct Hypotheses Testing Result

Exogenous		Endogenous	Std. Estimate	S.E.	C.R.	P	Support
Advertising	→	Brand Awareness	0.123	0.062	1.883	0.060	Yes
Advertising	→	Brand Loyalty	0.032	0.046	0.789	0.430	No
Advertising	→	Brand Image	0.054	0.040	1.465	0.143	No
Advertising	→	Brand Leadership	0.041	0.040	0.980	0.327	No
Advertising	→	Overall BE	0.040	0.034	1.098	0.272	No
Product Innovation	→	Brand Awareness	-0.131	0.098	-1.242	0.214	No
Product Innovation	→	Brand Loyalty	0.124	0.073	1.898	0.058	Yes
Product Innovation	→	Brand Image	0.198	0.064	3.293	***	Yes
Product Innovation	→	Brand Leadership	0.170	0.064	2.473	0.013	Yes
Product Innovation	→	Overall BE	0.094	0.054	1.744	0.081	Yes
Product Quality	→	Brand Awareness	0.303	0.094	2.974	0.003	Yes
Product Quality	→	Brand Loyalty	-0.209	0.07	-3.298	***	Yes
Product Quality	→	Brand Image	-0.319	0.063	-5.365	***	Yes
Product Quality	→	Brand Leadership	-0.251	0.062	-3.745	***	Yes
Product Quality	→	Overall BE	-0.153	0.046	-2.835	0.005	Yes
Country of Origin	→	Brand Awareness	-0.022	0.064	-0.270	0.787	No
Country of Origin	→	Brand Loyalty	0.121	0.048	2.362	0.018	Yes
Country of Origin	→	Brand Image	0.189	0.042	4.022	***	Yes
Country of Origin	→	Brand Leadership	0.321	0.043	5.856	***	Yes
Country of Origin	→	Oveerall BE	0.148	0.037	3.172	0.002	Yes
Advertising	→	RQ	0.091	0.047	1.997	0.046	Yes
Product Innovation	→	RQ	0.021	0.077	0.299	0.765	No
Product Quality	→	RQ	0.481	0.059	7.691	***	Yes
Country of Origin	→	RQ	0.328	0.050	5.870	***	Yes
RQ	→	Brand Awareness	0.403	0.041	8.854	***	Yes
RQ	→	Brand Loyalty	0.922	0.047	21.038	***	Yes
RQ	→	Brand Image	0.926	0.042	22.469	***	Yes
RQ	→	Brand Leadership	0.819	0.039	18.582	***	Yes
RQ	→	Overall BE	0.845	0.056	13.585	***	Yes

The results presented in Table 4.16 indicate that advertising has a significant positive effect on brand awareness (β= 0.123, CR= 1.883, $p < 0.05$). Therefore, H1a was supported. However, effect of advertising on brand loyalty was insignificant (β= 0.032, CR= 0.789, $p> 0.05$), meaning that H1b was not supported. Moreover, the result revealed that advertising had an insignificant effect on brand image (β= 0.054, CR= 1.465, $p > 0.05$) and brand leadership (β= 0.041, CR= 0.980, $p > 0.05$), which means that H1c and H1d were not supported. Contrary to expectations, advertising had an insignificant effect on overall brand equity (β= 0.040, CR= 1.098, $p > 0.05$). Thus, H1 was not supported.

Additionally, the results presented in table 4.16 indicate that product innovation had an insignificant effect on brand awareness (β= -0.131, CR= -1.242, $p> 0.05$). Therefore, H2a was rejected. But product innovation had a significant positive effect on brand loyalty (β= 0.124, CR= 1.898, $p < 0.05$), which means that H2b was supported. It is also found that product innovation has significant positive effect on brand image (β= 0.198, CR= 3.293, $p< 0.05$) and brand leadership (β= 0.170, CR= 2.473, $p< 0.05$). This indicates that H2c and H2d are supported. Besides, product innovation had a significant positive effect on overall brand equity (β= 0.094, CR= 1.744, $p < 0.10$). Therefore, H2 was supported.

The results also postulated that product quality had a significant effect on brand awareness (β= 0.303, CR= 2.974, $p< 0.05$) and brand loyalty (β = -0.209, CR= -3.298, $p < 0.05$). This means that both H3a and H3b were supported. Similarly, the result revealed that product quality had a significant effect on brand image (β= -0.319, CR= -5.365, $p < 0.05$) and brand leadership (β= -0.251, CR= -3.745, p <

0.05). Therefore H3c and H3d were supported. The results in general indicated that product quality had a significant effect on overall brand equity (β= -0.153, CR= -2.835, $p < 0.05$), suggesting that H3 was supported. Overall, product quality had a significant effect on brand equity and its dimensions.

The effect of country of origin on brand awareness was insignificant (β= -0.022, CR= -0.270, $p > 0.05$). Therefore H4a was rejected. However, the direct effect of country of origin on the other dimensions of brand equity was found to be significant and positive. Specifically, the results indicated that country of origin had a significant positive effect on brand loyalty (β= 0.121, CR= 2.362, $p < 0.05$), brand image (β= 0.189, CR= 4.022, $p < 0.05$), and brand leadership (β= 0.321, CR= 5.856, $p < 0.05$). This means that H4b, H4c, and H4d were supported. In general, the findings revealed that country of origin was the most significant factor in predicting overall brand equity (β= 0.148, CR= 3.172, $p< 0.05$). The result is statistically significant and positive, thus, H4 was supported.

Furthermore, the significant effects of strategic factors on relationship quality were supported except for product innovation. Particularly, the result showed that advertising had a significant positive effect on relationship quality (β= 0.091, CR = 1.997, $p < 0.05$). Therefore, H9 was supported. But product innovation has an insignificant effect on relationship quality (β= 0.021, CR= 0.299, $p > 0.05$), which failed to support H10. Moreover, product quality has a significant positive effect on relationship quality (β= 0.481, CR= 7.691, $p< 0.05$), hence, H11 is supported. The result further indicated that country of origin had a significant positive effect on relationship quality (β= 0.328, CR= 5.870, $p < 0.05$), therefore, H12 is accepted.

Finally, the result revealed that relationship quality had a significant positive effect on brand equity and its dimensions. Particularly, relationship quality had a significant positive effect on brand awareness (β= 0.403, CR= 8.854, $p < 0.05$), hence, H13a is supported. The result also showed that relationship quality had a significant positive effect on brand loyalty (β= 0.922, CR= 21.038, $p< 0.05$), which means that H13b was also supported. Relationship quality also had a significant positive effect on both brand image (β= 0.926, CR= 22.469, $p < 0.05$) and brand leadership (β= 0.819, CR= 18.582, $p < 0.05$), thus, H13c and H13d were supported. Importantly, the result indicated that relationship quality had a significant positive effect on overall brand equity (β= 0.845, CR = 13.585, $p < 0.05$), which means that H13 was also supported.

In order to determine the total of variance explained in endogenous variables by exogenous variables, squared multiple correlation (SMC) is used because it indicates the coefficient determination (R^2) (Albright & Park, 2009; Jöreskog, 1999). In AMOS model, The R^2 (squared multiple correlation) indicates the percentage of variance that is expalianed by particular set of exgoneous variables caused in endogenous variables (Kim, 2015; Laudet, Morgen, & White, 2006). Table 4.17 indicates that the four exogenous variables (advertising, product innovation, product quality, and country of origin) jointly explained 68.7% variance in relationship quality. In total, relationship quality, advertising, product innovation, product quality, and country of origin explained 86.8 % variance in brand equity. Moreover, the strategic factors and relationship quality explained 23.7% of total variance in brand awareness. These factors also explained 86.6% of variance in brand loyalty. As for brand image, the results indicated that 90.1% of variance in this construct was explained by the strategic factors and relationship quality. Finally, 76.4% of variance in brand leadership was explained by the strategic factors and relationship quality.

Table 4.17
Squared Multiple Correlation Results

Endogenous variables	**Estimate SMC = (R^2)**
Relationship quality	0.687
Brand equity	0.868
Brand awareness	0.237
Brand loyalty	0.866
Brand image	0.901
Brand leadership	0.764

4.4.10 Mediating Effect Analysis of the Generated Model

This research aimed to test the mediating effect of relationship quality between the independent variables (advertising, product innovation, product quality, and country of origin) and overall brand equity. The mediating effect of relationship quality between the independent variables and each dimension of brand equity (brand awareness, brand loyalty, brand image, and brand leadership) was also tested. The hypotheses were tested using structural equation modeling through AMOS 18 since SEM is the preferable strategy for mediation analyses which have latent constructs or multiple variables (Baron & Kenny, 1986).

Following the suggestions of Preacher and Hays (2008), bootstrapping procedure was used to determine if there exist significant pathways between the independent variables and brand equity via relationship quality as a mediator. To do so, new samples (with replacement) were extracted from our sample 1000 times and all the direct and indirect effects of the generated model were calculated. Bias-corrected confidence intervals were reported at 95% level of confidence. Bootstrapping is a powerful statistical resampling procedure that aims to estimates the parameters of a model and their standard errors firmly from the sample (Preacher & Hayes, 2008).

Bootstrapping is a powerful method for testing indirect effects and computes higher accurate confidence intervals (CI) for indirect effects (x→m→y) compared to the frequently used methods, such as the Sobel test and the causal steps strategy (Baron & Kenny, 1986). This is because bootstrapping does not entail the normality assumption for sampling distribution (Preacher & Hayes, 2008). The relevance of bootstrapping appears to be appropriate for testing indirect effects since they have distributions which are skewed away from zero (Shrout & Bolger, 2002). As stated by Hayes (2009, p. 412), "bootstrapping is one of the most valid and powerful methods for testing intervening variable effects (MacKinnon *et al.*, 2004; Williams & MacKinnon, 2008) and for this reason alone, it should be the method of choice".

As stated above, in order to investigate the mediating effect of relationship quality, direct and indirect estimates of the generated model were calculated (Preacher & Hayes, 2008). Evidently, if the two-tailed-significance is less than 0.05, or in other words, if the value of lower bound and upper bound has no zero between, then we have mediation (Zainudin, 2014). To determine whether we have full or partial mediation, we look at the estimates of direct and indirect effect. Zainudin (2014) specified that if the indirect effect is less than 0.05 and the direct effect is more than

0.05, then we have full mediation. He also reported that if both direct and indirect effects are less than 0.05, then we have to look at total effect. If total effect is less than 0.05, then we have partial mediation. Results of the mediation are presented in the following sections:

4.4.10.1 Mediating Effect of Relationship Quality on the Relationship between Advertising and Brand Equity

The bootstrapping result presented in Table 4.18 confirmed that the relationship between advertising and overall brand equity is fully mediated by relationship quality since the direct effect of advertising on overall brand equity was insignificant (0.172, 95% CI), whereas the indirect effect was significant (0.002). Moreover, procedure for testing mediation indicated the insignificant direct effect of advertising on brand awareness (0.117, 95% CI) and a significant indirect effect (0.001); thus, full mediation is supported.

Similarly, the findings revealed that the direct effect of advertising on brand loyalty (0.913, 95% CI) was insignificant whereas the indirect effect (0.002) was significant; therefore, full mediation is supported. It also shows that the direct effect of advertising on brand image was insignificant (0.185, 95% CI), while the indirect effect was significant (0.002); thus, full mediation is supported. In testing the direct effect of advertising on brand leadership, bootstrapping procedure indicated an insignificant effect (0.098, 95% CI), while the indirect effect was significant (0.002); hence, full mediation is supported (Appendix N provides more details on mediation results).

4.4.10.2 Mediating Effect of Relationship Quality on the Relationship between Product Innovation and Brand Equity

The bootstrapping results also revealed there exists a significant direct effect of product innovation on overall brand equity (0.018, 95% CI) and a significant indirect effect (0.002); thus, partial mediation is supported. The results further indicated an insignificant direct effect of product innovation on brand awareness (0.973, 95% CI), and a significant indirect effect (0.001); therefore, full mediation is supported. Similarly, the direct effect of product innovation on brand loyalty is insignificant (0.714, 95% CI), but the indirect effect was significant (0.001); hence, full mediation is accepted (see Table 4.18).

Furthermore, the procedure for testing mediation revealed a significant direct effect of product innovation on brand image (0.020, 95% CI), and significant indirect effect as well (0.002); therefore, partial mediation is confirmed. The results also yielded a significant direct effect of product innovation on brand leadership (0.002, 95% CI) and also a significant indirect effect too (0.002); Thus, partial mediation is supported.

4.4.10.3 Mediating Effect of Relationship Quality on the Relationship between Product Quality and Brand Equity

As shown in the below Table, the effect of product quality on overall brand equity is fully mediated by relationship quality. This is because the direct effect of product quality on overall brand equity is insignificant (0.466, 95% CI), while the indirect effect was significant (0.001). The test also revealed an insignificant direct effect of product quality on brand awareness (0.414, 95% CI), while the indirect effect was significant (0.001); therefore, full mediation is supported. The full mediation of relationship quality is also supported between product quality and brand loyalty since direct effect was insignificant (0.187, 95% CI), while the indirect effect was significant (0.002).

Similarly, the results provided further support for the full mediating role of relationship quality between product quality and brand image since the direct effect of product quality on brand image was insignificant (0.281, 95% CI) whereas the indirect effect was significant (0.001). Similarly, the results also indicated an insignificant direct effect of product quality on brand leadership (0.733, 95% CI) and a significant indirect effect (0.001); therefore, full mediation is confirmed.

4.4.10.4 Mediating Effect of Relationship Quality on the Relationship between Country of Origin and Brand Equity

The results presented in Table 4.18 indicated a significant direct effect of country of origin on overall brand equity (0.001, 95% CI), and a significant indirect effect (0.001), therefore, partial mediation is supported. The findings also indicated an insignificant direct effect of country of origin on brand awareness (0.420, 95% CI), and significant indirect effect (0.001) yielding support for full mediation. The results also showed that relationship quality fully mediated the relationship between country of origin on brand equity since the direct effect of country of origin on brand loyalty was insignificant (0.647, 95% CI) while the indirect effect was significant (0.001).
Moreover, both significant direct effect of country of origin on brand image (0.022, 95% CI), and significant indirect effect (0.001) were supported which confirm the partial mediation of relationship quality between both constructs. Finally, the findings indicated that relationship quality partially mediated the relationship

between country of origin and brand leadership since both direct effect (0.002, 95% CI) and indirect effect were significant (0.001).

In conclusion, the findings reveal that the mediating effect of relationship quality between all strategic factors (including advertising, product innovation, product quality, and country of origin) and brand equity was confirmed.

Table 4.18
Indirect Effects of Strategic Factors on Brand Equity (Mediator: Relatiosnhip Quality)

	Independent Variable	**Dependent Variable**	**2-Tale Sig**	**Direct Effect**	**Indirect Effect**	**Result of Mediation**
H5	Advertising	Overall BE	0.002	0.172	0.002	Full Mediation
H5a	Advertising	Brand Awareness	0.001	0.117	0.001	Full Mediation
H5b	Advertising	Brand Loyalty	0.002	0.913	0.002	Full Mediation
H5c	Advertising	Brand Image	0.003	0.185	0.002	Full Mediation
H5d	Advertising	Brand Leadership	0.002	0.098	0.002	Full Mediation
H6	Product Innovation	Overall BE	0.002	0.018	0.002	Partial Mediation
H6a	Product Innovation	Brand Awareness	0.001	0.973	0.001	Full Mediation
H6b	Product Innovation	Brand Loyalty	0.001	0.714	0.001	Full Mediation
H6c	Product Innovation	Brand Image	0.002	0.02	0.002	Partial Mediation
H6d	Product Innovation	Brand Leadership	0.002	0.002	0.002	Partial Mediation
H7	Product Quality	Overall BE	0.001	0.466	0.001	Full Mediation
H7a	Product Quality	Brand Awareness	0.001	0.414	0.001	Full Mediation
H7b	Product Quality	Brand Loyalty	0.002	0.187	0.002	Full Mediation
H7c	Product Quality	Brand Image	0.001	0.281	0.001	Full Mediation
H7d	Product Quality	Brand Leadership	0.001	0.733	0.001	Full Mediation
H8	Country of Origin	Overall BE	0.001	0.001	0.001	Partial Mediation
H8a	Country of Origin	Brand Awareness	0.001	0.42	0.001	Full Mediation
H8b	Country of Origin	Brand Loyalty	0.001	0.647	0.001	Full Mediation
H8c	Country of Origin	Brand Image	0.001	0.022	0.001	Partial Mediation
H8d	Country of Origin	Brand Leadership	0.001	0.002	0.001	Partial Mediation

4.5 Summary

This chapter has discussed the results of this research. To conclude, a good response rate was gained from the respondents. Confirmatory factor analyses were conducted to ensure the construct validity of all variables. Reliability tests were also conducted to determine the internal consistency between items and minimize random errors. Moreover, discriminant validity indicated a good measure for all remaining items. This chapter has also presented the final structural models and the direct hypothesized results between variables. Finally, mediation results are shown in the last section. The result in general supported most of the hypotheses. These results are discussed in greater details in the next chapter.

CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.1 Introduction

This chapter recapitulates on the findings presented in the previous chapter. It provides a detailed discussion on the results of this research with reference to the established hypotheses. Moreover, the limitations and future research directions are highlighted. This research offers recommendations on how to help the Malaysian automotive industry obtain competitive advantage by improving its brand equity.

5.2 Discussion of Research Objectives and Results

This research provides empirical evidence on the status of brand equity of automotive industry in Malaysia. The following sections discuss the results about the effect of strategic factors on brand equity and the mediating role of relationship quality between such factors. The theoretical and practical implications for Malaysian automotive industry are also explained. To recap, out of 29 hypotheses being presented, 22 were accepted and only 7 were rejected. This section discusses research results and to what extent they can benefit the Malaysian automotive manufacturers to enhance the status of their brand equity.

5.2.1 The Effect of Strategic Factors on Brand Equity

This research examined the effect of strategic factors (advertising, product innovation, product quality, and country of origin) on brand equity (brand awareness, brand loyalty, brand image, and brand leadership). The discussions of findings are presented below.

5.2.1.1 Advertising and Brand Equity

One of the main objectives of this research was to empirically test the effect of advertising on brand equity and its dimensions. The results revealed that advertising had a significant positive impact on brand awareness and it is in line with several previous studies (Ebeid, 2014; Clark *et al.*, 2009; Mubushar, Haider, & Iftikhar, 2013). Further support is shown in the study of Buil *et al.* (2013) which was conducted in United Kingdom among consumers of three product categories; sportswear, electronics, and cars. The significant positive result indicates that advertising still holds its own strength in building brand awareness. Therefore, it is believed that through a unique and creative advertising strategy, organizations could have better capabilities to attract the attention of consumers. In turn, it can lead to increased brand awareness.

In the context of a car purchase, customers would not buy a car brand unless they already know about it. Through advertising, it would be easier to let customers know about brands through the display of symbols and logos. Because advertising contributes significantly to the development of brand awareness, Malaysian automotive manufacturers need to allocate sufficient amount of budget on advertising programs and organize campaigns to capture more customers and enhance their competitive strengths.

But the current study found that advertising had an insignificant effect on brand loyalty. This result is in line with several previous studies which were conducted in Asian context (Budiarti, Surachman, Hawidjojo, & Djumahir, 2013; Ha *et al.*, 2011; Hameed, 2013; Nezami, 2013; Sulehri, 2014). However, this results contrasts with that of Yoo and Donthu (2000) which was conducted in American context among customers of camera film, color television sets, and athletic shoes,.

A possible explanation of the insignificant effect of advertising on brand loyalty might be because the automotive manufacturers in Malaysia are not running advertisements on television, radio, social media, etc. and the quality of the advertisements are not satisfactory to the car users in the country as compared to those in the Western countries. Another reason for the insignificant result might be because car users cannot relate advertising to brand loyalty. In order for them to be loyal to a brand, the advertisements alone might not be enough.

This research also indicated that advertising has an insignificant effect on brand image. The result is in line with that of Haider, Janjua, and Ahmad (2014) who found that advertising had an insignificant influence on brand image. But this finding contrasts with certain studies conducted in Spain which reported that advertising had significant positive effect on brand image (Gil *et al.*, 2007; Villarejo-Ramos, Rondán-Cataluña, & Sánchez-Franco, 2005). One possible explanation for the insignificant result could be that customers were not able to relate the frequency and spending of advertisements with brand image. Another reason for the insignificant result is that false advertisements break the trust of customers whereby they think that advertisements are misleading and just aim to promote a product (Sulehri, 2014).

Moreover, the results revealed that advertising had an insignificant effect on brand leadership. The insignificant effect might explain the cultural and perceptual differences among respondents in interpreting their perception toward the advertising activities. Moreover, it might be because automotive manufacturers in Malaysia are not advertising their products effectively and media communication is less efficient. By testing the effect of advertising on brand leadership, a significant contribution to brand equity theory could be made, because previous studies that looked at such link are limited.

Contrary to expectation, the effect of advertising spending on overall brand equity is insignificant. This findings was supported by certain previous studies which were conducted in Asian context (Kabadayi *et al.*, 2007; Tamara, 2014), but it contrasts with the researches of Sriram, Balachander, and Kalwani (2007); Yoo and Donthu (2002) that were conducted in American context among customers of various brands. A possible reason for the insignificant result could be related to the inefficiency of advertising programs among automotive manufacturers in Malaysia, and also customers couldn’t differentiate between advertisements which are expensive from those that are not.

According to Chu and Keh (2006), advertising spending can reach a level of saturation whereby further spending does not contribute significantly to brand equity. Moreover, Keller and Lehmann (2006) revealed that the monetary investment in advertising does not necessarily lead to brand success or improved brand equity. The result of this research would open opportunities for future researches to verify the relationship between of advertising and brand equity, particularly in the Asian context.

5.2.1.2 Product Innovation and Brand Equity

This research revealed that product innovation had an insignificant effect on brand awareness. One possible reason for this result could be due to the lack of emphasis among car manufacturers in Malaysia on the techniques of introducing innovative products to their customers. Such situation might also be attributed to the low value of the new products, thus resulting in lack of surprising elements for customers. Srinivasan *et al.* (2006) indicated that brand awareness is an essential element of a new product success. Hence, it is important for car manufacturers in the country to develop new products with better specifications to improve the negative perception of local customers who prefer to buy foreign brands even at a higher cost.

But product innovation has an insignificant positive impact on brand loyalty. This result was supported by several scholars (Hussain, Munir, & Siddiqui, 2012; Henard & Dacin, 2010). The significant result could be explained that customers feel that all benefits of innovative cars enhance their satisfaction and meet their needs and expectations. As stated by Holtzman (2010), the introduction of innovative and creative products with new features and specifications is a powerful source of improving brand loyalty. Product design is also one of the important elements in product innovation, particularly for car brands since customers have several choices to think about before making purchase decisions. Further support was seen in the study of Nemati (2009) who found that through product innovation, firms can improve brand loyalty.

This research also found that product innovation had a significant positive effect on brand image. This result was expected, because customers usually tend to form positive image associations toward brands that provide innovative products supplemented with new features and models and share this information with their friends and families, such as in the case of automotives (Dimyati, 2010). This result is consistent with that of certain scholars (Hanaysha, Hilman, & Abdul-Ghani, 2014; Henard & Dacin, 2010; Nemati, 2009; Shiau, 2014) who emphasized on the important role of product innovation in building brand image.

Nemati (2009) declared that innovation in a certain product category helps brands to build a powerful customer base which ultimately provides a stronger platform for getting higher market share, better brand image, and enhanced competitive advantage. Therefore, Malaysian automotive manufacturers are recommended to focus on producing innovative products to create positive images about their products and capturer larger number of customers.

This research also revealed that product innovation had a significant positive effect on brand leadership. A possible reason for the significant result is that the increased demand for technology has been increasing globally and customers are becoming more interested in buying innovative products to provide them a pleasurable lifestyle and enhance the quality of their lives (Anisimova, 2013). As stated by Gehlhar *et al.* (2009), brand leadership can be achieved when firms acquire the ability to distinguish their products and services from those of other rivals.

Particularly, in order to maintain a leadership position, it requires firms to continuously introduce innovative products that are difficult for competitors to imitate. In order to respond to this demand, Malaysian automotive manufacturers may invest in employing new technologies to develop products that include unique features and specifications. The ability to introduce new car models with differentiated features is interpreted by them as the capability of that brand. This as a result will foster higher perception in the minds of customers as that brand is one of the leading in its category.

Overall, the results of this research indicated that product innovation had a significant positive effect on overall brand equity. The result is in line with past literature (Ponnam & Balaji, 2015; Sriram *et al.*, 2007; Zhang *et al.*, 2011). Sriram *et al.* (2007) stated that in order to manage and improve brand equity, brand managers should focus on product innovation and consider it as an integral part of their business strategies. They also added that in the absence of a relevant response to the competitive innovation, firms can experience cumulative erosion in brand equity that may become hard to recover.

Another possible reason for the significant effect of product innovation on overall brand equity is that innovative products provide customers with several benefits and improve their psychological attachment to brands that keep updating their products frequently to satisfy customers' needs. Therefore, this research suggests for automotive manufacturers to focus on innovation in their branding strategies and pay considerable attention to its role in enhancing brand equity and gaining sustainable competitive advantage. This finding contributes also to the body of literature by examining the effect of product innovation on brand equity because empirical research on this link is limited. The second objective of this research was to examine if product innovation has any significant effect on brand equity. The discussion made above satisfied this objective.

5.2.1.3 Product Quality and Brand Equity

This research found that product quality had a significant impact on overall brand equity and its dimensions. Particularly, product quality had a significant positive effect on brand awareness. This finding is in line with the research of Chi, Yeh, and Yang (2009) who reported that perceived quality was significantly related to brand awareness. Similarly, Kan (2002) suggested that higher perceived quality was related to higher brand awareness. This means that product quality could exert considerable effect on brand awareness by customers. Therefore, it is important to advertise the quality of products in order to inform the targeted respondents about the superiority and differential values of products endowed by a brand.

Contrary to predictions, this research also found that product quality had a significant negative effect on brand loyalty. This result indicates that, in line with the research of Bhardwaj, Park, and Kim (2011) which was conducted in Indian context, product quality had negative effect on brand loyalty. But the scenario in western countries shows different results. For instance, certain studies were conducted in United States of America and Portugal (Devaraj *et al.*, 2001; Reich *et al.*, 2006; Yoo and Donthu, 2002) among customer of various brands including automotives and found out product quality had significant positive effect on brand loyalty.

The negative effect of product quality on brand loyalty in Malaysia automotive context might be because customers' perceptions on product quality in most cases depend on the price of the brand (Batra *et al.*, 2000), and thus, customers in Asian countries may believe that high quality products signal higher prices which lead to decreasing the likelihood of buying (Bhardwaj *et al.*, 2011). Therefore, automotive manufacturers should consider fair pricing on their products to overcome the negative perceptions of customers.

The finding of this research also indicated that product quality had a significant but negative effect on brand image and brand leadership. As stated by Keller (1993), a brand can obtain a positive or negative brand image when its customers either react positively or negatively to various activities implemented by that brand such as its products. The study of Villarejo-Ramos and Sanches-Franco (2005) reported that the effect of product quality on brand image was negative. The authors revealed that as firms rely on price deals to market their products, a higher negative perception towards product quality is attributed to it, hence deteriorating brand image. The result was support by Yoo *et al.* (2000) who indicated that high level of product quality does not always lead to high brand equity. Moreover, Tan, Liew, William, Michelle, and Tan (2012) conducted a research among customers of service shops in Malaysia and reported that product quality did not contribute to brand image.

This research also found that product quality had a significant but negative impact on overall brand equity. This result matches with the findings of several previous studies conducted in Asian context (Atilgan, Aksoy, & Akinci, 2005; Bhardwaj *et al.*, 2011; Chang, 2011; Fitrahdini, Sumarwan, & Nurmalina, 2010) which reported that product quality negatively affected brand equity. Moreover, Danaee and Andalib's (2013) research was conducted among customer of laptop and mobile phone brands in Iran and found out product quality had an insignificant effect on brand equity.

However, in western scenario, certain previous studies were conducted in South Africa and Portugal (Loureiro, 2014; Musekiwa *et al.*, 2013) and found out product quality had significant positive effect on brand equity. According to Keller (1993) a brand may either have positive or negative equity according to customers' responses to the marketing activities of that brand. To support this, Sun (1996) specified that consumer-based brand equity can either be related to negative or positive information such as the case of high product quality. Therefore, perceptions of customers toward marketing programs in Malaysian context as compared to those in western countries may explain the negative effect.

Further, Yoo *et al.* (2000) reported that high level of product quality does not always contribute to positive brand equity. Another possible explanation for negative result would refer to the lack of sincerity among respondents while answering the questionnaire. Therefore, we suggest for future research to verify the result in Asian context. In addressing the third objective of this research which was to examine if product quality had any significant effect on brand equity, the discussion made above has satisfied the presented objective.

5.2.1.4 Country of origin and Brand Equity

Contrary to expectation, this research found out country of origin has an insignificant effect on brand awareness. This result is in line with Shah and Ibrahim’s (2014) research which was conducted among customers of international brands in Malaysia. But, the result contrasts with that of Aure and Nervik (2014) who reported that country of origin had significant positive effect on brand awareness in Norway.

Lim and Darley (1997) revealed that the studies on country of origin are vulnerable to demand artifacts. The insignificant result could be explained that for Malaysian customers, country of origin is not an important criterion for purchasing a product (Shah & Ibrahim, 2014). In this case, Malaysian customers are perhaps more liberal whereby they can recognize any product from any country as long as it manages to provide satisfactory levels on product specifications for them (Shah & Ibrahim, 2014). This might be why country of origin is not an important antecedent to brand awareness for respondents of this research.

The results of this research also indicated that country of origin had a significant positive effect on brand loyalty. This result is in line with previous studies (Ngoc, 2014; Norouzi & Hosienabadi, 2011; Panda & Misra, 2014; Shahin *et al.*, 2013; Saydan, 2013). The significant result explains the strength of country of origin in building brand loyalty, especially for brands originating from countries associated with positive images such as Japan. Thus, brand managers should employ country of origin into their global brand strategies to shape a desirable image in the minds of customers to manage brand loyalty, and thus, improve overall brand equity. For example, car manufacturers can focus on the design and development of loyalty programs such as establishing clubs for customers, performing relevant programs and seminars, building and strengthening their relationships with car users, and promoting and upgrading the quality of products with the introduction of new features.

This research also found that country of origin had significant positive effect on brand image. The result was confirmed by several past studies (Diamantopoulos *et al.*, 2011; Koubaa, 2008). This means that country of origin plays a significant role in affecting brand image according to customers' experiences. This is because customers who possess sufficient knowledge about brand's country of origin will positively or negatively associate it with the image of that brand (Shahin *et al.*, 2013). Specifically, country of origin plays a key role in affecting purchase decisions of customers, particularly for automotive products.

Thus, country of origin with positive image affects brand popularity and consequently leads to improved brand equity. Yasin *et al.* (2007) further demonstrated that countries associated with positive images are likely to be familiar to customers and are usually perceived as producers of quality brands. Therefore, automotive operators in Malaysian market should put greater focus on building a positive brand images for their products. Such positive country of origin image should be considered as the key driver to improve the overall image of brands originating from the country.

The result of this research also revealed a significant positive influence of country of origin on brand leadership. A possible explanation of this result could be that car users may have positive experiences with cars made in countries associated with positive images, and their experience enhances their impressions toward brands originating from those countries. When customers develop positive impressions about brands originating from a particular country, this would facilitate the acceptance and extension of such brands to operate in global markets.

For example, Japan is a country associated with an image of producing high quality cars. Toyota and Nissan are some of the leading Japanese brands that perform well in international markets and have successfully managed to develop positive associations about the image of the country. This provided them with wide opportunities to become global brand leaders in the category of automotives. Based on this discussion, it can be concluded that country of origin plays a key role in creating brand leadership, especially for brands originating from countries with favorable image.

This research also found out country of origin has significant positive effect on overall brand equity. The result is consistent with several previous studies (Lee *et al.*, 2014; Ngoc, 2014; Sanyal & Datta, 2011; Yasin *et al.*, 2007). The significant result explains the strength of country of origin in building overall brand equity. The positive effect could be attributed to the quality of designs and innovation of brands that originate from high prestigious countries in manufacturing in affecting customers' perceptions.

The finding of this research adds to the body of literature and brand equity theory by providing empirical support to the positive impact of country of origin on brand equity. Therefore, automotive manufacturers in growing markets are recommended to recognize country of origin as a significant antecedent of brand equity. Because this research contained a fourth objective to investigate if country of origin had any significant effect on brand equity, the above discussion has satisfied the stated objective.

5.2.2 The Effect of Strategic Factors on Relationship Quality

The results of this research showed that advertising, product quality, and country of origin had significant positive effects on relationship quality. However, the effect of product innovation on relationship quality is insignificant. A detailed discussion on each hypothesized effect is discussed in the following sub-sections.

5.2.2.1 Advertising and Relationship Quality

To recap, advertising had a significant positive effect on relationship quality. This result is in line with certain studies (Baidya & Basu, 2008; Jakpar *et al.*, 2012). This means that a brand which is highly advertised using creative and differentiated techniques is likely to be able to develop relationship trust, satisfaction, and commitment among its customers, and hence develop profitable relationships with them. Several studies reported that when customers are exposed to extensive and continuous advertisements of a brand then it can attract and maintain successful relationships with them (Copulsky & Wolf, 1990; Pi & Huang, 2011; Haghighi *et al.*, 2013).

Because advertising is an important strategic factor for creating and developing quality relationships with customers, businesses should focus on initiating effective advertising programs such as event sponsorship or social responsibility activities. Social media is also one of the possible ways to introduce advertising campaigns and develop favorable relationships with customers. Based on this finding, automotive manufacturers are recommended to provide added values to car users through advertising activities in order to establish a long-lasting and beneficial relationship with them.

5.2.2.2 Product Innovation and Relationship Quality

The finding of this research indicated that product innovation has an insignificant effect on relationship quality. This result was confirmed by Pan and Zinkhan (2006) who found that the willingness of a brand to innovate did not necessarily turn into improved customer relationship results. Similar research was conducted by Javed *et al.* (2013) in Pakistan in cellular phone sector among customers and reported that product innovation was not significant to relationship quality. However, in Nigerian context, Akinyele and Ihinmoyan (2010) found out product innovation had significant positive impact on relationship quality among mobile phone customers.

One possible explanation for the above finding could be that as the demand for advanced technology in cars has been increasing globally, thus, those advancements are being considered by consumers as given and they may no longer exert an immediate impact on their relationships with a brand (Anisimova, 2013). Besides, automotives are becoming an essential part of technology and subject to continuous changes through the introduction of new models.

Moreover, the insignificant result might relate to customers' overall perceptions that brands which are more innovative have higher prices and greater cost of ownership to keep up with those innovations (Simon & Yaya, 2012; Swan & Zou, 2012). Zhang *et al.* (2004) demonstrated that product innovation may provide organizations with competitive advantages but this situation may happen only for short-term basis, because competitors in most cases tend to imitate successful and new product innovations from others.

5.2.2.3 Product Quality and Relationship Quality

The findings also showed that product quality had a significant positive effect on relationship quality. This means that customers tend to develop better brand trust and commitment when they perceive its products as of high quality, which in turn improves their level of satisfaction. This result is in line with a number of previous studies (Jakpar *et al.*, 2012; Hameed, 2013; Hong-Youl & Kang-Hee, 2012) which reported that introducing products with high quality can strengthen customer relationships with a brand. To support this, Ha, Janda, and Park (2009) found that product quality had a direct and positive impact on brand satisfaction. They illustrated that when product quality increases; the satisfaction of customers also increases, thus leading to better brand commitment. They further added that brands which introduce products with high quality are likely to develop long-term customer relationships and thus, brand loyalty.

Based on the discussion above, it can be concluded that product quality is one of the important aspects that empower brands to build and maintain long-lasting relationships with customers. By doing so, customers are motivated to repurchase the same brand in the future and recommend it to others. Hence, automotive manufacturers are recommended to incorporate product quality into their business strategies to build profitable relationships with car users and strengthen brand success.

5.2.2.4 Country of origin and Relationship Quality

The result revealed that country of origin image had a significant positive effect on relationship quality. According to Tam (2008), country of origin is one of the most important factors that customers look for while evaluating a brand and it is the basis for building customer relationships. Similarly, Jiménez and San Martín (2010) found out country of origin had a significant impact on both brand trust and brand satisfaction. Specifically, powerful brands that offer high-quality products are usually originating from countries with positive images. Such brands try to influence customers' purchase decisions and attempt to secure their trust, satisfaction, and commitment for better performance in the future. As a result, customers reveal higher levels of trust and willingness to purchase brands that originate from positive country images.

Based on the above discussion, it can be concluded that as customers perceive a brand to be originating from a country with a favorable image, their trust, and commitment will increase. Also, higher level of commitment will lead to brand satisfaction. Therefore, country of origin represents a strong platform for brands to improve their relationships with customers. Malaysian automotive manufacturers should exert larger benefits from country of origin image to enhance customer relationships. This as a result would enhance the overall brand equity.

5.2.3 The Effect of Relationship Quality on Brand Equity

The fundamental objective of relationship marketing is to attract, sustain, and develop customer relationships with a brand for a long period of time (Morgan & Hunt, 1994). Relationship quality measures the strength of the relationship between a brand and its customers (Sublaban & Aranha, 2008). This research hypothesized that relationship quality is an important mediating factor that also affects brand equity. The finding showed that relationship quality had a significant positive effect on overall brand equity and its dimensions (brand awareness, brand loyalty, brand image, and brand leadership). A discussion of each hypothesis is presented here.

As presented in chapter four, relationship quality had a significant positive effect on brand awareness. This means that customers are likely to be aware about brands that successfully manage to develop valuable relationships with them. Since relationship quality elements play significant roles in building brand awareness, it is very important for brands to base their relationships with customers on mutual trust and keep them committed. By doing so, firms can gain and maintain competitive positions, particularly when customers have many choices to form during purchase decisions. Relationship quality facilitates the development of brand awareness, because customers will be familiar with brands that focus on building relationships with them. Based this discussion, automotive manufacturers are advised to put significant emphasis on developing customers' relationships to enhance brand awareness and especially in international markets in order to improve overall brand equity.

The result of this research also revealed that relationship quality had a significant positive effect on brand loyalty. This result was supported by several previous studies (Aziz & Kapak, 2013; Berry & Parasuraman, 1991; Hallowell, 1996; Kim *et al.*, 2015; Lin & Chung, 2013; Palmatier, Dant, Grewal, & Evans, 2006; Tu, Li, & Chih, 2013) which reported that a higher level of relational bonds between a brand and its csutomers will lead to successful relationship quality and hence, a higher level of brand loyalty. Oliver (1999) found that high levels of satisfaction resulted in loyal customers. In other words, positive relationships with customers is a key predictor of brand loyalty. Taken together, these findings show that relationship quality is a significant factor for establishing brand loyalty.

The findings also indicated that relationship quality has a significant positive effect on brand image. This result is consistent with previous works (Shahroudi, & Naimi, 2014; Ika & Kustini, 2009) which revealed that when a brand develops successful relationships with customers, it can as a result motivates them to develop a favourable images in their minds towards its products. Thus, the practical implication for automotive manufacturers is to concentrate on building long-term and mutually profitable relationships with their customers in order to be able to position themselves successfully in their mind and obtain higher market share.

In this research, relationship quality was also found as a significant predictor of brand leadership. This result is in line with Ghodeswar's (2008) finding which showed that leading brands seek to develop good relationships with customers by providing products and services with added values that differentiate them from competitors. Furthermore, Beverland, Farrelly and Woodhatch (2004) indicated that building quality of relationships between a brand and its customers can make it easier to create favorable intangible associations, which are also important for a brand's long-term success and gaining leadership position.

The finding presented above stresses the necessity for automotive brands to build successful relationships with customers and to incorporate such relationship development into their branding strategies. For example, organizing supportive programs and working closely with customers would increase the chance of global success (Beverland *et al.*, 2007). This can also provide a direction to gain continuous customer feedback in order to improve and adjust the programs in a manner to facilitate the creation of brand leadership (Beverland *et al.*, 2007). Therefore, the creation and management of customer-brand relationships which are based on mutual trust and commitment are central to brand leadership and success.

Additionally, the findings indicated that relationship quality had a significant positive effect on the creation of overall brand equity. This result is in line with several previous studies (Aziz & Kapak, 2013; Mei, 2015; Nezakati *et al.*, 2013; Noor Hasmini, 2012). The significant result explains the importance of building customer relationships in enhancing overall brand equity. It is believed through higher access to customers, brands would have better ideas on their needs and expectations which as a result could enable them to fulfill those expectations and keep their values on the long-term. Such activities turn to be the main characteristics of successful brands.

There are some managerial implications from this result. Given the effect of relationship quality on brand equity, automotive manufacturers are advised to manage and measure relationship quality maintenance and observe how customer-based brand equity and its dimensions can be affected. Automotive manufacturers should consider such possible gains when allocating sufficient resources for their customer relationship development in their budget. The fifth objective of this research was to investigate if relationship quality has any significant effect on brand equity. The above discussion seems to satisfy this objective.

5.2.4 Mediating Effect of Relationship Quality

Part of the main objectives of this research were also to examine the mediating effect of relationship quality on the relationships between strategic factors (advertising, product innovation, product quality, and country of origin) and brand equity among car users in Malaysia. The findings indicated that relationship quality played an important mediating role between the aforementioned strategic factors and brand equity. The details of research results are discussed below in the following sub-sections.

5.2.4.1 Mediating Effect of Relationship Quality on the Relationship between Advertising and Brand Equity

This research found out relationship quality fully mediated the relationship between advertising and brand awareness since the indirect effect of advertising on brand awareness was significant, while the direct effect was insignificant. This means that relationship quality can enhance the effect of advertising on brand awareness in the context of automotive products. The full mediation explains the strength of relationship quality in explaining the mechanism through which advertising influences brand awareness.

Morgan and Hunt (1994) indicated that relationship quality played an important mediating role between variables. This results could reveal that relationship marketing strategies hold extreme promise for automotive brands which endeavour to communicate their product features to create better brand awareness. The difference in brand awareness between brands that are perceived to be highly advertised as compared to those that put less emphasis on advertising could be further explained by the capabilities of such brands in managing customer relationships.

The results also showed that relationship quality fully mediated the relationship between advertising and brand loyalty since the indirect effect of advertising on brand loyalty was significant, while the direct effect was insignificant. This means that advertising indirectly affects brand loyalty through relationship quality. The full mediation explains the strength through which relationship quality supports the effect of advertising on brand loyalty. This result highlights the importance of advertising in building strong brand loyalty through relationship quality, and it also contributes to the body of knowledge by enhancing our understanding on the mediating role of customer relationships between advertising spending and brand loyalty.

Similarly, this research revealed that relationship quality fully mediated the relationship between advertising and brand image since the indirect effect of advertising on brand image was significant, while the direct effect was insignificant. This means that advertising can influence brand image indirectly through relationship quality. The result is in line with Chen and Myagmarsuren (2011) who reported that relationship quality mediated the relationship between exogenous and endogenous variables. This result highlights the importance of advertising in building strong brand image through relationship quality, and it also contributes to the body of knowledge by enhancing the understanding of the role that customer relationships play in the relationship between advertising spending and brand image.

It was also found that relationship quality fully mediated the relationship between advertising and brand leadership since the indirect effect of advertising on brand leadership was significant, while the direct effect was insignificant. This means that advertising can influence brand leadership indirectly through relationship quality. A possible explanation for this result could be that advertising significantly influences brand leadership when customers develop better brand trust and become more committed to purchase it in the future, and by showing higher level of satisfaction. The findings could suggest that the closeness of relationship between automotive brands and car users, especially the familiarity resulted from advertising programs may provide them with better opportunities to gain brand leadership and further strengthen brand equity.

Overall, the findings indicated that relationship quality fully mediated the relationship between advertising and overall brand equity since the indirect effect of advertising on overall brand equity was significant, while the direct effect was insignificant. This means that advertising indirectly influences overall brand equity through relationship quality. The result was supported by previous studies which indicated that advertising directly influenced relationship quality (Jakpar *et al.*, 2012; Pi & Huang, 2012). Previous studies also indicated that relationship quality significantly affected overall brand equity (Aziz & Kapak, 2013; Nezakati *et al.*, 2013). Therefore, relationship quality plays a full mediating role between advertising and brand equity.

The finding contributes to brand equity theory and dynamic capabilities perspective by providing empirical evidence on the mediating effect of relationship quality between advertising and brand equity in automotive sector of Malaysia since past researches on this link are scarce. The sixth objective of this research was to investigate if relationship quality mediates the relationship between advertising and brand equity. The above discussion has clearly addressed this objective.

5.2.4.2 Mediating Effect of Relationship Quality on the Relationship between Product Innovation and Brand Equity

The results of this research indicated that relationship quality fully mediated the relationship between product innovation and brand awareness since the indirect effect of product innovation on overall brand equity was significant, while the direct effect was insignificant. This means that product innovation can affect brand awareness indirectly through relationship quality. It seems that by introducing innovative products with improved features, firms could build better brand awareness as customer relationships are further concerned.

The findings also revealed that relationship quality fully mediated the relationship between product innovation and brand loyalty. The finding is consistent with previous works (Ke-yi & Qian, 2010; Dimyati, 2011) which found that product innovation had a significant effect on relationship quality development. Particularly, when a brand introduces innovative products that can be differentiated from competitors, customers could develop better trust and commitment toward that brand. This in turns could influence their brand satisfaction and brand loyalty. Thus, car manufacturers need to focus on building good relationships with their customers while introducing innovative products to further improve brand loyalty, particularly in dynamic markets that are characterized by intense competition.

Moreover, this research found that relationship quality partially mediated the relationship between product innovation and brand image since the indirect effect of product innovation on brand image was significant, and the direct effect was also significant. This means that product innovation significantly influences brand image through relationship quality. Specifically, it seems that customers could develop a positive image about a brand which introduces innovative products when that brand also manages to establish good relationships with them.

The mediating effect of relationship quality between product innovation and brand leadership was also partially supported. Specifically, if relationship quality is successfully created, it can influence product innovation and consequently brand leadership. This suggests that automotive manufacturers should put significant attention to the role of product innovation in helping them to establish successful customer relationships, which as a result may ease the process of developing brand leadership.

In general, the results provided empirical evidence that relationship quality partially mediate the relationship between product innovation and overall brand equity This means that product innovation can affect overall brand equity indirectly through relationship quality as a key mediator. This result shows that product innovation is important to build brand trust, satisfaction, and commitment among customers as well as to increase brand equity. Therefore, automotive brand managers should put prime emphasis on offering innovative products with improved features in order to enhance overall brand equity.

The finding contributes to resource-based view and dynamic capabilities perspective by providing empirical evidence on the mediating effect of relationship quality between product innovation and brand equity in automotive sector of Malaysia since past research on this link is limited. The seventh research objective was concerning the mediator effect of relationship quality between product innovation and brand equity. The findings discussed in the above paragraphs seem to satisfy this research objective.

5.2.4.3 Mediating Effect of Relationship Quality on the Relationship between Product Quality and Brand Equity

This research also found that relationship quality fully mediated the relationship between product quality and brand awareness since the indirect effect of product quality on brand awareness was significant, while the direct effect was insignificant. This means that product quality influences brand awareness through relationship quality. As the result indicated, if relationship quality is established, it can fully explain the effect of product quality on brand awareness. This implies that automotive manufacturers should extort greater efforts in creating profitable relationships with customers to strengthen brand awareness and thus, improve brand equity.

The mediating effect of relationship quality on the relationship between product quality and brand loyalty was also supported. This is consistent with Zehir *et al.* (2011) who found that product quality was an antecedent of brand relationship quality, which led to brand loyalty. This means that product quality indirectly influences brand loyalty through relationship quality. When customers perceive a product as of high quality, they usually tend to develop better brand trust and become more committed in buying the same brand in the future. This also results in creating a sense of satisfaction to stay with that brand, thus leading to improved brand loyalty. The finding suggests that it is important for automotive manufacturers to establish good relationships with their customers by offering superior quality products in order to build brand loyalty.

Additionally, this research found that product quality significantly influenced brand image through relationship quality since the indirect effect of product quality on brand image was significant, while the direct effect was insignificant. This means that product quality influences brand image through relationship quality as a key mediator. A favorable brand image can be created when customers develop better trust and commitment toward a brand and thus, gain satisfaction from the quality of provided products. So, for Malaysian automotive brands to gain positive images, it is important to initially develop beneficial relationships with car users by stressing on product quality.

The findings of this research further indicated that relationship quality fully mediated the relationship between product quality and brand leadership since the indirect effect of product quality on brand leadership was significant, while the direct effect was insignificant. This means that product quality indirectly affects brand leadership through relationship quality. Customers would consider a brand as one of the leading brands in its category when it ensures the quality of its products and manages to develop valuable relationships with them. High quality products can develop brand trust among customers and bring higher satisfaction than those with low product quality. Once the relationships are established between a brand and its customers, leadership positions can be obtained at the organizational level.

Overall, relationship quality played a full mediating role between product quality and overall brand equity. The full mediation explains the strength of relationship quality in explaining the mechanism through which product quality influences overall brand equity. The finding contributes to brand equity theory and social exchange theory by providing empirical evidence on the mediating effect of relationship quality on the relationship between product quality and brand equity in automotive sector of Malaysia since past studies on this link are limited. Therefore, automotive brands need to further look into the role product quality in establishing profitable relationships with their customers, which could lead to brand equity.

The eighth research objective was concerning the mediator effect of relationship quality between product quality and brand equity. The findings discussed in the above paragraphs seem to satisfy this research objective.

5.2.4.4 Mediating Effect of Relationship Quality on the Relationship between Country of origin and Brand Equity

The result of this research also showed that relationship quality fully mediated the relationship between country of origin and brand awareness. This indicates that relationship quality can enhance the effect of country of origin on brand awareness in automotive products. Morgan and Hunt (1994) indicated that relationship quality played an important mediating role between variables. Hence, the result explains that a social bonding strategy of a brand could make it more appealing in consumers' mind. Specifically, higher levels of successful relationship from country of origin factors may be the spurs behind the increase in brand awareness.

It was also found that relationship quality fully mediated the relationship between country of origin and brand loyalty since the indirect effect of country of origin on brand loyalty was significant, while the direct effect was insignificant. This means that country of origin indirectly affects brand loyalty through relationship quality. The result was supported by Sondoh Jr. (2009) who found that relationship quality fully mediated the relationship between country of origin and brand loyalty. Country of origin creates a sense of trust and commitment among customers, particularly for brands originating from a country with a favorable image. As trust and commitment are created, customers will become more loyal to that brand and develop positive purchase behavior. Based on this result, automotive manufacturers are advised to put sufficient emphasis on building successful customer relationships to further strengthen brand loyalty.

The mediated effecting of relationship quality on the relationship between country of origin and brand image was also partially supported. In other words, country of origin can either directly affect brand image, or indirectly through relationship quality. Once customers have built good relationships with a brand, they would be committed to buy that brand in the future and develop a positive image toward it. Based on this finding, Malaysian car manufactures can utilize the name of the country to build a favorable image through focusing on building customer relationships using different communication means. This is particularly important as automotive manufactures manages to come up with an attractive offer that entails good value to customers through high quality products with innovative features.

Moreover, relationship quality partially mediated the relationship between country of origin and brand leadership. This indicates that country of origin can either directly affect brand leadership or indirectly through relationship quality. If a brand is capable to become a powerful contender in the global market, it should be able to establish or sustain its popularity or market position through its strong presence in that market. Based on this finding, it can be concluded that positive country of origin image plays an important role in creating successful customer relationships which ultimately results in favourable brand leadership.

Finally, this research revealed that relationship quality partially mediated the relationship between country of origin and overall brand equity since the indirect and direct effects of country of origin on overall brand equity were significant. This means that country of origin can either directly affect overall brand equity or indirectly through relationship quality. Thus, automotive manufacturers in Malaysia are advised to put greater focus on customer relationships in order to enhance brand equity for brands originating from the country. The finding contributes to brand equity theory and information processing theory by providing empirical evidence on the mediating effect of relationship quality between country of origin and brand equity in automotive sector of Malaysia since past studies on this link are limited

The ninth research objective was about the mediating effect of relationship quality between country of origin and brand equity. The findings discussed above seem to meet this research objective.

5.5 Contribution of the Research

This section explains about the contribution of this research on theoretical and practical ground.

5.5.1 Theoretical Contribution

This research provides a significant evidence for the application of customer-based brand equity theory, particularly in the context of automotive manufacturing. The findings supported Aaker's (1991) conceptualization of brand equity as a construct which consists of brand awareness, brand loyalty, brand image, and brand leadership, which provides an appropriate framework for explaining brand equity among car brands.

This research examined the effect of strategic factors (advertising, product innovation, product quality, and country of origin) on brand leadership (dimension of brand equity) as proposed by Aaker (1996). However, the review of literature reveal that the majority of past studies have ignored brand leadership as an important dimension of brand equity and focused on other dimensions such as brand awareness, perceived quality, brand associations, and brand loyalty. Thus, this research adds to the body of knowledge by incorporating brand leadership as a dimension of brand equity.

In addition, the research tested the mediating effect of relationship quality on the relationship between strategic factors and brand equity because studies that looked at such effect are limited. By considering so, this research makes an important contribution in the strategic factors and brand equity linkages with the inclusion of relationship quality as a key mediator. Therefore, the contribution would be widened not only to brand equity theory, but also to literature of social exchange theory, resource based theory, dynamic capability perspective, and information processing theory literature.

5.5.2 Practical Contribution

This research has offered new insights and strategies into the role of strategic factors in affecting brand equity in a durable goods industry (automotive). The findings of this research may help automotive manufacturers in Malaysia to improve the equity of their brands in the targeted foreign markets. By establishing higher brand equity, the Malaysian automotive industry could enhance the image of the country in the long run and could help the country move toward achieving the developed nation status by 2020. Malaysia may benefit from working with Proton and Perodua to develop positive country associations in consumer’s mind. Such activities could improve the image of the country on the long-term and develop favourable impression among manufacturers from other countries toward considering Malaysia as a potential production location.

The findings of this research would help Malaysian automotive industry to enhance its competitiveness and brand equity in line with the objectives of national automotive policy which aims to boost the exports of vehicles and other related components and spare parts in the manufacturing sectors. The national automotive policy also aims to enlarge the market access for local automotive industry and promote better product recognition and strategic branding in international markets through encouragement of technology transfer. Hence, automotive manufacturers can use the findings of this research to promote their brand equity and gain better insights on the factors that are significant in driving brand success in the international arena.

For example, the result confirmed that advertising has significant positive effect on brand awareness. Therefore, it can be concluded that despite the emerging tools of marketing communication, advertising still a powerful mechanism for reaching customers at large. The automotive manufacturers in Malaysia can use this finding in order to enhance customers' awareness about their brands and attract more number.

This research also contributes to practitioners' knowledge to recognize the importance of innovation in car markets. For instance, improving the levels and capabilities of innovation could deliver several strategic messages to customers and give positive impression about Malaysian car brands. In order to achieve this, the automotive manufacturers may invest extensively in research and development and put sufficient emphasis on training of their employees and learn from foreign expertise how to produce innovative products. Moreover, enhancing interior and exterior product features are necessary to ensure true innovations and survive in car market which would ultimately result in giving positive impression about brands originating from the country.

Finally, this research seeks to provide practical contribution with regard to the importance of customer relationships in the field of branding. This research indicated that building successful relationships with customers could enhance brand equity dimensions. Therefore, automotive manufacturers can benefit from the results of this research to learn developing brand equity and obtaining sustainable competitive advantage by focusing on building successful customer relationships. It is believed that through successful customer relationships, brands could learn more about customers' needs and requirements to satisfy them and keep their values on the long term.

5.5.3 Contribution of the Research to Industry

As discussed in chapter one, Malaysian automotive industry is one of the main industries that drive the economy and further support the industrialization of Malaysia. The industry has contributed by 3.2% to GDP in 2012 and reached between 5 and 6 percentage by 2014. To affirm its determination to help the country to become a developed nation according to strategic plans, the industry expects to contribute by 10% to GDP in 2020. Based on these facts, it could be concluded that the automotive industry indeed plays a significant role in driving the growth of Malaysian economy (Mahidin & Kanageswary, 2004; Rosli, 2006).

The findings of this research may help Malaysian automotive industry in achieving its strategic plans toward increasing its sales volume forecast and growth of GDP according to the plans for the next years. Particularly, this research emphasizes on the role of brand equity through its dimensions; brand awareness, brand loyalty, brand image, and brand leadership in helping the industry to enhance its competitiveness and achieve higher levels of market performance. As argued before, these dimensions have been considered to be important in automotive sector, and the ability of a brand to position itself positively on these dimensions could help it to foster overall brand equity.

Furthermore, this research acknowledges the significance of product innovation and country of origin in improving brand equity of Malaysian automotive industry. These factors have been considered to be important in determining organizations' success and enhancing the power of a brand. Therefore, this research is expected to contribute to Malaysian automotive industry by giving recommendations to emphasize on innovation which could enable them to develop positive image about brands originating from the country and obtain higher market share. In order to accomplish this, automotive manufacturers are suggested to improve interior and exterior product features and invest in research and development programs. For example, by coming up with an attractive offer which entails good value to customers through differentiated product attributes and designs could help them to build positive brand equity.

The findings of this research also indicated that relationship quality significantly mediated the relationships between strategic factors and brand equity. The effect was found to be positive which confirms the important role of relationship quality in developing customer based brand equity. Therefore, this research contributes to the automotive industry through these findings by giving strong suggestions to focus on establishing successful relationships with customers to maintain its competitiveness and gain favourable brand recognition.

It is believed that through customer relationships, brands would have higher abilities to learn more about the needs and expectations of their customers and workout the appropriate strategies to fulfill those needs. Being able to manage relationship quality could foster the image of local brands and create positive perceptions toward their products. Hence, this research acknowledges the significance of relationship quality through its dimensions; brand trust, brand satisfaction, and brand commitment in affecting brand equity of Malaysian automotive industry. It also gives further recommendations for the industry to make sufficient investments in relationship marketing activities that would influence consumers' purchase decisions and overall evaluation of a brand.

5.6 Limitations of the Research and Future Directions

This research has several limitations which would lead to several future research opportunities. Firstly, the targeted population was limited to car users in the northern area of Malaysia at large shopping malls. The results can be strengthened by testing the variables in different industry and country contexts. Secondly, this research only looked at the effect of advertising, product innovation, product quality, and country of origin on brand equity. Future studies may wish to consider other factors that are important to improve brand equity such as research and development, brand personality, and after sale service. Such variables have been demonstrated in the literature to play a significant role in improving brand equity (Smith, Gradojevic, & Irwin, 2007; Valette-Florence *et al.*, 2011) and may have strong relevance to the automotive context.

Another limitation in this research was the difficulty in approaching the respondents during data collection. Furthermore, this research only focused on the automotive industry in Malaysia. Hence, the results might not be generalizable to other industry and country contexts. For example, predictors of brand equity in service contexts might be different from those in manufacturing contexts. Also the perception of customers in Malaysia toward a car brand may be different from that in foreign countries and the Middle East.

This research relied on single informants only to explore brand equity. Future studies may wish to consider dyadic data collection by including both customers and managers. Besides, the dimensions of brand equity that were used in this research may not be comprehensive enough to represent brand equity. Different scholars have measured brand equity in different ways; hence, it is important to include other relevant dimensions in future studies. Since the research has focused on durable products, fast moving consumer goods and other brands may yield different results. Further studies should look into this possibility.

Moreover, this research focused on car users in the Malaysian market only. A comparative study between customers' perception toward foreign and local automotive brands in the country would enhance our understanding on the significant predictors of brand equity. Employing different methodologies such as case studies and other qualitative techniques may further provide additional insights into brand equity development.

Finally, this research incorporated brand leadership as a dimension of brand equity, based on the suggestion of Aaker (1996b). Such studies are limited despite the importance of brand leadership as a source of brand equity. Therefore, future research should include brand leadership as one of the dimensions of brand equity.

5.7 Conclusion

Brand equity has been highly debated among both academicians and practitioners since late 1980. The most cited studies on brand equity are Aaker (1991) and Keller (1993). Aaker's model explains five comprehensive dimensions of brand equity. But Keller's model considers two dimensions only with various attributes. Both models explain the important assets of brand equity.

There are two main perspectives for measuring brand equity; the first perspective is concerned with assessing individual customers' experiences, feelings, impressions, and understanding about a brand, while the second perspective examines brand equity from a firm's point of view. However, this research focused on brand equity from the perspective of customers. This is because customer-based brand equity is the main source of a brand's financial revenues and long-term success (Lassar *et al.*, 1995). Moreover, measuring brand equity from the customers' perspective helps a brand and its marketing managers to set the relevant strategies and tactics and focus on the areas where research can be valuable in supporting a brand's decision making (Keller, 1993; Tolba & Hassan, 2009).

This research focused on the automotive industry in Malaysia due to its significance in the development of Malaysian economy. Moreover, it has become challenging for the local brands to influence consumers' purchase decisions toward their brands in the presence of foreign operators. This requires them to improve their brand equity as a way to deal with such competition. Hence, this justifies the choice of studying brand equity in Malaysian automotive industry.

In this research, it was found that most of the respondents prefer to buy foreign car brand. This might refer to their perceptions that foreign car brands have higher quality in comparison with local brands. However, many of the respondents did not answer this question to indicate the preferred car brand to be purchased in the future. It might also refer to the idea that they could not differentiate between brands which have high quality from those with less quality.

This research examined the effect of advertising, product innovation, product quality, and country of origin on brand equity of the automotive industry in Malaysia through relationship quality as a key mediator. The results indicated that product innovation and country of origin had significant positive effects on brand equity. Particularly, country of origin is the most significant factor in building positive brand equity. This suggests that Malaysian car manufacturers should consider these factors in their business strategies to successfully manage brand equity. The rapid competition in car markets requires firms to keep improving their products and services from time to time. The finding suggests that brand equity can be developed if firms successfully focus on ensuring product innovations in their manufacturing process and utilize the name of positive country of origin image.

This research also indicated that relationship quality played an important mediating role between the strategic factors and brand equity. The key mediation indicates the strength of relationship quality in explaining the mechanism through which advertising, product innovation, product quality, and country of origin influence brand equity. Thus, automotive manufacturers should build good relationships with their customers to develop their trust, commitment, and satisfaction on long term basis. The successful relationships can be possibly built through the introduction of high quality and innovative products with significant emphasis on advertising and a positive country image. The finding offers guidelines and suggestions towards incorporating relationship quality into branding strategies for the purpose of enhancing brand equity and firms' competitiveness.

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