THE EFFECT OF TRUST AND BRAND ENGAGEMENT ON MOBILE TELECOMMUNICATION CUSTOMER LOYALTY: THE MEDIATING EFFECT OF BRAND ENGAGEMENT

Conference Paper · September 2016
DOI: 10.13140/RG.2.2.10734.82245

1 author:
Ananda Sabil Hussein
Brawijaya University
10 PUBLICATIONS  2 CITATIONS

All in-text references underlined in blue are linked to publications on ResearchGate, letting you access and read them immediately.

Available from: Ananda Sabil Hussein
Retrieved on: 22 September 2016
THE EFFECT OF TRUST AND BRAND ENGAGEMENT ON MOBILE TELECOMMUNICATION CUSTOMER LOYALTY: THE MEDIATING EFFECT OF BRAND ENGAGEMENT

Ananda Sabil Hussein, Ph.D
sabil@ub.ac.id
Program Studi Kewirausahaan
Fakultas Ekonomi dan Bisnis
Universitas Brawijaya Malang

ABSTRACT
Mobile telecommunication providers grow rapidly in these days. This situation makes a tight competition among the mobile telecommunication companies. In a tight business competition, only companies that can create customer loyalty would sustain their business. To date, many variables have been proven as the determinant of loyalty. However, only few studies have been oriented to determine the effect of trust and brand engagement in creating loyalty. Hence, this study aims to determine the effect of trust and brand engagement on loyalty. One hundred and eighty one respondents participated in this study. Data was analysed by using CBSEM. The results show that brand engagement has a positive direct effect on loyalty while trust only has an indirect effect through brand engagement. The conceptual model built in this study is a theoretical contribution provided by this study. In the practical standpoint, this study provides an insight for practitioners about enhancing loyalty in mobile telecommunication industry based on trust and brand engagement.

Keywords: trust, brand engagement, loyalty, mobile telecommunication
INTRODUCTION
Loyalty has been recognized widely as an important aspect in marketing study. Many studies have explored about the notion of loyalty (Malik & Ghafoor, 2013; Orel & Kara, 2014; Suhartanto, Clemes, & Dean, 2013). In the marketing standpoint, enhancing customer loyalty would provide benefits for business organization (Andreassen & Lindestad, 1998). Oliver (2010) suggest that a business organization would get more profit by enhancing their loyal customers since the company does not need to allocate much money an resources to attract new customers. Similarly, Yang and Peterson (2004) contend that the loyal customers bring in essential revenues and demand less time and attention from the companies they patronize. Hence, to date some studies investigate the determinants of customer loyalty.

Some studies found that trust is one of constructs having an important role in creating customer loyalty (Keh & Xie, 2009; Liu, Marchewka, Lu, & Yu, 2004). Moven and Minor (2002) stated that trust is about psychological feeling toward products or services toward the performance and benefits promised. Empirically, some studies have proofen the importance of trust in affecting customer loyalty (Chiou & Droge, 2006; Harris & Goode, 2004; Horst, Kuttshreuter, & Gutteling, 2007).

Other construct acknowledging has an importance role in affecting customer loyalty is brand engagement. Scholars (Hapsari, Clemes, & Dean, 2015; Hollebeek, Glynn, & Brodie, 2014) claim that customer engagement should be considered as a vital aspect in boosting loyalty, since more knowledgeable customers together with the rapid growth of information technology make the interaction between customers and businesses essential in creating customer value.

As a growing industry, the competition within cellular telecommunication industry in Indonesia is getting tighter. Based on the data published by International Telecommunication Union (ITU), the number of mobile telecommunication subscribers were around 3.6 million in 2000 and it rises dramatically into around 280 million users in 2012 (Ariansyah, 2014). This significant growth also results in increased of the number of mobile telecommunication operators (Clemes, Shu, & Gan, 2014) which makes a competition among them. In this situation, creating customer loyalty is important to win the business competition. For that reason since to date the author has not found any researches investigating the interrelationship among trust, brand engagement and customer loyalty in Indonesia mobile telecommunication industry, this study aims to:

1. determine the effect of brand trust on customer loyalty
2. determine the effect of brand trust on brand engagement
3. determine the effect of brand engagement on customer loyalty
4. determine the mediating effect of brand engagement on the relationship between brand trust and customer loyalty
Upon the completion of this study, both theoretical and practical contributions are provided. For theoretical standpoint, this study would explain the effect of brand trust and brand engagement on customer loyalty. In addition, this study theoretically would show the mediating effect of brand engagement in the relationship between brand trust and customer loyalty. For practical perspective, this study would be guideline for mobile telecommunication practitioners in creating customer loyalty based on the generation of trust and engagement.

LITERATURE REVIEW

**Brand Trust**

Brand trust is about the willingness of consumers to rely on the brand performance as promised by the firm (Chaudhuri & Holbrook, 2001). Brand trust is an important factor that has to be exist in the customer-firm relationship. Brand trust is defined as a willingness of customers of a particular brand to rely on the brand to perform its function (Chaudhuri & Holbrook, 2001). Chaudhury and Holbrook (2001) stated that brand trust can be separated into two dimension: reliability and intention. In the first dimension (reliability), customers form trust on a particular brand based on the technical function. Meaning that customers believe that the brand can perform its technical function and customers believe that the brand has ability to satisfy consumers’ need. The second dimension is about the good intention of the brand in relation to customers’ welfare, e.g. after-sales service. In sum, brand trust is formed of customers’ belief that the brand can fulfil their needs and expectations. Several study have noted that brand trust has a positive relationship with other marketing construct such as customer engagement and customer loyalty.

**Brand Engagement**

Customer engagement is one of emerging constructs in marketing that capture customer participation and emotional feeling about a brand. Customer engagement is defined as “Customer engagement (CE) is a psychological state that occurs by virtue of interactive, co-creative customer experiences with a focal agent/object (e.g., a brand) in focal service relationships” (Brodie, Hollebeek, Juric, & Ilic, 2011).

Customer engagement is a multidimensional construct. So, King, and Sparks (2014) indicated 5 dimensions of customer engagement, namely enthusiasm, attention, absorption, interaction, and identification. Enthusiasm represent customers’ excitement on a particular brand, whereas the attention dimension capture the level of attention or the time duration that can be given by the customers when they interacting with a brand. Absorption is about being absorb and fully concentrated with the brand. Interaction dimension captures customers’ online and offline interaction with the brand and other customers beyond purchase. Identification dimension is defined as customers’ belongingness with the brand and identify themselves as a part of the brand.

Several studies have identify the relationship between customer engagement and other marketing construct, such as trust and loyalty. The relationship between customer engagement and customer loyalty was theoretically predicted by several researchers (Bowden, 2009; Hollebeek, 2011) and has been empirically found by So et al. (2014).

Based on the literature review four hypotheses were proposed. These four hypotheses were:
- **H1**: Brand trust has a significant effect of customer loyalty
H2: Brand trust has a significant effect on brand engagement
H3: Brand engagement has a significant effect on customer loyalty
H4: Brand engagement mediates the effect of brand trust on customer loyalty

Figure 1 shows the conceptual model tested in this study.

Research Method
One hundred and eighty-two respondents participated in this study. These respondents were the residence of Malang city subscribing into one of major mobile telecommunication operators in Indonesia. The demography information mentioned that 59.3% respondents have been subscribing the mobile telecommunication operator for more than five years, 53.3% are aged between 18 – 29 years old, 54.4% are female and 48.4% have income between Rp 1 and 5 million. Table 1 shows the demographic of respondents.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscribing duration</td>
<td></td>
</tr>
<tr>
<td>&lt; 1 year</td>
<td>3.3</td>
</tr>
<tr>
<td>1 – 5 years</td>
<td>36.8</td>
</tr>
<tr>
<td>&gt; 5 years</td>
<td>59.3</td>
</tr>
<tr>
<td>Age</td>
<td></td>
</tr>
<tr>
<td>&lt; 18</td>
<td>0.5</td>
</tr>
<tr>
<td>18 – 29</td>
<td>53.3</td>
</tr>
<tr>
<td>30 – 39</td>
<td>35.7</td>
</tr>
<tr>
<td>40 – 49</td>
<td>3.8</td>
</tr>
<tr>
<td>&gt; 49</td>
<td>6.6</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>45.6</td>
</tr>
<tr>
<td>Female</td>
<td>54.6</td>
</tr>
<tr>
<td>Income</td>
<td></td>
</tr>
<tr>
<td>&lt; Rp 1 million</td>
<td>18.9</td>
</tr>
<tr>
<td>Rp 1 – 5 million</td>
<td>48.9</td>
</tr>
<tr>
<td>Rp 6 – 10 million</td>
<td>15</td>
</tr>
<tr>
<td>Rp &gt; 10 million</td>
<td>17.2</td>
</tr>
</tbody>
</table>
Data were analyzed by Covariance Based SEM (CBSEM). Prior testing the hypotheses, Confirmatory Factor Analysis (CFA) was performed. Mediation effects were tested by following Baron and Kenny's (1986) suggestion. Literature review and focus groups discussion were carried out in order to operationalize the constructs and building the questionnaire. The questionnaire consists of two sections. The first section captures respondent demographic characteristics and the section second section asking about respondents' perception about educational theme park image, perceived value, satisfaction and loyalty. To measure these constructs five-points likert scale was employed in this study.

**Data Analysis**

Prior testing the hypotheses, measurement model was evaluated using CFA. In this evaluation, all constructs involved were assumed to covary each other as suggested by Kline (2005). The initial result of CFA indicated a poor model. For that reason there is a need to do some modifications. The model modification was conducted by excluding item BE_1, BE_4, BE_5, BE_8, BE_9, BE_10 and TR_1 from the model and draw covariance between er2 and er3. These modifications result a fit model ($\chi^2/df = 1.835; \text{GFI} = 0.913; \text{CFI} = 0.971; \text{NFI} = 0.939; \text{RMSEA} = 0.068$). Figure 2 shows the result of CFA.

![Confirmatory Factor Analysis](image)

**Figure 2**

**Confirmatory Factor Analysis**

Upon the completion of CFA, hypotheses tests were performed. In this study, alpha was set in the level of 5% ($t = 1.960$). Hypothesis 1 proposed that brand trust has a significant effect on customer loyalty. The result of hypothesis test indicates that there is no significant effect of brand trust on brand loyalty ($t = 1.297; \beta = 0.171$). This not significant effect means Hypothesis 1 is not supported. While Brand trust does not have a significant effect on customer loyalty, this study confirms that there is a significant effect of brand trust on brand engagement ($t = 9.884; \beta = 0.836$). This finding indicates a positive slope means...
the higher trust of respondents the more engage them with the brand. It supported Hypothesis 2. Hypothesis 3 suggested that brand engagement affects customer loyalty. The estimation finding shows that there is a significant effect of brand engagement on customer loyalty ($t = 4.535; \beta = 0.626$). This result supported Hypothesis 3.

Hypothesis 4 proposed that brand engagement mediates the effect of brand trust on customer loyalty. To test this hypothesis, mediation test approach proposed by Baron and Kenny (1986). Following this approach, brand engagement has a full mediation effect ($t = 3.514; \beta = 0.523$). It means Hypothesis 4 is supported.

Discussion and Conclusion
Creating customer loyalty is important for business organization including mobile telecommunication operators. Some variables have been identified as the antecedents of customer loyalty. As a study oriented into mobile telecommunication industry, this study investigates the interrelationship among important constructs in marketing perspective named brand trust, brand engagement and customer loyalty. The findings of this study would provide benefits for both theoretical and practical perspective.

Theoretically, this study shows that brand trust plays an important role in enhancing brand engagement. This finding strengthen the notion proposed by Bowden (2009) stated that brand trust had an essential role in the process of creating brand engagement. Hence, it implies practically that to make the customer more engage to the brand, a business organization should be able to create a trusted brand. As a construct having a significant effect on brand engagement, brand trust also has an effect on customer loyalty. However, the effect of brand trust on loyalty is not a direct, it is mediated by brand engagement.

Apart of determining the effect of brand trust on customer loyalty, this study also investigated the effect of brand engagement on customer loyalty. The result of this study similar to the study of Hapsari et al. (2015) who also found the significant effect of brand engagement on customer loyalty. Although this study did not find the direct effect of brand trust on customer loyalty, this study shows that there is an indirect effect of brand trust on customer loyalty through brand engagement. For this study, brand engagement provides a full mediating effect. This full mediating effect means the effect of brand trust on customer loyalty is fully mediated by brand engagement.
REFERENCES


