

Enhancing Brand Loyalty in Smartphone Market: The Role of Brand Reputation and Brand Experience (Case Study of Xiaomi Brand in Indonesia)

Irma Nilasari*, Rini Handayani
Widyatama University, Indonesia
*irma.nilasari@widyatama.ac.id

Abstract- The present study is aimed to investigate brand loyalty of Xiaomi smartphone in Indonesia. There are several China smartphone brands obtain great success in Indonesia, for example OPPO, Vivo, Xiaomi and Realme. Since Q3/2019, several China brands (OPPO and Vivo) has been surpassing Samsung (Korean brand) in sales. However, there are erratic position of Xiaomi's market share in the last three years (2018-2020) in Indonesia. The present study explains brand loyalty of Xiaomi in Indonesia through two independent variables, namely brand experience and brand reputation. 121 respondents are involved in this study. By using multiple regression analysis, present study found that both independent variables influence brand loyalty significantly. Brand experience influences brand loyalty stronger than brand reputation.

Keywords: brand reputation, brand experience, brand loyalty, Xiaomi, Indonesia.

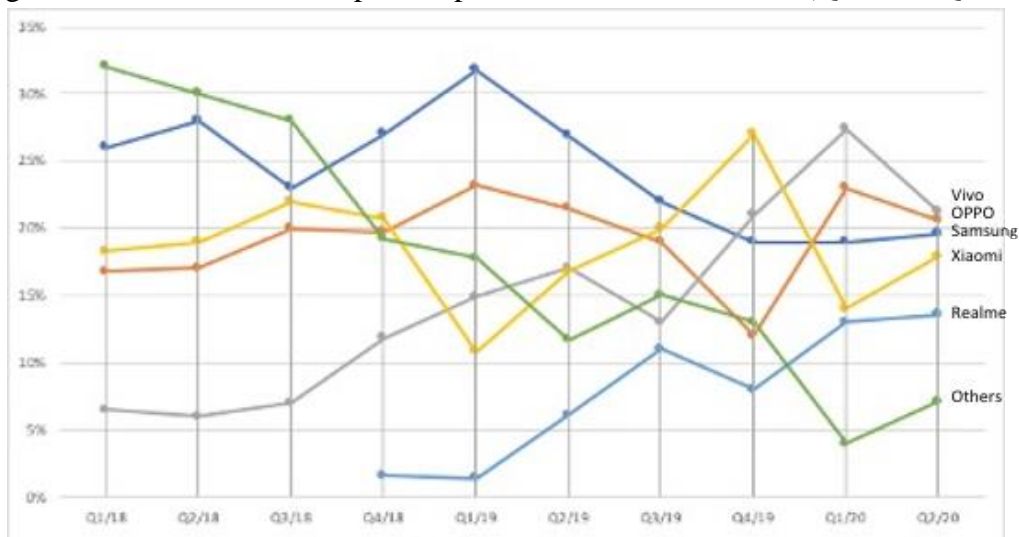
1. INTRODUCTION

Brand is a promise, symbol of quality, and value added given by a company to their potential customers (Farquhar, 1989; Keller & Lehmann, 2006). A strong brand has an emotionally bonding with their customers that reducing risks (Keller & Lehmann, 2006), motivate customer to rebuy (Aaker, 1996), and eventually easy for acceptance by distributors and consumers (Farquhar, 1989). However, according to Nielsen.com (2019), 92% of global consumers are cheating and only 8% of them are considered as loyal customers. It makes the battle of customer loyalty is the most difficult war among the brands in a particular industry. Industrial experts agree that consumer addict to *newism* is the main reason why customers tend to disloyal, especially for millennial consumers. They follow the latest trends or simply want to try new products to fulfil their curiosity. However, optimistic marketers suggest that consumers can become a loyal customer because 50% of global consumers prefer to choose a familiar brand, as long as they consider that the company's product is new. Thus, branding is very important task for marketers (Seiders et al., 2002). Previous studies investigated the advantage of having loyal customers towards a brand (Chaudhuri & Holbrook, 2001; Kim et al., 2008; Nguyen et al., 2016). All of the studies agreed that brand loyalty that come from customer satisfaction is beneficial for company as brand owner, in respect to customer repurchase, customer intention to buy more, suggest others to buy, give positive feedbacks, and so on.

In 2019, number of smartphone users in Indonesia reached 171.28 million (www. <https://www.statista.com/statistics/266729/smartphone-users-in-indonesia/>). This number is about 64% of

Indonesian population that the number of smartphone user in Indonesia reached about 267 millions persons. According to IDC (International Data Corporation), there are five smartphone brands that dominate the world's market, which are: Samsung (Market Share 21.1%), Huawei (Market Share 17.8%), Apple (Market Share 13.3%), Xiaomi (Market Share 10.7%), and Vivo (Market Share 24.8%). The data shows that more than 50% of world's smartphone market shares are belong to China brands (Huawei, Xiaomi, and Vivo). In Q2-2020 Indonesian smartphone market is dominated by five big brands, which are: Vivo, Oppo, Samsung, Xiaomi, and Realme. Together, these brands captured almost 93% of smartphone sales in Indonesia by Q2/2020. Figure 1 shows the market share of these brands from Q1/2018 until Q2/2020.

Figure 1. Market Share of Top Smartphone Brands in Indonesia (Q1/2018-Q2/2020)



Source: IDC, 2020

Figure 1 shows that four of China brands (i.e. OPPO, Vivo, Xiaomi, and Realme) also dominates market share of Indonesian smartphone market. Together, these China brands captured 73% of total Q2/2020 smartphone market in Indonesia. Even starting Q3/2019, the China brands (Xiaomi, Vivo, and OPPO) surpassed the Samsung's quarterly market share. According to Amahoru (2019), there are several reasons why China smartphone brands obtain great success in Indonesia, which are: cheap, completed and sophisticated specs and features, huge of product variances, massive and aggressive marketing efforts (i.e. create a massive channel distribution, and huge above the line and below the line advertising), and the use of online sales method. Among the four main China smartphone brands, OPPO is the older one (released from 2004), and followed by Vivo (2009), Xiaomi (2010), and Realme (2018). Since Q3/2019, the top three China brands has been surpassing Samsung in sales. For example, Xiaomi in Q3-Q4/2019, followed by OPPO and Vivo in Q1-Q2/2020. From Figure-1, it can be seen from the graph that OPPO and Vivo show good stability in market share, but Xiaomi has an erratic market share position. The present study assumes that Xiaomi has a problem in its brand loyalty. To understand the Xiaomi's brand loyalty, the present study focuses on two independent variables, which are: brand reputation and brand experience. Brand reputation is consumer's trust on Xiaomi brand (Yuen et al., 2018), while brand experience is consumer's sense, feel, think, act and relate towards Xiaomi brand (Schmitt & Rogers, 2008).

2. LITERATURE REVIEW

2.1 Brand loyalty

According to Oliver (1999), brand loyalty is a deep commitment from the customer to consistently rebuy or support a preferred product or service in the future, even though there are some influences and marketing efforts from others that potentially causing switching behaviour. Loyal customers will not attempt or evaluate any attribute of alternative brands except for familiar brand that they prefer recently (Mohammad, 2017). On the same vein, Dehdashti et al. (2012) defined brand loyalty as a long-term relationship that based on customer's willingness to rebuy and continuous commitment with respect to a brand.

Scholars approach brand loyalty as behavioural, attitudinal, or the combination of both. As a behaviour, Nguyen and Thanh (2016) defined brand loyalty as the actual purchase behaviour which is measured by the quantity and repeated purchasing of the brand, proportion of purchase, the quantify of usage, and probability of repurchase. As an attitude, Jacoby and Chestnut (1978) defined brand loyalty as statements of preference or intentions to behave toward a brand. Nevertheless, many scholars (Aaker, 1996; Griffin, 2002; Kim et al., 2008; Ratchford, 1987) agree to measure brand loyalty as: (1) recommend others to purchase; (2) intention to purchase the brand again (repeat purchase); (3) continue to use the brand regardless the competitors offering (first and prefer choice); and (4) cross purchase from the brand.

2.2 Brand reputation

Firms that utilize brand reputation as a competitive weapon believes that strong reputation will drive customers to buy with highest prices and outperform competitors (Chaudhuri & Holbrook, 2002; Loureiro et al., 2017). Customers have an expectation towards a brand because brand delivers promise to customers. Customers choose a brand based on their image that best fits with their self-image (Faroudi, 2018). Walsh and Beatty (2007) defined brand reputation as customers' overall evaluation regarding their interactions with a brand that being reflected in firm's goods, services, communication activities, and their interactions with employees, management, and also with other customers. Customers buy a reputable brand because of the product quality image (Rindell et al., 2014) and potentially increase their status (Kremer & Viot, 2012). To measure brand reputation, the present study uses Urde and Greyser's (2015) dimensions that comprise of: relevance, trustworthiness, differentiation, credibility, reliability, responsibility, willingness to support, and recognisability.

2.3 Brand experience

Brakus et al. (2009) mentioned that that brand experiences are "subjective, internal consumer responses (sensation, feelings, and cognitions, and behavioural responses), evoked by brand-related stimuli that are part of a brand's design and identity, packaging, communications, and environments". Thus, experience is personalized. It varies regarding its strength and intensity, and can be either positive or negative (Brakus et al., 2009). If customers perceive a positive experience then the company will have benefits from increasing brand awareness, increasing customer satisfaction, and developing customer loyalty (Schmitt, 2010). In contrast, if customers perceive negative experience then they will respond with negative actions in return, such as: stop buying from company, complaints, negative word-of-mouth, etc.

Schmitt (1999) proposed six different customer's brand experience which include: sensory experiences,

affective experiences, creative cognitive experiences, physical experiences, behavioural and lifestyle experiences, and social-identity experiences. In more recent, Brakus et al. (2009) proposed only four dimensions of brand experiences, which are: sensory, affective, intelligent and behavioural. In addition, Schmitt and Rogers (2008) offered five types of brand experience, that comprise of: sense, feel, think, act and relate. This study follows Schmitt and Rogers (2008) construct of brand experience because of its simplicity.

2.4 The relationship between brand reputation, brand experience and brand loyalty

Literature proposed many antecedents to brand loyalty, however, the most important antecedents are brand trust, perceived brand quality, perceived value, and promotion (Chaudhuri & Holbrook, 2001; Johnson et al., 2006; Kim et al., 2008). In Malaysian smartphone industry, Yuen et al. (2018) proposed five factors that drives brand loyalty, which are: brand image, perceived brand quality, brand experience, customer satisfaction and switching cost. The present study chooses two independent variables that will influence brand loyalty, which are brand reputation and brand experience.

Previous studies (Foroudi, 2018; Gorondutse et al., 2014; Loureiro et al., 2017) found that brand reputation influences brand loyalty in various industries. In Indonesian context, some past studies confirmed that brand reputation influences brand loyalty (Anik & Putri, 2015; Nilasari et al., 2020). Therefore, the first hypothesis is:

H-1: Brand reputation significantly influences brand loyalty.

Brakus et al. (2009) mentioned that superior brand experience that customer feel will lead to customer preferences in the future. In other words, brand experience affects brand loyalty. Ganesan (1994) also noted that a positive experience will lead customer to have a commitment with a brand. Loureiro et al. (2017) discovered that corporate brand reputation enhances brand loyalty in automobile industry. Fernando et al. (2018) demonstrated that brand experience affects brand loyalty in Sri Lankan fashion retail industry. Similarly, Mahmood et al. (2019) also found that brand experience affects brand loyalty in Pakistan branded clothing industry. In Indonesian context, many previous studies proved that brand experience positively influences brand loyalty, for example: Adriani (2015) and Husein (2018). Therefore, the second hypothesis is:

H-2: Brand experience significantly influences brand loyalty.

According to Herbig and Milewicz (1995), in order to success, academics and practitioner combine positive brand reputation and brand experience as important ingredients. The positive brand reputation will satisfy the consumer, while the impressive customer's experience will help company to increase commitment and deep relationship with customer. Severi and Ling (2013) recommended two approaches in order to understand brand loyalty, which are cognitive and behavioural approaches. Kim et al. (2008) mentioned that behavioural intention (as reflected in brand experience) is a perfect predictor of behaviours, and suggested to become a direct predictor of brand loyalty. On the other hand, customer's commitment towards a brand as a cognitive approach (as reflected in brand reputation) relates to emotional attachment between a customer and a brand (Ercis et al., 2012). Customer will not switch to another company if they have strong emotional bond (Mohammad, 2017). Based on this, the third hypothesis is:

H-3: Together, brand reputation and brand experience significantly influence brand loyalty.

3. METHODOLOGY

As a quantitative study, the present study involves one dependent variable (brand loyalty) and two independent variables (brand reputation and brand experience). It is a cross sectional research setting that using questionnaires as a tools for collecting data. Table-1 shows the construct, sources, questionnaire items, and Alpha Cronbach scores. The data is analysed by using multiple regression analysis with SPSS software version 22. It can be seen from Table 1, that all items and variables are reliable and valid.

Table 1. The Variables, Sources, Items Measures, and Alpha Cronbach Scores

Construct	Sources	Items	Alpha
Brand reputation	Urde & Greyser (2015)	<ol style="list-style-type: none"> 1. Xiaomi fulfils my needs for a smartphone 2. Xiaomi offers guarantee for its products 3. Xiaomi is a unique smartphone 4. The quality of Xiaomi brand is very good 5. Xiaomi brand has a consistent value 6. Xiaomi improves its product continuously 7. Xiaomi people is very helpful 8. Xiaomi is a famous brand for smartphone 	.834
Brand experience	Schmitt & Roger (2008)	<ol style="list-style-type: none"> 1. I love the design of Xiaomi smartphone 2. The quality materials and components of Xiaomi are good 3. Xiaomi smartphone is easy to operate 4. Xiaomi is comfortable smartphone 5. Xiaomi gives products information completely 6. Xiaomi information regarding its products is accurate 7. Xiaomi always offering products that fits my need for a smartphone 8. Xiaomi has a lot of features that fits my needs 9. I contact Xiaomi people easily 10. Xiaomi call center solve my problems 	.861
Brand Loyalty	Griffin (2002)	<ol style="list-style-type: none"> 1.I recommend everybody to buy Xiaomi smartphone 2.I will always buy Xiaomi smartphone 3.I will continue to use Xiaomi smartphone, even if other brands influence me extensively 4.I always tend to buy other products from Xiaomi 	.718

Source: Compilation by author

Table 2 shows the bivariate correlation between all variables under study. Refer to Bagozzi and Edwards

(1998), proposed research framework is valid because all correlations amongst the latent constructs are significant and less than 1.

Table 2. Bivariate Correlation between All Variables

	Brand reputation	Brand experience	Brand loyalty
Brand reputation	1		
Brand experience	.705**	1	
Brand loyalty	.616**	.698**	1

**Significant at $\alpha \leq .01$; all correlations are significantly less than 1.00.

4. RESULTS & DISCUSSION

4.1 Characteristics of respondents

Data is collected in August 2020 from the buyers of all types of Xiaomi smartphone products in Indonesia. Total 121 valid respondents are gathered and used to test all the hypotheses. Respondents dominated by male (63%), at age 20-39 year (84%), and has income below Rp5 millions a month (67%). There are two types of dominant occupation of the respondents, which are students (47%) and private employee (27%). The dominant respondents have already used Xiaomi smartphone for 1-3 years (51%), while the second dominant respondents have already used Xiaomi for less than a year (30%). The social media (38%) is the dominant source of information that respondents chose, followed by direct visit to the store (19%) and from relatives/friends (15%).

4.2 Hypotheses testing results and discussion

The present study proposes three hypotheses to be tested: (1) the direct partial relationship between brand reputation and brand loyalty; (2) the direct partial relationship between brand experience and brand loyalty; and (3) the direct simultaneous relationship between brand reputation and brand experience to brand loyalty. Table 3 shows the results of partial hypotheses testing of direct relationships in the present study and the hypotheses (H-1 and H-2) are accepted.

Table 3. Partial Hypotheses Testing Result

Hypotheses	t	Sig	Standardized Beta	Results
Constant	-1.297	.197	-.474	
Brand reputation (to Brand loyalty)	2.737	.007**	.247	Accepted
Brand experience (to Brand loyalty)	5.815	.000**	.524	Accepted

Note: Significant levels **p < .01; *p < .05

These findings confirm previous literatures. The first hypothesis is accepted and it support previous literatures, for example: Anik and Putri (2015), Foroudi (2018), Gorondutse et al. (2014), Loureiro et al. (2017); and Nilasari et al. (2020). The second hypothesis is accepted and also support past literatures, for example: Adriani (2015), Brakus et al. (2009), Fernando et al. (2018), Ganesan (1994), Husein (2018), Loureiro et al. (2017), and Mahmood et al. (2019).

The simultaneous hypothesis also accepted and it can be seen in Table 4. The table shows that the F test is

found to be significant. Thus, all together brand reputation and brand experience significantly influences brand loyalty (H-3 is accepted). The R^2 is .518, it means that both of independent variables explain 51.8% variance in brand loyalty.

Table 4. Simultaneous Hypothesis Testing Result

Model	Sum of Squares	df	Mean square	F	Sig
Regression	33.707	2	16.854	62.293	.000 ^b
Residual	31.421	118	.266		
Total	65.128	120			

- a. Dependent Variable: Brand Loyalty
- b. Predictors: (Constant), Brand Experience, Brand Reputation

5. CONCLUSION

The present study demonstrates that brand reputation and brand experience drives brand loyalty. The present study also found that the influence of brand experience on brand loyalty is stronger than the influence of brand reputation on brand loyalty. It can be concluded that Xiaomi should focus more on brand experience in order to improve customer loyalty. Since the coefficient of determination in the present study is 51.8%, further research on antecedents of brand loyalty should be conducted. Some variables in brand domain can be proposed, for example: brand trust, brand personality, and brand origin. The present study also proposes other variables than brand to be involved, for example: price, product features, and promotions.

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