

# THE INFLUENCE OF SERVICE QUALITY, MARKETING-MIX STRATEGY AND COUNTRY-OF ORIGIN ON BRAND TRUST: A STUDY OF MALAYSIAN AUTOMOTIVE INDUSTRY

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**ABSTRACT:** *The main purpose of this study was to investigate the relationship between service quality and brand loyalty, the relationship between marketing-mix strategy and brand trust. This study consisted of three independent variables: service quality, marketing-mix strategy, and country-of-origin and a dependent variable: brand trust. SEM was used to analyze the relationship between variables. The population consisted of Malaysian consumers, and a postal mail survey of 381 respondents in the Klang Valley, Selangor. The structural equation modeling findings generally support the conceptual models and indicates that service quality and country-of-origin have a significant relationships with brand trust. Contrarily, marketing-mix strategy does not have a significant relationship with brand trust. The findings of this study while contributing to the body of knowledge, may also assist policy-makers and marketers in their sustainability effort.*

**Keywords:** Service Quality, Marketing Mix-Strategy, Country of Origin, Brand Trust, Malaysia

## 1. INTRODUCTION

Being earmarked as part of the important and strategic industries in the manufacturing sector, Malaysian automobile industry, carefully thought as the dynamic expanding industries as compared with other industries. For Malaysia in 2020 to be an industrialized country, the Malaysian Government has earmarked the automotive industry to boost the industrialization process.

In the automotive industry, brand trust is crucial to a car company because increased trust contributed cost savings through reduced marketing costs, reduced customer turnover expenses, increased in word of mouth and cross selling will lead to a larger share of customers, whereas trust towards a car brand will provides to a certain extent the guarantee of the brand quality.

The objective on this study is to determine the variables that affect brand trust (service quality, marketing-mix strategy, country-of-origin) in the Malaysian automotive industry context. In summary, there is a gap on consumers' trust towards a car branding in Malaysia automotive market. Therefore, this is important to investigate whether service quality, marketing-mix strategy and country-of-origin, will affect consumers' trust in the Malaysian automotive industrial context.

## 2. LITERATURE REVIEW

### Brand Trust

Trust, a willingness to act without taking in consideration the immediate costs and benefits, is the underlying loyalty suggested by O'Shaughnessy [1], hence loyalty to a brand involves trusting the brand. In industrial marketing, trust is built on person-to-person relationships where this concept is well developed [2; 3]) and a lot of effort has spent in findings ways to build and maintain it. However, trust in a brand unlike from trust in interpersonal because a brand is a symbol.

In today's competitive market environment, to win loyalty, consumer marketers have to grasp what is becoming a habitual behavior pattern to business marketers [4] and the

attention will be on building and maintaining trust in the consumer brand relationship. However, the trust concept in consumer marketing is to a great extent undeveloped. Part of the aim of this study is to explore some elements that influence the development of brands in consumer goods, and to explore how trust relates to brand loyalty.

### Service Quality:

Service quality can be defined as the divergence between customer image about the service presentations and his/her expectations for services. Service quality is an essential item in building the brand trust and defined in other words, as the decisions that are resultant from the estimation process in which customers differentiate the service provided to them and the service they perceived [5]. The factors of service quality are anticipated to impact trust directly, because the service factors represent trust hint that convey the trustworthiness of the industry and the system. Al-Dwairi and Kamala [6], recognized that integrity, ability, and quality has a significant effect on trust whereas, Zha, Ju, and Wang [7], in their research in e-commerce industry in China found that service quality dimensions are significant predictors of trust. In addition, Su and Fan [8], discovered that service quality plays a crucial function and has a significant impact on trust, where this outcome was derived from the study of rural tourism in China. Service quality has a strong and positive effect in creating trust on m-commerce consumers in m-commerce industry [9]. Sahadev and Purani [10] found the same result when they examined the impact of service quality on trust in e-commerce industry in India, where they discovered that service quality has a powerful impact on trust and significantly associated. Lee and Lin [11], indicated that the increase in customer's trust will influence service quality. In their research, trust has been shown to have a significant impact on service quality [12]. This is also supported by the research carried out Fawad Sheikh, Rizwan, and Maqsood [13] where service quality is directly associated with brand trust. Other researchers that supported this relationship of service quality is directly associated with brand trust [5, 14; 15].

Chou [16], in the study of service quality, trust and customer loyalty in home delivery services discovered that service quality had a positive influence on trust, which was in line with the research of Dick and Basu [17] and Aydin and Ozer [18]. Foster and Cadogan [19], in their study found that there is a significant and positive relationship between the service quality and trust of the customer.

*Hypothesis 1: There is a positive relationship between service quality and brand trust.*

**Marketing-mix Strategy:** Marketing exists due to people unfulfilled needs and desires, thus, the marketing-mix strategy objective is to pass value, further shape long-term and jointly profitable relationship with customers [20; 21; 22]. Kanagal [21], stated that for a marketing strategy to be successful, it required market and internal analysis which leads to a competitive advantage. As such, Churchill and Peter [23], described marketing mix as ‘the mix of controllable marketing variables that company exercises to seek the wished level of sales in the target market’.

Chong [24], classified marketing mix commenced from the single ‘P’ (price) of microeconomic theory, while McCarthy [25], classified it as marketing mix tools which they called the 4Ps of marketing: product, price, promotion and place. Though there is dispute about the value and current standing of the mix as a marketing tool kit, marketing specialists extensively believe the 4Ps as the devices that will impact consumers’ behavior and the final consequence of the buyer-seller interaction [26; 27; 28; 29; 30; 31; 32].

*Hypothesis 2: There is a positive relationship between marketing-mix strategy and brand trust*

**Country-of Origin:** The pioneer study of the relation between country-of-origin and the perceived product quality is conducted by Schooler [33]. The results clearly show that consumers use country-of-origin to judge the product’s quality and performance due to consumer perceived products originated from supremely manufacturing countries are perceived as better in terms of quality. This statement was supported in study by authors in [34, 35, 36, 37, 38].

Country-of-origin has a greater impact on perceived quality and minor impact on attitude towards product or buying aim. They discovered distinctness in financial development could impact the country-of-origin effect. In addition, the country-of-origin effect does not vary between industrial and consumer buying and multi-national manufacturing is unaffected [39].

Numerous researches have concluded that country-of-origin effects have significant effects on branding results by describing that brands and country-of-origin are significant elements of consumers’ perceptions of quality and variety [40; 41; 42; 43; 44]. Country-of-origin plays an equally critical role in influencing consumer products/brand evaluation on both power and soft brands. Managers should consider country-of-origin when developing worldwide sourcing and marketing strategies, regardless of the reputation of the brands. Especially for brands that have a negative effect on country-of-origin image, it becomes more appearance for marketing managers to develop enough marketing activities to lessen the negative effect of undesirable country-of-origin [40].

*Hypothesis 3: There is a positive relationship between country of origin and brand trust.*

### 3. RESULTS AND DISCUSSION

This study focus on passenger car owners who are residing in urban agglomeration cities and suburban cities in the state of Selangor, Malaysia. The cities identified include Kuala Lumpur, Petaling Jaya, known as the urban agglomeration cities, whereas Sepang, Kuala Selangor, Hulu Langat on the other hand is known as suburban cities. The sample survey involved those vehicle buyers’ in Selangor state who had changed a new car in the last six (6) months.

The sample consist 381 respondent, majority of them are male with a sample size of two hundred and fifty-two (252) which constitute 66.1 percent and the remaining are female respondents. 57.2 percent of the respondents were from the employed sector and the self-employed sector is the next highest with 20.7 percent where it constituted seventy-nine (79) respondents. Based on the employed sector of respondents, 40.2 percent were from the private sector. About 40.2 percent of the total replies are from the 31 - 40 group, 32.8 percent are from the 21 - 30 years group, 13.9 percent are from the 41 - 50 group, 10.0 percent are in the age group above 50, and 3.1 percent remaining replies are under 21 years old.

Reliability was first examined using Cronbach’s alpha to test the consistency of items where equal indicator loadings were assumed. Most scholars suggest that Cronbach’s alpha should be greater than 0.70 ( $> 0.70 =$  acceptable and  $> 0.90 =$  higher), and all four variables had good Cronbach’s alpha, ranged from 0.774 to 0.942.

*Confirmatory factor analysis*

Confirmatory factor analysis (CFA) was conducted to verify the unidimensionality of the scales for the construct and to validate the measurement model. The result indicates that the measurement model provided good fit to the data. ( $\chi^2 = 513.875$  [ $df = 129$ ,  $p < 0.001$ ], GFI (.901), CFI (.922), NFI (.94), IFI (.90), and TLI (.907) were all at or over .90, and AGFI = .81  $>$  .80, RMSEA = .072  $<$  .08). The results indicate that the measurement model provided a good fit to the data. The CFI, IFI, TLI, NFI, and RFI values all exceeded the recommended threshold of 0.9 [45]. The RMSEA ranged from 0.04 to 0.08, indicating a satisfactory model fit [46].

As has been recommended in previous research, discriminant validity was assessed by comparing AVE values and squared correlation to examine differences between the constructs. As shown in the table, all AVE values exceed respective squared correlation ( $R^2$ ), indicates satisfactory discriminant validity [45]. It was determined that the composite reliability exceed the recommended threshold of 0.7 [47], indicating that the item for each construct were reliable and internally consistent. It is concluded that all the constructs meet the discriminant validity requirement. Subsequently, the structural path model can be assessed to examine the proposed hypotheses.

**Table 1: Means, standard deviation and AVE**

Variables	No of items	Mean (SD)	AVE
Brand trust	4	3.55 (1.27)	0.569
Service quality	18	3.64 (1.52)	0.830
Marketing mix-strategy	8	3.7 (1.57)	0.855
Country of origin	9	3.9 (1.25)	0.872

Note: goodness-of-fit indices:  $\chi^2 = 513.875$  [ $df = 129$ ,  $p < 0.001$ ], GFI (.901), CFI (.922), NFI (.94), IFI (.90), and TLI (.907) and AGFI = .81, RMSEA = .072). AVE=Average variance extract, RMSEA = root mean square of approximation; GFI = goodness-of-fit index; AGFI = adjusted goodness-of-fit index; CFI = comparative fit index; NFI = normed fit index; IFI =incremental fit index; TLI = Tucker–Lewis index.

**Table 2: Inter-correlations of variables.**

Variables	Brand trust	Service quality	Marketing mix-strategy	Country of origin
Brand trust	<b>.754</b>			
Service quality	.269	<b>.911</b>		
Marketing mix-strategy	.263	.287	<b>.925</b>	
Country of origin	.346	.269	.269	<b>.934</b>

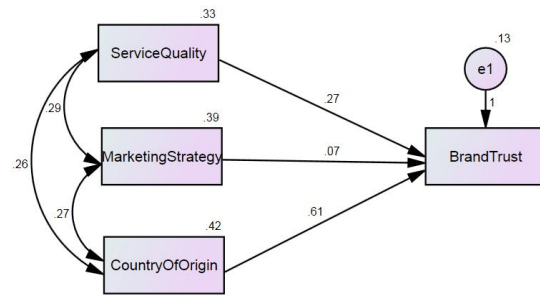
*Structural equation modeling (SEM)*

A structural model was estimated to validate the proposed theoretical model. The result for various fit indices based on AMOS indicate that the proposed model provided the good fit to the data ( $\chi^2 = 630.135$  [ $df = 166$ , GFI (.901), CFI (.922), NFI (.94), IFI (.90), and TLI (.907) were all at or over .90, and AGFI = .81 > .80, RMSEA = .072 < .08).

Figure 1 shows the SEM result (standardize coefficients) and table 3 summarize the result of hypothesis testing. The SEM result provide support for hypothesis 1 and hypothesis 3, which predicted positive relationship between service quality and country of origin towards brand trust. This indicates that service quality and country-of-origin will influence consumers’ trust in buying a new car. However, mix-marketing strategy is not statistically significant with brand trust ( $t=0.492$ ), hence hypothesis 2 is not supported.

**Table 3: standardize parameter estimate for structure model**

Path	Standardized estimate	t value	Hypothesis
H <sub>1</sub> : service quality →brand trust	.266	4.734	Supported
H <sub>2</sub> : mix-marketing strategy →brand trust	.073	0.492	Not Supported
H <sub>3</sub> : country of origin →brand trust	.608	15.018	Supported



**Figure (1): Standardize Theoretical Path Coefficient**

As for the car industry in Malaysia, the service qualities provided by outlets had not reached the expectation level of the demanding consumers. They do not have a sense of belonging which could be due to the employee’s behavior and attitude given on the overall perceptions about the brand. Consumers are frustrated with the way that communication is being carried out on the repair process. Service advisors have learned to emphasize that every repair or maintenance service is a safety item plus, many advisors know that technical speak and an air of self-confidence help close sales. The downside is that these tactics also severely undermine trust and retention. There are also the concerns about the “expected repair completion time”. Consumers are frustrated that the expected repair completion time provided is always not correct with a longer waiting time.

Automotive company does focus a lot of attention on customer retention by providing good or better service to their customers. Most of these initiatives are not able to fulfil due to the culture of the people being trained are not fully enforced to ensure a good quality service is provided. In order for a company to provide good service, strong and enforced initiatives on customer satisfaction has to be practiced daily to ensure customers will return back to the respective company that they visited to have the same experience again. And also automotive companies should look at other countries best practices for their staff training abroad so that these people will be able to observe and learn what other has been practicing.

One of the marketing-mix strategy variables is price. In this study, results show that price remains as one of the factors that affect consumers' buying intention in branded products. Jin and Sternquist [46], found price has a significant relationship with consumers’ buying intention. They found that price is one of the most important kinds of information consumers’ use when they make a purchase decision.

Advertising being one of the marketing-mix strategy variables, however, when customers exposed to frequent advertisement, not only their awareness and mental association increase, but also on the positive perception of brand image. The primary effect of advertising is to increase brand image and there is a significant relationship between advertising spending and perceived quality (Moorthy & Zhao, 2000) [47].

The test of the relationship between country-of-origin and brand trust supports the hypothesis that there is a positive

relationship. This significant relationship implies that country-of-origin good image leads to a high degree of brand trust. This relationship resulted from Malaysian consumer's perception in countries with good image as technologically advanced countries and brands that manufactured from these countries are reliable high quality. Although consumers are faced with many alternative brands in the market, which they perceive as equally good in terms of product attributes and functionality, information about the country, is an added advantage. As a result, these brands are preferred and often chosen during purchase decision-making. When repeats purchase occurs; eventually consumers may develop trust towards these brands.

#### 4. CONCLUSIONS

This study investigated the relationship between service quality, marketing-mix strategy and country-of-origin on brand trust. Two of the research hypotheses were supported. Service quality and country-of-origin is found to influence brand trust directly. If the customer has a good perception on the value of the product or service received, their trust may be improved.

Several limitations and future research suggestions pertain to the current study. This study focuses only include Kuala Lumpur, Petaling Jaya, known as the urban agglomeration cities, whereas Sepang, Kuala Selangor, Hulu Langat on the other hand is known as suburban cities. Therefore, it is suggested that future research could widen the scope and utilize larger sample size to get several responses that would make the studies more reliable and valid.

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