

# International brand vs. local brand: an evaluation of brand trust, brand reputation, customer satisfaction and purchase intention of Malaysian customers

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## Keywords

brand reputation, brand trust, franchise, Malaysia, international brand, local brand.

## Abstract:

*This study is an exploratory study that identify brand trust, customer satisfaction, and purchase intention between an international brand and Malaysia/local brand among Malaysian. A set of questionnaires was developed to test the brand trust, brand reputation, customer satisfaction, and purchase intention. 40 questionnaires were distributed and all are usable for the purpose of this study. The findings showed that the international franchise brand is more preferable than the local franchise brand. The purchase intention has a direct positive relationship with customer satisfaction ( $p=0.000$ ), and brand trust ( $p=0.000$ ). Few areas were highlighted to enable local franchise to improve their brand trust, brand reputation, customer satisfaction, and purchase intention of customers in Malaysia.*

## 1.0 Introduction

The Malaysian government has allocated around RM20 million in the 2015 budget for the franchise industry to support the Franchise Export Programme initiatives. Currently, Malaysia has around 80 micro franchise businesses locally and is expecting around 40 franchises to exist abroad on a yearly basis (Lin, June 13, 2015). This is part of the key performance for local franchise to expand their businesses abroad instead of focusing on local market alone. Hence, it is timely to study whether Malaysia franchise is at par or below performance as compared to the international brand franchise in Malaysia. According to Mr. Mohamad Shukri Bin Salleh, Secretary General of Malaysia Franchise Association, there are about 60 Malaysia franchise business have penetrated 55 countries (Muhammad, August, 2015). Hence, this study is conducted to explore between an international franchises brand against local franchise brand among Malaysian customers. The dimensions chosen for the purpose of this study are Brand Trust, Brand Loyalty, Customer Satisfaction, and Purchase Intention. The research objective is to explore the brand experience among Malaysian customers with Malaysian brand against international brand. The findings can be used to explore further in identifying whether similar scenario also happening in other type of franchise.

## 2.0 Literature Review

A franchise can be defined in many ways which is shown on Table 1, however, the main player is the franchisor (licensor) and franchisee (licensee) (Sidhpuria, 2009). The franchisor can be defined as a person or a company that developed a commercial business and allow another person or companies to operate a business under their brand. Whereas, the franchisee is a person or company that agrees to purchase the rights to operate the business using the franchisor's knowledge and brand in exchange for a financial return (fees) (Webber, 2013). In a study by Fernandez and Bayon (2011), it showed that franchisors had placed economic rents in the hands of franchisees in order to motivate them to adopt best practices and respect commitments of the franchisees. In fact, in earlier

research, it showed that most entrepreneurs engaged into cooperative arrangement such as franchise systems, network partnership, and others forms of cooperative arrangements to gain competitive advantages such as reduction of production and inventory costs, faster product development, faster market expansion, and technology advantages as compared to other types of business (Baucus, Baucus and Human, 1996).

Author	Definition
Ebert and Griffin (2000)	The franchise is an arrangement in which buyer (franchisee) purchases the right to sell the good or services to the seller.
Palmer (2012)	The franchise is an agreement where a franchisor developed a product format and marketing strategy and sells the right for other individual or organizations to use that format.
Murphy (2006)	The franchise is an agreement for the right of a particular trademark, trade name, product and copyright to be used in a certain location for a certain duration of time.

Table 1: Definition of Franchise from Different Authors

According to Webber (2013), the best definition of a franchise is to understand the four players of the franchise that is known as the four cornerstones of franchising which are brand ownership, licensing, fee structure and franchise agreement. In Malaysia, franchise business is under the purview of Malaysian Franchise Association (MFA). MFA was formed in the year 1994 to support the implementation of the government program to promote entrepreneurship through franchising. MFA acts as a resource centre for both current and prospective franchisees, media and publics. MFA's Code of Ethics of a Professional Conduct of Franchise Practitioners and MFA enforce it strictly in order to ensure compliance among members and franchise businesses in Malaysia. As of today, about 191 franchises listed in the MFA Website (MFA Website, 28 Sept. 2015).

### 2.1 Brand trust, brand reputation, customer satisfaction, and purchase intention

There are few studies has been conducted on franchise and brand that include franchise rebranding (Ballouli, Grady, and Stewart, 2015), brand relationship and brand equity (Nyadzayo, Matanda and Ewing, 2011), and brand commitment, brand citizenship, franchisee experience and perceived brand image (Nyadzayo, Matanda and Ewing, 2015). Usually, customer satisfaction highly influences the customer loyalty (Hallowell, 1996), and when a customer formed a relationship with a brand they normally use it as a basis for brand assessments (Aggarwal, 2004). In an earlier study by Amblee and Bui (2008), website reviews of a brand or products highly dependent on the brand reputation. Hence, it could also influence the online brand experience of the product. In a study by Morgan-Thomas and Veloutsou (2013) on online brand experience, it showed that trust and perceived usefulness will influence the online brand experience, and positive experience will lead to satisfaction and behavioural intentions. Whereas, brand reputation is the antecedent of brand trust and perceived ease of use of an online brand.

## 3.0 Methodology

### 3.1 Research questions and hypotheses

There are three research questions and hypotheses that were tested for the purpose of this study, the details as shown in Table 2.

Research Questions	Hypotheses
Does brand trust, influence purchase intention?	H1: There is a positive relationship between brand trust and purchase intention.
Does brand reputation, influence purchase intention?	H2: There is a positive relationship between brand reputation and purchase intention.
Does customer satisfaction influence purchase intention?	H3: There is a positive relationship between customer satisfaction and purchase intention.

Table 2: Research Questions and Hypotheses

### 3.2 Items and questionnaires development

The questionnaire is divided into two parts which are part A and part B. Part A consisted of personal information of the respondents such as age, gender, ethnic group, education background occupation background, and marital status. The income bracket is not being the main concern as the study focuses on the perception of the respondents towards the brand. The second part which is Part B is focused on the brand trust, brand reputation, customer satisfaction, and purchase intentions, relationship of the respondents towards international franchise brand vs. local franchise brand. In the questionnaires, brand A is an international franchise brand and brand B is a local franchise brand.

### 3.3 Sampling

The data collection was done using convenience sampling whereby the questionnaires were distributed at Medan Selera, Jalan Masjid India from 28<sup>th</sup> of July 2015 until 3<sup>rd</sup> of August 2015. About 40 respondents responded to the survey that contributed to 100 percent response rate. This study is an exploratory study to collect the public opinion between international, and local brands of a franchise, 40 respondents are sufficient to be used.

### 3.4 Reliability

The internal consistency measure is a test that indicates whether the items is homogeneous in measuring the construct. Internal consistency test that is being used to test inter-item consistency reliability is Cronbach's coefficient alpha (Kumar, Talib, and Ramayah, 2011). Table 3, summarises the inter-item consistency reliability test results.

	Items Deleted	Total Items	Cronbach Alpha
Brand Trust	0	8	0.906
Brand Reputation	0	4	0.887
Customer Satisfaction	0	8	0.860
Purchase Intention	0	4	0.821
Total	0	24	

Table 3: Validity and Reliability Tests

### 3.5 Hypotheses Testing

The hypothesis test will be tested using Pearson Correlation to see the relationship of the dimensions which are brand trust, brand reputation, customer satisfaction towards the purchase intention.

### 4.0 Findings

In this section, the demographic profiles of respondents, the mean scores for items under each dimension or factor, and also the correlation results forwarded in this section.

#### 4.1 Demographic Profiles

Most of the respondent at the age of 21 to 30 years old, Malay, Bachelor degree, students, single, and male. So, it can be assumed that most of the respondents are Gen Y as shown in Table 4.

Items	N	%	Items	N	%
<b>Age</b>			<b>Ethnic</b>		
Below 20 years old	2	5%	Malay	21	52.5%
21 to 25 years old	20	50%	Chinese	8	20%
26 to 30 years old	5	12.5%	Indian	6	15%
31 to 35 years old	3	7.5%	Bumiputra	3	7.5%
36 to 40 years and above	10	25%	Others	2	5%
<b>Total</b>	<b>40</b>	<b>100%</b>	<b>Total</b>	<b>40</b>	<b>100%</b>
<b>Education Background</b>			<b>Occupation</b>		
Below SPM	1	2.5%	Student	20	50%
SPM	6	15%	Executive	4	10%
STPM	2	5%	Senior Executive	4	10%
Diploma	3	7.5%	Manager	5	12.5%
Bachelor Degree	23	57.5%	Senior Manager	4	10%
Master	5	12.5%	Others	3	7.5%
<b>Total</b>	<b>40</b>	<b>100%</b>	<b>Total</b>	<b>40</b>	<b>100%</b>
<b>Marital Status</b>			<b>Gender</b>		
Married	14	35%	Male	30	75%
Single	26	65%	Female	10	25%
<b>Total</b>	<b>40</b>	<b>100%</b>	<b>Total</b>	<b>40</b>	<b>100%</b>

Table 4: Demographic Profiles

#### 4.2 Brand Trust

From Table 5, it shows that most respondents trust brand A than brand B, they feel that international franchise brand is more trusted, reliable, dependable, honest, safe, and trustworthy than brand B that is a Malaysian franchise brand.

Items	S.D	Mean
Trusted brand.	4.0500	1.03651
Good evaluation.	4.1750	0.84391
Dependable.	4.0250	0.94699
Honest brand.	4.0250	1.04973
Safe.	3.8500	0.89299
Does not take advantage.	3.8250	1.00989
Trustworthy.	4.0500	0.90441
Employee trustworthy.	3.7750	0.94699

Table 5: Descriptive Analysis for Brand Trust

#### 4.3 Brand Reputation

Most of the respondents feel that Brand A (international franchise brand) is well-known, one of the leading brand, reputable and recognizable than Brand B (local franchise brand) as shown on Table 6.

Items	S.D	Mean
Well-known.	4.4500	0.7748
Leading brand in the industry.	4.2750	0.87669
Reputable in the industry.	4.3500	0.76962
Easily recognisable in the industry.	4.4750	0.64001

Table 6: Descriptive Analysis for Brand Reputation

#### 4.4 Customer Satisfaction

Most of the respondents are more satisfied with Brand A than Brand B, as shown in Table 7, they feel that Brand A had exceeded their expectations, among the best, the brand that they want, wise decision to purchase, the right thing to do to purchase Brand A, satisfied with brand A, and had a good experience as compared to Brand B (local brand).

Items	S.D.	Mean
Exceed highest expectations.	4.1500	0.69982
The best experience.	4.0000	0.81650
Exactly meet needs.	4.0750	0.72986
Decision to purchase the best decision.	4.1250	0.82236
The right things to do purchasing the brand.	4.0500	0.74936
Satisfied with overall brand performance.	4.0750	0.82858
Good experience using the brand.	4.1000	0.67178
Delighted using the brand.	3.9500	0.84580

Table 7: Descriptive Analysis for Customer Satisfaction

#### 4.5 Purchase Intentions

As shown in Table 8, most of the respondents have the intention to use, to get updated information, strongly recommend to others, and more likely to purchase in the future Brand A than Brand B. In short, Brand B needs to re-visit product offerings, customer service, and other factors that lead to poor performance as compared to Brand A or international franchise brand.

Items	S.D.	Mean
Intention to use.	4.1250	0.60712
Regular updates.	4.0750	0.76418
Recommend to others.	4.1750	0.81296
Purchase intention.	4.3250	0.61550

Table 8: Descriptive Analysis for Behavioural Intentions

#### 4.6 Correlation analysis: Brand trust, brand reputation, customer satisfaction, purchase intentions

The customer satisfaction ( $p=0.000$ ), brand trust ( $p=0.000$ ), and brand reputation ( $p=0.033$ ) has a significant and positive relationship toward purchase intention among Malaysian customers as shown on Table 9 and Figure 1. Hence, H1, H2, and H3 have a direct significant relationship, however, the most significant and direct relationship with purchase intention are customer satisfaction, and brand trust.

	BT	BR	CS	PI
BT	1			
BR	0.358*	1		
	0.023			
CS	0.832**	0.432**	1	
	0.000	0.005		
PI	0.605**	0.338*	0.812**	1
	0.000	0.033	0.000	

\*correlation is significant at 0.05 level (2 tail);

\*\*correlation is significant at the 0.01 level (2 tail)

Table 9: Correlation Analysis

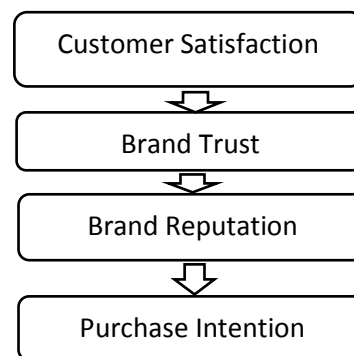


Figure 1: Important Factor for Purchase Intention

## 5.0 Discussion and Conclusion

As shown in Figure 1 and Table 9, the results indicated that customer satisfaction has a significant positive relationship towards the brand trust that will lead to future purchase intention. In a purchase intention, brand reputation is the last to be considered, as can be seen, the customer satisfaction and brand trust are the main factors to be considered for future purchase intention among customers in Malaysia. The findings clearly support previous studies that the customer satisfaction will directly lead to brand trust, and brand reputation. If the expectation of the customer unmet or unsatisfied the brand trust and brand reputation will decline (Shay, 2007). In a study conducted by Alan and Kabaday (2014), it showed that the consumer's purchase intention influenced by brand trust, whereby, positive brand trust will lead towards positive behavioural intentions. Customer satisfaction usually associated with service quality in a restaurant business, in a study conducted by Chang, Chen, and Hsu (2010) it showed that a positive customer experience will influence post behavioural intentions or future purchase decision.

### 5.1 Conclusion

The local franchise business owner, should be more pro-active in order to secure higher brand satisfaction, and brand trust among Malaysian customer in order to induce future purchase intention from customers.

### 6.0 Limitation

The sampling and the scope of the study need to be broadened in order to make generalisation for the whole franchise system in Malaysia. This study is only an exploratory study that had highlighted brand preference among Malaysian customers in the area of Masjid Jamek, Kuala Lumpur on the chosen fast food franchise brands available in Malaysia.

## 7.0 Implications and Future Research Direction

### 7.1 Academics or Researchers

Since this study only focuses on the fast food industry, in the future, more research can be carried out to explore another type of franchises in Malaysia such as retailing, education, and other type of services to gain better understanding of Malaysian customer's preference.

### 7.2 Government

Malaysia government should discover the reasons for the Malaysian franchise business's inability to compete with the international brand in the fast food industry.

### 7.3 Franchise Business Owners

From the study, clearly it showed that most Malaysian have more confidence towards international brand, as the brand is able to meet and exceed customer expectation that lead to higher satisfaction that created brand trust among Malaysian customers. Hence, it is about time for Malaysian franchise business owner to revisit their business model to compete with international brand.

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