

**INFLUENCE OF BRAND EXPERIENCE ON  
BRAND LOYALTY AND BRAND EQUITY OF  
THE SMARTPHONE MILLENNIAL USERS**

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by

**IMAN KHALID ABDUL QADER**

**Thesis submitted in fulfillment of the requirements  
for the degree of  
Doctor of Philosophy**

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## DEDICATION

I wish to dedicate my thesis in memory of my beloved husband Associate Professor Dr. Luay Bakir Hussain who passed away eight years ago, but his legacy of commitment, hard work, and dedication has inspired me to achieve my goals and finish what I have started.

\*\*\*\*\*

I wish to dedicate all my hard work to

My father Professor Khalid Abdul Qader & My mother Ibtisam Al Obaidi

My uncle Yahaya & wife Hannah

My brother; Mohammed; My Sisters; Fatima & Maryam

Niece; Sarah

My Children; Mohamed, Meena, and Nora

Grandsons; Luay & Yousif

\*\*\*\*\*

Thank you for believing in me all the way, although we are far in distance but your prayers, love, and support have kept me strong throughout this journey.

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## ABBREVIATION AND ACRONYMS

<b>ADIM</b>	Affective Dimension
<b>AVE</b>	Average Variance Extracted
<b>BDIM</b>	Behavioural Dimension
<b>BEQ</b>	Brand Equity
<b>BL</b>	Brand Loyalty
<b>BT</b>	Brand trust
<b>CMV</b>	Common Method Variance
<b>CR</b>	Composite Reliability
<b>DV</b>	Dependent Variable
<b>GoF</b>	Goodness-of-Fit
<b>IDIM</b>	Intellectual Dimension
<b>IV</b>	Independent Variable
<b>MDV</b>	Moderating Variable
<b>MV</b>	Mediating Variable
<b>PLS</b>	Partial Least Squares
<b>PLS-SEM</b>	Partial Least Squares- Structural Equation Modeling
<b>PwC</b>	PricewaterCoopers
<b>SDIM</b>	Sensory Dimension
<b>SEMs</b>	Strategic Experiential Models
<b>VIF</b>	Variance Inflation Factor

**PENGARUH PENGALAMAN JENAMA TERHADAP KESETIAAN  
JENAMA DAN NILAI JENAMA KEPADA PENGGUNA TELEFON  
MILENIUM PINTAR**

**ABSTRAK**

Pengalaman jenama adalah faktor penting bagi meningkatkan nilai jenama kerana pemarkar dan perniagaan akan mendapat kelebihan kompetitif melalui jenama yang berjaya. Kajian ini bertujuan mengkaji pengaruh dimensi pengalaman jenama kepada nilai jenama, dan untuk mengenal pasti kesan perantaraan antara dimensi pengalaman jenama dan nilai jenama dalam kalangan pengguna telefon pintar generasi milenium. Di samping itu, peranan perantara kepercayaan jenama antara kesetiaan jenama dan nilai jenama juga dikaji. Populasi kajian ini terdiri daripada 395 orang pengguna telefon pintar milenia. Kajian kuantitatif dijalankan di empat buah universiti tempatan di kawasan utara Malaysia. Dapatan menunjukkan dimensi pengalaman afektif, sensori, dan tingkah laku jenama mempengaruhi nilai jenama secara langsung. Sebaliknya, dimensi pengalaman jenama intelek didapati tidak signifikan dan tidak mempengaruhi nilai jenama. Dimensi pengalaman afektif, sensori, dan tingkah laku jenama menunjukkan pengaruh positif terhadap kesetiaan jenama. Walau bagaimanapun, dimensi pengalaman jenama intelektual didapati tidak signifikan. Ujian perantaraan menunjukkan kesetiaan jenama memainkan kesan perantaraan positif terhadap hubungan antara dimensi pengalaman jenama afektif, sensori, dan tingkah laku dengan nilai jenama. Namun begitu, kesetiaan jenama tidak menjadi pengantara hubungan antara dimensi pengalaman jenama intelektual dan nilai jenama. Ini jelas menunjukkan kesan perantaraan kepercayaan jenama memainkan peranan yang positif dalam meningkatkan hubungan antara kesetiaan

jenama dan nilai jenama. Kajian ini memberikan beberapa implikasi dan cadangan untuk penyelidik dan pengamal pemasaran dengan mewujudkan pemahaman yang lebih baik tentang cara nilai jenama dapat diwujudkan melalui dimensi pengalaman jenama, kesetiaan jenama, dan kepercayaan jenama.

# **INFLUENCE OF BRAND EXPERIENCE ON BRAND LOYALTY AND BRAND EQUITY OF THE SMARTPHONE MILLENNIAL USERS**

## **ABSTRACT**

Brand experience is an important factor to increase brand equity, as marketers and businesses can gain competitive advantage through successful brands. This study aims to examine the influence of brand experience dimensions on brand equity, and to identify the mediating effects of brand loyalty between brand experience dimensions and brand equity among the smartphone users of millennial generation. In addition, the moderating role of brand trust between brand loyalty and brand equity is also sought. The population of the study comprised of 395 millennial smartphone users. A quantitative study was employed in four public universities in the northern region of Malaysia. The results revealed affective, sensory and behavioural brand experience dimensions directly influenced the brand equity. In contrary, the intellectual brand experience dimension was found insignificant and did not influence the brand equity. The affective, sensory and behavioral brand experience dimensions showed positive influence on brand loyalty. However, the intellectual brand experience dimension was found to be insignificant. The mediating test showed that brand loyalty played a positive mediating effect on the relationship between affective, sensory and behavioral brand experience dimensions and brand equity. Nevertheless, the brand loyalty did not mediate the relationship between the intellectual brand experience dimension and brand equity. This clearly indicates the moderating effects of brand trust played a positive role in enhancing the relationship between brand loyalty and brand equity. This study has provided several implications and recommendations for researchers and marketing practitioners by

establishing a better understanding of how brand equity could be established through brand experience dimensions, brand loyalty, and brand trust.

# **CHAPTER 1**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter provides the background and presents a broad overview of the current study. More precisely, the problem statement is defined; research questions and objectives are specified. In addition, this chapter addresses the significance and scope of the study, and defines the key terms explored in this study. Finally, the organization of research approach is introduced at the end of this chapter.

### **1.1 Background of the Study**

Marketing has undergone some changes through the influence of information and communication technologies materialization (Grundey, 2008). Businesses worldwide seem to be continuously overfilled with products and services. Appropriate marketing and relevant branding can produce higher sales for not just one item but including all the other items associated with that particular brand. The rapid pace of globalization, high competition, and extravagant branding merged with the declining economy, environmental crises and highly judgmental consumers, present new challenges for marketers and consumers that led to the changing market landscape. Due to this changing consumer profiles, marketers are enhancing the innovative strategies to tackle the issue. Therefore, brands based on inputs aim to create cherishable experiences for consumers are being created by marketers today.

As a result, the global marketplace today is mostly concerned about the way consumers feel, relate and act. This shows that human interactions are beginning to emerge as an important element in order to provide essential encounters for creating memorable experiences. However, marketing strategies are not effective and appealing to customers anymore due to high competition. Therefore, marketers were seeking for different ways to attract customers, thus comes the notion of experiential marketing (Atwal and Williams 2009).

Holbrook and Hirschman (1982) pioneered the introduction of experience in the consumption and marketing field. Similarly, Schmitt (1999) is also considered a great initiator of experiential marketing who had argued that traditional marketing is only concerned with the features and benefits of a product or service. In the traditional marketing model, consumers are taught to undergo a careful decision-making process, where every feature or character of a specific product or service displays certain advantage and values, which are perceived by the prospective purchaser. Therefore, the traditional marketing approach focuses on purchase decision, with the central focus on the rational and logical elements of the decision, rather than the involvement of an emotional attachment during the purchasing process (Schmitt, 1999).

The concept of experience after twenty years, has acquired solid recognition and is considered important for its contribution to marketing knowledge. According to Grundey (2008), the so called experience economy and experiential marketing are strengthened by experience. The brand experience idea has been given much attention in marketing practices. Marketing experts have recently realized that the development of relevant marketing strategies for goods and services, is essential to comprehend the experience of consumers with brands (Davis, 2009). The personality

of a company that is identified on a product, service or company through name, term, sign, symbol, or design, or merging them and its relationship to customers are what refers to a brand (Aaker, 1991; Keller & Lehmann, 2006). Therefore, within the brand domain, brand experience comprises elements of an individual's sensations, feelings, perceptions, and behavioural responses elicited by brand-related stimuli (Brakus, Schmitt, & Zarantonello, 2009). Consumer satisfaction and loyalty are also influenced by brand experience by allowing the brand to be sold at a premium, thus, creating competitive entry barriers (Brakus et al., 2009).

Brand loyalty has been portrayed by past studies as a factor that determines consumer-based brand equity and an asset that is strategic for companies (Aaker, 1991; Aaker, 1996; Gil, Andrés, & Salinas, 2007; Yoo & Donthu, 2001; Yoo, Donthu, & Lee, 2000). Thus, there is an essential necessity to expand, retain, and increase customer loyalty toward products and services to leverage brand equity. (Dick & Basu, 1994b). Therefore, developing brand loyalty evokes possible returns for a company, mainly because the recruiting costs for new customers are considerably more compared to the costs of maintaining existing customers. Faithful customers would possibly pay premium prices and are less likely to be concerned about price (Aaker, 1991, 1996; Bello & Holbrook, 1995; A. Chaudhuri & Holbrook, 2001; Keller, 1993; Park & Srinivasan, 1994). Accordingly, Hallberg (1995) reported that on average, one third of loyal purchasers make up two thirds of the total volume that are sold in specific product classes. Therefore, brand loyalty results in a greater market share when the particular brand is continuously bought by faithful customers (Assael, 1998).

Brand trust evolves from past experiences and prior interactions because its development is depicted most often as an individual's experiential process of learning over time (Garbarino and Johnson, 1999). Brand experience is influenced by the consumer's assessment of any direct (trial, usage) and indirect contact (advertising, word of mouth) with the brand (Keller, 1993; Krishnan, 1996). Therefore, brand experience is the most relevant and important source of brand trust; as it generates associations, thoughts and inferences that are more self-relevant and held with more certainty (Dwyer, Schurr, & Oh, 1987a; Krishnan, 1996).

Building and maintaining trust is at the core of brand equity, because it is a key characteristic of any successful long-term relationship (Garbarino & Johnson, 1999; Larzelere & Huston, 1980a; Morgan & Hunt, 1994). Thus, past studies concluded that trust is the cardinal driver of loyalty because it creates exchange relationships that are highly valued by consumers (Fournier & Yao, 1997; Chaudhuri & Holbrook, 2001; Delgado, Munuera & Yague, 2003; Garbarino & Johnson, 1999; Lau & Lee, 1999). The term "brand equity" has emerged as the central concept in marketing over the past 20 years. However, much attention has recently been devoted to the concept of brand equity. Brand equity is generally referred as part of the product value that is attributable to the brand name. From a managerial point of view, Farquhar (1989) defines brand equity as the "added value" with which a brand name endows a product. This has been supported by Aaker (1991) that defines brand equity as a set of brand assets and liabilities linked to a brand, its name and symbol which may increase or reduce the value that is provided by a product or service to a firm's customers.

According to Krishnakumar (2009), brand equity can be generally viewed from the perspective of three separate entities: firm, trade and consumer. From the firm perspective, brand equity is an incremental cash flow arising from the use of the brand name. From the trade perspective, brand equity is leverage arising from using the brand name. The consumer-based perspective includes the two multi-dimensional concepts of brand strength and brand value (Srivastava & Shocker, 1991). According to Wood (2000), brand strength is the degree of attachment to a brand, and brand value is based on the future earnings of a brand. In other words, the higher the brand strength, the higher the brand value. Brand strength is based on perceptions and behaviours of customers that allow the brand to enjoy sustainable and differentiated competitive advantages. On the other hand, brand value is the financial outcome of the management's ability to leverage brand strength via strategic actions to provide superior current and future profits. This clearly indicates that brand equity comprise three independent components namely, firm, trade, and consumer. However, this study focuses on brand equity from the consumers' perspective.

## **1.2 Evolution of Smartphone among the Millennial Generation**

Mobile devices have gained vast importance in people's lives worldwide (Lökken, Nayar, and Runering 2012). It is estimated by The International Telecommunication Union that at the end of 2011, there will be 6 billion mobile subscriptions around the world, which equals to 87 percent of the world population. This clearly shows that the mobile industry has been evolving for the last 15 years, and today the smartphone phenomena is growing rapidly. According to Ben (2012), people were often carrying two devices before the appearance of the smartphone. A

mobile phone gave consumers the convenience of having a phone wherever they go and a Personal Digital Assistant that give consumers the ability to easily carry around all of their personal information; for example; address book, calendar, and note pad, and access to their email. However, with the emergence of smartphones that exhibited modern computing powers and superior connectivity compared to a contemporary mobile phone, consumers were able to make voice calls, video calls, short message services (SMS), and multimedia messaging services (MMS), in addition to a wide range of sophisticated features (Cromar, 2010). Smartphones have been repositioned as the “new information medium” (May & Hearn 2005). According to Mohd Suki (2013) Consumers do not view smartphones as devices for calling and texting, instead as multi-use devices for gaming, socializing, and downloading applications which results in a radical shift in behavior patterns lifestyle and status.

The evolution of the high-tech industries, demand for smartphones increased in 2010 by 124% in volume, whereas the market for feature phones declined by 22% (Database, 2012). Therefore, Cooper (2012) explains that the popularity of smartphones has bypassed the computer industry; in 2011, dealers shipped 488 million smartphones, compared to 415 million personal computers. However, as with any other high-tech product, smartphone products have a short lifespan and the frequency of changing from one product to another is high. Thus, there is a lot of pressure on the smartphone manufacturers to hold on to existing customers. Due to an increase in the demand of smartphones, mobile phone manufacturers have increased the varieties of smartphone products on the market. For example, iPhone 5S maintains a good balance between great design and useful features, applications

and content selection. Another example is the Sony Xperia Z1S, which is waterproof; surviving up to five feet underwater for about 30 minutes.

In such a competitive industry, having a strong brand and being the preferred choice amongst consumers is significant. Brands that are preferred by consumers are said to have high brand equity. This has been supported by numerous studies. Table 1.1 below illustrates the top ten smartphones in the world in terms of ranking and distinctive features (Kovach, 2014).

**Table 1.1:** Top Ten Smartphones in the World

Ranking	Brand	Features
No. 1	iPhone 5S	It strikes the perfect balance of great model, useful characteristics, app and content selection.
No.2	HTC One (M8) Google Edition	HTC collaborated with Google to produce a variant of the HTC One (M8) that functions on a clean version of Android. That means it does not come with the extras like the regular version bought through carriers. There is also software updates directly from Google shortly after they are ready.
No.3	HTC One (M8)	Similar to the original, the new HTC One, also known as the M8 comes with a beautiful design and top-quality metal construction. The extra feature of this gadget is the back camera that works as a depth sensor to allow photos to be edited later and the focus to be altered.
No.4	Samsung Galaxy S5	The main aim of Samsung is to improve on the aspects people care about the most; the Galaxy S5 was built with the best screen (5.1 inches) a smartphone ever had. The camera is top notch as well.
No.5	Google Nexus 5	As it is a Google phone, it is able to acquire software updates much faster than other Android phones. However, the best aspect of this phone is its value; the Nexus 5 unlocked retails for approximately half the price of other top-tier smartphones.
No.6	Motorola Moto X	The Moto X is one of the best Android phones. Motorola added some new features to Android, like the ability to check notifications easily from the home screen and launch the camera app by twisting the phone.

Source: RANKED: The Best Smartphones In The World (Kovach, 2014).

**Table 1.1:** Top Ten Smartphones in the World (Continued...)

<b>Ranking</b>	<b>Brand</b>	<b>Features</b>
NO.7	Samsung Galaxy Note 3	The Galaxy Note 3 has the biggest screen yet, 5.7 inches, yet its body is actually thinner and lighter than the last model. It also comes with a special stylus called the S Pen for drawing or taking notes.
No.8	LG G2	The G2 is LG's latest flagship phone. It has a gorgeous 5-inch display, one of the best on a smartphone.
No.9	Sony Xperia Z1S	The Android device is virtually waterproof, and it can survive under 5 feet of water for up to 30 minutes
No.10	10 Nokia Lumia 1520	The Lumia 1520 is the first Windows Phone phablet (Features of a smartphone and a tablet computer) ever made. It has a huge 6-inch screen, which gives extra room for more apps and Live Tiles on the home screen

Source: RANKED: The Best Smartphones In The World (Kovach, 2014).

Mobile phone usage in Malaysia has increased greatly in recent years (Osman, Talib, Sanusi, Shiang, and Alwi 2012). Malaysia is a country that is riding the technological wave of telecommunication evolution: as a result, the usage of mobile phones Malaysia has greatly increased. It has been reported that 85 percent of Malaysians own smartphones (Featuring the Handphone Users Survey M.C.a.M. Commission, 2007). A smartphone offers more modern computing powers and superior connectivity compared to a contemporary mobile phone (Featuring the Handphone Users Survey M.C.a.M. Commission, 2007). In terms of pricing, the findings of Osman et al. (2012) indicate that it does not have a strong effect on the purchasing decision of smartphones. Customers believe that other features of the phone like the design, connectivity, and performance are of more importance compared to the price.

Smartphone is regarded as a durable item, thus, lowering the price sensitivity. For the sake of better product quality and attributes, consumers are ready to pay more. However, in order to thrive in the smartphone market, the smartphone manufacturers need to maintain a reasonable selling price without compromising the fine qualities and attributes of the smartphone. This can be seen through the fact that the best-selling smartphone of a particular brand are well known by their outstanding quality and specifications. Social trends play a big role in influencing the purchasing decision of a customer compared to having an actual need for it. Smartphones are reflective of status, prestige, and lifestyle of consumers. For example, there are many smartphone buyers who are motivated by market trends, peer influence, and marketing efforts; instead of actually needing the device (Table 1.2 shows the top 6 popular smartphones in Malaysia in terms of ranking and brand name (Chew, 2014).

The distinctive features of the top 6 smartphones in Malaysia are described and tailored according to the brand experience concept, which consists of four major dimensions. First, the sensory dimensions include senses such as sight, sound, taste, and smell (Schmitt, 1999). Sensory features in a smartphone are linked to the design, size of the screen, the feel of the device and whether it is sleek or bulky. Second, the effective dimension appeals to customer's feelings and emotions (Xu & Chan, 2010). Effective features of a smartphone are linked to those who like big devices, love listening to music, or like to take photos. Third, the behavioural dimension reflects the consumer's actions and lifestyle (Schmitt, 1999). Behavioural features are linked to the quality of the camera, long battery life. Finally, the intellectual dimension explains the consumer's desire to gain knowledge and learn new things (Xu & Chan, 2010). Intellectual features are linked to the smartphone's Software, Processor, and operating system that helps user search for information.

**Table 1. 2:** Top 6 Popular Smartphone in Malaysia

Top 6 Popular Smartphones in Malaysia	Brand Name	Sensory (Sense)	Affective (Feel)	Behavioral (Act)	Intellectual (Think)
No.1	Samsung Galaxy Note 3	1) Screen is absolutely beautiful to see. 2) Large screen makes it bulky to carry	<i>For those who like to use big gadgets</i>	Long battery life that lasts 11 hours	Runs Google's Android operating system
No.2	Apple iPhone 5s	1) A slim aluminum design 2) small screen 3) comfortable to carry	<i>For those who have strong admiration for the product (fans)</i>	High quality camera	The iOS operating system Incredibly fast processor
No.3	Samsung's Galaxy S4	1) A vivid 5" HD screen 2) plastic polycarbonate shell design	<i>For those who prefer to use a device that is very useful for a particular job (gadgets)</i>	13-Megapixel camera	A software that places an emphasis on hand gestures Intriguing user interface, and a fast processor
No.4	HTC One	1) Housed in a sleek aluminum unibodyfit offers a premium feel 2) a 4.7-inch displayscreen	<i>For those who love music and technology (audiophile)</i>	A decent camera	Intriguing user interface, and a fast processor
No.5	Sony Xperia Z1	1) Full HD 5-inch screen. 2) Waterproof chassis	<i>For those who like strongly made and capable products that withstand rough handling (rugged)</i>	High-end camera 20-megapixel camera resolution seems like gold on paper	Powerful engine
No.6	Nokia Lumia 1020	Features a decent screen.	<i>For those who like to take Photos (photographer)</i>	41-megapixel camera	Decent processor

Source: Chew, T. (2014). 6 Popular Smartphones in Malaysia That You Should Know.

In terms of the smartphone user's profile, Osman et al. (2012) found that around 90 percent of Malaysian users are 36 years old and below, and that the target market of smartphones are teenagers and young adults who have purchasing power. This is a finding that is also in line with previous studies (Wilska, 2003). In addition, Lyons, Ng, and Schweitzerand (2012) claimed that there are 76 million millennials in the United States and 6.9 millennials in Canada. As a result, certain events define millennial lives for example, the effects of globalization, the rapid technological advancement and the increasing demographic diversity. Therefore, various studies have labelled the millennial generation as Generation Y, Millennials, Nexters, and the Nexus Generation. For the purpose of this study, the term "millennials" will be used to keep up with popular literature.

The current research focuses on brand equity among the millennial generation. The millennials were born between 1982 and 2000 (Lancaster & Stillman, 2010). The millennials are the children of the baby boomers (people born between 1946 and 1964). This group includes several age cohorts: tweens of ages between 12 and 14, teens of ages between 15 and 19, and young adults of ages between 20 and 37. It is estimated that the combined purchasing power of the millennial generation is \$2.45 trillion worldwide by 2015 (Barnes & Lescault, 2013). Hence, the millennials are a huge attractive market (Philip Kotler & Gary Armstrong, 2012). The millennial generation shares a common trait and that is their fluency and comfort with digital technology. For this generation, technology is a way of life. The millennials were the first generation to grow up in a world filled with computers, cell phones, satellite television, i-pods, and online social networks. A recent study found that 91% of the millennials are using the Web, making up 32% of all U.S. Internet users. According to another study, 77% of millennials frequent social-networking

sites, and 71% use instant messaging. A yahoo Executive claimed that the millennial generation was formed by technology (Philip Kotler & Gary Armstrong, 2012).

In Malaysia the millennial generation makes up approximately 62% of the Malaysian workforce (PricewaterhouseCoopers, 2009). They grew up in the age of technology where every child grew up with a computer. Technological advances have now put various options at the fingertips of this generation, which was not the case with past generations. For instance, the diverse information which is available seconds away from them with the availability of the internet, few dozen television stations to choose from and shopping centres everywhere have given an indication to the millennial members that they can always find what they want, if not from one source then, from the other.

Electronic industries are evolving rapidly, and traditional marketing does not work well with this young generation (Williams & Page, 2010). Past studies found that the millennial generation react strongly to real life examples and they value real life experiences, and as a result, they want to experience the world firsthand and pass their own judgments. Therefore, marketers must become involved with the experiences of the millennials in order to be taken seriously and respected enough for them to buy the products or services (Williams & Page, 2010). Due to an increasing demand in such a competitive industry, having a strong brand and being the preferred choice amongst consumers is significant (Grundey, 2008). This has created pressure on smartphone manufacturers to withhold existing consumers, and provide strong brands in order to achieve high brand equity. Therefore, from the above mentioned reasons, this study intends to zoom on how brand equity is formed among millennial smartphone users in Malaysia.

### **1.3 Problem Statement**

In Malaysia, Osman et al. (2012) claimed that mobile phone usage has increased tremendously in recent years. Malaysia is considered to be among those countries that are riding the technological wave of telecommunication evolution; as a result, mobile phone usage in Malaysia has gained so much momentum. It is reported by Featuring the Handphone Users Survey M.C.a.M. Commission (2007) that 85 percent of people in Malaysia own smartphones. Consequently, with the evolution of the high-tech industries, the demand for smartphones increased in 2010 by 124% in volume whereas the markets demand for feature phones declined by 22% (Consumer Electronics, 2012). Customers are now more informed and experienced in their demands for smartphones. However, as with any high-tech product, smartphones have a short lifespan and the frequency of changing from one product to another is high. Traditional marketing approaches do not work well with the millennial consumers since they value real life experiences (Williams & Page, 2010). As a result, there is a lot of pressure on smartphone manufactures to withhold existing customers.

The smartphone manufacturers and producers are facing a fierce competition in creating and sustaining strong brands that are valued by evolving customer needs. Due to an increase in demand of smartphone, mobile phone manufacturers have increased the varieties of smartphone products on the market. In such a competitive industry, having a strong brand and being the preferred choice amongst consumers is significant. Brands which are the preferred by consumers are said to have high brand equity and this is agreed by the scholarly community. The competitive advantages of firms that have brands with high equity includes the opportunity for successful extensions, resilience against competitors' promotional pressures, and creation of

barriers to competitive entry and this is critical in developing marketing strategies for goods and services (Farquhar, 1989).

The majority of studies concerning brand equity and how it is formed are widely based on the marketing mix that concerns the 4P strategy namely pricing, product quality, place, and promotion (Yoo, Donthu, and Lee 2000). Therefore, marketing practitioners have come to realize that the recipe for success is to consistently deliver a unique experience that competitors cannot match and that satisfies the intentions and preferences of target buyers. According to Hultén, (2011) in the domain of management, concepts like customer value and experiences are given little consideration. According to, de Chernatony and Cottam (2006) customer experience is essential for services and brands. This shows that the important research areas that need to be further developed within the domain of brand management are brand relationships and customer experiences (Keller & Lehmann, 2006). Despite the large growing literature, the role of brand experience plays in creating brand equity has not been explicitly considered. Past studies have shown the impact of brand experience, both directly and indirectly, on short-term consequences, such as satisfaction and loyalty for example, Brakus et al. (2009) investigated the influence of brand experience on brand loyalty and found that brand experience positively influenced brand loyalty.

The influence of overall brand experience scale on brand loyalty was investigated by Sahin et al. ( 2011) and found that brand experience positively effects brand loyalty. Shim et al. (2015) examined the mediating role of brand experience dimensions between online flow and brand loyalty and found sensory and affective dimensions influenced brand loyalty, while intellectual and behavioral did not influence brand loyalty. In addition, Shekhar et al. (2013) investigated the

antecedent influence of brand experience dimensions on brand equity and found no direct path between brand experience dimensions and customer based hospital brand equity. Furthermore, Shamim and Butt (2013) explored the direct and indirect influence of brand experience on a customer's brand attitude, brand credibility and customer-based brand equity, results show that brand experience is the strongest direct predictor of brand credibility. Nonetheless, brand experience revealed a large indirect effect on consumer based brand equity through brand attitude.

A few numbers of studies have focused on specific brand experience dimensions or overall brand experience scale. For example, Nambisan and Watt (2011) focused on Online Community Experience and measured it by using four dimensions (pragmatic, hedonic, sociability, and usability). The *pragmatic dimension* illustrates a place where advice on new product recommendations or solutions to problems related to specific products can be found. The *hedonic dimension* mirrors the enjoyment and excitement customers obtain from a place where the main focal point is their object of interest (e.g., the product or brand). Whereas the *sociability dimension* (depicts the social experience customers derive from the interactions in the online product community), and the *usability dimension* (reflects the customers' experience in navigating and using the online community environment). The potential significance of the role of the Online Community Environment construct as an antecedent of customers' perceptions and attitudes regarding product, company, and service quality was also found. Website experience was investigated by Nambisan and Watt (2011) and Wang, Hernandez, and Minor (2010) using the effects of the two dimensions of web aesthetics. Aesthetic formality (is related to the perceived organization and order of a website), and aesthetic appeal (is closely tied to the perceived novelty and meaningfulness of a website) on

consumers' perceived online service quality and satisfaction during service encounters. The results showed that aesthetic formality significantly influences perceived online service quality, and aesthetic appeal significantly influences satisfaction.

This study investigates the direct relationships between different dimensions of brand experience on brand equity. Rather than focusing on a specific dimension of brand experience or on the overall brand experience concept, this study focuses on the construct of brand experience which consists of the four dimensions namely sensory, affective, behavioural, and intellectual; as suggested by Brakus et al. (2009) in order to identify the richness of each dimension and how each dimension can influence brand equity. Therefore, it is interesting to investigate how brand experience dimensions can influence brand equity directly, since there are still limited studies on Malaysian brand equity (Norjaya, 2004; Ghani, 2011). As a result, the current study needs to overcome this shortcoming by empirically investigating the direct influence of brand experience dimensions on brand equity as the relationship between the dimensions of brand experience and brand equity has not been studied in the context of smartphone brands in Malaysia before. Thus, investigating the influence of brand experience dimensions on brand equity in relation to smartphones among the millennial generation in Malaysia is in great demand.

Existing research and literature surrounding the brand experience construct is not very evident concerning the link of this construct to brand loyalty (Maheshwari, Lodorfos, & Jacobsen 2014). Although several researchers claim that it directly impacts brand loyalty, others identified that it as a dependent variable that does not affect brand loyalty on its own. Therefore, this study also investigates the direct

influence between dimensions of brand experience and brand loyalty. Previous studies consider brand loyalty as a relevant construct in the relationship marketing, there seems to be an absence of past research using brand loyalty as a link between brand experience and brand equity. Although past studies have addressed brand loyalty as a dependent variable and the outcome of brand experience through satisfaction (Brakus et al., 2009), other studies addressed brand loyalty as a mediator between the market mix elements and brand equity (Yoo et al., 2000). Furthermore, Yasin et al. (2007) examined the influence of brand's country-of-origin image on the dimensions of brand equity, including brand loyalty, brand awareness, perceived quality, and brand associations. They also investigated how these dimensions, in turn, could influence brand equity. The results of their study show that a brand's country-of-origin image influences brand equity, either directly or indirectly, through the mediating effects of brand distinctiveness, brand loyalty and brand awareness/associations.

Brand loyalty is considered a key mediating variable in relational exchange as claimed by Morgan and Hunt (1994). Hence, brand loyal customer would not try any kind of attribute evaluation but will simply select the brand that is most familiar on the basis of the wholesome positive feelings obtained through it. This conclusive positive evaluation emanated from experiences in the past with that specific brand (Yee & Sidek, 2008). Consequently, the presence of brand loyalty in consumers are when the experiences associated with the brand matches their preferred lifestyle and social identity (Nam, 2011). Hence, to conduct a new study that examines the mediating role of brand loyalty between the dimensions of brand experience and brand equity in relation to smartphones, among the millennial generation in Malaysia is justified.

Previous literature work has shown that brand trust was not given attention despite the clear empirical and theoretical evidence present on its correlation with satisfaction (Hess, 1995; Selnes, 1993) and loyalty (Morgan & Hunt, 1994). The importance of brand trust comes into view for a number of reasons. First, the readiness to risk oneself by relying on the promise of value that a particular brand represents is known as brand trust. Second, it is interpreted by feelings of confidence and security. Third, a general expectancy is anticipated as it is not likely to exist with no error. Fourth, it is associated to either the positive or non-negative outcomes. Fifth, dispositional attributions to the brand is needed so that it is considered as reliable and dependable (Delgado, Munuera, & Yague, 2003). Therefore, there is a common necessity to build, maintain, and enhance the loyalty of customers toward products and services in order to encourage brand equity (Dick & Basu, 1994).

A non-constant relationship between brand loyalty and brand equity has been noted in previous studies. For instance, Chaudhuri (1995) attempted to explain how precursors of brand attitudes, habit and brand loyalty impacts brand equity outcomes (such as market share and price). Results of the study indicated that brand loyalty had a negative relationship with brand equity outcomes (market share). High brand loyalty was correlated with low market share brands such as Dove (high priced brand); and low brand loyalty was correlated with high market share brands such as Ivory (low priced brand). In addition, Moisescu and Bertonecelj (2010) investigated the potential positive correlations between loyalty and market share considering two market types and product categories; durables and nondurables. The results of their analysis revealed that in the case of durable products, high loyalty is developed if the brand already has a large customer base and market share, and low loyalty levels in the case of “young” brands without a significant market share. Therefore, initiating a

study to investigate the moderating role of brand trust between brand loyalty and brand equity would fill such a void. Such a study is timely within the brand domain, because future research needs to construct a deeper comprehension of the correlations between brand trust and brand loyalty (Delgado et al., 2003). In addition past studies by Morgan and Hunt (1994) affirmed that in order to have a long term relationship with a brand, trust should be present as it plays a major role in maintaining a long term relationship with a brand.

To the best of the researcher's knowledge, past studies failed to incorporate some of the most important marketing constructs such as brand experience dimensions directly to brand equity, mediated by brand loyalty, and moderated by brand trust in a holistic model. Therefore, the current study integrates these variables into one model and investigates their influence on brand equity. This model has not been studied before in Malaysia, specifically in the smartphone product context. In addition, the sample (Malaysian millennials) have also not been studied with the current framework.

#### **1.4 Research Questions**

Based on the problem statement of the study, the specific research questions that this study attempts to address are as follows:

- 1- Does brand experience dimensions influence brand equity?
- 2- Does brand experience dimensions influence brand loyalty?
- 3- Does Brand loyalty influence brand equity?
- 4- Does brand loyalty mediate the relationship between brand experience dimensions and brand equity?

5- Does consumer brand trust moderate the relationship between brand loyalty and brand equity?

### **1.5 Research Objectives**

The objective of this study is to investigate the influence of brand experience dimensions on brand equity and to investigate the mediating role of brand loyalty between brand experience dimensions and brand equity. Furthermore, this study intends to examine the moderating role of brand trust between brand loyalty and brand equity. Specifically, this study seeks to achieve the following objectives:

- 1- To investigate the influence of brand experience dimensions on brand equity.
- 2- To investigate the influence of brand experience dimensions on brand loyalty.
- 3- To examine the influence of brand loyalty on brand equity.
- 4- To investigate the mediating role of brand loyalty between brand experience dimensions and brand equity.
- 5- To investigate the moderating role of brand trust between brand loyalty and brand equity.

### **1.6 Scope of the Study**

This study currently targets full time millennial undergraduate university students from the Northern region of Malaysia. The selection of the four public Universities from the Northern region of Malaysia can be justified according to Fan and Xiao (1998), who explained that these public universities usually attract population from all over Malaysia, thus the sample has some representation of the population in the whole country. Völckner and Sattler (2007) claimed that results gained from student samples in brand extension research can be generalized to non-