

## **Local Brand vs Imported Brand: An analysis of Brand Image on Customer Satisfaction and Behavioural Intention**

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### **ABSTRACT**

The purpose of this research is to compare the effect of brand image on consumers' satisfaction and behavioural intention for local versus imported brands. This research surveyed 110 respondents who preferred to buy local bags and 110 respondents who preferred imported bags. The results suggest brand image has a positive and significant impact on customer satisfaction and behavioural intention for both local and imported brands. However, brand image of imported brands has a greater impact on customer satisfaction, whereas the customer satisfaction of local brands has a greater impact on customer behavioural intention. Consumers of local brands are more satisfied with local products and show greater positive behavioural intention. However, the brand image of imported brands are perceived as being better.

*Keywords:* Brand image, behavioural intention, customer satisfaction, imported brands, local brands

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### **INTRODUCTION**

The fashion industry in Indonesia is fast developing and has become one of the largest contributors to the Indonesian economy. Various foreign and local brands exist in the Indonesian market, giving nearly unlimited choice for customers. In the fashion industry, building a brand is a lifetime commitment that can bring in referrals and a high percentage of repeat business. Thus, a firm's brand image offers

it a competitive advantage for the firm (Ghodeswar, 2008). Brand image also influences customers' buying decision. The brand image is an accumulated interpretation that exists in the customer's mind about a product. Thus, many companies compete to become the most recognised brand at the top of consumers' minds by ensuring customer satisfaction. Products with high brand image produces high customer satisfaction (Hsiung, 2011) because their customer perceives a high value for the products they purchased and used. A satisfied customer will show positive after-sales behaviour, such as repurchase behaviour, recommend the product or brand to family and friends, or buy another product from the same brand (Turhan & Ozbek, 2013).

One complicated issue customers consider when choosing a brand is centred if the product is a foreign or local product. Foreign brands have always been attractive and prestigious to consumers, especially in Indonesia. Indonesian consumers are more likely to consume imported products than local products (Atmadji, 2004). Consumers like to purchase products that can boost their social status and identity (Gay, Hall, Janes, Mackay, & Negus, 1997). It is widely agreed that brands associated with Italy or France (as foreign brands or country-of-origin) are perceived as more luxurious (Krupka, Ozretic-Dosen, & Presivic, 2014). However, among seemingly never-ending options of foreign brands, local brands are also starting to get noticed as desired products.

In consumers' minds, local brands exist to compete with imported brands by offering products that appeal to Indonesian culture, thus, evoking a feeling of patriotism. However, is being culture-centred enough for local brands to compete with foreign brands in consumers' minds? Which types of brands (local or imported) have greater impact on customer satisfaction and produce greater influence on customer behavioural intention? Various studies have investigated the effect of brand image on customer satisfaction and its impact on customer behavioural intention. However, only limited studies examined the effect of local versus imported brand image on customer satisfaction and customer behavioural intention.

This study therefore analyses consumer satisfaction and behavioural intention of imported brands versus local brands. The specific objectives are to identify the different effects of brand image on consumer satisfaction and its impact on consumer behavioural intention between local brands versus imported brands. The findings will reveal if local or imported brands have greater impact on customer satisfaction and consumer behavioural intention.

## LITERATURE REVIEW

### Brand Image

Brand image has become one of the most important objectives for every marketing activity. Customers infer the quality of a

product by its brand image, which further affects purchasing behavior. Brand image is a customer's representation of the whole based on a series of images, beliefs, and actions (Davis & Baldwin, 2005). Effective branding means how long a brand can stay in the market and become more profitable because it has been created properly. A brand is a name, term, sign, symbol, or design, or combination of them intended to identify goods or services and to differentiate them from their competitors. The brand is an identity of a product or something to be remembered by the customer (Kotler, 2008). Brand image is a customer-designed set of assumptions and beliefs as reflected in the relationships formed in the customer's mind between themselves and the product or brand. In essence, brand image could be considered the product's personality that is remembered by the consumer (Kotler, 2008). Three main indicators are used to measure brand image, such as corporate image, user image, and product image (Li, Wang, & Cai, 2011).

### **Customer Satisfaction**

Customer satisfaction is the customer's evaluation of a product or service in terms of whether or not that product or service has met their needs and expectations (Sangadji & Sopiah, 2013). Consumers who are satisfied with the products or services will generally repurchase those products or services, as satisfaction is the extent to which a product level is perceived in accordance with the

buyer's expectations. If the product is far below expectations, then consumers will be disappointed and are highly unlikely to use that brand's products again. On the other hand, if the products meet or are above the consumer's expectation, then the latter will be satisfied (Sangadji & Sopiah, 2013). Consumer satisfaction can establish a harmonious relationship between producers and consumers, creating the basis for repurchase and ensuring the latter's loyalty; additionally, word of mouth (WOM) recommendations could benefit the company (Sangadji & Sopiah, 2013). Therefore, customer satisfaction is a measurement of how your organisation's total product performance is related to customer's expectations (Alexander, 2006). There are four indicators to measure customer satisfaction, such as customer expectation, product performance, product comparison, confirmation, or disconfirmation (Hsiung, 2011).

### **Behavioural Intention**

Behavioural intention is an indicator of a person's willingness to try a product and how much effort they will put in to show a certain behaviour (Japariato, 2006). Behavioural intention is therefore the consumer's willingness to act to have, discard, or use products or services. There are three main indicators to measure a consumer's behavioural intention, including brand recommendation, repurchase intention, and willingness to pay more.

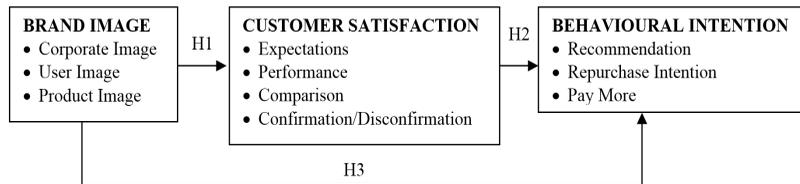


Figure 1. Research framework

## Hypotheses

Based on the theories above, this research developed the following hypotheses:

H1: Brand image contributes significantly to customer satisfaction.

According to Hsiung (2011), brand image had a positive and significant impact on customer satisfaction.

H2: Customer satisfaction contributes significantly to behavioural intention.

According to Liang and Zhang (2012), customer satisfaction has a positive and significant impact on customer behavioural intention.

H3: Brand image contributes significantly to behavioural intention.

According to Zhang (2015), brand image was the most important driving force of customer loyalty, which was the most widely used predictor of consumer behavioural intention. According to Natalia, Valonia and Handrimurtjahjo (2016), customer satisfaction had a positive and significant impact on consumer behavioural intention.

## MATERIALS AND METHODS

### Research Framework

This study used the research framework as shown in Figure 1 to investigate the correlation between brand image and

customer satisfaction and evaluated the influence of customer satisfaction on behavioural intentions.

### Data Collection Methods

This study examined the relationships among brand image, customer satisfaction, and behavioural intention on local brand bags vs. imported brand bags using primary data obtained from a five-part questionnaire sent to 220 respondents. Likert Scale was used to measure the responses which ranged from (5) strongly agree to (1) strongly disagree. Secondary data from journals, articles, books, and internet data was also used for analysis.

### Sampling Techniques

The study respondents were consumers of local and imported bags in Jakarta, Indonesia, aged between 18 and 45 years. The local brands used in this study were Webe, Yongki Komaladi and Mimsy while the imported ones were CK, Mango, and Zara. A probability and random sampling technique was used to select respondents in which all members of the population have an equal chance to be selected (Riduwan & Kuncoro, 2008).

To obtain a sample that can describe and represent the population, the Ariestonandi

formula (2006: 95) was used where the sample was calculated from the number of unknown population, as follows:

$$n \geq p \cdot q \frac{(Z_{\alpha/2})^2}{e^2}$$

Where:

n = number of minimum samples required

α = degree of confidence (using a confidence level of 0.05)

p = the proportion of the desired variable (using the maximum estimation with p = 0.5)

$$q = 1-p = 1-0,5 = 0,5$$

e = the sampling error (set at 10% or 0.1).

$$n \geq (0,5)(0,5) \frac{1,96^2}{0,1^2}$$

$$n \geq 96,04 \approx 100 \text{ people}$$

From the calculations above, the minimum sample should be 100 respondents for each local and imported brand consumers

A total of 220 of respondents took part in this research, with 110 respondents using local brands and the rest who prefer imported brands.

**Measurement Variable**

The survey questionnaire for this study has two parts. The first part is open-ended questions related to the consumer’s profile (i.e., gender, age, profession, education, etc.). The second part is statements related to the consumer’s experience buying local brands and imported brands, brand image,

customer satisfaction, and behavioural intention.

The measurements adapted from the literature are summarised in the table as follows:

Table 1  
*Variable dimensional measurement*

Variable	Dimension	Source
Brand Image	Corporate Image	Li, Wang and Chai (2011)
	User Image	
	Product Image	
Customer Satisfaction	Expectations	Hsiung (2011)
	Performance	
	Comparison	
	confirmation/disconfirmation	
Behavioural Intention	Recommendation	Turhan and Ozbek (2013)
	Repurchase Intention	
	Pay more	

**Research Methodology**

This study used path analysis to investigate the relationship between brand image of local versus imported brand bags on customer satisfaction and behavioural intention.

**RESULTS AND DISCUSSIONS**

**Respondent Demographic, Validity, Reliability and Normality Results**

Gender of Respondents: 75% Female, 25% Male.

Respondent Age: Under 20 years old (6%), 21-30 years old (75%), 31-40 years old (11%), above 41 years old (8%).

All data has met the requirements of validity, reliability and normality test.

**Path Analysis**

This study used path analysis to investigate the relationships between the variables. Validity, reliability, and normality tests were developed before the correlations test. In utilising path analysis, the first step is to develop a baseline measurement model. The baseline model consists of independent variables (brand image), mediating variable (customer satisfaction), and dependent variable (behavioural intention). The results show a significant and positive relationship between the variables. The relationship model is divided into two substructures. The first tests the relationship between brand image and customer satisfaction while the second tests the relationship between brand image and customer satisfaction on the customer’s behavioural intention.

**Substructure 1**

First test in Path analysis is Hypothesis testing to conduct significance correlation test between brand image and customer satisfaction of Local Brands.

Hypotheses Testing

If Sig  $\geq \alpha$ , H<sub>0</sub> accepted

If Sig  $< \alpha$ , H<sub>0</sub> rejected

**H1a: Brand image contributes significantly to customer satisfaction of local brands.**

Sig = 0.000 < 0.05, then Ho is rejected. This means image of local brands has a significant impact on customer satisfaction. Based on the results, brand image contributes

significantly to customer satisfaction, consistent with prediction. The effect of local brands on customer satisfaction is significant ( $\beta = 0.680, p \leq 0.05$ ).

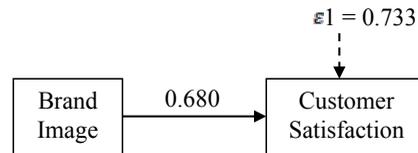


Figure 2. Relationship model of Substructure 1

The influence of brand image on customer satisfaction of local brands is 0.680. This means that brand image has a strong influence over customer satisfaction. The influence of other factors that affect the relationship among variables is shown in the following formula:

$$\rho y \epsilon 1 = \sqrt{1 - R^2_{yx}} = \sqrt{1 - 0.462} = 0.733$$

**H1b: Brand image contributes significantly to customer satisfaction of imported brands.**

Sig = 0.000 < 0.05 then Ho is rejected. The brand image of imported brands has a significant impact on customer satisfaction. Based on the results, brand image of imported brands contributes significantly to customer satisfaction, consistent with prediction. Image of imported brands affects customer satisfaction significantly ( $\beta = 0.689, p \leq 0.05$ ).

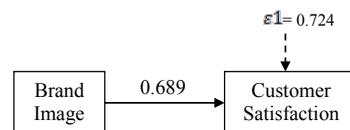


Figure 3. Relationship model of Substructure 1 (imported brands)

The influence of brand image on customer satisfaction of imported brands is 0.689. This means brand image has a strong influence on customer satisfaction. The influence of other factors that affect the relationship among variables is shown in the following formula:

$$\rho_{y \varepsilon 1} = \sqrt{1 - R_{YX}^2} = \sqrt{1 - 0.475} = 0.724$$

**Substructure 2**

Second test in Path analysis is hypothesis testing to conduct significance correlation test between brand image and customer satisfaction of Local Brands on customer’s behavioural intention.

Hypotheses Testing

If Sig ≥ α, H<sub>0</sub> accepted

If Sig < α, H<sub>0</sub> rejected

H2a: Customer satisfaction of local brands contributes significantly to customer behavioural intention.

Sig = 0.000 < 0.05, then H<sub>0</sub> is rejected. Customer satisfaction of local brands has a significant impact on the customer behavioural intention. Based on the results, customer satisfaction of local brands contributes significantly to customer behavioural intention, consistent with prediction. Customer satisfaction of local brands affects customer behavioural intention significantly, and the effect is strong (β = 0.512, p ≤ 0.05).

**H3a: Brand image of local brands contributes significantly to customer behavioural intention.**

Sig = 0.000 < 0.05, then H<sub>0</sub> is rejected. Brand image of local brands has a significant impact on customers’ behavioural intention. Based on the results, brand image contributes significantly to customer’s behavioural intention. Consistent with the prediction, brand image of local brands affects customer behavioural intention significantly; however, the effect is weak (β = 0.241, p ≤ 0.05).

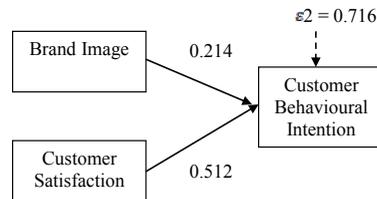


Figure 4. Relationship model of Substructure 2 (local brands)

The influence of brand image on customer behavioural intention of local brands is 0.241, while the influence of customer satisfaction on customer behavioural intention is 0.512. This means brand image has a weak direct influence on customer behavioural intention. The influence of other factors that affect the relationship among variables is shown in the following formula:

$$\rho_{y \varepsilon 2} = \sqrt{1 - R_{ZYX}^2} = \sqrt{1 - 0.487} = 0.716$$

**H2b: Customer satisfaction of imported brands contributes significantly to Customer Behavioural Intention**

Sig = 0.000 < 0.05, then Ho is rejected. Customer satisfaction of consumers who buy imported brands has significant impact on the customer behavioural intention. Based on the results, customer satisfaction of imported brands contributes significantly to customer behavioural intention. Consistent with the prediction, customer satisfaction of imported brands affects customer behavioural intention significantly, and the effect is somewhat strong ( $\beta = 0.466$ ,  $p \leq 0.05$ ).

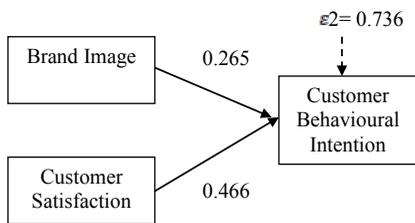


Figure 5. Relationship model of Substructure 2

H3b: Brand image of imported brands contributes significantly to customer behavioural intention.

If Sig = 0.000 < 0.05, then H3b is rejected. Brand image of imported brands has a significant impact on customer behavioural intention. Based on the results, brand image contributes significantly to customer behavioural intention. Consistent with the prediction, brand image of imported brands affects customer behavioural intention significantly; however, the effect is weak ( $\beta = 0.265$ ,  $p \leq 0.05$ ).

The influence of brand image on customer behavioural intention of imported brands is 0.265, while the influence of customer satisfaction on customer behavioural intention is 0.466. This means that brand image has

a weak direct influence on customer behavioural intention. The influence of other factors that affect the relationship among variables is shown in the following formula:

$$\rho y \varepsilon 2 = \sqrt{1 - R_{ZYX}^2} = \sqrt{1 - 0.458} = 0.736$$

### Complete Model Structure

Path analysis reveals that significant and positive relationships exist between all variables of both local and imported brands. There is greater customer satisfaction of imported brands; however, there is a greater effect of customer satisfaction on behavioural intention for local brands.

Complete model structures that show the relations between variable are shown in Figure 6 and Figure 7.

Based on Figure 6 and 7, we can



Figure 6. Complete relationship model (local brands)

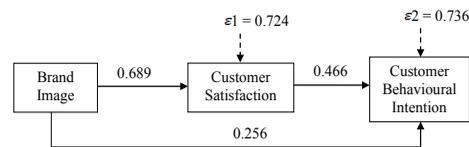


Figure 7. Complete relationship model (imported brands)

conclude that brand image of local brands has a strong influence on increased customer satisfaction. In addition, customer satisfaction of local brands

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also has a strong influence on customer behavioural intention. However, brand image has a weak direct influence on customer behavioural intention.

Brand image of imported brands has a greater influence on increased customer satisfaction than local brands. Customer satisfaction of imported brands also has a strong influence on customer behavioural intention; however, this influence is less than local brands. Furthermore, brand image also has a weak direct influence on customer

behavioural intention.

The results indicate that consumers of local brands feel less satisfied with local brand images. These results are accepted since imported brands are well known internationally. However, consumers who are satisfied with local brands are more likely to have more positive post-purchase behavior as they are more patriotic and proud of using local products.

Table 2  
The summary of relationship between models

Variables	Local Brands			Imported Brand		
	Direct Influence	Indirect Influence	Total	Direct Influence	Indirect Influence	Total
X - Y	0,680	-	0,680	0,689	-	0,689
Y - Z	0,512	-	0,512	0,466	-	0,466
X - Z	0,241	0,241 x 0,512 = 0,123	0,364	0,265	0,265 x 0,466 = 0,123	0,388
ε1	0,733	-	0,733	0,724	-	0,724
ε2	0,716	-	0,716	0,736	-	0,736

Based on the table above, brand image has a significant and positive influence on customer satisfaction, whereas brand image of imported brands has a greater influence on customer satisfaction than local brands. Customer satisfaction also has a significant and positive influence on customer behavioural intention, whereas customer satisfaction of local brands has a greater influence on customer behavioural intention than imported brands. Results also indicate overall mediation of customer satisfaction contributes greatly to customer

behavioural intention of imported brands.

**CONCLUSION**

Many researchers have explored and examined the effect of brand image on customer satisfaction and its impact on customer behavioural intention. However, only a few have examined which types of brands, imported brands or local brands, contributed greatly to customer satisfaction and behavioural intention. The results of this study support the findings of previous studies which found that brand image

has a significant and positive influence on customer satisfaction and behavioural intention. Furthermore, this study shows whether imported or local brands have greater influence on customer satisfaction and behavioural intention. The study indicates that brand image has a significant and positive influence on customer satisfaction for both imported and local brands. Furthermore, customer satisfaction also has a significant and positive influence on customer behavioural intention for both imported and local brands.

The key findings of this research are: (1) Imported brands have a greater influence on customer satisfaction than local brands. This is due to Indonesian consumers' desire to follow latest trends and their belief that imported brands can boost their social status and identity (Gay et al., 1997); (2) Satisfied consumers of local brands have a greater impact on customer behavioural intention. Consumers of local brands are more likely to show positive after-sales attitudes because they feel more satisfied and proud of using local products.

Thus, this research shows there are two types of consumers in Indonesia. First, there are consumers who prefer imported brands because the brand image of imported or foreign brands are more likely to be perceived as positive and luxurious. They feel the prestige of using foreign brands and want to show off their social status by using or wearing products that can reveal their identity. However, this type of consumer

shows less positive behavioural intention. Second, there are consumers who prefer local brands because they feel proud of using local brands (ethnocentrism consumers), the products are cheaper, and the products are more suitable to Indonesian cultures. This type shows more positive behavioural intentions as well, which includes the willingness to recommend, repurchase, and pay more for the products. However, this type of consumer shows a lower perception of the products' brand image.

### **Implication for practice**

This study points to important implications for local businesses when promoting their products and services. It has been shown that local brands have a lower brand image than imported brands; however, satisfied customers of local brands are more likely to have more positive behavioural intention. These customers endorse behaviours, such as like recommending products to friends and relatives, higher repurchase intention, and willingness to pay more. Therefore, the study recommends 1) Local brands focus on campaigns that promote patriotism and raise customers' awareness on buying and supporting local products; 2) Promoting products using brand ambassadors who are well-known for his/her loyalty to local products; 3) Using social media to educate society on local products' high standard of quality; 4) Use modern channels, like shopping centres, to show local brands' existence in the market.

### Limitation and Directions for Future Research

The limitations of this research suggest directions for future research. This study only focused on brands of local and imported bags. Hence, future studies should examine other fashion products and accessories, such as clothes and shoes. Second, this study examined mid end brands, thus we high end brands, such as Gucci, LV, or Michael Kors can be the future focus to study the relations between variable. Third, this study showed that consumer ethnocentrism might contribute to greater loyalty to local brands; thus, we suggest future research explores other variables, such as consumer ethnocentrism and develop a more comprehensive model that can be used to study other industries which are struggling to compete with foreign brands.

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