Does the Sound Name Win the Game?

-Exploring the role of service brand preference in explaining perceived value, satisfaction and customer loyalty in Japan and China-

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#### **Abstract**

This present study aims to compare how service brand preference influence service perceived value, customer satisfaction and loyalty in different countries—Japan and China. Moreover, this study purposes to explore whether countries' image affect service brand preference of customer. Two customer surveys which were practiced in Japan and China were conducted to examine moderation hypotheses, which were analyzed by factor analysis and covariance structure analysis. The results show that service brand preference plays more significant role for Chinese customers than Japanese customers. Furthermore, countries' image also affects customers' service brand preference in both Japan and China.

#### **Keyword**

Japan, China, Brand Preference, Perceived Value, Satisfaction, Loyalty, Covariance Structure Analysis

#### 1. Introduction

Brand plays a special role in service companies because strong brands increase customers' trust of the invisible purchase (*Berry, 2000*). The majority of the researches about brands tends to focus on product brands including its brand identity, brand equity, brand image and what else. In the recent decade, there is an emerging stream of research about brand, which aligns with the Service Dominant Logic (*Vargo and Lusch, 2004*) which brand plays a broader role where it interfaces not just with end customers but the company, its employees and a network of stakeholders (*Brodie et al., 2009*). More and more researchers who are interested in service marketing and managers who work in service businesses claim that service branding is the most efficient way to decrease the perceived risk brought by the nature of service—intangibility (*Berry, 2000*; *Rust et al., 1004*). Also, it has been testified that a sound brand can help companies to keep a good and stable long-term relationship with their customers (*Riley and Chernatony, 2000*).

In the service brand research, many previous studies have clarified people's life style is closely related to brand purchase behavior, however, there is still little study to emphasize how brand preference works on service's perceived value, customer satisfaction and loyalty from the perspective of comparing the customer behavior in different countries. Instead of highlighting on different services, such as tourism, hospitality, hair-salon service which intangibility is significant, this present study focus on only one service context—airline service to clarify whether brand preference plays the same important role between different countries—Japan and China. Moreover, this study not only testifies how "Service Brand" works on perceived

value, customer satisfaction and loyalty, but also tries to investigate whether "Country (or Area) Image" affects on "Service Brand". Against these blank areas in previous studies, the present study seeks to answer the following questions:

- Does brand preference indeed increase customers' perceived value and satisfaction?
- Does brand preference have more significant affect than perceived value and satisfaction on customer loyalty?
- Does brand preference play the same important role in perceived value, satisfaction and loyalty for both Japanese customers and Chinese customers?
- Does "Country (or Area) Image" affect on customers' attitude to "Service Brand"?

In this study, we seek to address these issues. The specific purposes of this study, therefore, are to examine the role of brand preference from the perspective of demography and to investigate the effectiveness of "Country (or Area) Image". The remainder of the paper flows as follows: we first review the relevant literature on brand preference, perceived value, customer satisfaction, loyalty as well as the inter-relationship among those variables. Based on the four research questions mentioned above, some hypotheses will be developed. We then conduct interviews and two surveys which practiced in both Japan and China in only one service context (airline service) to testify those hypotheses. Theoretical and managerial implications are provided, and we conclude with the limitations of our study and suggest directions for future research.

#### 2. Conceptual foundations

Over decades, many researchers have attempted on how to employ brand preference as a bond to build relationship with customers, how to increase service perceived value and customer satisfaction, whether customer loyalty including positive word of mouth, repurchase behavior can be caused by increasing perceived value, satisfaction and brand preference, do the people who have different culture evaluate service value in a different way. In the following section, we provide a brief conceptual overview of the four constructs of interest: brand preference, perceived value, customer satisfaction and loyalty.

#### 2-1 Brand preference

Prediction of individual preference is a difficult and elusive task; it is an important task, however, since it represents a fundamental step in understanding consumer choice. Brand preference is explained by attitudes in 1970s which made up of perceptions of and values for product attributes (*Bass and Talarzyk*, 1972). Some researchers (*Cobb-Walgren et al. 1995*) suggest that the brand with the higher equity in each category generated significantly greater preferences and purchase intentions. Then in later time, brand preference is seemed to have strong relationship with brand equity and in detail, brand preference is considered as one of results of brand equity.

Markets may be effectively segmented through statistical analysis of brand preference and selection (*Henderson*, 1998). Single brand preference can be regarded as a measure of loyalty, which also provides valuable information for customer management and market segmentation (*Gralpois*, 1998). Several

researchers, such as *Bucklin et al. 1998*, used the decision variables of consumers' brand preference, utilized a joint estimation approach to indentifying sub-markets. Consumer values give marketers a direction on how best to satisfy their customer needs and increase brand preference (*Chudy and Sant, 1993*).

Alrect and Settle (1999) pointed that consumer tastes and preferences for a product or brand might be built through one or more of six distinct modes: need association (the product or brand is linked to one need through repeated association), mood association (the mood is attached to the product or brand through repeated association), sub-conscious motivation (suggestive symbols are used to excite consumers' subconscious motives), behavior modification (consumers are conditioned to buy the brand by manipulating cues and rewards), cognitive processing (perceptual and cognitive barriers are penetrated to create favorable attitudes), model emulation (idealized social lifestyle models are presented for consumers to emulate).

In the present study, brand preference is approached as a positive attitude of customers to a certain brand. The author concerns that brand preference closely relates to customers' lifestyle, and the demographic combination of gender, age and monthly family income and what else. However, in this study, the differentiation of brand preference is compared from the demography of different countries (Japan and China), although many previous researches have showed that Japanese customers and Chinese customers are similar in purchase behavior. The author considers that the differentiation in demographic combination variables exhibit better brand preference differentiation. Thus the measurement of brand preference includes "do you feel that this airline's name is appealing to you", "do you prefer this airline to other airlines of its type".

#### 2-2 Perceived value

In early time, perceived value was not treated to be critically essential variables as perceived quality in brand research, loyalty research and relationship research. At the end of 1980s, perceived value had beginning to be lighted by some researchers, such as *Buzzel, Gale, Zeithaml* and so on. Though it did not attract much explicit attention until it became a watchword in the 1990s, value has always been "the fundamental basis for all marketing activity" (*Eggert and Ulaga, 2002; Holbrook, 1994*).

Perceived value first be defined as a ratio or trade-off between total benefit received to total sacrifices, taking into consideration the available suppliers' offerings and prices (Buzzell and Gale, 1987). Similarly, Monroe (1991) defines customer-perceived value as the ratio between perceived benefits and perceived sacrifice; whereas, Zeithaml (1988) defines that perceived value is the customer's overall assessment of the utility of a product based on a perception of what is received and what is given. The definition is almost identical to the one of Monroe (1991), but Zeithaml (1988) also points out that perceived value is subjective and individual, and therefore varies among consumers. In recent decade, perceived value is still defined as economic costs that consumers have to give up or sacrifice to obtain a product or a service (Lee and Cunningham, 2001).

The tendency of defining perceived value is still seemed as treating it as a ratio of total benefit received to total sacrifices. As perceived value is the result of a cognitive comparison process (*Patterson and Spreng*, 1997), it is can be thought as one of cognitive evaluations. In our study, we refer perceived value as the

evaluations of price and quality measured by "do you think the price or quality of the airline service used is reasonable", as well as the feeling to profit measured by "do you think the airline service brings you more profit than others".

#### 2-3 Customer satisfaction

Customer satisfaction is considered a key driver of the long-term relationship suppliers and buyers (Geyskens, Steenkamp, and Kumar, 1999). Two general conceptualizations of customer satisfaction exist in the literature: service encounter or transaction-specific satisfaction and overall or cumulative satisfaction (Bolton and Drew, 1991; Cronin and Taylor, 1994). Compared with transaction-specific satisfaction, cumulative satisfaction is a more fundamental indicator of the firm's past, current, and future performance (Oliver, 1997; Rust and Oliver, 1994). In detail, some researchers believe that satisfaction is a transaction-specific evaluation (Cronin and Taylor, 1992, 1994) of a purchase that has met expectations (Zeithaml, 1988). Other researchers have defined satisfaction diversely. Cadotte et al., (1987) defined satisfaction as an emotional response. Later, Heskett et al., (1990) defined customer satisfaction as a transaction done right the first time. When things are done right the first time, customer are satisfied and may tell other people about their experiences (positive WOM), therefore, attracting other people to the organization (Heskett et al., 1990).

Besides the two general conceptualization mentioned above, customer satisfaction is defined from various perspectives. For example, complaint satisfaction refers to the degree to which the complainant perceives the company's complaint-handling performance as meeting or exceeding his or her expectations (McCollough, Berry, and Yadav, 2000).

The satisfaction construct has gained an important role in the marketing literature. Although customer satisfaction have been represented by either cognitive or affective state, the extent to which a satisfaction scale should have an impact in terms of both the antecedents that affect satisfaction and the consequences fostered by satisfaction (*Andreas Eggert and Wolfgang Ulaga*, 2002). In contrast to the cognitive-based value construct, satisfaction is conceptualized by most researchers as an affective evaluative (*Oliver*, 1997).

Measuring customer satisfaction has become increasingly popular in the last two decades and today represents an important source or revenue for market research firms (Oliver, 1997; Perkins, 1993). According to the disconfirmation paradigm, customer satisfaction is understood as the customer's emotional or feeling reaction to the perceived difference between performance appraisal and expectation (e.g., Oliver 1980; Rust, Zahorik, and Keiningham 1995). Based on the theoretical background, customer satisfaction in the present study refers to overall satisfaction that is the disconfirmation of expectation and perceived performance. Measurements for satisfaction include selection satisfaction, such as "Are you satisfied with your decision to use the airline company". "Do you think you are doing the right thing when you choose to use the airline company".

#### 2-4 Loyalty

Loyalty is a primary goal of relationship marketing and sometimes even equated with the relationship marketing concept itself (*Henning-Thurau et al.*, 2002). Early definition about customer loyalty is a social

behavior, and customer loyalty later is usually viewed as comprising both behavioral and attitudinal components (*Jacoby and Kyner, 1973*). Some researchers suggest that behavioral intentions are what the customer intends to do after the service encounter, specifically with respect to engaging in repurchase and/or positive WOM transmission (*Anderson, 1998; Oliver, 1993*). *Lam et al.* (2004) define customer loyalty by recommendation and patronage. Recommend behavior in their study refers to positive word of mouth and patronage intention/behavior refers to repurchase intention/behavior.

Service repurchase intention is defined as customers' intention to re-patronize their current service provider (or company based on past experiences and future expectations) (*Lee and Cunninngham*, 2001). Repurchase intention in this study refers to customers' intention that how willingness they would like to make a purchase again. Repurchase intention is measured by "whether do you want to use the airline service in the future", "whether do you want to use the airline service more frequently than before", and "whether do you want to choose the airline service as the first alternative".

On the other hand, recommend intention is defined as consumer willingness to recommend a service provider to other consumers (Javalgi and Moberg, 1997; Zeithaml et al., 1996). Many researches then define recommend intention as the same as positive word of mouth (e.g. Fornell and Wernerfelt, 1987, 1988; Berry et al., 1994; Dawkins and Reichheld, 1990). Those researchers suggest that positive word-of-mouth is a behavioral intention much like repurchase, but deals with intention to recommend. Whereas, other researchers argued that recommend intention cannot be defined as positive word of mouth because positive word of mouth includes all informal communications between a customer and others concerning evaluations of goods or services, and recommendation to others is only one of aspects (Anderson, 1998).

In the present study, we emphasize customers' intention for recommending the service they used and we refer recommend intention is not equal to positive word of mouth, although recommendations are positive communications transferred by customers, because we think positive word of mouth intention is a broader arrange. Recommend intention's contents include the reliability of service, convenience of using the website, for example, "do you want to recommend the airline service you used to your family members or your friends".

#### 3. Hypotheses development

# 3-1 The inter-relationship between brand preference and perceived value, customer satisfaction, loyalty

Brand preference is approached as one of positive attitudes to a certain brand. *Yang et al.* (2002) found that the level of explained variance in brand and attribute preference attributable to motivating conditions is greater than that accounted for by a simple interaction of respondent and environmental effects, suggesting that motivations provide a more sensitive description of variation in brand preference. Many empirical researches have testified that brand is one of most effective ways to decrease perceived risk, especially in service which is more significant in intangibility than product.

Therefore, it can be assumed that if a customer prefer to a certain brand, he would tend to feel the value of service is high. Oppositely, if a customer did not feel the value of service is high, he would not show his

preference to the brand. In this point, it is supposed that there is no significant difference between Japanese customers and Chinese customers.

**H1 (a):** Brand preference positively and significantly influences the perceived value of the service for both Japanese and Chinese customers.

Jamal and Goode (2001) conducted a survey to determine the effect of self-image congruity on brand preference and satisfaction in the precious jewellery market in the UK. Results indicate that self-image congruity was a very strong predictor of consumers' brand preferences and a good predictor of consumer satisfaction, also, consumer satisfaction is strongly influenced by consumers' brand preferences. In the similar way, we still suppose a strong brand preference will bring customer satisfaction in airline service. Certainly, it is a little obscure that which one is the predictor, brand preference or satisfaction. Although some previous study showed brand preference is deeply influenced by customer satisfaction, the author still suggests that brand preference is predictor to satisfaction, which is the same in different cultures.

**H1 (b):** Brand preference positively and significantly influences customer satisfaction for both Japanese and Chinese customers.

Numerous prior studies have tried to explore the inter-relationship between brand preference and purchase intention and behavior, such as recommend intention and behavior, re-purchase intention and behavior and so on. Brand equity is seemed as very important predictor in this point. *Cobb-Walgren et al.* (1995) practiced an empirical research and showed brand equity can induce brand preference directly, whereas induce purchase intention/behavior directly and indirectly. They emphasized that the indirectly influence through brand preference is as strong as the directly influence from brand equity to purchase intention/behavior. Moreover, as brand preference is defined as an attitude to certain brand (*Bass and Talarzyk*, 1972; *Stanton and Lowenhar*, 1974), it can be seemed that there is a positive influence from brand preference to purchase intention/behavior, following the literature of the model of attitude and behavior.

However, as brand preference differentiation in the demographic combination of gender, age and monthly family income variables as well as culture (*Lin*, 2002), it can be expected that there are differentiation in relationship of brand preference and loyalty between Japanese and Chinese customers. In recently decade, China is developing in a high speed which bring Chinese people's income is increasing. Numerous brands have been sold in Chinese Marketing. Purchasing brand products in China has become a tendency which cannot be avoided. With Chinese people's income is increasing, they not only have brand preference in products, but also appear to prefer some service brand, such as accommodating in famous hotels, using good reputable airline services, choosing sound travel agencies. It is certainly have the reason of decreasing the purchase risk, nevertheless, brand preference driving in customer loyalty in Chinese customer is inferred to be more significant than Japanese customers, because customers in Japan tend to emphasize other things they think important such as satisfaction, reputation rather than the brand name only.

**H1** (c): Brand preference positively influences customers' loyalty to service; however, the influence is more significant in Chinese customers than Japanese customers.

### 3-2 The inter-relationship between perceived value and customer satisfaction, loyalty

Perceived value can be considered a cognition-based construct capturing any benefit-sacrifice discrepancy, whereas customer satisfaction is primarily an affective and evaluative response (Oliver, 1993). From the perspective of social science literature, cognitive thought processes trigger affective responses suggesting that customer value judgments affect perceptions of satisfaction (Weiner, 1986). Similar with the perspective of social literature, the service management literature also argues that customer satisfaction is the result of a customer's perception of the value received in a transaction or relationship (Heskett et al., 1997). It is clear that customers found the value of service they purchased is higher than they expected before, customers tend to feel that they did the right thing using the service, and then their satisfaction will be increased by high value of service which customers perceived.

It is can be said that the higher the value customers perceive, the higher the customer satisfaction is increase. In Japanese culture, where the present was bought is as important as what the present is. When Japanese people send presents to their relatives or friend or some important people, they tend to buy presents in departments as they think the present in department store can be felt more value than other places. When the people found the product or service they purchased are valuable, their satisfaction will be increased. This is the same as Chinese customers, however, it is not be expected the influence from perceived value to satisfaction is as significant as Japanese customers, because other variables, for instance, brand name, brand originate and what else effect Chinese customers' satisfaction more significant. Based on these reasons, we expect there is a positive relationship between perceived value and satisfaction but not the same between Japanese customers and Chinese customers. Then, **H2** (a) can be induced as this follow:

**H2** (a): Perceived value positively influences customer satisfaction; however, the influence is more significant in Japanese customers than Chinese customers.

Blackwell et al., (1999) claim that relationship marketing outcomes as the result of two factors: the value of the service as perceived by the customer and situational variables. They emphasize the essential role perceived value plays in building and keeping long-term relationship with customers. They point that the higher value that customers perceive, the likely customers purchase the same service or product. Blackwell et al., (1999) conduct an empirical test of the model in pharmaceutical services and show a significant relationship between value and repeat purchase behavior as well as between situational influences and repeat purchase behavior. Other researchers, such as Dubrovski (2001) and Zeithaml (1988) suggest that value as a single construct, has been examined as an antecedent of customer purchasing decision-making.

For the other aspect of loyalty—recommend intention, perceived value still seem to bring a positive influence to it which has been testified in many previous studies (*Dubrovski*, 2001; *Schneider and Bowen*, 1995; *Frenzen and Nakanoto*, 1993). Those studies claim that customers who made a good purchase tend to inform their successful purchase to other people and persuade others to use the same product or service as they used. However, the results of JCSI (Japanese Customer Satisfaction Index) do not show that there are significant relation between perceived value and customer loyalty. This result can be explained by different customer behavior, in other words, different cultures and different value judgments can induce the different relation between perceived value and loyalty. Therefore, we still suggest that there is positive co-relation

between perceived value and customer loyalty.

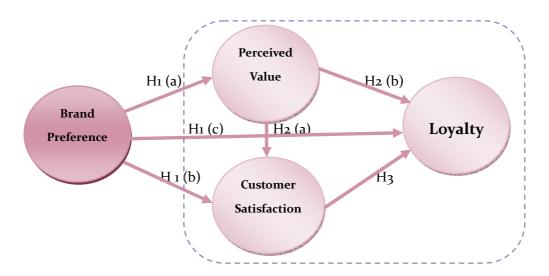
**H2** (b): Perceived value positively and significantly influences loyalty for both Japanese and Chinese customers.

#### 3-3 The inter-relationship between customer satisfaction and loyalty

Satisfaction with products, services, retailers, sales-people, and so on is an important post-purchase response often associated with consumer outcomes such as loyalty which includes repurchase intention and recommend intention (Anderson and Sullivan, 1993; Bolton and Lemon, 1999; Oliver, 1997; Reynolds and Beatty, 1999). A satisfied customer's affect toward a service provider could motivate the customer to patronize the provider again and recommend the provider to other customers (Lam et al., 2004). Customer satisfaction is widely accepted among researchers as a strong predictor for behavioral variables, such as repurchase behavior and recommends behavior (Ravald and Gronroos, 1996). Moreover, Henning-Thurau et al., (2002) suggest that a high level of satisfaction provides the customer with a repeated positive reinforcement, thus creating commitment-inducing emotional bonds.

H3: Satisfaction positively and significantly influences loyalty for both Japanese and Chinese customers.

## ■ Figure 1: Framework of inter-relationship among brand preference, perceived value, customer satisfaction and loyalty in both Japan and China



#### 4. Research methodology and data

#### 4-1 Scale development

Brand preference is defined as one of positive attitudes to brand in this study and the dimensions of measuring brand preference practiced dimensions which are used in the studies of *Jamal et al.* (2001) and *Chen et al.* (2008). Especially for Chen et al. (2008), they testified customers' brand preference to airline service as this study. Brand preference, with five elements, fusing a five-point semantic differential scale considers passengers brand preference in this study, such as "the attractiveness of airline name", "the preference of the airline".

For dimensions of perceived value, this study practiced *Japanese Customer Satisfaction Index (JCSI, 2010)* which has been conducted to measure how Japanese customers perceive the value of airline service they use. Although, this is the measurement practicing in Japan, the author still suggest that those dimensions can be used to measure how value the service is for Chinese customers, because many purchase habits are common in both Japanese customers and Chinese customers which have been showed in past studies. In the present study, 3 dimensions which include "Price given Quality", "Quality given Price" and "Feeling benefit" are used to measure perceived value.

In addition, *Olorunniwo et al.* (2006) suggested 2 dimensions should be used in measuring customer satisfaction and 2 dimensions should be used in measuring customer loyalty in lodging industry. In their study, *Olorunniwo et al.* (2006) modified the original 5-item to the 2 dimensions for customer satisfaction and 5-item to the 2 dimensions for customer loyalty. As the lodging industry and airline industry in the same quadrant (*Schmenner*, 1986), the dimensions used in measuring satisfaction and loyalty in the lodging industry were used in the present study to measure customer satisfaction and loyalty in airline industry. Satisfaction dimensions included the customer satisfaction for their decisions, experience. Moreover, other dimensions were used to measure the customers' loyalty included the positive word of mouth and recommend intentions.

To confirm whether those dimensions appropriately, the author conducted several short interviews in July 2010. The interviewers included both Japanese and Chinese who works in Japan. Those interviewers claimed that they use airline for their business trips at least once in a mouth in the past one year, then the interviewers can be considered as heavy users of airline service. The dimensions for measuring brand preference, perceived value, satisfaction and loyalty were subsequently modified by those interviewers, and they felt the dimensions are appropriate.

Each item was rated on a five-point Likert-type scale ranging from strongly disagree (1) to strongly agree (5) were used to measure brand preference, perceived value and customer satisfaction. In addition, customers' loyalty were captured using three five-point items with endpoints definitely would (1) to definitely would not. All items were presented in **Table I** (includes the items modified by JCSI, Olorunniwo et al. (2006) and originate ones).

#### ■ Table I: The survey instrument

## **Brand Preference**

- 1. I feel that this airline's name is appealing to me.
- 2. I prefer this airline to other airlines of its type.
- 3. I prefer this airline's brand than other airlines.
- 4. If I was to buy an air travel product, I would prefer this airline if everything else was equal.
- 5. In total I prefer this airline.

#### **Perceived Value**

- 6. The quality of service that airline companies provide corresponds to the price.
- 7. The price that airline companies require is reasonable to the quality of service they provide.

- 8. The value of airline service I perceived is higher than the airline company claimed in their advertisement.
- 9. I feel that I gain benefit to use the airline service compared with other airline companies I used before.
- 10. I feel that the value of the airline service is higher than other airline companies I used before.
- 11. I feel that the value of the airline service is higher than I expected before.

#### **Customer Satisfaction**

- 12. Would you agree to say "I am satisfied with my decision to use the airline company?"
- 13. Would you agree to say "My choice to use the airline company was a wise one?"
- 14. Would you agree to say "I feel that my experience with the airline company has been enjoyable?"
- 15. Would you agree to say "I think I did the right thing when I choose to use the airline company?"
- 16. Would you agree to say "services provided by the airline are better than I thought before?"
- 17. Would you agree to say "I am satisfied with the all services the airline company provided?"
- 18. Would you agree to say "the airline service I used is perfect?"

### **Loyalty**

- 19. Would you recommend the airline company to the people you know?
- 20. Would you recommend the airline company in Internet Blog?
- 21. Would you intent to inform your experience that used the airline to the people you know?
- 22. Would you intent to inform your experience that used the airline in Internet Blog?
- 23. Would you intent to use the same airline company again?
- 24. Would you intent to try other services provided by the same airline company?
- 25. Would you like to be a regular member of the airline company?

Another purpose in this study is to clarify how "Country Image" affects "Brand Preference". In this point, the present study practiced qualitative method to explore this literature instead of quantitative method. The author asked the people who cooperated to answer the questionnaire to fill the table of what the image you hold about to the country or area. The countries/areas showed in the table include Japan, China, Hong Kong, Tai Wan, Thailand, Singapore, Korea, the United Kingdom, France, German, the United States, and Australia. The respondents of the questionnaire were be asked to fill out the table by free words, such as "Fashion", "Freedom", "Technical" and what else. The table about how respondents feel about the "Country" is showed in **Table II**.

### ■ Table II: Country (or Area) Image

| Country/Area | Please write the image you hold about the country by some words |
|--------------|---|
| Australia    |   |
| China        |   |
| France       |   |
| German       |   |

| Hong Kong          |                |
|--------------------|----------------|
| Japan              |                |
| Korea              | Free Writing   |
| Singapore          | 1 100 111 1100 |
| Tai Wan            |                |
| Thailand           |                |
| The United Kingdom |                |
| The United States  |                |

### 4-2 The sample

Two waves of sampling took place in order to attain sufficient number of survey respondents. Questionnaires were distributed in both Japan and China from September 2010 to July 2011. The survey respondents selected must be satisfied with two qualifications which are native Japanese or Chinese and having the experience of using at least two airline companies. Two hundred and seventy two questionnaires were returned from Japan and 40 were dropped due to incomplete answers. Three hundred and twenty eight questionnaires were returned from China and 74 were dropped due to incomplete answers. This generated total of 600 respondents, there are 486 completed questionnaires which include 232 questionnaires in Japan and 254 questionnaires in China. In Japanese sampling, eighty-seven percent (87 percent) of respondents were men, and in Chinese sampling, six-three percent (63 percent) of respondents were men. Japanese respondents include eighty-one percent (81 percent) employees, fifteen percent (15 percent) student and four percent (4 percent) for others. Chinese respondents include ninety-three (93 percent) employees, 3 percent (3 percent) student and four percent (4 percent) student and four percent (4 percent) student and respondents in China had used airline service 3.2 times on average in the past 12-month period.

## 4-3 Fit indices between data and models

The author first tested mean and standard deviation, kurtosis, and the skewness of the sample. All of these provided a satisfactory distribution of data. Next, the author used an iterated factor analysis with item commonality estimated from squared multiple correlations, and maximum likelihood as the estimation method. Items with a loading smaller than 0.35 or those with cross-loadings greater than 0.35 on more than one factor were dropped, because they do not provide pure measures of a specific construct (*Olorunniwo et. al 2006*).

SPSS (16.0) and AMOS (17.0) were used as the analytical tools in the present study, as well as factor analysis and covariance structure analysis for the estimation of measurement and structural equation models discussed below. Structured models should be accepted or not depending on fit indices. The values greater than 0.9 are desirable for GFI and AGFI, while values greater than 0.75 are desirable for NFI. Moreover, a value smaller than 0.1 is acceptable for RMSEA (*Toyota*, 2007).

#### 5. Result of the data analysis and free writing

## 5-1 Factor analysis of brand preference, perceived value, customer satisfaction and loyalty in two different countries

About the data of airline industry, the 25-item instrument related to brand preference, perceived value, customer satisfaction and loyalty in both Japan and China were analyzed by SPSS (16.0) which was used to exploratory factor analysis (EFA) over the 232 responses from Japan and 254 responses from China. The eigenvalues were fixed by 1, because the author intended to explore the best number of factors, in other words, the author purposed to confirm whether the dimensions and items can express factors appropriately. The items with a factor loading lower than 0.35 or with cross-loadings greater than 0.35 on more than one factor were dreopped. The data analysis was repeated 3 times and this process resulted in a four-factor model in the data of both Japan and China (see Table III, IV). As each of the Cronbach alpha was greater than 0.70, it suggested that there is a good internal consistency among items within each identified dimension (*Nunnally*, 1978; Toyota, 2007).

■ Table III: Factor loadings for the underlying dimensions in Japan

| No             | Factor 1         | Factor 2        | Factor 3     | Factor 4 |
|----------------|------------------|-----------------|--------------|----------|
|                | Brand Preference | Perceived Value | Satisfaction | Loyalty  |
| 3.             | .723             |                 |              |          |
| 5.             | .663             |                 |              |          |
| 4.             | .521             |                 |              |          |
| 1,             | .380             |                 |              |          |
| 6.             |                  | .831            |              |          |
| 9.             |                  | .744            |              |          |
| 10.            |                  | .547            |              |          |
| 7∙             |                  | .390            |              |          |
| 11.            |                  | .376            |              |          |
| 17.            |                  |                 | .882         |          |
| 14.            |                  |                 | .801         |          |
| 12.            |                  |                 | .765         |          |
| 13.            |                  |                 | .637         |          |
| 22.            |                  |                 |              | .921     |
| 21.            |                  |                 |              | .833     |
| 19.            |                  |                 |              | .720     |
| 25.            |                  |                 |              | .556     |
| 24.            |                  |                 |              | .432     |
| Cronbach alpha | .722             | .783            | .710         | .835     |
| Eigenvalue     | 1.00             | 1.00            | 1.00         | 1.00     |

Notes: Factor loadings less than 0.35 are not shown; the number in this table is equivalent for Table  $\rm I$  .

■ TableIV: Factor loadings for the underlying dimensions in China

| No             | Factor 1         | Factor 2        | Factor 3     | Factor 4 |
|----------------|------------------|-----------------|--------------|----------|
| '              | Brand Preference | Perceived Value | Satisfaction | Loyalty  |
| 5.             | .835             |                 |              |          |
| 1.             | .788             |                 |              |          |
| 2.             | .620             |                 |              |          |
| 10.            |                  | .833            |              |          |
| 11.            |                  | .782            |              |          |
| 9.             |                  | .654            |              |          |
| 7.             |                  | .340            |              |          |
| 17.            |                  |                 | .812         |          |
| 14.            |                  |                 | .787         |          |
| 12.            |                  |                 | .658         |          |
| 15.            |                  |                 | .620         |          |
| 13.            |                  |                 | .547         |          |
| 16.            |                  |                 | .486         |          |
| 25.            |                  |                 |              | .783     |
| 21.            |                  |                 |              | .732     |
| 24.            |                  |                 |              | .710     |
| 23.            |                  |                 |              | .638     |
| 22.            |                  |                 |              | .558     |
| Cronbach alpha | .811             | .783            | .721         | .762     |
| Eigenvalue     | 1.00             | 1.00            | 1.00         | 1.00     |

Notes: Factor loadings less than 0.35 are not shown; the number in this table is equivalent for Table  $\rm I$  .

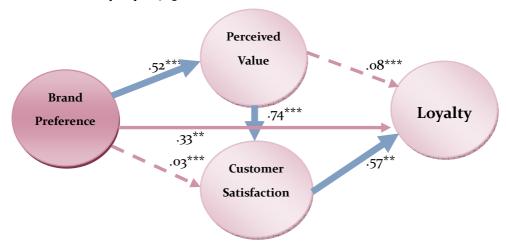
#### 5-2 Assessing reliability and validity of construct

Based on the results of explored factor analysis showed in **Table III**,**IV**, it is value to emphasize that a more rigid procedure was also performed to assess the items of brand preference, perceived value, customer satisfaction and loyalty. However, there is still no enough well-grounded reason to clarify the inter-relationship among those five dimensions in airline industry, as well as not distinguish how Japanses customers and Chinese customers are different. In an effort to achieve strong validity and reliability, Structural Equation Model (SEM) was employed.

According to previous studies, **Model** (a), (b) were constructed that brand preference has both a direct effect and indirect effects through perceived value and satisfaction on loyalty in Japanese respondents and Chinese respondents. The structural models fit the data well and **TableV** presents the detailed results. Japanese Customer Satisfaction Index (JCSI) suggest that there is a strong effect if standardized loading is higher than 0.6 and there is a weak effect if standardized loading is lower than 0.2. However, in this study, the author the standardizations of 0.6 and 0.2 are a little strict to the present study, moreover, standardized

loadings are seldom to exceed o.6 from the experienced quantity analysis. Therefore, this study suggest that the standardized loading which is higher than o.5 means there is a strong effect; the standardized loading which is lower than o.1 means there is a weak effect. Based on this standardization, hypotheses are to be supported or rejected. Nevertheless, it is not as expected, the hypothesized paths between brand preference and customer satisfaction, perceived value and loyalty are not all positive and significant in both Japan and China, thus not supporting all hypotheses and results are showed in **Figure 2** (**Model: (a), (b))** and **Table VI**.

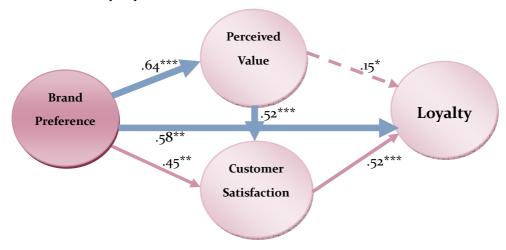
■ Figure 2: Model (a) — The inter-relationship among brand preference, perceived value, satisfaction and loyalty in Japan.



Note 1:  $\lceil *** \rfloor$  means p<.000;  $\lceil ** \rfloor$  means p<.05;  $\lceil * \rfloor$  means p<.1

Note2: standardized loading is lower than 0.2; standardized loadings is higher than 0.2 but lower than 0.5; standardized loading is higher than 0.5

■ Figure 2: Model (b)—The inter-relationship among brand preference, perceived value, satisfaction and loyalty in China.



Note:  $\lceil *** \rfloor$  means p<.000;  $\lceil ** \rfloor$  means p<.05;  $\lceil * \rfloor$  means p<.1

Note2: standardized loading is lower than 0.2; standardized loadings is higher than 0.2 but lower than 0.5;

standardized loading is higher than 0.5

#### ■ Table V: the fitness of model

| Model     | χ²/df | RMSEA | GFI  | AGFI | NFI  |
|-----------|-------|-------|------|------|------|
| Model (a) | 2.247 | .079  | .930 | .901 | .872 |
| Model (b) | 2.496 | .103  | .927 | .883 | .869 |

#### ■ Table VI: detailed results of supporting or rejecting the hypotheses

| Hypotheses                               | Japan   | China   | Support or Reject |
|--|---------|---------|-------------------|
| H1 (a): brand preference→perceived value | 0.52*** | 0.64*** | Support           |
| H1 (b): brand preference→satisfaction    | 0.03*** | 0.45**  | Reject            |
| H1 (c): brand preference→loyalty         | 0.33**  | 0.58**  | Support           |
| H₂ (a): perceived value→satisfaction     | 0.74*** | 0.52*** | Support           |
| H₂(b): perceived value→loyalty           | 0.08*** | 0.15*   | Reject            |
| H3: satisfaction→loyalty                 | 0.57**  | 0.52*** | Support           |

Note:  $\lceil *** \rfloor$  means p<.000;  $\lceil ** \rfloor$  means p<.05;  $\lceil * \rfloor$  means p<.1

## 5-3 The correlation between country (or area) image and airline brand preference

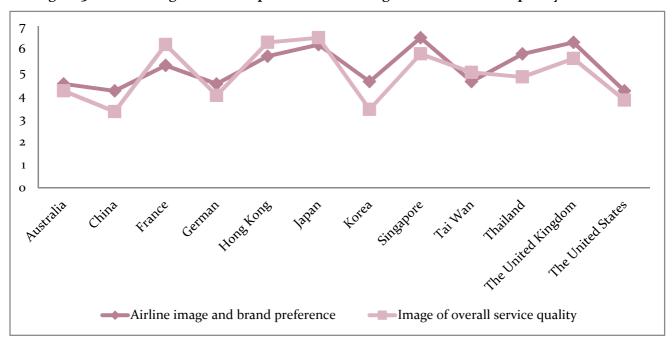
The qualitative research about how country (or area) image effects airline brand preference is practiced by free writing and seven-point Likert-type scale ranging from "I am not like it at all" (1) to "I am very like it" (7). The results are interesting and showed that there is strong relationship between country (or area) image and airline brand preference. As this study explores country (or area) image by asking respondents to write freely what image they hold to the certain country (or area), it is a little hard to find a common view. However, the author collected the answers by the words or short sentence which can most express the characteristic of the country (or area) respondents writing. Collected country (or area) image is showed in Table VII and seven-point Likert-type scale about airline brand preference, as well as the image of overall service quality in the country is showed in Figure 3.

■ Table VII: The results of free writing about country (or area) image or the things thought out

| Country/Area | Image or the things thought out   |
|--------------|---|
| Australia    | Spirited, Freedom, Beautiful landscape and seascape                       |
| China        | Personnel expenses are cheap, Wonderful Foods, Developing country         |
| France       | Romantic, Tourism, Brand products, Wonderful Foods, Living pace is not so |
|              | hurry, leisurely, Historic, Fashion                                       |
| German       | Serious for work, High quality products, Beer                             |
| Hong Kong    | Shopping, Chinese Food, Luxury hotels                                     |
| Japan        | Serious for work, High quality products, Courtesy, Hard working           |
| Korea        | High quality but cheap products, Attractive drama                         |
| Singapore    | Clean, Courtesy, Good service in airline and hotel                        |

| Tai Wan            | Chinese Food, Attractive drama              |  |
|--------------------|---|--|
| Thailand           | Courtesy, Good service, Tourism             |  |
| The United Kingdom | Courtesy, Traditional, Conservative         |  |
| The United States  | Frank and Open, Optimistic, High technology |  |

#### ■ Figure 3: Airline image and brand preference & Image of overall service quality



#### 6. Conclusions and Implications

## 6-1 The different effects of brand preference on perceived value, satisfaction and loyalty in Japan and China

In the present study, airline brand preference in Japan has strong effect on perceived value (0.52) only, whereas, airline brand preference in China has strong effect on both perceived value (0.64) and loyalty (0.58). The most significant difference is that brand preference seems play a more important role in repurchase intention/behavior and recommend intention/behavior in Chinese customers than Japanese customers.

Researchers who are interested in demographic differences among countries may insist that common places in culture and customs are more than different places in Japan and China. It is not only because both Japan and China are all Asian countries, but also because the two countries have influenced each other since the old passed before. However, Japanese customers' decision making process is more complex than Chinese customers. According to short interviews for airline heavy users, it is found that Japanese customers tend to enroll more than one Frequent Flyer Programs (FFPs), on the other hand, most Chinese customers only enroll one FFP and even some of them enroll in none of FFPs. This is because Japanese customers is not so influenced by airline brand as Chinese customers and the switching behavior is more significant in Japanese customers than in Chinese customers. Most Japanese interviewees claimed that they won't re-use the same

airline company unless they are satisfied with their service. Therefore, customer satisfaction in the survey seems have more effect on loyalty. From this point, it can explain why people say "Japanese customers are the strictest customers in the world". For this reason, H<sub>1</sub> (b) is rejected.

Oppositely, perceived value, satisfaction and loyalty are strongly influenced by brand preference in Chinese customers. This is can be explained that Chinese customers tend to use the airline service which has good reputation or sound brand name to avoid or decrease the perceived risk. Another reason may be the average time that Chinese respondents use airline is much lower than Japanese respondents, and it drives the repurchase intention/behavior, as well as recommend intention/behavior more rely on the airline brand name instead of actual service quality, value and satisfaction. This reason makes Japanese customers make the decision of whether they will use the airline again by how they satisfied with the airline service, whereas, Chinese customers make the re-use decision by how sound the name and brand the airline company is.

The effect of perceived value on loyalty is out of expected and the H<sub>2</sub> (b) is rejected because of the low standardized loadings in both Japanese and Chinese customers. It cannot insure that the higher customers perceive the service value, the more likely they use the same airline again. In this point, Japanese customers' behavior is same as Chinese customers.

## 6-2 The inter-relationship between country (or area) image, overall service quality image and airline image, brand preference

Another purpose of this present study is to seek how country image and overall service quality bring influence to the evaluations of airline service and airline brand preference. Some respondents, especially Chinese respondents claimed that they did not find any perfect things when they used Japanese airlines, such as JAL and ANA, however, they acknowledged that the service quality they perceived is higher than other countries' airline company, because they pointed out Japan is the country which have good reputation about its high quality in service.

The countries' image included courtesy, good service and tourism seems have strong relationship with airline image. Furthermore, the countries which are thought to have high overall service quality, for example, Japan, Singapore, The United Kingdom, also have high reputation on their airline service and airline brand. Airline service is classified into Service Factory (*Schmenner*, 1986; *Olorunniwo et al.* 2006) that is the service industry which is thought to have the characteristics of high intangibility and process important service. In other words, the result can mainly be explained by the different service constructs (*Takahashi*, 2010). If customers emphasize how they feel during the service encounter, as happens in the airline and hotel services, customers may tend to evaluate the service quality and form brand preference based on their feelings or attitude.

This is because intangibility in those services is so significant that customers find it difficult to evaluate which service is best. Therefore, customers tend to rely on other things, for instance, country image, company image, WOM in internet, advertisement and so on. All the things customers used to evaluate the service quality and form brand preference can be reached tangibly.

In recent decade, some studies highlight the essential role of country image plays in the perceived quality of products. Some empirical researches have testified that the perceived quality of French wine or Italia wine

is higher than other countries wine, such as Japanese wine, Korean wine and so on. The findings that how important the country image is which still can be applied in this present study. As the feature of intangibility of airline service is so significant, country's overall image tend to be employed as the evidence to evaluate service quality, service value, and then deeply influences customers' brand preference forming. Furthermore, some respondents claimed that they have held an image to the airline before they use it, and Japan, Singapore, Thailand, the United Kingdom are most mentioned as good service countries.

## 6-3 The theoretical implications and managerial implications

Conclusions in the present study for effect of brand preference on perceived value, satisfaction and loyalty in Japanese and Chinese customers, moreover, the inter-relationship between country (or area) image and brand preference lead to the theoretical implications and managerial implications.

Firstly, the present study clarified that there are significant different effect of brand preference in the literature of loyalty research. Prior studies seldom compare different countries' customer behavior and how they evaluate brand and how brand preference is formed among them. This study implies that it is not enough to highlight the people's sex, age, income only, but it is necessary to consider the country differences, as reason of repurchasing may be induced by different things.

Secondly, according to the result of interview, it is can be said that country image greatly influences customers' brand preference in airline industry. This study implies that customers may tend to rely on other sources to deduce their perceived risk as well as form their brand preference when they find the intangibility is so significant.

Thirdly, based on the two theoretical implications mentioned above, managerial implications will be suggested. For Japanese customers, repurchase intention/behavior and recommend intention/behavior which are defined as loyalty in this study are induced by customer satisfaction rather than brand preference; however, for Chinese customers, loyalty to a certain airline service is induced by brand preference rather than satisfaction. It implies that service business managers should practice different strategies to different countries' customers and appeal their service by emphasizing different aspect, for example, promoting their brand celebrity to the customers who make purchase decisions based on brand preference, whereas increasing their service quality to the customers who make purchase decisions depended on whether they are satisfied with former purchase.

Lastly, according to the qualitative research about how countries (or areas) image influence customers' brand preference implies service business managers that customers have formed their brand preference before using service. How brand preference is formed before the process of service encounter can be concluded by several reasons, and one of those reasons is countries (or areas) image. Therefore, it means the service managers who are in the countries that do not have good image about overall service quality and the people do not courtesy, in other words, the countries having low point in service, have to enhance their companies image instead of only emphasizing their service.

#### 7. Limitations

This study explored how brand preference affects on perceived value, satisfaction and loyalty in different countries customers and tried to clarify how country (or area) image influences customers' brand preference. Nevertheless, this study only testified two countries customers—Japan and China which people's life style has many similarities. Therefore, future study should broaden more countries to discuss the brand preference's influence, especially for the countries that have significant differences in culture, such as Japan and the United States. Moreover, although this study showed there is strong relationship between country (or area) image and brand preference by qualitative research, future study still develop the result by empirical method.

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