

CHAPTER 2

LITERATURE REVIEW

2.1 The Contextual Factors

2.1.1 Young-Adults Market

The young adult segment ranging from 18 years old until 24 years old is an important and potential market segment of consumers distinguished by various characteristics that are worth to separate them into one group (Ness *et al.*, 2002). According to the Global Youth Survey (2013) in South East Asia Countries, such as Indonesia, the biggest spending of young adult market basically are on transportation, food, society, clothes, and cellphone bills.

From the data collected from Marketeers magazine (2012), 51.1% young adult majority in Indonesia are more to planned-smart to spend their money before buying a product or service and tend to collect the information as much as possible in order to get the best product in the lowest price, and the 28.3% of this young adult market is more to the shopaholic where these people are easily to spend their money in products that get their attention at first even they actually do not need the product. Additionally, the young adults worldwide provide big opportunities for managers (Martin and Bush, 2000).

Furthermore, the prediction made by Zollo (1999) is related to the splurging of US young adults totaling approximately USD 100 billion a year, and analysts project that this market segment will spend more in comparison to baby boomers by 2010 (Merrill, 1999). Zollo (1999) proposes that the young adults are essentially vital target for managers supported by number of reasons, which are the increasing

influence over family spending, the spending capacity in the future, and the ability to set up new trends. The young adults are more to be involved in the recent and newest trends than any other market segments, and the young adults are influential in mass consumer movements of other segments (Shukla, 2009). In addition to that, one of the advantages of stalking the young adults for managers is that managers can grasp the idea of what is the likely market reaction in the future (Shukla, 2009).

2.1.2 The Importance of Contextual Factors

Contextual factors is the dimensions of an environment, which affect a person's creativity but that are not part of the individual (Shalley *et al.*, 2004). Moreover, knowing and understanding the factors that affect young adults and their specific purchasing patterns have become an important issue for behavioral researchers (Martin and Bush, 2000). The previous studies observe how young adults learn what to consume and what influences them (Keillor *et al.*, 1996; Moschis and Churchill, 1978). In addition, the grounding of these studies is based on social learning theory which posits that consumers' behaviour is influenced by variety of sources, such as family values (Baltas, 1997; Feltham, 1998), financial restraints (Ness *et al.*, 2002; Rowley, 2005; East *et al.*, 1995), peer group influences (Feltham, 1998; Auty, 2001), the self concept (Ness *et al.*, 2002; Auty, 2001), and other social influences (Feltham, 1998; Ness *et al.*, 2002). The primary source of product and usage information for children is the families (Feltham, 1998). Kotler *et al.*, (2009) identified that consumer can gather information from many sources, such as personal sources (family, friends, neighbors, acquaintances), commercial sources (advertising, internet, packaging), public sources (mass media, internet), and experiential sources

(examining, handling, using the product). The young-people become more like their roommates than their parents for their choice of brand in the fourth year away from their parents (Feltham, 1998). Feltham (1998) identified that changing of consumers' lifestyle from child to independent consumer would appear and affecting the brand choice. According to Kotler *et al.*, (2009), lifestyle is the living pattern of a person that express through their activities (work, hobbies, shopping, sports), interests (food, fashion, recreation), and opinions (social issues, business, products).

The other important factors identified by researchers are age, access, gender, lifestyle and purchase frequencies (Jacoby and Chesnut, 1978; Veloutosou *et al.*, 2004). While many research is already conducted regarding the contextual factors and their influences, the current knowledge is inadequate in giving insights about this customer group and their decision making according to Ganesh *et al.* (2000). The research related to brand loyalty (Pollay *et al.*, 1996; Spero and Stone, 2004; Roehm and Roehm, 2004) posits that the young adults are not very loyal, but this research draws much argument and relatively ambiguous. The brand personality becomes essential when those brands only have a few physical difference, and when those brands are consumed in the social setting where the brand can create a visible image about the consumer itself (Lau *et al.*, 2006). Abraham and Littrell (1995) stated that the elements of apparel attributes affecting and influencing the consumer decision making include the characteristics of other shoppers and sales people, the store layout, noises, smells, temperature, shelf space and displays, signs, colors, and the merchandise.

Moreover, the research conducted by Wood (2004) suggests that the findings related to brand loyalty or switching in the context of young adult markets should be approached cautiously as this young adult segment is very dynamic in its nature

while the assumption made would eliminate their complexity in decision making. The perfectionist or quality consciousness can be defined as an awareness and the desire for high quality products, and this type of consumer is related to the notion that the consumers select and examine carefully for the best choice of their preferred products without considering buying the first product or brand available in the market (Sproles and Kendall, 1986).

Furthermore, the observation made by Ness *et al.* (2002) concludes that the young adults have a difficulty to allocate their limited monetary resources, and this problem leads to the reason why the young adults switch between goods with the purpose of saving money. Moreover, the research related to brand loyalty in the tobacco industry made by several researchers shows that the young adults incline to be brand loyal for more than a decade of that brand once addicted (Pierce and Gilpin, 1995; Gilpin *et al.*, 1997). Hence, this young adult segment becomes of important value for managers in terms of what defines the young adult contextual factors (Shukla, 2009).

Necessarily, this research applied necessary modification from the original conceptual framework model taken from Shukla (2009). In order to give a better explanation between the dependent and independent variables of purchase decision towards contextual factors, brand loyalty, and brand switching, the researcher provided the following figure as the original framework applied deliberately in this research:

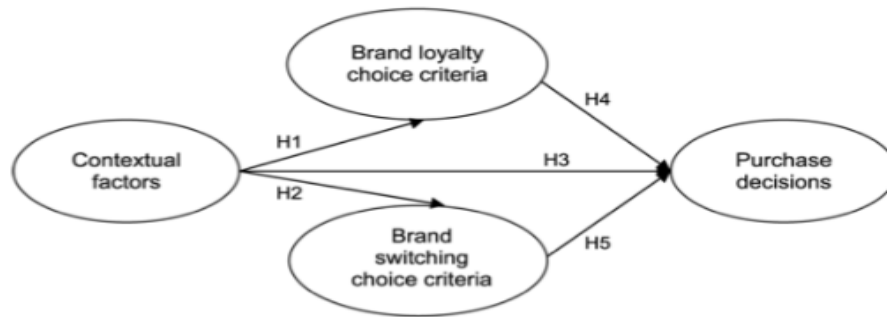


Figure 2.1 The Original Conceptual Framework

Source: Impact of contextual factors, brand loyalty, and brand switching on purchase decision journal article by Shukla (2009)

2.2 Brand Loyalty

The concept of brand loyalty is an important aspect to understand the consumer behavior (Day, 1969; Huang and Yu, 1999; Lee *et al.*, 2001; Wood, 2004; Yim and Kannan, 1999). Moreover, the brand loyalty is defined as a deeply held commitment to re-buy the product or service in the consistent way in the future, in which it leads to re-buy the repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts that can cause switching behavior (Oliver, 1999). As confirmed by Schiffman (2010) who said that brand loyalty is the ultimate desired outcome of consumer learning.

Another definition of loyalty is related to the process of evaluating the switching behaviour of consumers from one brand to another brand or adopting another brand (Hsiu-Yuan and Li-Wei, 2005). The most important thing is the consumer will be more satisfy with their decision that they have made when they buy the product and it can be an extra value added to the consumer loyalty (Estaaah, 2012).

Additionally, it means that the loyal consumer does repurchase only the same brand over time even though there is an alternative to purchase another brand in the market, in which the term loyalty can be measured by the commitments of consumer to repurchase the same brand of product or service over time (Ryan *et al.*, 1999).

The four categories of consumers can be divided related to brand loyalty, which consists of hard-core loyal consumers, brand switchers, new users, and non-users (Evans *et al.*, 1996). Hard-core loyal consumer refers to the consumer who repeatedly purchases a particular brand regardless of the premium price that is charged by that brand (Evans *et al.*, 1996). In addition, this type of loyalty is included in the last stage of purchase, in which consumers do not accept the substitutes if they have already approached the brand (Copeland, 1923). The influences that may occur to the consumers are related to the price variations given to the consumer's favorite brand, in which these influences may only affect the purchase quantity of consumer's favorite brand but not the brand choice decision (Lau *et al.*, 2006).

Moreover, it means that the hard-core loyal consumers stick with the brand rather than switch to another brand. Therefore, the hard-core loyal consumers do not need to be exposed to the frequent advertising or price promotions to remind them about the products or services (Yim and Kannan, 1999).

The next category of consumers according to the brand loyalty is related to the consumers who switch the brand, in which the basic logic underpinning the brand switch is related to the unsatisfied needs. The characteristic of non-users is that the non-users incline not to be loyal to any brand, while the new users are those who are not familiar with any brand at all (Lau *et al.*, 2006).

Additionally, it means that one single brand does not satisfy all the consumer needs, so consumer needs to fulfill the unsatisfied needs by buying other brands (Lau *et al.*, 2006). The definition of brand switchers is that the brand switchers are consumers who use two or more brands when the single brand does not satisfy all their needs (Evans *et al.*, 1996).

The factors influencing consumer's loyalty toward one particular brand are brand name (Aaker, 1996; Cadogan and Foster, 2000; Jacoby and Chestnut, 1978), product quality (Frings, 2005; Garvin, 1998; McCormick and Scorpio, 2000), price (Cadogan and Foster, 2000; Ryan *et al.*, 1999), style (Abraham and Littrell, 1995; May, 1971), store environment (Evans *et al.*, 1996; Milliman, 1982), promotion (Czerniawski and Maloney, 1999; Evans *et al.*, 1996; May, 1971), and service quality (Mittal and Lassar, 1996), in which knowing and understanding those factors are important to create and retain the consumer's brand loyalty (Lau *et al.*, 2006).

The first assessment on the factors influencing consumer's loyalty toward one particular brand is related to the brand name. Moreover, the well known brand can spread the positive impact to consumers related to the benefits of the product, and the well known brand can also lead to the higher recall of an advertised benefit in the consumer's mind than the non-well known brand (Keller *et al.*, 1998). Moreover, the unfamiliar brand and the alternative brand existed in the marketplace lead to the more competition, however, the consumer is likely to trust more on the familiar brand names (Lau *et al.*, 2006).

One of the relationship existed between hard-core loyal customers and the well-known brand is that the hard-core loyal customers prefer to trust their favorite brand names, in which this type of customer also consistently repurchases these brands (Lau *et al.*, 2006). The linkage between brand's emotional and self-expressive

benefits for differentiation is provided by the brand personality (Lau *et al.*, 2006). Furthermore, the brand personality becomes essential when those brands only have a few physical difference, and when those brands are consumed in the social setting where the brand can create a visible image about the consumer itself (Lau *et al.*, 2006).

The second assessment on the factors influencing consumer's loyalty toward one particular brand is related to the product quality. As the name implies, the product quality refers to the repeat purchase of consumers of the single brand or switch to another brand due to the quality of product sold (Lau *et al.*, 2006). The coverage of product quality includes the features and the characteristics of a product or service that is related on its ability to satisfy the stated or implied needs (Yee and Sidek, 2008).

In addition, it means that the product quality is the "fitness for use" or "conformance to requirement" (Russell and Taylor, 2006). One of the many types of consumer related to the product quality is the perfectionist or quality consciousness. Moreover, the perfectionist or quality consciousness can be defined as an awareness and the desire for high quality products, and this type of consumer is related to the notion that the consumers select and examine carefully for the best choice of their preferred products without considering buying the first product or brand available in the market (Sproles and Kendall, 1986).

The third assessment on the factors influencing consumer's loyalty toward one particular brand is related to the price. As the average consumer thinks, the price factor is likely the most important factor for deciding to buy a product or service, in which the price factor is very likely to influence consumer's loyalty toward one particular brand. Moreover, there is a statement positively supporting the arguments

that the price factor is the most important factor that influences consumer's loyalty toward one particular brand, in which the main idea is related to price factor serving as the strongest loyalty catalyst (Ryan *et al.*, 1999). Other researchers argue that the consumer with high brand loyalty attached toward one single brand is less price sensitive toward the brand (Cadogan and Foster, 2000).

Additionally, the following logic holds true stating that the consumer's purchase intention can not be easily influenced by the price factor if the consumer has built strong bonds with the brand, in which the consumer has been loyal toward the brand (Lau *et al.*, 2006). The consumers who have built strong bonds and have been loyal toward their favorite brands are willing to pay for the premium price to obtain their favorite brands (Lau *et al.*, 2006).

Furthermore, the beliefs that have been built between the consumers and their respective brands in terms of the value and price can lead to the consumers comparing and evaluating the price with the other brands available in the market (Evans *et al.*, 1996; Keller, 1998), in which the comparison between the price with the perceived costs and values can also lead to the making of the so called "consumers' satisfaction" (Lau *et al.*, 2006). Moreover, the logical reasoning of consumers purchasing one particular product is if the perceived value of the product exceeds the costs (Lau *et al.*, 2006).

The fourth assessment on the factors influencing consumer's loyalty toward one particular brand is related to the style. Moreover, the term style is related to the visual appearances, which consist of silhouette, line, and details that influence consumer's perception toward brands (Frings, 2005). In addition, the consumers' judgment is related to the consumers' level of fashion consciousness, in that the consumer's judgment is influenced by their identification of what is currently

fashionable (Lau *et al.*, 2006). According to Sproles and Kendall (1986), the term fashion consciousness can be defined as an awareness of new styles, the changing fashions, the attractive styling, and the consumers' desire to buy something new that is exciting and trendy.

The fifth assessment on the factors influencing consumer's loyalty toward one particular brand is related to the store environment. According to Omar (1999), the store environment is the most significant factor affecting the store longevity and retail marketing success. Moreover, the positive attributes of store consisting of store location, store layout, and in-store stimuli are influencing to some degree of brand loyalty (Lau *et al.*, 2006). In addition, the two factors affecting the changing of consumer shopping and purchasing pattern are the store location and the number of outlets (Lau *et al.*, 2006). The logical reasoning related to the consumers becoming loyal toward a certain brand cannot be separated by the store location, in which if consumers are highly reachable to the stores during their shopping trips, and the consumers are satisfied with the store services, the outcome will be the customers becoming loyal afterwards (Evans *et al.*, 1996).

In other words, the environment surrounding the store or the atmosphere surrounding the store becomes the key success factor of the stores appealing and affecting the consumer's decision making (Lau *et al.*, 2006). According to Abraham and Littrell (1995), the elements of apparel attributes affecting and influencing the consumer decision making include the characteristics of other shoppers and sales people, the store layout, noises, smells, temperature, shelf space and displays, signs, colors, and the merchandise. Consequently, the effects of apparel attributes elements will influence consumer's decision making as well as consumer's satisfaction toward the brand (Evans *et al.*, 1996; Greenberg *et al.*, 1983).

In store stimuli which includes all the elements of apparel attributes affects to the extent of how long consumers stay in the store, how many products the consumers come into visual contact with, and what the route consumers take to travel the store (Evans *et al.*, 1996). The musics settled in the store background also play an important role affecting and influencing the consumer's attitudes and behavior (Milliman, 1982).

The sixth assessment on the factors influencing consumer's loyalty toward one particular brand is related to the promotion. According to Rowley (1998), promotion is an essential element of a company's marketing strategy, in which the promotion is included in the part of marketing mix which is related to how companies communicate the product or service attributes, benefits, and values to their respective customers. In addition, promotion consists of advertising, sales promotions, personal selling, and publicity. The advertising which is a type of promotion can significantly influence and affect the consumer's image, beliefs, attitudes, and behavior toward brands, in which the consumer's purchase behavior will also be affected (Evans *et al.*, 1996). One of the advantages of advertisement is related to the establishment of ideas or perceptions into consumer's minds, and the advertisement can also differentiate products against other brands. Thus, it can be concluded that the effective advertising can attract the brand switchers and make existing customers becoming loyal to the brand (Lau *et al.*, 2006).

According to Czerniawski and Maloney (1999), the effective communication to the customer can influence and motivate customers to think about the product as well as motivating consumers to take action to purchase the product being promoted. Therefore, the success of company achieveing the desired level of sales lies in the application of effective promotion strategies conducted by marketer, in which the

effective communication will also lead the brand switchers to be loyal toward the brand (Lau *et al.*, 2006).

The seventh assessment on the factors influencing consumer's loyalty toward one particular brand is related to the service quality. Moreover, the service quality is related to the personal selling, in which the direct interaction between a sales person and potential buyer exists (Lau *et al.*, 2006).

Another definition related to the service quality is that service has to be met with customer's expectations as well as satisfy the customer's needs (Gronroos, 1990). In addition, the sales person builds a relationship and trust with the sales representatives and consumers, in which the relationship and trust are being the factor that will influence the consumer's perception toward the brand or store (Cadogan and Foster, 2000; Leung and To, 2001). Furthermore, the outcome of the relationship built between the sales person and customers is related to the consumers' long term orientation towards the brand or store (Lau *et al.*, 2006).

The loyalty measurement literature depicts an evolutionary progress that begins with the notion of behavioral-based, but now the loyalty measurement includes attitudinal, cognitive, and value based approach (Shukla, 2009). In addition, the operations of loyalty lie in the amount of consumer's purchase on the goods or services, in which the measurement of loyalty can be measured by measuring the consumer purchasing frequency (Lin *et al.*, 2000; Veloutosou *et al.*, 2004).

Furthermore, behavioral approaches measure loyalty in four ways (Shukla, 2009). First, the measures of behavioral approaches are through the actual consumption of the goods or services (Shukla, 2009). The aforementioned approach is usually added with the volume and frequency of purchases over certain period of time (Lin *et al.*, 2000; Veloutosou *et al.*, 2004). Additionally, Ehrenberg (1988)

observed that patterns that show up in the measures could guide marketing practitioners to differentiate between “frequent purchasers” and “heavy purchasers”.

Second, the measures aimed at the proportion of consumption within specified set of other goods and services located within a defined market segment or within a nominated retail location (Driver, 1996; East *et al.*, 1995), in which the brand loyalty concept is in this category measurement (Shukla, 2009). Third, the measures are based on the probability of repeat purchase (Shukla, 2009). Fourth, the measures are taken at the point where customers switch to other brands (Hsiu-Yuan and Li-Wei, 2005).

The measures are used a variety of criteria such as brand familiarity (Dick *et al.*, 1996; Wood, 2004, Feltham, 1998), convenience and usage experience (Rowley, 2005; Lin *et al.*, 2000), social cost, image and self concept (Abendoth, 2001; Auty, 2001), perceived value and satisfaction (Baltas, 1997; Ness *et al.*, 2002; Wood, 2004) among others to measure the brand loyalty construct.

2.3 Brand Switching

Brand switching is a switching process from a routine use of a product or brand to steady usage of a different but similar product (Chaarlas, *et al.*, 2012). The brand switching poses a threat to the sustainability of one single brand especially in the competitive market, in which the multiple brands available in the market in the short period exist due to an increasing pace of technological change (Shocker, Srivastava and Ruekert, 1994). In addition, the catalyst to switch from one brand to another brand is mainly caused by the consumers seeking the functional utility maximization of other brands, in which the psychological aspect of customer-brand identification (CBI) which is related to how consumers perceive and value their

belongings with the brand is noted as the significant factor to restrain the switching behavior to materialize suggested by the recent research studies (Lam, Ahearne, Hu, and Schillewaert, 2010). By impeding the switching behaviour to materialize, the customer's brand loyalty can be enhanced.

The brand loyalty has an impact of the sustainability of the brand for long term period (Howell, 2004), in which brand switching materializes due to the decrease in the brand loyalty and the growing acceptance of other brands, which will increase the willingness to try another brand. Extensive advertising, strict quality controls, and superior extrinsic have led to strong brand images that effect to many consumers' quality reassurances (Richardson *et al.*, 1994). Moreover, Ehrenberg (1988) states that the loyalty does not exist, and the loyalty is not a valid concept. In addition, the brand switching can emerge when there are new product introduction and dissatisfaction of using the usual brand (Lau *et al.*, 2006). Therefore, the consumers are likely to switch to another brand when consumers needs can not be fulfilled by the usual brand that they usually use.

The switching behavior is likely influenced by intrinsic or extrinsic motivations (Shukla, 2009), in which the variation and over choice play a central role in intrinsic motivations, that the results of behavior can be a consequence of either curiosity (Sheth and Raju, 1974) or attribute satiation (Zuckermann, 1979). On the other hand, many brand switches are not caused by the intrinsic motivations, in that the extrinsic motivations do play a role in influencing customers doing brand switch (Van Trijp *et al.*, 1996). Moreover, one of extrinsic motivation factors leading to brand switch is related to the limited financial resources that are usually affected young adults, in which young adults are easily affected by this external factor in purchasing goods or services (Ness *et al.*, 2002; Dick *et al.*, 1996).

The several criteria made by researchers in relation to what affects consumer behaviour are involvement (Baltas, 1997; Shukla, 2004), price, variety and packaging (Ness *et al.*, 2002; Dick *et al.*, 1996; Veloutosou *et al.*, 2004) and dissatisfaction (Abendoth, 2001; Shukla, 2004). According to Kotler *et al.*, (2009), brand switching occur for the sake of variety such as dominating shelf space, keeping shelves availability (fully stocked), and running advertising frequently as the reminder by offering lower prices, special deals, coupons, free samples, and advertising reasons to try new products offered in the market. Prabhand (2013) identified that in-store promotion and quality are some of the important factors that influence the selection of consumer for private label purchasing.

2.4 Purchase decision

The purchase decision basically lies in the intention to purchase, in which the intention to purchase is a kind of decision in relation to why consumer purchases a brand in particular (Shah, *et al.*, 2012). Furthermore, the purchase intention refers to individual's intention to buy specific brand that the individual already chooses after certain evaluation has been made, in which there are variables that can be assessed to measure the purchase intention, which includes the consideration of purchasing a brand and the expectation of purchasing a brand in the future (Laroche and Zhou, 1996; Laroche and Sadokierski, 1994; MacKenzie and Belch, 1986). By matching the message that will deliver to the customer with the consumer motivation (promotion & prevention), the target consumer will like and trust more to that particular brand (Estaaah, 2012). Product quality's coverage includes the features and the characteristics of a product or service that is related on its ability to satisfy the stated or implied needs (Yee and Sidek, 2008).

In addition, the constructs related to the consideration of purchasing a brand and anticipating to purchase a brand are linked to the intentions of purchasing (Porter, 1974). When the consumer looks forward intending to purchase a specific brand, the consumer needs to assess all the available brands in the market (Teng, Laroche and Huihuang, 2007). The approaches toward a specific brand have an influence on brand purchase intentions (Brown and Stayman, 1992; Homer, 1990; MacKenzie, 1986), in which the brand attitude has positive correlations with purchase intentions. Kotler *et al.*, (2009) identified that one of the ways for the consumer can gather information from many sources is experiential sources (examining, handling, using the product). Moreover, the settlement of attitude toward the same and other brands, which emerge in the consumer's consideration set influences consumer's intention (Laroche and Sadokierski, 1994; Laroche and Zhou, 1996). Moreover, Schoen Bachler (2004) explains a type of loyal customer, in which the purchase decision made by customer is insensitive to the pricing and the customer in this type shows its loyalty by giving recommendations to company and even investing their money which show their extreme trust in the brand (Shah *et al.*, 2012). Purchasing a brand of a product, it is more likely when consumer confident that they obtain satisfactory performance (Feltham, 1998). The promising of good quality with reasonable price leads to the impression of a "smart-buy" that may be a motivation for an individuals (Baltas, 1997).

One of the factors influencing consumer's loyalty toward one particular brand is the brand name (Aaker, 1996; Cadogan and Foster, 2000; Jacoby and Chestnut, 1978). Unfamiliar brand and the alternative brand existed in the marketplace lead to the more competition, however, the consumer is likely to trust more on the familiar brand names (Lau *et al.*, 2006). Porter (1974) also notes that the customer buying

behaviour is positively linked to the degree of competition that exists in the industry. In relation to the purchasing behavior in China, Wang (2004) states that people in China who can afford the expensive imported branded items of clothing become receptive in large number of fashionable styles internationally, in which these people also have a high demand on the imported brand products due to the variations of consumer behaviour and the increasing purchasing power. In addition, the image attached to the brand as prestigious is one of the key factors leading to consumers purchasing the brand (Aaker, 1996).

Griffin (1997) described the loyalty and purchase cycle by presenting the repurchase loop. Moreover, the basic idea is that the loyalty does not exist without repeat patronage (Shukla, 2009), and when consumers purchase a product that consumers are not loyal to, consumers are likely buying different brand of that product (Shukla, 2009). In addition, consumers who loyal to one brand incline to repurchase the same brand, in that consumers do have strong bonds with that brand as long as this bond also does not affected by switching factors (Dick and Basu, 1994; Bolton *et al.*, 2000). On the other hand, Ehrenberg (1988) posits that loyalty and switching factors do not affect purchase decision instead it only depends on consumer characteristics. Moreover, Johnson (1984) describes that the decrease in brand loyalty as a myth. To summarize, there are obvious contradictions among researchers regarding the impact of behavioral intentions and purchase decision, in which this research aims to observe the effects of contextual factors, brand loyalty, and brand switching towards consumer's purchase decision (Shukla, 2009). Sproles and Kendall (1986) described that the term fashion consciousness can be defined as an awareness of new styles, the changing fashions, the attractive styling, and the consumers' desire to buy something new that is exciting and trendy. Convenience

products are the products and services of consumer that the customer usually buys frequently, immediately, and with the minimum comparison and buying effort, such as fast food, candy, mineral water, newspapers (Kotler, 2012).