

The Impact of Brand Image, Customer Loyalty with Customer Satisfaction as A Mediator in Mcdonald's

Fransisca Andreani, Tan Lucy Taniaji and Ruth Natalia Made Puspitasari

Faculty of Economics, Petra Christian University

Jl. Siwalankerto 121-131 Surabaya 60236

Email: andrea@peter.petra.ac.id

Abstract

The objective of this paper is to examine the impact of McDonald's brand image towards customer loyalty with customer satisfaction as a mediator by using descriptive and Partial Least Square (PLS) analyses. The results show that three hypotheses are accepted which mean that there is a positive impact of strength of brand association towards customer loyalty, there is a positive impact of strength of brand association towards customer satisfaction, and there is a positive impact of customer satisfaction towards customer loyalty.

Keywords: Brand Image, Customer Loyalty, Customer Satisfaction

Abstrak

Tujuan dari penelitian ini adalah untuk menjelaskan dampak brand image dari perusahaan McDonald's terhadap loyalitas konsumen, dengan kepuasan konsumen sebagai variabel mediator yang dianalisa dengan menggunakan statistik deskriptif dan Partial Least Square (PLS). Hasil penelitian ini menunjukkan adanya dampak positif dari kekuatan brand association terhadap loyalitas konsumen, adanya dampak positif dari kekuatan brand association terhadap kepuasan konsumen, dan adanya dampak positif dari kepuasan konsumen terhadap loyalitas konsumen.

Kata Kunci: Brand Image, Loyalitas Konsumen, Kepuasan Konsumen

INTRODUCTION

McDonald's is one of the biggest fast food restaurants in the world. Its position as a fast food restaurant is very strong as there are a lot of McDonald's outlets spread all over the world. In Indonesia, McDonald's has been able to win the competition from its rival, Burger King and made Burger King close its restaurants (Tangkudung, 2002).

The success of McDonald's is also driven by its strategy to maintain its brand image. According to Sari (2005), one strategy to use is by utilizing its operations, managing policies as well as human resources to support its long term goals. In addition to this, Jacob & Nicholas (2009) also stated that competitive strategy includes cost or price, quality, delivery speed, delivery reliability, copying with changing demand, flexibility and new product introduction speed and other product supports. There are a lot of ways to make customer satisfied and become loyal. One way is by building positive brand image (Randal, 2001). Creating strong and positive brand can make cus-

tomers feel and think that the product or service offered is better than its competitors. So restaurant owners always try to create positive brand image in their customers' mind.

Sondoh *et al.* (2007) has studied about the effect of brand image on overall satisfaction and loyalty intention in the context of color cosmetic by distributing questionnaires to 97 female respondents in Malaysia. They used customer satisfaction as a mediating variable. It is found that positive brand image could influence customer loyalty so that they would repurchase more product or service and recommend others to buy as much as 41.8%. This study also shows that there was positive relationship between brand image and customer loyalty as much as 35.8%. In addition, customer satisfaction could also lead to customer loyalty as much as 21.1%.

Another research was done by Kim & Kim (2004) to find out brand equity of fast food restaurants in Korea. They distributed 394 questionnaires using seven fast food brands like McDonald's, Burger King, Hardee's, Jakob's, KFC, Lotteria, and Popeyes.

It shows that McDonald's got the highest brand equity (17.78%), followed by KFC (16.8%), Burger King (16.16%), Lotteria (16.04%), Popeyes (15.07%), Jakob's (13.03%) and finally Hardee's (12.79%).

Furthermore, Wijaya (2005) studied about selecting fast food restaurants in Surabaya by distributing 12,000 questionnaires. The study revealed that the rank of the most visited restaurants were McDonald's (50.3%), followed by KFC (26.5%), and Pizza Hut (15.3%). Whereas the rest, like A&W, Texas Fried Chicken, Wendy's, and Popeye were only visited by 2%.

We conducted a preliminary survey of 36 respondents regarding McDonald's brand image in Surabaya. The results showed that McDonald's brand image was good. This is evident from the respondents who said very good as much as 64% and the percentage of respondents who said neutral to very bad as much as 36%. Based on the results above, we are interested in analyzing the influence of brand association as an element of a good brand image which affects customer loyalty in McDonald's Surabaya with satisfaction as mediator.

LITERATURE REVIEW

According to Cannon *et al.* (2008), a brand name is a word, letter, or a group of words or letters. Branding is used to identify the product or service offered and differentiate it with its competitors. In addition, Hsieh and Lindridge stated that brand image is the perception of a brand through brand association in the minds of customers (in Sondoh *et al.*, 2007). So, it can be concluded that brand image is a set of brand associations formed and attached to the minds of customers. Customers who are accustomed to using certain brands tend to have the consistency of brand image.

Brand image can be measured from the physical appearance of a product or service. This physical appearance can lead to the high-low perception in the customers' mind (Martinez, 2002). Furthermore, Keller (2009) suggests *Multi Dimensional Scalling* (MDS) approach to measure brand image. This includes the whole elements of brand image, such as favorability of brand association, strength of brand association, and uniqueness of brand association.

Grewal & Levy (2010) state that brand associations reflect the mental links that customers make between a brand and its key product attributes, such as a logo, slogan or famous personality. These brand associations often result from a firm's advertising and promotional efforts. For instance, Toyota's hybrid car, the Prius, is known for being economical, a good

value and stylishly good for the environment. BMW and Audi are associated with performance.

As mentioned earlier, factors of brand image in relation with brand association are the favourability of brand association, strength of brand association, and uniqueness of brand association. Important elements in the favourability of brand association are the ease of brand to say, the ability to keep the brand in the customers' mind, as well as the fit between the brand impression in the customers' mind with the desired corporate image of the brand. While important elements of strength include the physical appearance of products, functional facilities of products, product pricing, support facilities and appearance of products. The elements of uniqueness include variation of service provided, the variation of the price, as well as differentiation of the physical appearance of a product (Kotler, 2005).

In addition, Davies *et al.* (2003) say that the strong brand image will make customer satisfied. Brand image has something to do with product appearance so when customers are satisfied with it they will become loyal to the brand even though they have other optional brands (in Vinhas & Faridah, 2008).

Earls *et al.* (2004) also say that strong brand image can make customers loyal. But whenever customers' needs change and the brand cannot respond these changing needs, according to Steel (2004), customers will tend to switch another brand (in Miller & Muir, 2004). Building a positive brand image can influence repeat purchase because a strong brand image can lead to customer loyalty. Furthermore, Schultz (2005) states that customers who are loyal to certain brand will recommend it to other people and not easily influenced by competitors to make purchases (in Sondoh *et al.*, 2007).

Based on the framework above, there is a relation between brand image with customer loyalty. According to Earls *et al.* (1998), a strong brand image will make customer loyalty stronger (in Miller & Muir, 2004). Kotler (2005) and Keller (2003) also say that there are three factors forming brand image associated with brand association: favourability of brand association, strength of brand association, and uniqueness of brand association. Thus the hypotheses can be formed are as follows:

- H₁:** There is an influence of favourability of brand association on customer loyalty.
- H₂:** There is an influence of strength of brand association on customer loyalty.
- H₃:** There is an influence of uniqueness of brand association on customer loyalty.

Conceptual Framework and Hypotheses

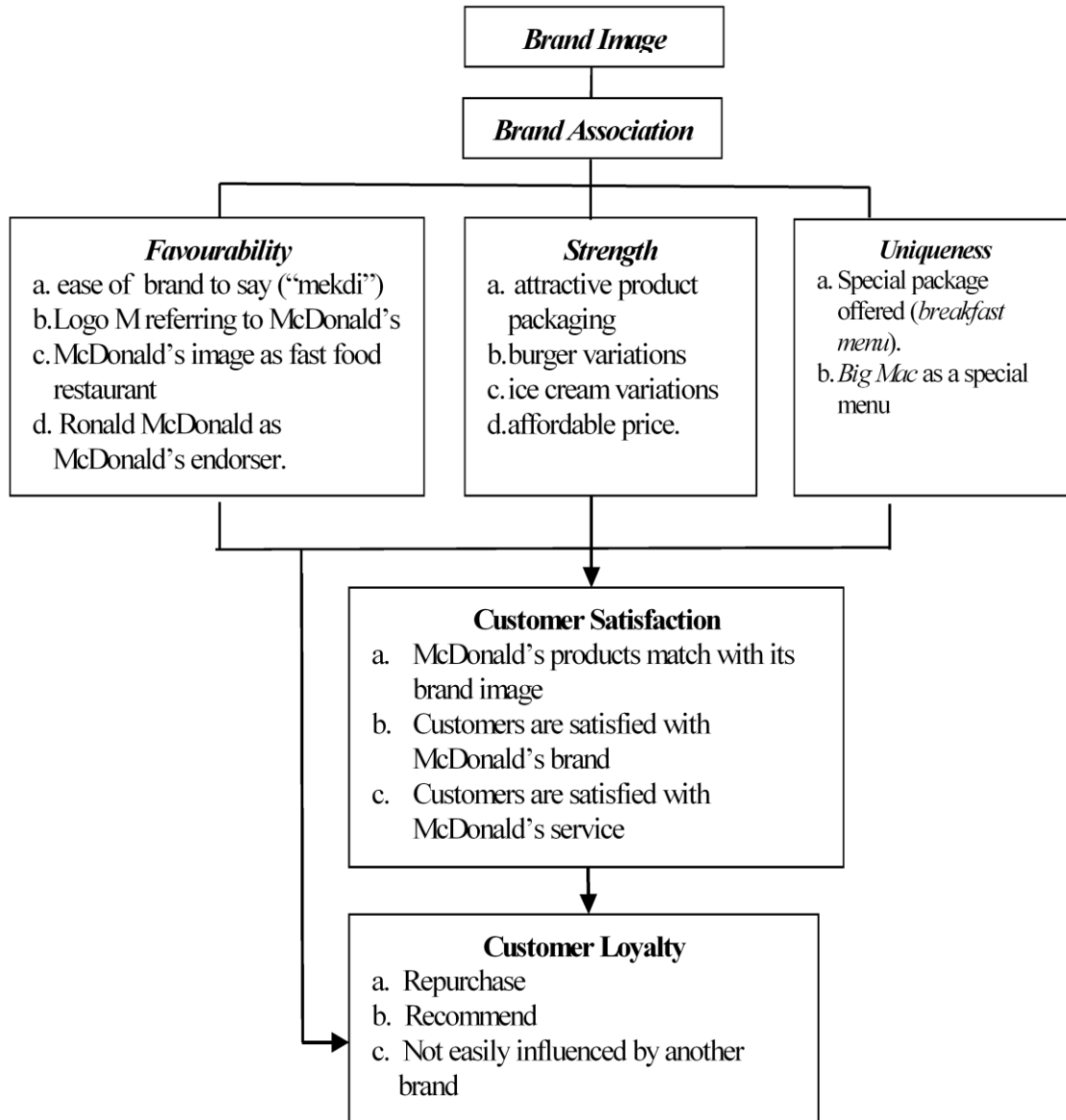


Figure1. Conceptual Framework

Then according to Davies *et al.* (2003), the strong brand image will make customer satisfied. Brand image has something to do with product appearance so when customers are satisfied with it they will become loyal to the brand even though they have other optional brands (in Vinhas & Faridah, 2008). Thus the next hypotheses are as follows:

- H₄:** There is an influence of favorability of brand association on customer satisfaction.
- H₅:** There is an influence of strength of brand association on customer satisfaction.
- H₆:** There is an influence of uniqueness of brand association on customer satisfaction.

Furthermore, customer satisfaction positively affects customer loyalty (in Sondoh *et al.*, 2007), thus the final hypothesis is as follows:

- H₇:** There is an influence of customer satisfaction on customer loyalty.

RESEARCH METHODOLOGY

Type of Research, Population, and Sampling Design

This research is a causal quantitative to draw conclusions by using hypotheses testing. This research

will explore among brand image impact towards customer loyalty with customer satisfaction as a mediator or mediating variable. The population in this research is all costumers who know and consume the product and service of McDonald's aged 17 years to 53 years old considering their behavior and state of mind. A non-probability sampling is used due to infinite population.

Type and Source of data

The primary data in this research are data collected from questionnaires. The secondary data are taken from literature, journal, magazine, articles, and internet (Azwar, 2005).

Data Collecting Procedures and Method

1. Library Research

The collection of data is derived from a list of researchs in making the foundation of an existing theory.

2. Field Research

A preliminary survey was conducted on October 11, 2011 by providing open-ended questions to 36 respondents deployed through the Blackberry Messenger (BBM). We used a structured questionnaire method, with a closed question type (structured) by using a *Likert* scale. Although the minimum number of samples should be 96, the writers distributed 110 questionnaires on October 27–31, 2011 on Thursday, Friday, Saturday, Sunday, and Monday. Only 100 questionnaires are valid.

Operational Definition of Variables

There are three kinds of operational variables used in this model, which are independent variables, a dependent variable, and a mediating variable. The independent variables are favourable of brand association, strength of brand association, and uniqueness of brand association. While the dependent variable is customer loyalty, and customer satisfaction is as an mediating variable.

Data Analysis Technique

1. Validity and Reliability Testing

Statistical Packet for Social Science (SPSS) program is used to measure the questionnaires' validity and reliability. Validity is to test whether the measurement suitable with what to measure. Ac-

cording to Hatane (2006), a measurement is said to be valid when the value of $r > 0.30$. Whereas, reliability test is the extent to which the results of testing is reliable. It is said to be reliable when the value of *Cronbach Alpha* is ≥ 0.6 (Sarwono & Martodiredjo, 2008).

2. Descriptive Data Analysis

It is used to describe data characteristics in both texts and diagrams. The descriptive statistics can also be done to find the strength of the relationships among variables.

3. Top Two Boxes and Bottom Two Boxes Analysis

The analyses of Top Two Boxes and Bottom Two Boxes are methods that combine the percentage of respondents in a *Likert* scale. It is used to determine the ratio between the number of bottom option (score 1 and 2) – the scale of strongly disagree and disagree with the top option (score of 4 and 5) – the scale of agree and strongly agree.

4. Partial Least Square (PLS)

According to Hatane (2011), PLS is a suitable approach to predict something, especially for a condition in which an indicator is formative or reflective. PLS can be applied on all data scales and doesn't need a lot of assumptions. In addition, the needed samples don't have to be big. The data analysis can be done using software Smart Partial Least Square (PLS).

RESULTS AND DISCUSSIONS

Respondent's Profile Description

There are 100 respondents who participate in this research. Most of them are females (54 respondents), aged between 17–25 years old (69 respondents), students (66 respondents), coming at McDonlad's usually accompanied with friends (51 respondents). Most of them spent less than Rp100.000,00 (77 respondents).

Validity and Reliability Testing

This research used SPSS program to measure the questionnaires' validity and reliability. The results show that corrected item total correlation of all questions are more than or equal 0.300. This means that all item are valid. In addition, a *Cronbach Alpha* is used to check its reliability. All the questions in the questionnaire are reliable and could be used for further research as their values are ≥ 0.6 .

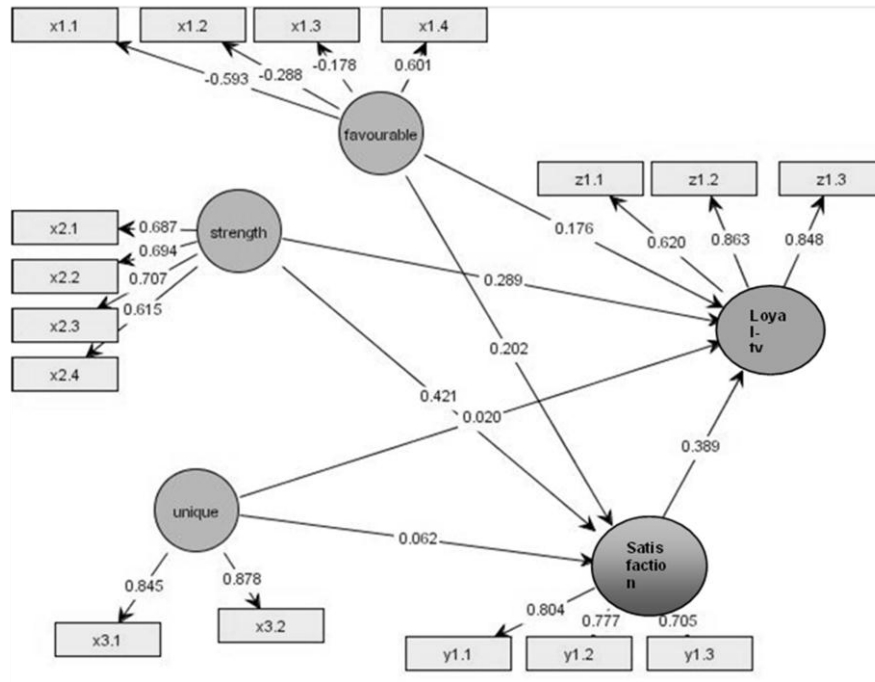


Figure 3. PLS Model

Research Description

Descriptive statistics are used to analyze statistical data to describe or illustrate how the data were collected. It is also to find strong relationships through a comparative analysis by using mean. So, it can be concluded that the majority of respondents considering McDonald's is more common to be called "McD" (read: Mekdi). They disagree that the purchase at McDonald's is done just to buy a product because it has a various packaging.

This research used the two boxes approaches. The bottom two boxes approach accumulates two bottom answers in 5-point scale, they were strongly disagree = 1 and disagree = 2. On the contrary, top two boxes approach accumulates the two top answers in 5-point scale, they were agree = 4 and strongly agree = 5.

Tabel 1. Top Two Boxes of Customer Satisfaction

Indicators	Top Two Boxes (%)	Neutral (%)	Bottom Two Boxes (%)
McDonald's products match with its brand image	80	19	1
Customers are satisfied with McDonald's brand	81	18	1
Customers are satisfied with McDonald's service	78	20	2

Tabel 2. Top Two Boxes of Customer Loyalty

Indicators	Top Two Boxes (%)	Neutral (%)	Bottom Two Boxes (%)
Repurchase	79	20	1
Recommend	58	35	7
Not easily influenced by another brand	39	39	22

The results of Top and Bottom Two Boxes analyses show that the majority of the customers are satisfied with brand image of McDonald's (Table 1) and those who are loyal with the brand will continue to purchase at McDonald's (Table 2). The PLS model of the research and PLS coefficients are as follows (Figure 3)

Goodness of Fit Model PLS is measured using the Q square (Q²); Q Square for the structural model is to measure how well the observations generated by the model and to estimate its parameters. If the value of Q² > 0, it indicates that the model has predictive relevance; conversely, if the value of Q² < 0, it indicates that the model is lack of predictive relevance.

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)$$

$$Q^2 = 1 - (1 - 0.258)(1 - 0.439)$$

$$Q^2 = 0.584.$$

This means that the ability of the Partial Least Model to illustrate the model is 58.4%. In other words, only 41.6% from other factors which are not

Table 3. Path Coefficients of Partial Least Square (PLS)

	Original Sample Estimate	Mean of Subsamples	Std. Deviation	<i>T</i> _{Statistic}	<i>P</i> _{value}	Significance
Favourability → Satisfaction	0.202	-0.030	0.262	0.772	0.44047915	Not Significant
Strength → Satisfaction	0.421	0.430	0.088	4.807	0.00000200	Significant
Uniqueness → Satisfaction	0.062	0.048	0.138	0.450	0.65290547	Not Significant
Favourability → Loyalty	0.176	0.003	0.230	0.765	0.44463246	Not Significant
Strength → Loyalty	0.289	0.306	0.086	3.366	0.00082137	Significant
Uniqueness → Loyalty	0.020	-0.007	0.125	0.159	0.87373308	Not Significant
Satisfaction → Loyalty	0.389	0.393	0.085	4.570	0.00000600	Significant

Table 4. R-Square

Variable	R-square
Favourability of Brand Association	-
Strength of Brand Association	-
Uniqueness of Brand Association	-
Satisfaction	0.258
Loyalty	0.439

Table 5. Hypotheses Testing

Hypothesis	Statement	<i>t</i> _{statistic} value	<i>P</i> _{value}	Remarks
<i>H</i> ₁	There is a positive influence favourability of brand association with customer loyalty.	0.765	0.44463246	Rejected
<i>H</i> ₂	There is a positive influence strength of brand association with customer loyalty.	3.366	0.00082137	Accepted
<i>H</i> ₃	There is a positive influence uniqueness of brand association with customer loyalty.	0.159	0.87373308	Rejected
<i>H</i> ₄	There is a positive influence favourability of brand association with customer satisfaction.	0.772	0.44047915	Rejected
<i>H</i> ₅	There is a positive influence strength of brand association with customer satisfaction.	4.807	0.00000200	Accepted
<i>H</i> ₆	There is positive influence uniqueness of brand association with customer satisfaction.	0.450	0.65290547	Rejected
<i>H</i> ₇	There is positive influence customer satisfaction with customer loyalty.	4.570	0.00000600	Accepted



Figure 4. Significant Hypothesis

observable to describe this effect. As a conclusion, the model can be used appropriately.

From Table 3 and 5, favourability of brand association has no significant effect on customer loyalty. This means that the hypothesis of *H*₁ is not acceptable. Eventhough customers are able to distinguish McDonald’s brand with other brands by its ease to say, acknowledging the logo and the like; it gives no influence for them to be loyal.

Compared to the previous factor, strength of brand association has more significant positive effect

on customer loyalty, so that hypothesis of *H*₂ is accepted. Costumers are loyal because they are like McDonald’s attractive product packaging, burger and ice cream variations, as well as its affordable prices. This is in line with Sondoh *et al.* (2007) which say that a positive brand image can influence on customer loyalty.

Uniqueness of brand association does not have a significant positive influence on customer loyalty, so that hypothesis of *H*₃ is not acceptable. It suggests that McDonald’s is able to communicate the uniqueness of

the brand to its customers properly by offering special breakfast menu and Big Mac burger. Nevertheless, the uniqueness of brand association has not been able to give an effect to customer loyalty.

Favorability of brand association appears to have no significant influence on customer satisfaction. Thus, hypothesis of H_4 can not be accepted. As previously explained that customer perception of these elements has been very good, but they do not satisfy the customers.

The strength of brand association has a significant positive influence on customer satisfaction. Thus, hypothesis of H_5 can be accepted. McDonald's product appearance has been able to satisfy its customers, and this is in line with Davies *et al.* (2003) who says that there strong brand image will make customer satisfied (in Vinhas & Faridah, 2008).

Uniqueness of brand association has no significant influence on customer satisfaction as illustrated in the table 3. The indicators of uniqueness of brand association show no significant effect on customer loyalty, and also have no effect on customer satisfaction. Thus, hypothesis of H_6 cannot be accepted. McDonald's special products like breakfast menu and Big Mac haven't been able to satisfy its customers.

As customer satisfaction has a positive effect on customer loyalty, the hypothesis of H_7 can be accepted. McDonald's customers who are loyal will tend to repurchase, recommend the product to others by words of mouth and loyal to its brand. This is consistent with Mittal & Kamakura (2001) which state that there is a positive relationship between customer satisfaction with customer loyalty (in Rita *et al.*, 2008). From hypothesis testing, it can be obtained the results as follows (Figure 4).

Table 3 shows that there is a positive significant influence from strength of brand association on customer loyalty by 0.00082137. In addition, there are indirect significant influence on the strength of brand association on customer satisfaction by 0.0000020, and customer satisfaction on customer loyalty by 0.000006. Thus, the influence of the total strength of brand association on customer loyalty can be determined as follows:

$$\begin{aligned} \text{The Direct Effect} &= 0.289 \\ \text{The Indirect Effect} &= \frac{0.164}{(0.421 \times 0.389)} + \\ \text{Total Effect} &= 0.453 \end{aligned}$$

With customer satisfaction as a mediating variable between the strength of brand association and customer loyalty, it can be seen that the strength of brand association has a positive effect on customer loyalty by 0.164.

CONCLUSIONS AND RECOMMENDATIONS

Among seven hypotheses, only three of them are accepted. They are H_2 (There is a positive influence strength of brand association with customer loyalty), H_5 (There is a positive influence strength of brand association with customer satisfaction.) and H_7 (There is positive influence customer satisfaction with customer loyalty).

Whereas the other four are rejected, which are: H_1 (There is a positive influence favourability of brand association with customer loyalty), H_3 (There is a positive influence uniqueness of brand association with customer loyalty), H_4 (There is a positive influence favourability of brand association with customer satisfaction), and H_6 (There is positive influence uniqueness of brand association with customer satisfaction)

The impact of McDonald's brand image to its customer loyalty with customer satisfaction as a mediator is only 58.4%. The rest of 41.6% is influenced by other factors which are not studied in this research.

Recommendations

1. McDonald's should pay more attention to customers' perceived value as they would like to get affordable price, fast service for the product they buy. To attract more customers, McDonald's can promote its new product by offering some gifts.
2. As the strength of brand association influence more on customer satisfaction, it is recommended for McDonald's to offer more product packages at affordable and economical prices.
3. From the research, the majority of customers are young people aged 17–25 years. It is advisable to add more product variations, like salads and healthy sandwich to attract older people who become aware of consuming healthy food.
4. For further research, it is recommended to be more critical in selecting factors that might affect customer satisfaction and loyalty as the research could only contribute 58,4%. Different sampling techniques might be used to emphasize its accuracy and validity.

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