

Brand Innovation, Brand Trust, and Brand Loyalty of E-Marketplace in Thailand

Anon Khamwon¹, Pran Pattanajak^{1*}

¹ Faculty Of Business Administration and Accountancy, Khon Kaen University, Thailand

*Corresponding Author: pran_pattanajak@kkumail.com

Accepted: 15 August 2021 | Published: 1 September 2021

Abstract: *The aim of this study is to investigate the interrelationship among brand innovation, brand trust, and brand loyalty of E-Marketplace. A quantitative research method was used and primary data was gathered by online questionnaire from 400 samples in Thailand. Then, obtained data were analyzed by using Structural Equation Modeling (SEM). The result showed that brand innovation elicited higher brand trust which, in turn, mediate the effect of brand innovation on brand loyalty.*

Keywords: Brand innovation, Brand trust, Brand loyalty, E-marketplace

1. Introduction

Today, the world has stepped into the digital era where the Internet has provided convenience and efficiency for consumers in all aspects, resulting in consumer behavior transformation over the past decade. It can be recognized that in the past consumers relied heavily on in-store services. In contrast to this era of digitalization, the online store became a pivotal channel for businesses and markets to reach customers' desires and demands. To support this evidence, the survey of Electronic Transactions Development Agency (ETDA) (2020) clearly showed that the share of consumer spending online massively increased from 2.03 trillion baht in 2014 to 3.76 trillion baht in 2018 (Ministry of Digital for Economic and Social, 2019). This phenomenon creates the opportunity for the company to reach more consumers in this era of infinite digital information.

Moreover, the epidemic of COVID-19 has dramatically changed consumer's buying behavior. According to the previous study conducted by Pasquali (2020) the researcher examined the preliminary online shopping situation in Europe and America during the COVID-19 pandemic. The results showed that the volume of online purchase transactions has significantly increased by 30-40 percent. In the same vein, online shopping has noticeably increased among Thai consumers during this Covid-19 outbreak. According to the ETDA survey, study demonstrated that 35 percent of Thai consumers purchase food and beverages online, especially Gen Y (19-38 years old) and Gen Z (under 19 years old).

In the future, it can be expected that the growth of online shopping will continue to grow exponentially, even if the COVID-19 pandemic is ending. According to the survey of E-marketplace platforms in Thailand, it can be seen that Shopee and Lazada were leading

E-commerce platforms ranked in first and second place, respectively (Sasakul, 2020). The results also highlighted the importance of being a market leader by enhancing awareness of brand management as a major instrument for achieving competitive strengths in the market.

Pushing the frontiers of E-commerce apparently results in an effort to brand quality, credibility, ease of use, after-sales service, etc. However, the focal area that made Lazada and Shopee stand out from the others is brand innovation. Brand innovation is an important factor that enhances brand trust and brand loyalty leading to repurchase intention. The previous research by Gözükarar & Çolakoglu (2016) showed the relationship between brand innovation, brand trust, and brand loyalty in the group of Gen Y consumers. The findings clearly illustrated that brand innovation plays a key role in developing brand trust which significantly influences brand loyalty. However, researchers have devoted less attention to the importance of brand innovation, brand trust, and brand loyalty in Thailand. Therefore, this study aims to explore the extensibility of the existing framework in brand innovation and more overwhelmingly focus on e-marketplace in Thailand. In this context, this paper offers a substantial contribution to academicians and practitioners of marketing by exploring marketing planning and strategies for e-commerce companies.

2. Literature Review

Brand Innovation

Weeramethekul (2019) noted that innovation refers to the use of knowledge or creativity to differentiate products, services, or processes within the organization, and to develop to be more efficient by presenting new things to society or target customers. However, innovation must create benefits and added value for customers, society, and the economy. Innovation is a remarkable practice that changed from the original. It can be the invention of a new method or the improvement of the old products, which have been tried and developed to be reliable and effective in practice and enable the system to reach its destination efficiently (Siriwong, 2017). Brand innovation is the ability to recognize and present the usefulness of new things and respond to the needs of consumers (Huaman-Ramirez et al., 2019). Innovation is a key factor in developing a strong brand and creating a good image among their customers. Therefore, innovations introduced by the global brand are relevant to its success in the long term. Innovation is generally related to improving product quality by promoting brand image and customer loyalty. It is also debated whether global brand innovation drives consumer motivation and encourages buying attitudes and behaviors (Gözükarar & Çolakoglu, 2019).

Brand Trust

Brand trust is the expectation of consumers relying on the brand's ability to perform the functions that they have described (Chauduri & Holbrook, 2001). The key elements of trust are expectation, confidence, enthusiasm, risks, and uncertainties (Grabner-Kräuter & Kaluscha, 2003). Brand trust is a result of customer experience (Morgan & Hunt, 1994) when they believe that the brand is honest and trustworthy based on their experience (Bianchi et al., 2012). It reduces unnecessary behavior and costs in collaboration and networking processes (Kim et al., 2008). Furthermore, brand trust is a key factor in the development of demands and long-term relationship between customer and brand (Morgan & Hunt, 1994). In this stage, brand confidence is formed when customers increase their trust and confidence in the quality of the product and brand services that take effect since customers experience the product until after the purchase is complete. In brief, brand trust is derived from the credibility and integrity that a brand offers to customers through their experiences with the brand (Bianchi et al., 2012), ultimately resulting in brand loyalty (Liu et al., 2011).

Brand Loyalty

Khamwon and Kamkliang (2018) argued that brand loyalty is something that holds consumers with a brand which they are satisfied, causing repurchases and support of the same brand's

products or services in the future. A study by Drennan (2015) shed more light on the importance of attitudes and behaviors. The definition of brand loyalty refers to the way that a company secures consumer satisfaction with a brand or service. It can be seen that brand loyalty behavior is associated with repurchases without hesitation. The attitude towards brand loyalty is related to maintaining the credibility of the brand that is given to the customer. Brand loyalty acts as an important indicator of the success of a marketing strategy (Reichheld et al., 2000). Marketing factors or situational factors can lead to changes in customer behavior, however, loyal customers will be more committed to buying the original brand. Creating valuable relationships between both parties will help increase brand loyalty (Morgan & Hunt, 1994).

Research Conceptual Framework

How does brand innovation connect to brand trust and brand loyalty? The purposes of the research are as follow:

- 1) To investigate the relationship between brand innovation and brand trust.
- 2) To investigate the relationship between brand trust and brand loyalty.
- 3) To investigate the relationship between brand innovation and brand loyalty.

The study leads to the following research hypotheses:

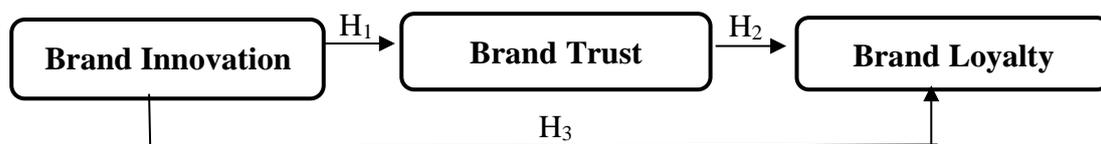


Figure 1: A Conceptual Framework and Hypotheses

There are three research hypotheses, including H₁: There will be a positive relationship between brand innovation and brand trust, H₂: There will be a positive relationship between brand trust and brand loyalty; and H₃: There will be a positive relationship between brand innovation and brand loyalty.

3. Research Methodology

This study was carried out on two e-commerce platforms including Shopee Online Thailand Club and Lazada Online Shop which ranked first and second place in the electronic market on App Store and Play Store. A survey was conducted using online questionnaires. A total of 400 completed questionnaires were collected by the judgment sampling method. The sample is the customers who lived in Thailand and used to buy products or services through E-marketplace for three months or less.

The questionnaire is divided into five parts including: 1) general information; 2) screening questions; 3) brand innovation; 4) brand trust; and 5) brand loyalty. Brand innovation was adapted from Gözükarar & Çolakoglu (2016) and Huaman-Ramirez, et al. (2019), composed of 6 items. Brand trust was adapted from Gözükarar & Çolakoglu (2016) Huaman-Ramirez, et al. (2019), composed of 9 items. Brand loyalty was adapted from Gözükarar & Çolakoglu (2016) and Ching-Hsuan, et al. (2016), composed of 7 items. A 7-point Likert scale was used for measurement. Data collection was analyzed using structural equation modeling (SEM), which consists of a measurement and structural model.

Results

The majority of respondents were female (58.4 percent), aged between 20 - 29 years old (81.8 percent), and were single (93 percent). About half of the participants were students (38.3 percent) and held a bachelor's degree (59.8 percent). The average monthly income of the sample was 20,001 – 30,000 baht. A majority of the participants were Shopee users (91.8 percent). The result showed that 36 percent of participants purchased products through E-marketplace and 57 percent of participants purchased in the past week.

From the questionnaire responses, the results showed the Skewness ranged from -.238 to -.683, and Kurtosis ranged from -.428 to .785. All values for the items fall within the range of -2 to 2. Hence, the data collected in the study are normally distributed. Furthermore, all correlations were lower than .80 varying from .569 to .742. Also, all tolerance values (.377 to .567) were higher than .10 and all VIF values (1.765 to 2.654) were less than 10. It can be recognized that there was no evidence of multicollinearity in this study (Stevens, 2009).

Measurement Model Analysis

The results of confirmatory factor analysis (CFA) revealed the component of brand innovation, brand trust, and brand loyalty as follow: 1) brand innovation (4 items); 2) brand trust (9 items); 3) brand loyalty (5 items). The model showed an unacceptable fit to the data (Chi-square/df = 4.105, GFI = .901, CFI = .949, RMSEA = .088, SRMR = .0495). The results of factor loading and Cronbach's Alpha are demonstrated in Table1.

Table 1: Factor Loading and Cronbach's Alpha Analysis

Constructs	Loading	α
Brand Innovation (\bar{X} = 5.419, S.D. = 3.886)		
1. This brand is the first thing to come to mind when the subject is innovation. (BI3)	.653	.848
2. This brand is a pioneer in its category. (BI4)	.573	
3. I can rely on this brand to offer novel products for my needs. (BI5)	.817	
4. This brand provides new products adapted to my needs. (BI6)	.866	
Brand Trust (\bar{X} = 4.982, S.D. = 8.709)		
1. I could rely on this brand to solve the problem. (BT1)	.703	.930
2. This is a brand that never disappoints me. (BT2)	.726	
3. This brand guarantees satisfaction. (BT3)	.794	
4. I feel confident in this brand. (BT4)	.817	
5. This brand would make any effort to satisfy me. (BT5)	.772	
6. This brand would compensate me in some way for the problem with the product. (BT6)	.737	
7. This brand is sincere with consumers. (BT7)	.870	
8. This brand is honest with its customers. (BT8)	.810	
9. This brand expresses an interest in its customers. (BT9)	.786	

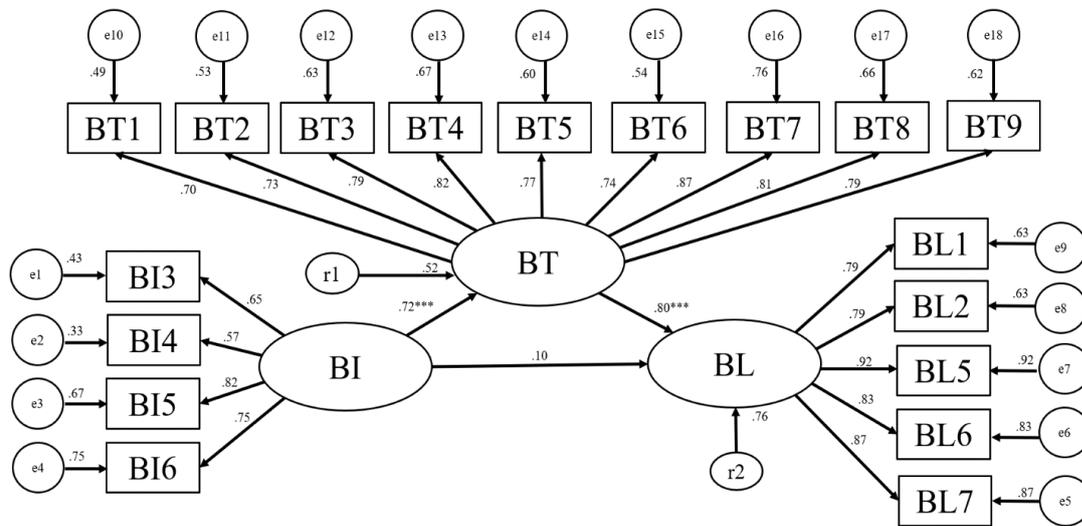
Table 1: Factor Loading and Cronbach's Alpha Analysis

Constructs	Loading	α
Brand Loyalty (\bar{X} = 4.922, S.D. = 5.713)		
1. I consider myself loyal to this brand. (BL1)	.791	.921
2. This brand would be my first choice. (BL2)	.795	
3. I believe this brand is my favorites. (BL5)	.920	
4. I say positive things about this brand to other people. (BL6)	.832	
5. I recommend this brand to someone who seeks my advice (BL7)	.874	

As shown in Table 1, it can be seen that all standardized factor loadings were between .573 to .920, which were above the recommended level of 0.5 (Hair et al., 2010). The Cronbach's alpha value in each question exceeded the minimum threshold of .7 varying from .848 to .930 (Nunnally, 1978). Hence, it can be concluded that all constructs have high validity and reliability.

Structural Model Analysis

The results of Structural Equation Modeling (SEM) of the relationships among Brand innovation, brand trust, and brand loyalty represents a good fit across all fit criteria ($\chi^2 = 418.688$, $df = 102$, $\chi^2/df = 4.105$, $GFI = .901$, $CFI = .949$, $RMSEA = .088$, $SRMR = .0495$) (Hair et al., 2010). The structural model with standardized path coefficients is shown in Figure 2.



Chi Square = 418.688, df = 102, Chi Square/df = 4.105,
 GFI = .901, CFI = .949, RMSEA = .088, SRMR = .495

Figure 2: The SEM Result

The hypotheses were tested using SEM (See Table 2). The results from the baseline SEM model showed that brand innovation has a positive relationship to brand trust ($\beta = .721$, $P < .001$), brand trust have a positive relationship to brand loyalty ($\beta = .799$, $P < .001$), brand innovation have a positive relationship to brand loyalty ($\beta = .098$, $P < .001$). Hence, H_1 and H_2 were fully supported. However, brand innovation does not directly influence brand loyalty ($\beta = .098$, $t = 1.919$, n.s.). Thus, H_3 was not supported.

Table 2: Summary of the Finding of the Study

	Hypotheses	β	t-value	Result
H_1	There will be a positive relationship between brand innovation and brand trust.	.721	10.223***	Supported
H_2	There will be a positive relationship between brand trust and brand loyalty.	.799	11.505***	Supported
H_3	There will be a positive relationship between brand innovation and brand loyalty.	.098	1.919	Not Supported

$R^2_{BT} = .520$, $R^2_{BL} = .762$

* $P < .05$, ** $P < .01$, *** $P < .001$

4. Conclusion

The study revealed that brand innovation elicited higher brand trust, which in turn mediated the relationship between brand innovation and brand loyalty. Overall, the structural model exhibits excellent explanatory power explaining 52 percent of the variance in brand trust and 76.2 percent of the variance in brand loyalty. Hence, it indicates the potential of brand innovation driving e-marketplace development provides novel insights for marketing literature and online retailers.

The concept of brand innovation, brand trust, and brand loyalty has never been found in marketing research in Thailand, especially in terms of E-marketplace. This study illustrates that the concept of brand innovation can be adapted and used in a cross-cultural context and usefully for contemporary marketing strategies planning. This study supported and shed more light on the past research of Gözükarar & Çolakoglu (2016).

References

- Bianchi, C., Drennan, J., & Proud, W. (2012). Brand Loyalty in the Australian Wine Industry. In European Marketing Association Conference (EMAC 2012), 22-25 May 2012, Lisbon, Portugal. Retrieved on 11 March 2016, from: <http://eprints.qut.edu.au/53465/2/53465.pdf>
- Cemal, Z., Azize, S., Haken, K., & Methap, O. (2011). The Effects of Brand Communication and Service Quality in Building Brand Loyalty Through Brand Trust; The Empirical Research on Global Brands. *Procedia - Social and Behavioral Sciences*, 24, 1218-1231.
- Chaudhuri, A., & Holbrook, B.M., (2001), The Chain of Effects From Brand Trust and Brand Affects to Brand Performance: The Role of Brand Loyalty, *Journal of Marketing*, 65, 81-93.
- Ching-Hsuan, Y., Yi-Shun, W., & Kaili, Y. (2016). Predicting Smartphone Brand Loyalty: Consumer Value and Consumer-brand Identification Perspectives. *International Journal of Information Management*, 36 (3), 245-257.
- Chiu, W., Kee, L.S., & Cho, H. (2018). Ecommerce Brand: Effect of Perceived Brand Leadership on Consumers' Satisfaction and Repurchase Intention on Ecommerce Websites. *Asia Pacific Journal of Marketing and Logistics*, 65(1), 2765-2780.
- Drennan, J. (2015). Examining the Role of Wine Brand Love on Brand Loyalty: A Multi-Country Comparison. *International Journal of Hospitality Management*, 49(1), 47-55.
- Electronic Transactions Development Agency (ETDA) or ETDA Ministry of Digital for Economy and Society. (2020). ETDA reveals the value of Thai e-Commerce in the year 2019 is expected to increase by 4.02 trillion baht. Online : <http://adaddictth.com/knowledge/edta-internet-behavior-2019>
- Gözükarar, I., & Çolakoglu, N. (2016). A Research on Generation Y Students: Brand Innovation, Brand Trust and Brand Loyalty. *International Journal of Business Management and Economic Research (IJBMER)*, 7(2), 603-611.
- Grabner-Kräuter, S., & Kaluscha, E. A. (2003). Empirical Research in Online Trust: A Review and Critical Assessment. *International Journal of Human-Computer Studies*, 58(6), 783-812.
- Hair, J. F., Black, W. C., Babin, B. J. & Anderson, R. E. (2010). *Multivariate Data Analysis* (7th ed.). Upper Saddle River, NJ: Prentice Hall.

- Hsu, C.L., Chang, K.C., & Chen, M.C. The Impact of Website Quality on Customer Satisfaction and Purchase Intention: Perceived Playfulness and Perceived Flow as Mediators. *Information Systems and e-Business Management*, 10(1), 549-570.
- Huaman-Ramirez, R., Albert, N., & Merunka, D. (2019). Are Global Brands Trustworthy? The Role of Brand Affect, Brand Innovativeness, and Consumer Ethnocentrism. *European Business Review*, 31 (6), 926-946.
- Khamwon, A., & Kamkliang, O. (2018). Brand Experience, Brand Tribalism and, Brand Loyalty: A Case of Amway Business Owners in Thailand. *Journal of Business Administration*, 41(157), 21-38.
- Kim, D.J., Ferrin, D.L., & Rao, H.R., 2008. A Trust-based Consumer Decision-making Model in Electronic Commerce: The Role of Trust, Perceived Risk, and Their Antecedents. *Decis. Support Syst.* 44 (2), 544–564.
- Kline, RB (2010). *Principles and Practice of Structural Equation Modeling* (3rd ed.). New York: Guilford Press.
- Kwanchai, K. (2017). Satisfaction, Trust Affects Customer Loyalty in Online Hotel Booking in Bangkok. Independent Study, Master of Business Administration Degree, Bangkok University.
- Liu, C. T., Guo, Y. M., & Lee, C. H. (2011). The Effects of Relationship Quality and Switching Barriers on Customer Loyalty. *International Journal of Information Management*, 31(1), 71-79.
- Ministry of Digital for Economic and Social. (2019). Report of the Survey on the Value of Electronic Commerce in Thailand in 2019, Bangkok. Strategic Office Electronic Transactions Development Agency.
- Morgan M.Robert & Hunt D. Shelby, (1994), The Commitment-Trust Theory of Relationships Marketing, *Journal of Marketing*, 58, 20-38.
- Nunnally, J. C. (1978). *Psychometric Theory* (2nd ed.). New York: McGraw-Hill.
- Odin, Y., Odin, N., & Valette-Florence, P. (2001). Conceptual and Operational Aspects of Brand Loyalty: An Empirical Investigation. *Journal of Business Research*, 53, 75-84.
- Pasquali, M. (2020). Coronavirus: impact on e-commerce in the U.S. - Statistics & Facts. Online: <https://www.statista.com/topics/6321/coronavirus-covid-19-impact-on-e-commerce-in-the-us/>
- Reichheld, F. F., Markey Jr., R. G., & Hopton, C. (2000). E-customer Loyalty—applying the Traditional Rules of Business for Online Success. *European Business Journal*, 12(4), 73–79.
- Sasakul, K. (2020). Iprice reveals the Heat of the E-commerce War in SEA Q3 2019. Retrieved on 18 October 2020, from: <https://ipricethailand.com/trend/insights/iprice-reveals-the-heat-of-the-e-commerce-war-in-SEA-Q3-2019>
- Sharma, G., & Lijuan, W. (2015). The Effects of Online Service Quality of E-commerce Websites on User Satisfaction. *The Electronic Library*, 33(3), 468-485.
- Siriwong, P. (2017). Innovation and Marketing Communication Process of PDM: Brand Company Limited (Product Design Matters). RMU GRC.
- Weerametheekul, C. (2019). Using Innovation to Create Brands for Life in the 4.0 Era. *Journal of Dusit Thani College*, 13(1), 427-441.