

THE IMPACT OF BRAND IMAGE, CUSTOMER
SATISFACTION, AND CUSTOMER COMMITMENT ON
LOYALTY: AN EMPIRICAL STUDY ON PROTON CAR
OWNERS

BY

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ABSTRACT

Proton or Perusahaan Otomobil Nasional Sendirian Berhad is the first national car company that established in year 1983 by Malaysian Prime Minister Tun Dr. Mahathir Mohamad. Since then, Proton has become a major player in domestic market and able to export its products all around the world especially in the right-hand drive markets such as United Kingdom, Australia, South Africa, and ASEAN countries. However, market situation for Proton was not so rosy since 2000 until 2018. In addition, at that period also saw damages done to Proton's image, it is disheartening that the existing customers to continue supporting Proton's products and services, whilst discouraging the potential customers to even consider Proton products and services. Looking at this phenomena, it gives an opportunity to study the relationship between Proton brand image towards customer satisfaction, customer commitment, and customer loyalty. This study explains how the Customer-Based Brand Equity (CBBE) theory framework was used in examining the dimensions of Proton brand image based on the functional and the emotional attributes of image. Seven hypotheses were proposed to describe the relationship among these constructs. The data were collected via voluntarily questionnaires in Klang Valley and the hypothetical relationship were examined by using Partial Least Squares- Structural Equation Modelling (PLS-SEM). A total of 340 respondents had participated in this study. From the data collected, it indicates that the majority of Proton car owners were young Malay families based, who earned less than RM5000 with more than 10 years of driving experience. The results from this study have given empirical support to the general structure incorporated in the research model. First, the study confirmed that brand awareness, brand association, brand superiority, brand affection, brand resonance, and Corporate Social Responsibility (CSR) are the dimensions of Proton's brand image. Next, the results showed that brand image, customer commitment, and customer satisfaction are positively and significantly related to customer loyalty. The results also showed that brand image has stronger effect on customer satisfaction, followed by customer commitment and lastly on customer loyalty. In addition, customer commitment and customer satisfaction mediate the relationship between brand image and customer loyalty. By looking at the result, it is important for practitioners to understand the importance of brand image and to keep it positive. Furthermore, the practitioners also need to take care of its customers' happiness and make customer loyal to them for the short term and the long term as to stay competitive in the market and expand worldwide.

خلاصة البحث

بروتون أو Perusahaan Otomobil Nasional Sendirian Berhad هي أول شركة سيارات وطنية تأسست في عام 1983 من قبل رئيس الوزراء الماليزي تون د. مهاتير محمد. منذ ذلك الحين، أصبحت بروتون لاعبا رئيسا في السوق المحلية حيث أنها قادرة على تصدير منتجاتها في جميع أنحاء العالم وخاصة في أسواق المقود الأيمن مثل المملكة المتحدة وأستراليا وجنوب أفريقيا ودول الآسيان. ومع ذلك، لم تكن حالة سوق بروتون جذابة للغاية منذ عام 2000 حتى عام 2018. بالإضافة إلى ذلك، في تلك الفترة أيضاً شهدت أضراراً لصورة بروتون، من المحبط أن يستمر العملاء الحاليون في دعم منتجات وخدمات بروتون، في حين يثبطون العملاء المحتملين حتى للتفكير في منتجات وخدمات بروتون. بالنظر إلى هذه الظاهرة، فإنها تعطي فرصة لدراسة العلاقة بين صورة علامة تجارية لبروتون تجاه رضا العملاء والتزامهم وولاءهم. تشرح هذه الدراسة كيفية استخدام إطار عمل نظرية حقوق العلامة التجارية القائمة على العملاء (CBBE) في فحص أبعاد صورة العلامة التجارية لبروتون بناءً على السمات الوظيفية والعاطفية للصورة. قد تم اقتراح سبع فرضيات لوصف العلاقة بين هذه التركيبات. وتم جمع البيانات عن طريق استبيانات طوعية في منطقة كلانج حيث تم فحص العلاقة الافتراضية باستخدام المربعات الصغرى الجزئية - نموذج المعادلة الهيكلية (PLS-SEM). وقد شارك 340 مشاركاً في هذه الدراسة. من البيانات التي تم جمعها، يشير إلى أن غالبية مالكي سيارات بروتون كانوا من الأسر الملايوية من الشباب، الذين حصلوا على أقل من 5000 رينجيت ماليزي مع أكثر من 10 سنوات من الخبرة في القيادة. وأعطت نتائج هذه الدراسة دعماً تجريبياً للبنية العامة المدرجة في نموذج البحث. أولاً، أكدت الدراسة من أن الوعي بالعلامة التجارية، وروابط العلامة التجارية، وتفوق العلامة التجارية، والعاطفة للعلامة التجارية، وصدى العلامة التجارية، والمسؤولية الاجتماعية للشركات (CSR) هي أبعاد صورة العلامة التجارية لشركة بروتون. بعد ذلك، أظهرت النتائج أن صورة العلامة التجارية والتزام العملاء ورضا العملاء ترتبط ارتباطاً إيجابياً وملموساً بولاء العملاء. وأظهرت النتائج أيضاً أن صورة العلامة التجارية لها تأثير أقوى على رضا العملاء، يتبعها التزام العملاء وأخيراً على ولاء العملاء. بالإضافة إلى ذلك، فإن التزام العميل ورضا العملاء يتوسطان في العلاقة بين صورة العلامة التجارية وولاء العملاء. بالنظر إلى النتيجة، من المهم للممارسين فهم أهمية صورة العلامة التجارية والحفاظ عليها إيجابية. علاوة على ذلك، يحتاج الممارسون أيضاً إلى الاهتمام بسعادة عملائها وجعل العملاء مخلصين لهم على المدى القصير والمدى الطويل للحفاظ على قدرتهم التنافسية في السوق والتوسع في جميع أنحاء العالم.

APPROVAL PAGE

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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This thesis is dedicated to my parents, my beloved wife, Roselfida Salmah, and my kids, Gabriel, Mikail & Sofea, for being patient, supportive, unlimited loves and faith

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TABLE OF CONTENTS

Abstract	ii
Abstract in Arabic	iii
Approval Page.....	iv
Declaration	v
Copyright	vi
Dedication	vii
Acknowledgements.....	viii
Table of Contents	ix
List of Tables	xii
List of Figures	xiv
List of Abbreviations	xv
CHAPTER ONE INTRODUCTION	1
1.1 Introduction.....	1
1.2 Research Background	2
1.3 Problem Statement.....	3
1.4 Research Questions.....	7
1.5 Objectives of the Study.....	8
1.5.1 General Objective.....	8
1.5.2 Specific Objective	8
1.6 Significance of Research	8
1.6.1 Practical Significance	9
1.6.2 Theoretical Significance.....	9
1.7 Definition of Key Terms or Terminologies	10
1.7.1 Brand Image	10
1.7.2 Customer Satisfaction	9
1.7.3 Customer Commitment	10
1.7.4 Customer Loyalty	10
1.7.5 Brand Awareness.....	11
1.7.6 Brand Association	11
1.7.7 Brand Superiority	11
1.7.8 Brand Affection.....	12
1.7.9 Brand Resonance.....	12
1.7.10 Corporate Social Responsibility (CSR).....	12
1.8 Chapter Layout	13
CHAPTER TWO LITERATURE REVIEW	14
2.1 Introduction.....	14
2.2 Underpinning Theory.....	14
2.2.1 Aaker’s Customer-Based Brand Equity Framework.....	15
2.2.2 Keller’s Customer-Based Brand Equity Framework	16
2.3 Brand Image.....	19
2.4 The Attributes of Brand Image	23
2.4.1 Functional Attributes.....	25
2.4.1.1 Brand Awareness	26

2.4.1.2	Brand Association	27
2.4.1.3	Brand Superiority	28
2.4.2	Emotional Attributes	29
2.4.2.1	Brand Affection	30
2.4.2.2	Brand Resonance	31
2.4.2.3	Corporate Social Responsibility (CSR)	32
2.5	Customer Satisfaction	33
2.6	Customer Commitment	35
2.7	Customer Loyalty	37
2.8	Theoretical Framework	38
2.9	Research Model	41
2.10	Hypothesis Development	43
2.10.1	Brand Image and Customer Satisfaction	43
2.10.2	Brand Image and Customer Commitment	43
2.10.3	Brand Image and Customer Loyalty	44
2.10.4	Customer Satisfaction and Customer Loyalty	45
2.10.5	Customer Commitment and Customer Loyalty	46
2.10.6	Customer Satisfaction, Brand Image, and Customer Loyalty	47
2.10.7	Customer Commitment, Brand Image, and Customer Loyalty	47
2.11	Proposed Framework	49
2.12	Conclusion	50
CHAPTER THREE RESEARCH METHODOLOGY		51
3.1	Introduction	51
3.2	Research Design	52
3.3	Sampling And Population	52
3.3.1	Population	53
3.3.2	Sampling Design	54
3.3.3	Sample Size	55
3.4	Research Instrument	56
3.5	Measurement of the Constructs	57
3.6	Content Validity Test	60
3.7	Pre-Testing	61
3.8	Back-To-Back Translation	62
3.9	Data Collection Method	63
3.10	Data Analysis	65
3.10.1	Preliminary Data Analysis	66
3.10.2	PLS-SEM Analysis	66
3.10.2.1	Measurement Model Evaluation	67
3.10.2.2	Structural Model Evaluation	68
3.10.2.3	Hypothesis Testing	72
3.10.2.4	Mediation	72
3.11	Ethical Consideration	72
3.12	Conclusion	73
CHAPTER FOUR RESULT AND FINDINGS		74
4.1	Introduction	74
4.2	Data Screening	74
4.3	Preliminary Data Analysis	76

4.3.1	Descriptive Statistics	76
4.3.2	Demographic Characteristic of the Respondents	77
4.3.3	Relationship with Proton Car	80
4.4	Partial Least Squares-Structural Equation Modelling (PLS-SEM) Analysis	81
4.4.1	Assessment of Hierarchical Model of Brand Image as Second Order Factor	81
4.4.2	Model Evaluation: Measurement Model Results	85
4.5	Model Evaluation: Structural Model Results	92
4.5.1	Variance Inflation Factor (VIF)	92
4.5.2	Coefficient of Determination (R^2).....	93
4.5.3	Effect Size (f^2).....	93
4.5.4	Predictive Relevance (Q^2)	94
4.6	Hypothesis Testing	95
4.7	Mediation.....	101
4.8	Conclusion.....	103
CHAPTER FIVE DISCUSSIONS.....		104
5.1	Introduction	104
5.2	Discussion of Research Questions	104
5.2.1	What are the Dimensions of Proton’s Brand Image?.....	104
5.2.2	What are the Relationships between Brand Image, Customer Satisfaction, and Customer Commitment on Customer Loyalty among Proton Car Owners?	107
5.2.3	Do Customer Satisfaction and Customer Commitment mediate the Relationship between Brand Image and Customer Loyalty?	110
5.3	Significance of the Research	111
5.3.1	Implication for Knowledge	111
5.3.2	Implication for Practitioners.....	112
5.4	Limitation of the Study.....	116
5.5	Recommendations for Future Research	116
5.6	Conclusion.....	118
REFERENCES.....		120
APPENDIX I.....		133
APPENDIX II.....		143
APPENDIX III		158
APPENDIX IV.....		160
APPENDIX V.....		162
APPENDIX VI.....		166
APPENDIX VII.....		175
APPENDIX VIII		177

LIST OF TABLES

Table 1.1 Proton market share from year 2008 till 2018	3
Table 1.2 Proton CSI point and rank from year 2008 to 2018, which was developed by JD Power	4
Table 2.1 Definitions of Brand Image	19
Table 2.2 The Six Dimensions of Brand Image	39
Table 3.1 Proton Sales from 2008 till 2017	53
Table 3.2 Car Sales Percentage by Region for 2017	54
Table 3.3 Advantages and Disadvantages of Likert Scale	57
Table 3.4 Items Used in the Questionnaire	58
Table 3.5 Participating Proton Branches for Distribution of the Questionnaires	64
Table 3.6 Summaries of Indices For Measurement Model Analysis using PLS-SEM	68
Table 3.7 Indices for Structural Model Analysis using PLS-SEM	71
Table 4.1 Summary of the Rate of Return of Questionnaires	76
Table 4.2 Respondents' Profile	79
Table 4.3 Relationship with Proton Car	80
Table 4.4 Convergent Validity of Brand Image	82
Table 4.5 Discriminant Validity of Brand Image Dimensions	83
Table 4.6 Reliability and Convergent Validity	86
Table 4.7 Discriminant Validity (Fornell-Larcker Criterion)	90
Table 4.8 Discriminant Validity (Heterotrait-Monotrait Ratio (HTMT))	91
Table 4.9 Collinearity Assessment	92
Table 4.10 Coefficient of Determination (R^2)	93
Table 4.11 Effect Size f^2	94

Table 4.12 Predictive Relevance Q^2	94
Table 4.13 Hypothesis Testing Results	99
Table 4.14 Hypothesis Testing on Mediation	102

LIST OF FIGURES

Figure 1.1 Total Industry Volume (TIV) with vehicle detail segmentation by Malaysian Automotive Association from 2010 till 2018	4
Figure 2.1 Aaker's Customer-Based Brand Equity Framework	15
Figure 2.2 Keller's Brand Knowledge Structure	17
Figure 2.3 Keller's Customer-Based Brand Equity Framework	18
Figure 2.4 Brand image relationship with customer satisfaction and customer loyalty	40
Figure 2.5 Brand image relationship with customer satisfaction, customer perceived value, and customer loyalty	40
Figure 2.6 Brand image relationship with customer commitment and customer loyalty	41
Figure 2.7 Conceptual framework	42
Figure 2.8 Proposed framework	49
Figure 3.1 Proton Car Owners' Race in Year 2015 for All Car Models	63
Figure 4.1 Two outliers from Mahanalobis Distance measure analysis	75
Figure 4.2 Items Loading and Factor Loadings of Brand Image	84
Figure 4.3 Items Loadings	88
Figure 4.4 Hypothesis Testing Result	100

LIST OF ABBREVIATIONS

Abbreviation	Description
4D	4 Dimension
ASEAN	Association of Southeast Asian Nations
AVE	Average Variance Extracted
BC	Bias Corrected
CV	Commercial Vehicle
CMV	Common Method Variance
CR	Composite Reliability
CI	Confidence Interval
CSR	Corporate Social Responsibility
CB-SEM	Covariance-based SEM
CSI	Customer Satisfaction Index
CBBE	Customer-Based Brand Equity
DV	Dependent Variable
DBA	Doctor of Business Administration
PhD	Doctor of Philosophy
EFA	Exploratory Factor Analysis
GSCA	Generalized Structured Component Analysis
HTMT	Heterotrait-Monotrait Ratio
IV	Independent Variable
IT	Information Technology
IUM	International Islamic University of Malaysia
LL	Lower Level
MAA	Malaysian Automotive Association
MPV	Multi-Purpose Vehicle
NEUSREL	Nonlinear Universal Structural Relational Modelling
PLS	Partial Least Square
Perodua	Perusahaan Otomobil Nasional Kedua
Proton	Perusahaan Otomobil Nasional Sendirian Berhad
RM	Ringgit Malaysia
SUV	Sport Utility Vehicle
SEM	Structural Equation Modelling
TIV	Total Industry Volume
UL	Upper Level
VIF	Variance Inflation Factor
WOM	Word-of-Mouth

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

In Malaysia, there are four national brands for the automotive sector namely Proton, Perodua, Naza, and Inokom. All of them have an overseas partner to develop and manufacture the brands. Proton in early stage was partnered with Mitsubishi Motor Co. Japan, while Perodua with Daihatsu Motor Co. Japan, Naza with Kia Motor Co. Korea, and lastly, Inokom with Hyundai Motor Co. Korea. The partnership is needed with the intent to acquire the technologies and knowledge, build capability in automotive manufacturing and develop the economy from the whole industry's value chain with the aim for Malaysia to be an automotive exporter country. Since the introduction of these automotive companies in Malaysia, many developments and progresses were made which resulted in the industry RM3.3 billion in total investment in 2011 and RM5.0 billion in 2012. In addition, the industry has created over 500 automotive component manufacturers and more than 300,000 job opportunities. However, foreign car makers still account for more than 50% of the market share (Malaysia Automotive Institute, 2014).

This study focuses on the brand image of Proton from the perspective of Proton car owners. Since Proton is facing the impending challenge of market liberalization in future, assessing the brand image of Proton allows the company to develop more sustainable competitive advantage.

1.2 RESEARCH BACKGROUND

Proton or Perusahaan Otomobil Nasional Sendirian Berhad is the first national car company that was established in year 1983 by the forth Malaysian Prime Minister Tun Dr. Mahathir Mohamad. The first national car was produced two years later known as Proton Saga. Since then, Proton has become a major player in domestic market and able to export its products all around the world especially in the right-hand drive markets such as United Kingdom, Australia, South Africa, and ASEAN countries.

Between 1985 to the early 2000s, Proton was a manufacturer of rebadge vehicles from Mitsubishi Motors. In August 2000, Proton Waja was launched as the company's first indigenously designed model. Proton Waja was also known as a stepping stone for Proton to move into a new direction in its business and to end Proton's reliance on other automobile manufacturers for making vehicle platforms and parts.

Unfortunately, the expectation and the end result did not come together. When the Malaysian market was opened to foreign car makers, Proton was not the first choice anymore. Malaysia is one of the countries in the world that offers multiple car brands from Germany, France, United States, Japan, China, South Korea, India, and United Kingdom. Together with the internal and the external factors, Proton failed to capture Malaysian customers' heart when more and more people tend to opt for foreign brands. Table 1.1 shows Proton's market share against non-National cars from year 2008 till 2018. Here it showed that Proton's market share were dropping from 26% to 11%, or 15% loses, while non National cars market share were rising from 44% to 51, or 7% gains.

Table 1.1 Proton market share from year 2008 till 2018

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Proton Market Share	26%	28%	26%	26%	23%	21%	17%	15%	13%	13%	11%
Non National Market Share	44%	41%	43%	43%	47%	48%	53%	53%	51%	52%	51%

Source: Malaysian Automotive Association, www.maa.org.my

1.3 PROBLEM STATEMENT

The objective of open economy policies was to create fair trading around the world, and Malaysia is one of the countries in the world that allows multiple car brands coming in. Spoilt for choices by car brand offered by foreign car makers, Malaysian nowadays has many options to choose their own preferred car brand. Those with higher incomes would opt for luxury European car and others would opt for affordable car, based on their income range. The domestic industry offers a vehicle segment which is illustrated in Figure 1.1. The segment is defined by the size of the car from A-segment, B-segment, C-segment, D-segment, MPV-segment, SUV-segment, Van-segment, CV-segment, and Other-segment. TIV means Total Industry Volume that indicates the total volume of vehicle sales in Malaysia. The TIV trend showed that the increment trend from 2011 to 2015 but dropped in 2016 and 2017.

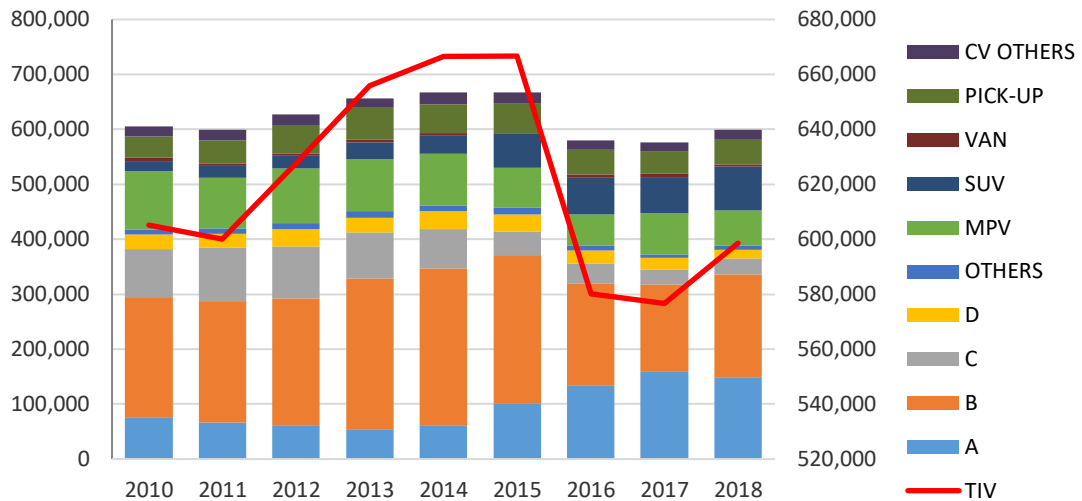


Figure 1.1 Total Industry Volume (TIV) with vehicle detail segmentation by Malaysian Automotive Association from 2010 till 2018
Source: Malaysian Automotive Association, www.maa.org.my

The decline in sales of Proton car as per illustrated in Table 1.1 could indicate the loss of confidence by car-buyers over Proton's products. In domestic automotive sector, happy customer is ranked by using Customer Satisfaction Index (CSI), which is developed by third party research house called JD Power Asia Pacific. Table 1.2 shows Proton's CSI ranking against industry average from year 2008 till year 2018.

Table 1.2 Proton CSI point and rank from year 2008 to 2018, which was developed by JD Power

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Proton's Point	720	683	691	699	725	743	735	745	745	755	739
Industry Average	739	705	710	718	740	758	754	751	751	761	754
Proton's Rank	8/8	9/9	10/10	12/12	12/12	14/15	12/13	11/12	11/12	9/10	8/8

Source: J.D. Power, www.jdpower.com

The data shows that Proton has not moved its position from the bottom rank since 2008. The trend indicates that consumers have not satisfied with the brand as compared to other non-national brands. Proton failed to fulfil the customer expectation, and yet created more unsatisfied customers towards its own products or services (Chen, Basit, & Hassan, 2017; Wad & Govindaraju, 2011).

Proton started to lose its seat as a number one in domestic market when the second national car maker, Perusahaan Otomobil Nasional Kedua or Perodua, introduced MyVi in 2006. Since then, Proton domestic market share started to deteriorate slowly every year. One must wonder what happened to Proton? Are they not doing anything? If we may recall the time, Proton once successful products were Proton Wira and Proton Waja. Both the products closed sales above targets and were recognized to serve the market needs at that point of time. Yet, complaints on the products' quality and after sales service grew every year. The viewpoint got worse when Proton launched Proton Perdana in 1995, was positioned as a premium product, but it turned to be a disappointment to many owners and business associates such as the government officers who supports Proton's products^{1 2}.

The disappointments on Proton cars' quality and reliability were highlighted at the Parliament and publicly denounced its trustworthiness in national newspapers. Subsequently, a new management team took over Proton in 2006 with a major task to rebrand Proton. But this also failed to demonstrate an impactful turnaround effect. The market share shrank and remained helpless to even sustain the targeted sales number.

¹ <http://www.thestar.com.my/news/nation/2013/06/20/its-honda-accord-now-for-ministers-cabinet-to-phase-out-use-of-proton-perdana-after-carmaker-announce/>

² <http://www.thestar.com.my/news/nation/2010/10/31/mca-youth-man-dont-buy-proton-if-its-not-hardy/>

Market situation for Proton remained gloomy until the present time even with the takeover of management by DRB-HICOM in 2012.

Nowadays, potential car buyers are still questioning the quality and the reliability of Proton's products. Past studies on Proton showed that poor product quality leads to a bad brand image (Ashari, Sim, & Teh, 2010). With the current damage to Proton's image, it is disheartening that the existing customers to continue supporting Proton's products and services, whilst discouraging the potential customers to even consider Proton products and services. Identifying the root cause of this catastrophe is crucial to sustain the market share as well as the mindshare of existing and potential customers of Proton. Failure of obtaining a brand's mindshare of a targeted market would result in the obsolescence of the brand. Similar case happened to the old popular names like *Kodak*, *Polaroid*, *Compaq*, and *Gateway*, these brands were popular back then and now the new generation customers do not even know or heard about these brands.

Recent studies done by Andreani, Taniaji, & Puspitasari (2012), Ranjbarian, Sanayei, Kaboli, & Hadadian (2012), Anisimova (2013), Serevi & Ling (2013), Tu, Li, & Chih, (2013a), Tu, Lin & Hsu, (2013b), and Subramaniam, Al Mamun, Permarupan, & Zainol (2014), showed that brand image does give a positive relationship towards customer satisfaction and customer loyalty. Tu, et al. (2013a) indicated that marketing exits are possible and if the product or service does not meet customer's expectation, then all the marketing strategies are failure. Past researchers also found that by improving brand image would help Proton to increase its market share (Jing, Pitsaphol, & Shabbir, 2014). Therefore there is the need to improve Proton's brand marketing strategy to ensure the sustainable profit.

Looking at this phenomena, it gives an opportunity to study the relationship between Proton brand image towards customer satisfaction, customer commitment, and customer loyalty as studied by Tu, Wang, & Chang (2012), and Tu et al. (2013a; 2013b), and to explore the dimensions of Proton's brand image and it's relation to customer's behaviour based on study done by Latif, Islam, Md. Noor, Mohamad, & Kongsompong (2016). There has not been many researches to study image of Proton brand. This study will be the few researches on Proton's brand image or on local automotive industry with the relationship of customer loyalty.

1.4 RESEARCH QUESTIONS

There are three research questions that the researcher needs to address in order to achieve the objectives of research. The research questions are as follows:

1. What are the dimensions of Proton's brand image?
2. What are the relationships between brand image, customer satisfaction, and customer commitment on customer loyalty among Proton car owners?
3. Do customer satisfaction and customer commitment mediate the relationship between brand image and customer loyalty among Proton car owners?

1.5 OBJECTIVES OF THE STUDY

1.5.1 General Objective

The general objective of this study is to understand the influence of Proton's brand image and its relationship towards customer loyalty.

1.5.2 Specific Objective

Based on the problem statement described earlier, the specific objectives are:

1. To investigate the dimensions of Proton's brand image.
2. To investigate the relationships between brand image, customer satisfaction, and customer commitment on customer loyalty among Proton car owners.
3. To investigate if customer satisfaction, and customer commitment mediate the relationship between brand image and customer loyalty among Proton car owners.

1.6 SIGNIFICANCE OF RESEARCH

Tran, Nguyen, Melewar, & Bodoh (2015) argued that although various studies have been conducted related to brand image, confusion still exists on the concept of an image especially because of its inconsistency nature, depending on the context and environment. The significance of this study can be seen in two perspectives; practical and theoretical contributions. In term of practical contribution, this study can help managers to understand benefits of positive brand image and its contribution towards company performance especially for Proton brand. Meanwhile for theoretical or knowledge contributions, this study helps to prove the past Western theory is valid and supported in Eastern countries and in wide range of industries.

1.6.1 Practical Significance

In Malaysia, car is the second expensive consumer goods next to property. Car owners are expecting a problem-free product with premium services from the car manufacturers. Knowing this, managers should keep in mind that building and maintaining a good brand image is important to sustain businesses for a long run. Understanding the factors behind a positive brand image would help managers to focus where to improve and which to prioritise. Not only that, by mastering brand image issues would help managers to anticipate and to avoid brand image deterioration. The end point of building a good brand image is to bring back values to Proton in term of customer loyalty, market share, and company's performance.

1.6.2 Theoretical Significance

The research is expected to provide theoretical contribution to the current understanding of brand image, which is an important concept of Aaker's consumer-based brand equity framework (1991) and Keller's consumer-based brand equity framework (2003). This study has studied an integrated framework of brand image based on customer-based brand equity and identifying the relationships and the impacts of brand image. In addition, this study should also confirm that the theory is applicable across different market industry and geographic factors.