The Impact of SMEs' Brand Credibility on Consumer Purchase Intentions

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Abstract
This study examines how brand credibility affects consumer purchase intention in the SMEs of Indonesia. Based on signaling theory and relationship marketing theory, it explores the relationships among four constructs, i.e. brand credibility, attitude toward brand, affective commitment and purchase intention. Linear regression model applied to consumer survey data supports the argument. The results indicate that SMEs' brand credibility increases consumer purchase intention by increasing consumers' attitude toward brand and enhancing affective commitment. This study provides insights for marketers and brand managers to manage brand communication campaigns more consciously and attractively in their SMEs. The limitations are also discussed along with recommendations for future research.
Keywords: *brand credibility, attitude toward brand, affective commitment, purchase intentions, SMES, Indonesia*

1. Introduction

The knowledge of a process by which a brand encourages consumer purchase behavior is a polemic among scholars and practitioners. Consumers reveal their likeness for a brand by buying the same branded services or products. Brands play a critical role in consumer decision making and choice behavior (Erdem and Swait, 2004). Particularly, brand's vital role enables consumers to recognize a particular company's products or services and to differentiate the company's brand from competitors (Keller et al., 2011). The role of brand as an identifier and service provider which facilitate in consumer choice behavior or consumer decision making process is investigated by several perspectives in sociology (e.g., brand communities), information economics (e.g., brands as signals) and cognitive psychology (e.g., brand awareness) (Erdem et al., 2006).

Consumers in the markets face many types of products and services, however companies have more knowledge and information than consumers (Wang & Yang, 2010). When there is uncertainty regarding product or service quality then consumers are more hesitate to buy, this asymmetry information leads to uncertainty in the mind of consumers (Erdem & Swait, 1998). On the other hand, Kim et al. (2008) found that in the markets where quality not easily observable, consumers generally make their purchase decisions amid feelings of uncertainty. Thus, it will lead the consumers reluctant to buy.

Brand credibility refers to the believability of product or service position information contained in a brand (Erdem and Swait, 2004). Due to the asymmetric information in consumer's minds, thus it affects the purchase intentions formation process or real purchase behavior of consumers. In the situations where uncertainty level is high, then the role of brands could affect how consumers learn, understand and assess the information about brand. It also encourages consumer assessment of the related values of attributes, attribute combination rules, opinion and assessment about the risk involved.

In addition, uncertainty level affects the information cost saved, consideration set and its formation, decision making process, attitude formation regarding the brand and rules of consumer choice behavior. In these situations, the importance of positioning emerges and brands play a key role of signal or symbol to deliver information about the quality of product or service (Wernerfelt, 1988). Companies employ brands as a signal or symbol to communicate information about the product or service quality between consumers and companies (Rao et al., 1999). Signals that are being employed should be credible to have effect on consumers (Tirole, 1988). The high credibility of brand emerges from such signals and increases the persuasiveness of communication signals.

Meanwhile, consumers with strong affective commitment are more emotionally connected to the brand than non-committed consumers (Evanschitzky et al., 2006). Since affectively committed consumers feel engaged to the brand because of positive feelings, these consumers show positive behavior toward the brand (Verhoef et al., 2002).

Offered the strong impact of brand credibility on consumer choice when there is high uncertainty (Erdem and Swait, 2004), the credibility of a brand can provide significant benefits to both consumers and

SMEs. For consumers, purchasing products or services from a credible SMEs' brand assures quality. For SMEs, a credible brand means that marketing efforts will be more cost effective because of the high likelihood of message acceptance, thus bringing companies increased sales.

Apparently, SMEs play a significant role in the economic development of a country (Muhammad, M. Z., Char, A. K., Yasoa, M.R.B. and Hassan, Z., 2010). However, very few studies focus on SMEs branding and brand management (Wong, H. Y. and Merrilees, B., 2005). Merriless (2007) pointed out that in recent years, only large companies did research on brand management, and most of them are studies on consumers.

In line with above phenomenon, the current research attempts to contribute in three specific ways. Firstly, this study is new empirical investigation that uses four constructs and shows the relationship between brand credibility, attitude toward brand, affective commitment and purchase intentions. Secondly, this is first study that identifies the importance of attitude toward brand and affective commitment in the relationship between brand credibility and purchase intentions in SMEs of Indonesia. Finally, this paper attempts to extend the existing research by proposing conceptual model that will help the practitioners in SMEs to formulate the brand positioning and communication strategies.

2. Literature Review

2.1 Small Medium Enterprises (SMEs)

The difference between large companies and SMEs can be explained as the physical dimensions (Hutchinson, K., Quinn, B. and Alexander, N., 2006). Although, the scope of SMEs is smaller than large enterprises, SMEs have their own features to achieve market share. Carson and Cromie (1989) also wrote that SMEs have their own particular characteristics and abilities which can largely determine their marketing preoccupations and concerns. Thus, it is universally and widely accepted that small and medium businesses are not scaled-down big businesses.

2.2 Brand Credibility

Brand credibility is the believability of the product position information embedded in a brand, depending on consumers' perceptions of whether the brand has the ability and willingness to continuously deliver what has been promised (Erdem and Swait, 1998). Brand credibility is a latent multidimensional construct (Law et al., 1998). Keller et al., (2011) which recommend three dimensions of brand credibility, i.e. trustworthiness, expertise, and attractiveness.

Since a brand's trustworthiness and expertise are based on the cumulative impact of all the previous marketing strategies and actions (Erdem and Swait, 1998), research suggests the constructs of consistency, brand investment and clarity are antecedents of brand credibility (Erdem et al., 2006). Consistency represents the degree of harmony and convergence among marketing actions and the stability of marketing mix strategies over time (Erdem et al., 2006).

Brand investment represents a firm's spending on brands (e.g., advertising, sponsorships, and social responsibility actions) in order to demonstrate long-term brand commitment and to assure consumers that brand promises will be kept (Erdem and Swait, 2004; Sweeney and Swait, 2008). Clarity represents a lack of ambiguity in the product information contained in a brand (Erdem et al., 2002).

Therefore, brand credibility can be created by increased consistency, clarity, and brand investment over time, through all practices and aspects of marketing communications such as brand image advertising, sponsorship, or sales promotion.

2.3 Signaling Theory

Signaling theory provides theoretical views into the mechanism through which a brand affects consumer purchase behavior when consumers are uncertain about product quality. From an information economics perspective, signaling theory assumes that consumers are uncertain about the quality of the product or service provided by sellers. This uncertainty arises from information asymmetry (i.e., sellers are more informed about their own products or services than consumers are) (Kirmani and Rao, 2000; San Martín and Camarero, 2005). Previous research has argued that brands are the most widely used signal when considering unobservable qualities (Baek and King, 2011; Erdem et al., 2006). Signaling theory also suggests that credibility is a key determinant of a brand signal to convey information effectively (Tirole, 1988). Thus, at the heart of brands as signals is brand credibility (Erdem et al., 2002).

2.4 Relationship Marketing Theory

Relationship marketing theory states that brand is an important relational tool in a firm's consumer relationship management. Relationship marketing refers "to all marketing activities directed towards

establishing, developing, and maintaining successful relational exchanges" (Morgan and Hunt, 1994). Relationship marketing theory posits that consumer perceptions of the strength of the relationship (e.g., commitment) shape consumers' behavior in that relationship (Hunt et al., 2006). The most frequent perception representing the strength of the relationship is affective commitment (Morgan and Hunt, 1994; Verhoef, 2003), which refers to the psychological attachment to the relationship partner and is associated on feelings of loyalty and affiliation (Bolton et al., 2004).

2.5 Attitude Toward Brand

Attitude is analyzed as the most distinctive concept in social psychology literature and in information economics perspective. It is the most analyzed issue in the consumer behavior researches (Belch & Belch, 2004). Furthermore, diverse types of approaches are used to study the attitude in order to obtain wide knowledge regarding attitude, intention and behavior. Fishbein and Ajzen (1975) define attitudes as "learned predisposition to respond in a consistently favorable or unfavorable manner with respect to a given object". The definition assumed that attitude can be learned or acquired. Attitude can be associated with one object (a brand) or the whole group (company) in marketing perspective.

Attitude toward the brand is defined as "a predisposition to respond in a favorable or unfavorable manner to a particular brand after the advertising stimulus has been presented to the individual" (Phelps & Hoy, 1996). Furthermore "attitude toward a brand" is consumer propensity to assess the brand, on the basis of previous experiences, available information and environment influences. Shimp (1981) suggests that attitude can be favorable or unfavorable and it is helpful to build up favorable and positive attitude toward the brand. The research also finds that positive attitude toward the brand can be created by influencing the beliefs of individual and beliefs directly affect the attitude regarding object. Positive attitude toward the brand influences the product or service choice of consumers in purchasing the brands (Biehal et al., 1992).

3. Theoretical Framework

3.1 The Signaling Effect of Brand Credibility on Purchase Intentions

This study proposes that brand credibility is a signaling tool that increases consumer's attitude toward brand, which in turn increases their purchase intention. Because of SMEs has smaller scope, consumers tend to search for information about its product or service before making decisions.

According to signaling theory, brands can serve as credible signals because they embody the cumulative efforts of prior marketing communication strategies (Baek and King, 2011) and can serve as a source of knowledge (Erdem et al., 2006). As such, credible brands enjoy lower information gathering and information-processing costs, and lower perceived uncertainty (Erdem and Swait, 2004). Because brand credibility can reduce the cognitive effort required to evaluate a company, it should enhance the attitude.

H1. Brand credibility positively affects attitude toward brand.

Purchase Intention is defined as "predisposition to buy a certain brand or product" (Belch & Belch, 2004, p. 120). Purchase Intention also indicates how likely it is that the individual would purchase a product (Phelps & Hoy, 1996). Previous studies examine the relationship of attitude with purchase intentions in specific dimensions, such as attitude towards advertiser (Lutz et al., 1983), attitude towards advertisement and attitude towards brand (MacKenzie et al., 1986; MacKenzie & Lutz, 1989). The current study focuses on the concept of attitude toward brand. Attitude toward brand has profound and important role in affecting consumer's purchase intentions (Gresham & Shimp, 1985; Goldsmith et al., 2000). Similarly, Batra and Ray (1986) suggest that attitude toward brand significantly affect intentions of consumers. Till and Busler (2000) investigate the source credibility (endorser) dimensions, such as expertise and likeability impact on attitude toward brand and purchase intentions of consumer and propose that both dimensions are positively associated with purchase intentions. Choi and Rifon (2002) argue that attitude toward brand and purchase intentions are positively associated with each other. Several studies in adult (Machleit & Wilson, 1988; Homer, 1990) and children samples (Phelps & Hoy, 1996) support that attitude toward brand has positive and significant effect on purchase intentions of consumers. In addition, previous research empirically investigates the concept and demonstrates a significant positive relationship between attitude toward brand and purchase intentions of consumers (Thwaiteset al., 2012; Chan et al., 2013). Recently, Pradhan et al., (2014) suggest that purchase intentions arise on the basis of favorable attitude toward brand. The "Elaboration Likelihood Model" (Petty and Cacioppo, 1986) also indicates that consumers' brand purchase intention is a function of attitude toward brand.

Thus, this study proposes positive relationship between attitude toward brand and consumers' purchase intentions.

H2. Attitude toward brand positively affects purchase intentions.

3.2 The Relationship Marketing Effect of Brand Credibility on Purchase Intention

This paper proposes that brand credibility is a relationship marketing tool that creates consumer affective commitment, thereby increasing consumer's purchase intention. As proposed in the previous sections, brand credibility has three components, trustworthiness, expertise and attractiveness. Relationship marketing theory suggests that trust leads to affective commitment (Morgan and Hunt, 1994). If consumers believe that the company can deliver on its promise of service or product quality (i.e., high trustworthiness), they tend to have higher affective commitment, since trust in a company justifies consumers' positive feelings towards and reliance on the company (Erkmen and Hancer, 2015; Hunt et al., 2006).

H3. Brand credibility positively affects consumers' affective commitment.

Relationship marketing theory suggests that affectively committed consumers believe they are connected to the company (Bolton et al., 2004; Morgan and Hunt, 1994). Such consumers want to continue their relationship because they like the company and enjoy the partnership (Verhoef et al., 2002), and are unlikely to buy from other companies (Evanschitzky et al., 2006; Verhoef,2003). Therefore, this paper proposes that affectively committed consumers are likely to purchase from the SMEs.

H4. Affective commitment positively affects a consumer's purchase intention.

3.3 The Direct Effect of Brand Credibility on Purchase Intention

This study builds a direct relationship between SMEs' brand credibility and consumer purchase intentions. A consumer who believes SMEs is willing to deliver on its promises (high trustworthiness) has a positive feeling toward the company, and should be more likely to purchase the service or product from the company. Similarly, a consumer who believes that SMEs is capable of delivering on its promises (high expertise) should be more willing to purchase the service or product from the company.

Therefore, SMEs' brand credibility has a direct, positive effect on purchase intention which is not mediated by attitude toward brand or affective commitment. Considering the effects of brand credibility also could test whether the effects of decision convenience and affective commitment hold in the presence of direct effect. Thus,

H5. Brand credibility positively affects a consumer's purchase intention.

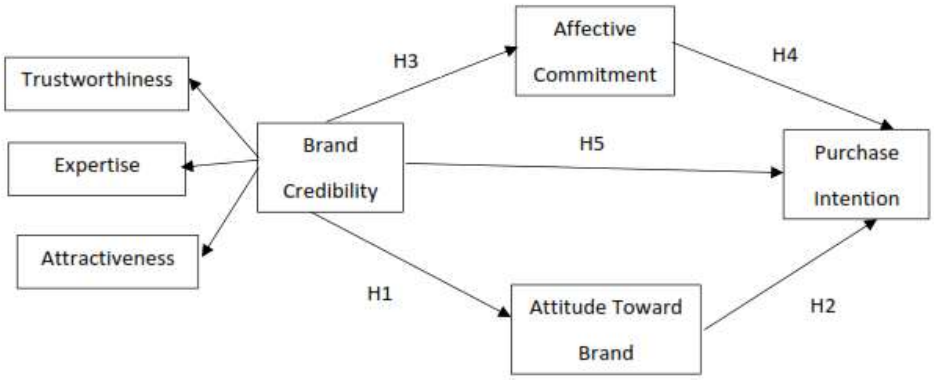


Figure 1. Conceptual Framework

4. Methodology

4.1 Population and Procedures

The target population of this study is students from different universities that located in Indonesia. In regards with the variables of the study, the sample comes from students with business and economic major. The selection of students for this research has two reasons. Firstly, students are the most homogeneous population and it decreases the random error that may arise by selecting general public (Calder et al., 1981). Secondly, focus of this study is SMEs and students often buy products or services from SMEs due to the lower price than large company. A total of 300 questionnaires were distributed directly and through social

media. However, only 230 completed questionnaires which are 78 male and 152 female respondents in the sample that are 33.9% and 66.1% respectively. Sample for this study includes students from universities, thus majority of the respondents 75.3% are young and fall in the range of 18 to 25 years old. From the total respondents 63.3% are Postgraduate students and 37.7% respondents are Undergraduate students.

4.2 Measurements

In this research, brand credibility is treated as a latent variable although there are three components of brand credibility, i.e. trustworthiness, expertise and likeableness or attractiveness. Brand credibility is measured by adopting measurement items from Wang and Yang (2010). The scale ranges from 1 "Strongly Disagree" until 5 "Strongly Agree".

Attitude toward brand is measured by adopting items from Lafferty et al., (2002). Different scales are used to measure the three items, such as scale 1 as "Worst" and 5 as "Very Good", for the second item 1 represents "Highly unfavorable" and 5 represents "Highly favorable", for the third item 1 represents "Highly unsatisfactory" and 5 represents "Highly satisfactory".

Purchase intention is measured by adopting items from Lafferty and Goldsmith (1999). The scale consists of three items to measure purchase intention. In order to measure purchase intentions scale, 1 represents "Absolutely Impossible" and 5 represents "Absolutely Possible".

5. Results

As prior explanation, all measurement items are adopted from previous studies. These scales have been validated numerous times and are the most commonly applied scales in academic research. However, in order to confirm the validity and reliability of measurement, this paper has assured the construct validity by analyzing the results of correlations between all
variables (Table 1).

Discriminant validity has been confirmed by observing the bivariate correlation values of brand credibility, attitude toward brand, affective commitment and purchase intentions which are less than the threshold value of 0.75(Kline, 1998). It exhibits that all variables are significantly discriminant and distinct from each other.

The reliability of constructs and correlation values are exhibited in table 1. The internal consistency or inter-item reliability of scales is measured by Cronbach's Alpha. The results show that the alpha values of all the variables range from 0.83 to 0.86. The Cronbach's Alpha values show that all measures are reliable and falls in very good range (greater than 0.80) (Sekaran, 2010). Results of reliability and validity denote that all constructs are acceptable and reliable.

The mean, standard deviation and correlations among the variables are presented in table 1. It can be observed that all variables are significantly and positively correlated with each other. The lower correlation coefficient values supported the absence of multicollinearity issues in data.

Table 1. Descriptive Statistics and Correlation Matrix

	1	2	3	4	Mean	S.D.
1. Brand credibility	(0.85)				4.17	0.72
2. Attitude toward brand	0.73**	(0.83)			4.52	1.20
3. Affective commitment	0.60**	0.70**	(0.85)		4.60	1.12
4. Purchase intention	0.59**	0.62**	0.65**	(0.86)	4.13	0.70

Note: p<0.01**; (n=230); Alpha values are along the diagonal in parenthesis

In order to test the proposed hypotheses, this study conducts multiple linear regression models. Bivariate correlation value ranges from 0.59 to 0.73 for all variables which refute issue of linearity among variables and furthermore it confirms absence of multicollinearity issue in data (Montgomery et al., 2009).

Table 2 represents the regression results for hypotheses H1, H2, H3, H4 and H5. The results reveal that brand credibility positively and significantly associated with attitude toward brand (ß=0.73, p<0.01). R^2 value shows that brand credibility explains 54% variation in attitude toward brand. Hence, hypothesis one is fully supported by the data. Then, the regression results show that attitude toward brand positively and significantly associated with purchase intention (ß= 0.62, p<0.01). The value of R^2 shows that 39% variation in purchase intention is caused by attitude toward brand. Thus, the second hypothesis is also supported. Furthermore, regression results also reveal that brand credibility significantly affect affective commitment (ß= 0.60, p<0.01) with R^2 =0.36. Hence, the third hypothesis is supported. The regression results show that

affective commitment positively affect purchase intention (ß= 0.65, p<0.01) with R^2 =0.42. In line with the results, then this study supports hypothesis four. Finally, the results reveal that brand credibility positively and significantly associated with purchase intention (ß=0.59, p<0.01). R^2 value shows that brand credibility explains 35% variation in purchase intention. Hence, hypothesis five is supported.

Table 2. Regression Results

Hypotheses	Path	R2	β	P-value
H1	Brand credibility → Attitude toward brand	0.54	0.73	0.000**
H2	Attitude toward brand → Purchase intention	0.39	0.62	0.001**
H3	Brand credibility → Affective commitment	0.36	0.60	0.003**
H4	Affective commitment → Purchase intention	0.43	0.65	0.003**
H5	Brand credibility → Purchase intention	0.35	0.59	0.001**

**p<0.01

6. Discussion and Implications

6.1. Main Findings and Contributions

This study examines how brand credibility affects consumer purchase intentions in the SMEs, and demonstrates that brand credibility contributes to consumer purchase intention through both signaling and relationship marketing mechanisms. On the one hand, brand credibility has a signaling role by increasing attitude toward brand, thereby increasing purchase intention. While on the other, it is a relationship marketing tool that fosters consumer affective commitment, which is important to maintaining consumer-company relationships.

This study contributes in the extant literature by number of ways. Firstly, this study accomplishes its main objectives in SMEs of Indonesia where the empirical literature is scarce. Secondly, this study fills the gap in consumer behavior literature by identifying two important mediators which will be source of indication for marketing researchers in future, especially in SMEs. Finally, the study proposed and measured the model which would be helpful for the practitioners in SMEs to formulate the brand positioning and communication strategies.

6.2 Theoretical Implications

The results of this study provide a deeper understanding of the effect of brands by considering credibility. It was very few studies focused on SMEs' brand over the past two decades (Wong and Merrilees, 2005). Therefore, this study extends knowledge in this area by examining brand credibility. By finding consumer response to brand credibility, this paper provides a deeper understanding of the effects of SMEs' brands. Drawing on signaling and relationship marketing theory, this study examined the effect of brand credibility on consumer purchase intention and found that attitude toward behavior and affective commitment could be considered as mediator of the causal relationship between brand credibility and purchase intention.

6.3 Managerial Implications

This study's findings show that SMEs managers or owners should recognize the key role SMEs brand credibility plays in the consumer decision making process. Attitude toward brand and affective commitment generated by SMEs credibility are important for increasing purchase intention. By understanding how brand credibility works in the SMEs, the managers or marketers can refine their brand messages in advertising and other marketing executions.

5.4 Limitations and Future Directions

Apart from the contributions, this study also has some limitations. Firstly, the current study results may not be generalizable to all of types of SMEs, so future studies should focus on specific sectors in SMEs, such as food and beverage, beauty product, clothing and etc. Secondly, SMEs encounter intense competition and heterogeneity across different cultures, thus a cross cultural study of SMEs brand credibility will contribute to existing literature. Finally, current study has limitation due to the student sample. Although students are the most probable population who buy SMEs' product or service, but we could not generalize the results to the general population. In the future, general public should be included along with students for making comparisons and generalizing the results.

7. Conclusion

This study communicates the importance of brand credibility, attitude toward brand and affective commitment in SMEs of Indonesia. The empirical results confirm that brand credibility, attitude toward brand and affective commitment simultaneously impact purchase intentions of consumers. The findings suggest that brand credibility is helpful to increase attitude toward brand and affective commitment. As a result, attitude toward brand and affective commitment affect purchase intentions of consumers. Hence, marketers should focus on attitude toward brand and affective commitment along with brand credibility in order to increase purchase intentions of SMEs' consumers.

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