

## Assessing Customer Trust, Satisfaction, and Loyalty in the Malaysian Ice Cream and Milk Tea Industry

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### ABSTRACT

This study investigates customer satisfaction, trust, and loyalty within Malaysia's ice cream and milk tea industry, focusing on Mixue Ice Cream & Tea. While previous research has predominantly examined how factors such as taste, perceived price, and service quality impact customer satisfaction, this study aims to bridge the gap by exploring the transition from customer loyalty to brand loyalty and its subsequent effect on brand competitiveness. Utilizing a quantitative approach, online surveys were administered to milk tea consumers across Malaysia. The analysis reveals that customer satisfaction and customer loyalty have a positive association, supporting Hypothesis H1, while customer trust significantly influences customer loyalty, confirming Hypothesis H2. However, the analysis rejects Hypotheses H4 and H5, indicating no substantial positive association between customer satisfaction and trust with brand loyalty. Notably, customer loyalty shows a strong positive relationship with brand loyalty, thus supporting Hypothesis H3. These findings contribute to the existing literature by detailing how customer satisfaction and trust evolve into strong brand loyalty and provide strategic recommendations to enhance Mixue Ice Cream & Tea's competitiveness in the F&B sector.

**Keywords:** Brand Loyalty; Competitiveness; Customer Loyalty; Customer Satisfaction; Customer Trust

## **INTRODUCTION**

The food and beverage industry, particularly in Malaysia's milk tea market, is characterized by strong brand loyalty and a notable trend of multiple brands and franchises emerging across various segments, including premium, mid-range, and budget-friendly options. In this competitive landscape, fostering customer loyalty is crucial for businesses to maintain their market position. A PR Newswire (2021) poll indicates that 43% of American customers are loyal to at least one food or beverage brand, reflecting a significant degree of brand devotion within this industry.

Market research conducted by Shi et al. (2021) reveals that 87% of the market comprises teenagers from the 1980s and 1990s. Furthermore, a CLSA poll referenced by Ren (2021) shows that 94% of consumers aged 20 to 29 purchased boba tea within the last three months. Additionally, several studies underscore the increasing demand for milk tea in Southeast Asia, highlighting the region's substantial expenditure of nearly USD 3.7 billion on the introduction of milk tea and related beverages (Fortune Business Insights, 2024; Ren, 2021; Ting, 2022).

Mixue Ice Cream & Tea stands out among low-end milk tea brands due to its affordability and captivating animation marketing strategy, making it accessible to a wide consumer base. The brand's competitive pricing, coupled with its engaging marketing approach, contributes to its appeal and widespread availability through franchising opportunities. Mixue Ice Cream & Tea's product positioning emphasizes genuine ingredients, superior quality, and affordability. Product categories include ice cream and tea, milk tea special drinks, milk cover tea, and the true fruit tea series. Star products include the iconic cone, the classic favorite fresh-squeezed lemonade, and the popular drink Mi-shaking (Ji, 2023b). The success of Mixue Ice Cream & Tea is underpinned by innovative and aggressive business strategies, starting with the introduction of sundaes at prices lower than the market average, garnering a sizable customer base. Transitioning to a franchise model in 2007 marked a pivotal moment, followed by the establishment of its factory in 2012 and a warehouse and logistics center in 2014, laying the groundwork for the bubble tea industry's rapid expansion and dominance (Koh, 2024).

In alignment with its global development strategy, Mixue inaugurated a store in Hanoi, Vietnam, in 2018, underscoring the company's proactive approach to capitalizing on opportunities in diverse regions. Through the rapid expansion of its franchising network and the establishment of an effective supply chain, Mixue has cultivated a substantial market presence, positioning itself as a global leader in the bubble tea industry. By 2023, the company operated over 20,000 locations in China and more than 1,000 stores throughout Southeast Asia (Koh, 2024). To support its extensive operations, Mixue has developed a robust supply chain management structure, complemented by an internal research and development team and a nationwide network of strategically located logistics and storage facilities. This infrastructure ensures that franchise locations receive reliable, high-quality, and efficient distribution services. Additionally, the implementation of a logistics-free delivery policy further enhances the brand's operational efficiency and customer satisfaction (Ji, 2023a).

Mixue's marketing strategies, including social media engagement, TikTok marketing, brand mascot utilization, and music marketing, underscore its dedication to enhancing brand presence and effectively engaging consumers. With a substantial following on platforms like Facebook and TikTok, Mixue leverages social media to disseminate information and connect with customers. Additionally, the integration of its brand mascot across all markets and the implementation of unique music marketing strategies further

reinforce its brand identity, resonate with consumers, and drive positive engagement and loyalty (Hùng, 2023).

The COVID-19 lockdown unexpectedly served as a catalyst for Mixue, prompting the exploration of international markets, particularly in Southeast Asia, due to stringent restrictions in China. By leveraging tax advantages from free trade agreements, Mixue strategically established a foothold in these new territories (Lau, 2023). In its bid to outprice competitors, Mixue adopts a disruptive pricing strategy, offering affordability amidst traditionally higher-priced competitors in the bubble tea market. In China, Mixue targets smaller cities with bubble tea priced at less than ten yuan, significantly undercutting major brands. Similarly, in Malaysia, Mixue maintains a competitive edge by offering bubble tea at RM5.50, including two toppings, thereby challenging the pricing norms set by brands like Gong Cha and Tealive (Lau, 2023).

Furthermore, Mixue revolutionizes the bubble tea industry with its innovative franchising model, which eliminates common franchise and royalty fees. This approach, compared to competitors like Tealive, offers a lower franchise fee, no royalty fees, and a more accessible entry point, appealing to a broader range of potential franchisees. Consequently, Mixue not only expands its franchisee pool but also ensures a consistent revenue stream through material sales, marking a significant shift in the industry's franchising landscape (Lau, 2023).

This study investigates customer satisfaction, trust, and loyalty within Malaysia's ice cream and milk tea industry, focusing on Mixue Ice Cream & Tea. Specifically, it aims to explore the transition from customer loyalty to brand loyalty and its subsequent effect on brand competitiveness. By addressing a significant gap in existing literature, this research moves beyond the traditional emphasis on factors such as taste, perceived price, and service quality to examine the emotional and relational dynamics that contribute to brand loyalty. The findings will provide empirical evidence regarding the relationships among customer satisfaction, trust, loyalty, and brand loyalty, emphasizing the importance of customer loyalty as a strategic asset for businesses. While the study supports the notion that customer satisfaction and trust are critical for fostering customer loyalty, it also reveals that their direct influence on brand loyalty may be less significant than anticipated. This insight encourages companies to prioritize the development of customer loyalty as a key driver of brand loyalty and overall market competitiveness.

## **LITERATURE REVIEW**

### **Development of the Milk Tea Market, Globalization, and Franchise**

Since its inception in Taiwan in the 1980s, the milk tea market has experienced incredible expansion and innovation, spreading throughout Asia and the world (Tan, 2019). Traditional bubble tea has been revolutionized by brands such as Happy Lemon and Coco. Tea base, a component in tea manufactured from powdered tea leaves, eventually made its way onto the market. One of the ingredients in milk tea was real tea leaves. Concurrently, there was an advancement in the field of milk with the usage of freshly produced milk in milk tea. A recent breakthrough in milk tea variations was tea with garnishes that applied light foam to the top layer of the tea, giving it a completely new shape and texture (Fan & Yan, 2022). With an emphasis on visual appeal and variety, this market is currently evolving and offers options that range from affordable to luxury, showing the industry's potential for continued expansion through innovation and personalization (Jesus, 2020; Shi et al., 2021).

Internationally, milk tea has become increasingly popular, with market values projected to reach USD4.3 billion (about \$13 per person in the US) by 2027 (Min et al., 2016;

Sangwai & Deshmukh, 2021). Major brands like Chatime, CoCo, GongCha, and Tiger Sugar have been instrumental in spreading milk tea's popularity by establishing outlets in diverse global markets and adapting to local tastes while preserving the essence of the original recipes (INQUIRER.NET, 2020). In Asia, the franchise market for milk tea supports a spectrum of business models, from small independents to large chains, with franchisors providing vital support in branding, marketing, operations, and product development (Shi et al., 2021). This segment emphasizes the need for continuous innovation and personalized products to meet evolving consumer preferences and drive industry growth.

### **Consumer Behavior Toward Milk Tea Industry**

Young people find milk tea to be quite appealing, with the brand particularly dominating the 18 to 24 and underage groups. Although the gender distribution of consumers is trending more towards women, the gender features are more inclusive when compared to the whole milk tea market. Regarding occupational characteristics, the two main consumer groups—white-collar workers and students—hold a bigger representation, particularly among the former (Xu et al., 2024). Thanks to the widespread distribution of their public WeChat accounts across the network, well-known online milk tea firms have turned the purchase and consumption of milk tea into a sort of everyday activity. Customers are always lined up in front of the well-known online milk tea store, resembling a long dragon. In addition, people can frequently observe the sharing of the "special mix" milk tea in the WeChat circles of friends (Han, 2018).

### **Digital Marketing and Animation in Brand Promotion**

Recent consumer trends demonstrate how popular milk tea consumption is, and social media is a major factor in influencing favorable attitudes and brand views (Alalwan et al., 2016; Zhu & Chen, 2015). As big brands compete intensely in the digital world, social media sites such as Facebook, Instagram, LinkedIn, and Twitter have become indispensable for advertising. Particularly for short videos, these platforms provide a quick route to commercial realization (Wang, 2023). For example, A Little Milk Tea successfully captured the market by using social media for customized drink marketing. Furthermore, studies have shown that brand mascots and animation marketing are successful in drawing in customers and producing enduring brand impressions (Abdullah & Abdullah, 2020; Arshad et al., 2018). With its lively and captivating lifestyle, Mixue's Snow King mascot has promoted a favorable brand image and solid customer relationships. Mixue's viral theme song, "You love me, I love you, Mixue Ice Cream & Tea," and staff disguised as Snow King are just two examples of how the company's use of animation has greatly increased user engagement and brand popularity.

### **Research Variables and Hypotheses Development**

#### ***Customer Satisfaction***

Customer satisfaction refers to the level of contentment experienced by consumers after using a product, which they then compare to their expectations (Kotler & Armstrong, 2018; Azizan & Yusr, 2019). Leninkumar (2017) describes consumer satisfaction as the contentment experienced when goods meet expectations. Iqbal et al. (2018) explain that satisfaction occurs when consumers feel pleased because the goods obtained meet their expectations. This satisfaction is derived not only from the product's performance but also from various aspects such as affordable prices, convenient locations, and effective promotions. Research has indicated a robust correlation between consumer satisfaction and loyalty. According to Minta (2018), there is a significant association between loyalty and consumer satisfaction, meaning that more satisfied consumers are linked to greater loyalty. This relationship is important for companies aiming to outperform competitors by better satisfying the needs and desires of their customers. Gustafsson et al. (2005) also found a positive link between customer loyalty and satisfaction. Chen (2012) supports

that loyalty is directly correlated with customer satisfaction, even though other factors frequently mediate this relationship. Voss et al. (2010) argue that while several moderators can influence this relationship, customer satisfaction significantly impacts loyalty. Their findings suggest that perceived value, commitment, trust, and involvement may mediate the effect of satisfaction on loyalty.

Additionally, Kumar et al. (2013) discovered a typically favorable correlation between customer happiness and loyalty. A Customer Satisfaction Index (CSI) model was presented by Yap et al. (2012), which reassesses the connections between loyalty, trust, and contentment. The results are consistent with other studies that show satisfaction strengthens trust, which in turn fosters loyalty (Hallowell, 1996; Bendall-Lyon & Powers, 2003; Lam & Burton, 2006; Ball et al., 2006). Kee et al.'s (2021b) recent study looked at how the COVID-19 pandemic affected customer satisfaction and the performance of businesses. Their study provides insights into how external factors can influence customer satisfaction levels. Another study by Kee et al. (2022) investigated contributing factors to customer satisfaction during the pandemic, highlighting the importance of understanding changing consumer behaviors and preferences, particularly in response to unprecedented events like the COVID-19 pandemic. Overall, the research highlights the importance of customer satisfaction for loyalty. While satisfaction is crucial for fostering loyalty, it is insufficient on its own (Kumar et al., 2013). Hereby, the hypothesis can be formulated as follows:

H1: There is a positive relationship between customer satisfaction and customer loyalty.

### ***Customer Trust***

According to Bishop (2021), customer trust is crucial in the modern age of the customer, where connectivity and information access shape consumer expectations. Gartner research by Ramaswami (2020) indicates that 74% of customers expect brands to prioritize customer treatment alongside products. Additionally, 83% of consumers avoid brands they don't trust. Customer trust is built on emotional connections marked by sensitivity, transparency, honesty, and dependability, with customer sentiment influencing business outcomes 1.5 times more than rational considerations. Customer trust is essential for building lasting relationships, enhancing experiences, and increasing loyalty and retention. Trust allows access to customer data for personalization and fuels brand advocacy, with satisfied customers promoting positive feedback. In today's market, brand loyalty is rooted in emotional connections, highlighting the importance of fostering trust for enduring customer relationships (Bishop, 2021). Cho's (2006) research on trust and distrust formation in B2C internet exchanges shows that customer trust significantly influences relational outcomes, particularly commitment. High trust levels are crucial for fostering commitment, and efforts to enhance trust should focus on relationship investments and positive judgments of benevolence. Communication's impact on trustworthiness was insignificant, emphasizing the need to build and maintain trust to foster consumer commitment (Cho, 2006).

By employing a blue ocean strategy to carve out a new market niche with less competition, Mixue Ice Cream & Tea has successfully overcome market saturation in the Chinese milk tea business. With the use of the Strategy Canvas and ERRC model, Mixue has drawn clients and set itself apart from the competition. The key components of this strategy are client loyalty and trust (Hu et al., 2023). Putra and Cokki (2023) found that customer satisfaction functions as the intermediary factor connecting the influence of electronic marketing and the quality of the product on customer loyalty in their investigation of Mixue in Jakarta. This implies that customers must trust the reputation of a company and its marketing strategies to develop loyalty. In summary, customer trust is pivotal for brand loyalty at Mixue Ice Cream & Tea. The brand's differentiation strategy,

product quality, and digital marketing foster a strong customer base. This highlights the importance of trust in building and maintaining brand loyalty, especially in competitive markets like the milk tea industry in Malaysia. Thus, the following hypothesis has been constructed:

H2: There is a positive relationship between customer trust and customer loyalty.

### ***Customer Loyalty***

Customer loyalty, as defined by Nurfitriana et al. (2020) and Sulibhavi & Shivashankar (2017), involves a commitment to repeatedly purchase and support specific products or services, although customers may switch due to marketing conditions or efforts. Abbas et al. (2021) describe consumer loyalty as an emotional connection between companies and consumers, where loyal consumers consistently make repeat purchases and prefer certain brands over competitors. Loyal customers are crucial for business success in today's competitive marketplace (Ehigie, 2006). In the competitive milk tea market, measuring customer satisfaction, trust, and loyalty levels is essential for gaining a competitive advantage. Loyal customers generate substantial revenues over time, demand less attention, forgive service mishaps, are less sensitive to price changes, and promote positive word-of-mouth (Anderson & Mittal, 2000). Thus, customer loyalty is a significant source of sustained growth and profit.

Acquiring new customers is significantly more expensive than retaining existing ones; gaining a new client can cost roughly five times more than sustaining an existing one. Pleasant, loyal customers not only contribute more revenue annually but also incur lower retention costs compared to acquisition costs (Lam & Burton, 2006; Reichheld, 2014). Furthermore, negative customer experiences are considerably more likely to be shared, particularly online, as noted by Sener and Behdioglu (2013) and Wreden (2007). Customer satisfaction enhances profitability through increased brand loyalty and is influenced by various factors, including costs, competitiveness, product selection, quality, distribution speed, reliability, adaptability, and excellent customer service (Fečíková, 2004).

Arslan (2020) highlights that customer loyalty varies with market characteristics, suggesting that businesses should tailor their loyalty strategies accordingly. Emotional factors play a vital role in fostering loyalty; companies benefit from creating emotional connections through the symbolic meanings associated with their products or corporate images. Pérez-Morón et al. (2022) emphasize the connection between customer loyalty, service quality, and satisfaction, noting that extraordinarily high service quality significantly enhances customer loyalty. Ruiz et al. (2020) investigate consumer loyalty strategies in countries like Malaysia and Colombia, demonstrating the effectiveness of tailored loyalty programs in different cultural contexts. Lim et al. (2020) further explore the relationship between the organizational environment and customer loyalty, illustrating how a strong corporate culture can foster significant consumer loyalty.

In summary, customer loyalty encompasses both an emotional connection and a commitment to making repeat purchases from firms. To remain profitable, efficient, and competitive, businesses must cultivate devoted customers. Companies should prioritize fostering emotional connections and enhancing customer satisfaction. Mixue Ice Cream & Tea exemplifies this strategy by successfully building its brand through a friendly mascot, catchy theme songs, and active digital marketing on social media. Therefore, it is hypothesized:

H3: There is a positive relationship between customer loyalty and brand loyalty.

### **Brand Loyalty**

Brand loyalty is crucial for business success, significantly impacting customer retention, profitability, and competitive advantage. In the context of Mixue Ice Cream and Tea, factors such as brand recognition, digital marketing, and product quality play vital roles in fostering brand loyalty. The literature review reveals that brand loyalty extends beyond repeat purchases to encompass the emotional bond and dedication consumers feel toward a brand (Wijaya & Putra, 2023). A study by Nursalim and Setianingsih (2023) examined the factors influencing customer loyalty, identifying customer satisfaction as a key mediator. Utilizing online questionnaires and convenience sampling, they analyzed responses from 200 consumers of Mixue Ice Cream and Tea. Their findings indicate that strong brand awareness, effective digital marketing strategies, and high-quality products are critical determinants of consumer loyalty in this sector, underscoring the importance of prioritizing product quality and leveraging digital marketing to enhance consumer loyalty.

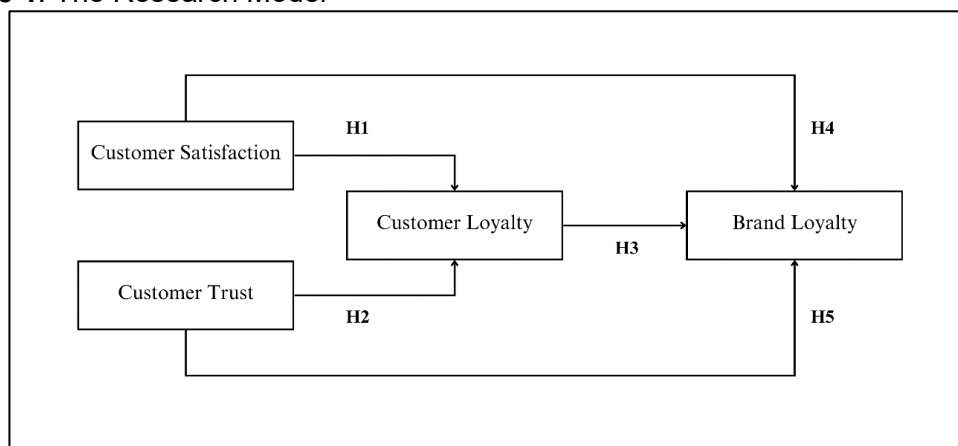
This study aims to investigate the connections between customer satisfaction, loyalty, and other contributing factors, providing organizations with insights on how to build and maintain a loyal client base. In a case study of Nestlé, Kee et al. (2021a) explored the relationship between brand loyalty and customer satisfaction, highlighting the necessity of maintaining strong customer satisfaction to foster continued brand loyalty. Their findings align with the broader literature, which emphasizes that satisfied customers are more likely to remain loyal, thereby enhancing a company's standing in the marketplace. Brand loyalty encompasses not only recurring purchases but also a strong sense of allegiance from customers who regularly choose and advocate for a specific brand. Kotler et al. (2019) identified three dimensions of consumer loyalty: Repeat, Retention, and Referrals. These dimensions illustrate the multifaceted nature of brand loyalty and its significance in fostering long-term consumer relationships and brand advocacy. In examining the transformation of customer loyalty into brand loyalty, these dimensions are closely related to the main variables. Customer satisfaction and loyalty significantly influence repeat purchase intentions and customer retention. Moreover, customer loyalty, linked with these variables, also affects the referrals customers make toward the brand. Based on these insights, it is hypothesized:

H4: There is a positive relationship between customer satisfaction and brand loyalty.

H5: There is a positive relationship between customer trust and brand loyalty.

Figure 1 presents the research model.

**Figure 1.** The Research Model



### **RESEARCH METHOD**

This research investigates the transition from customer loyalty to brand loyalty in the milk tea market, focusing on Mixue Ice Cream & Tea. The objective is to identify the variables influencing loyalty formation at different stages. Adopting a quantitative research design, the study employed a structured questionnaire to collect data. The survey questions were adapted from Yo et al. (2021), focusing on measuring customer satisfaction and trust. The reliability of these measures was 0.786 for customer satisfaction and 0.760 for trust (Yo et al., 2021), indicating good internal consistency.

Data was collected via a survey distributed through social media platforms such as Telegram, WhatsApp, and Instagram, targeting milk tea consumers in Malaysia. Simple random sampling was used to gather responses from 150 participants. The questionnaire included demographic information, customer satisfaction, trust, loyalty, and brand loyalty, with Likert scale responses (1-5). Pre-testing ensured clarity and reliability.

Data analysis employed descriptive statistics to summarize respondent demographics. Cronbach's Coefficient Alpha assessed the reliability of the survey instruments. Zero-order correlations and regression analysis, conducted using SPSS 27, determined the relationships between satisfaction, trust, and loyalty. This analytical approach ensured robust findings.

The study's geographical focus on Penang, Malaysia, may limit generalizability. Cultural and ethical factors, such as Halal certification, may influence behavior differently in other regions. Additionally, the focus on Muslim consumers due to their significant presence may limit broader applicability. Despite these limitations, the findings aim to enhance understanding of loyalty formation and guide strategic decisions in the milk tea industry.

## **RESULTS**

**Table 1.** Respondents' Profile Summary (N =152)

Response	Frequency	Percentage (%)
<b>Gender</b>		
Female	87	57.2
Male	65	42.8
<b>Age Group</b>		
18 - 24	112	73.7
25 - 34	32	21.1
35 - 44	4	2.6
44 - 54	2	1.3
>55	2	1.3
<b>Race</b>		
Chinese	101	66.4
Malay	43	28.3
India	6	4.0
Bidayuh	2	1.3
<b>Educational Level</b>		
Bachelor's degree	113	74.3
High School diploma or equivalent	20	13.2
Master's degree	19	12.5
<b>Employment Status</b>		
Full time	59	38.8
Part time	18	11.8



Retired	1	.7
Self-employed	5	3.3
Unemployed	69	45.4
Annual Income		
More than RM200,000	1	.7
RM100,001 - RM200,000	6	3.9
RM50,001 - RM100,000	17	11.2
RM25,001 - RM50,000	10	6.5
Less than RM25,000	27	17.8
No income	91	59.9

Table 1 provides a detailed summary of the demographic characteristics of the respondents, revealing a diverse sample. The survey included 65 males (42.8%) and 87 females (57.2%). Most respondents (73.7%) were aged between 18 to 24 years, followed by 21.1% aged 25 to 34 years, with small percentages in older age groups. Ethnically, the sample was predominantly Chinese (66.4%), followed by Malay (28.3%), Indian (4%), and Bidayuh (1.3%). Educationally, most respondents held a bachelor's degree (74.3%), with others having a high school diploma (13.2%) or a master's degree (12.5%). Employment status showed a significant portion as unemployed (45.4%) because the majority of them were full-time undergraduate students, followed by full-time workers (38.8%), part-time workers (11.8%), self-employed (3.3%), and retired (0.7%). In terms of annual income, 59.9% had no income, 17.8% earned less than RM25,000, and smaller percentages earned higher incomes, with only 0.7% earning more than RM200,000. The demographic profile of the respondents revealed a sample that was primarily Chinese, young, and well-educated; a sizeable fraction of the sample was unemployed (majority full-time undergraduate students) or had low wages. The key traits of Mixue Ice Cream & Tea's consumer base are revealed by this demographic distribution, and these insights can guide customer interaction and focused marketing campaigns.

**Table 2.** Descriptive Statistics, Cronbach's Coefficient Alpha, and Zero-order Correlations (N =152)

Variables		1	2	3	4
1.	Customer Satisfaction	0.934			
2.	Customer Trust	0.826**	0.891		
3.	Customer Loyalty	0.725**	0.783**	0.792	
4.	Brand Loyalty	0.556**	0.639**	0.790**	0.946
Number of items		4	4	4	4
Mean		4.2829	4.1513	3.8980	3.6382
Standard deviation		0.79989	0.74760	0.79960	0.98830

Note: \*p<.05, \*\*p<.01, \*\*\*p<.001. The diagonal entries represent Cronbach's Coefficient Alpha

Table 2 presents the descriptive statistics, Cronbach's Coefficient Alpha values, and zero-order correlations for the variables studied in a sample of 152 respondents. These statistics provide an overview of the reliability of the measures used, as well as the relationships between key variables such as customer satisfaction, trust, and loyalty, offering insights into their roles in the formation of brand loyalty. According to the findings, Mixue Ice Cream & Tea achieves excellent levels of brand loyalty, customer satisfaction, and trust. With a Cronbach's Alpha of 0.934 and a mean score of 4.2829 (SD = 0.79989), customer satisfaction exhibits strong consistency and dependability. Similar dependability is shown by the mean ratings for customer loyalty and trust, which are 4.8980 (SD = 0.79960) and 4.1513 (SD = 0.74760) respectively, with Cronbach's Alpha of 0.725. Brand loyalty has a mean of 3.6382 (SD = 0.98830), which is slightly lower. The high mean scores and reliability coefficients highlight the strong positive perception of Mixue among customers, while the standard deviations suggest consistency in

responses. The findings emphasize the critical role of maintaining high levels of customer satisfaction, trust, and loyalty for sustained business success, suggesting targeted marketing could address variations in brand loyalty.

**Table 3.** Regression Analysis

Variables		Brand Loyalty	Customer Loyalty
1.	Customer Satisfaction	-0.100	0.248**
2.	Customer Trust	0.119	0.578***
3.	Customer Loyalty	0.769***	
R <sup>2</sup>		0.620	0.627
F value		83.144	128.107
Durbin-Watson Statistic		1.854	2.093

Note: N =152; \*p<.05, \*\*p<.01, \*\*\*p<.001.

Table 3 presents a two-part summary of the regression analysis. In the first section, Customer Satisfaction, Customer Trust, and Customer Loyalty are the independent variables, while Brand Loyalty serves as the dependent variable. The analysis rejects Hypotheses H4 and H5, indicating no substantial positive association between customer satisfaction and customer trust with brand loyalty. However, a beta value of 0.769 indicates a statistically significant link between Customer Loyalty and Brand Loyalty, with Customer Loyalty accounting for 62% of the variance in Brand Loyalty, thus supporting Hypothesis H3.

The second section of the analysis examines Customer Satisfaction and Customer Trust as independent variables, with Customer Loyalty as the dependent variable. A fairly positive association is observed between Customer Satisfaction and Customer Loyalty (Beta value of 0.248), supporting Hypothesis H1. Additionally, Customer Loyalty and Customer Trust demonstrate a statistically significant association (Beta value of 0.578), confirming Hypothesis H2. F values of 83.144 and 128.107 indicate that the overall regression analysis is statistically significant, suggesting that the independent variables collectively impact both customer loyalty and brand loyalty. However, the Durbin-Watson statistics of 1.854 and 2.093 do not provide insights into the relationships between the variables.

In summary, Customer Loyalty significantly influences Brand Loyalty, while Customer Satisfaction and Trust have a direct impact on Customer Loyalty. The findings support hypotheses H1, H2, and H3 at moderate to strong significance levels. As noted by Kumar et al. (2013), incorporating additional factors such as moderators, mediators, or antecedents may provide a more comprehensive understanding of loyalty formation. Further research is warranted to identify additional factors contributing to Brand Loyalty and Customer Loyalty in this context.

## **DISCUSSION**

The research findings underscore the importance of customer satisfaction and trust as fundamental components that any company should prioritize, aligning with Hypotheses H1 and H2. Stronger brand loyalty largely depends on consumer loyalty, significantly influenced by customer satisfaction (H1) and trust (H2). The data reveal a positive association between customer satisfaction and customer loyalty, with a Beta value of 0.248, supporting H1. In contrast, a robust link between customer trust and customer loyalty is confirmed with a Beta value of 0.578, validating H2.

Notably, 74% of customers expect brands to prioritize customer treatment alongside their products and services, while 83% avoid brands they do not trust (Ramaswami, 2020).

Supporting this notion, Islam et al. (2021) found that customer trust is a key antecedent of customer loyalty and purchase intention, further reinforcing the results of this study. Additionally, Rasheed and Abadi (2014) emphasize that customer satisfaction significantly predicts customer trust, which is essential for establishing successful long-term relationships. According to Martínez and Del Bosque (2013), customer trust plays a crucial role in the marketing literature related to satisfaction, highlighting the need for brands to establish credibility to foster enduring customer relationships.

A solid foundation of devoted consumers is necessary for long-term success; without strong customer satisfaction and trust, firms struggle to achieve high retention levels and maintain customer equity. Recent studies consistently emphasize the critical role of customer satisfaction in developing customer loyalty, demonstrating a well-established correlation between loyalty and satisfaction. In the hospitality sector, customer satisfaction has proven to be an exceptionally effective marketing tool, resulting in loyal patrons and reduced marketing costs (Bowen & Chen, 2001; Hu et al., 2023). Han and Ryu (2009) found that satisfied customers are more likely to remain loyal, recommend the business to others, and make larger purchases.

Furthermore, the findings indicate that customer loyalty has a significant positive effect on brand loyalty, supporting Hypothesis H3. This underscores the importance of customer loyalty in transforming and developing brand loyalty, alongside customer trust. The regression analysis shows that customer loyalty accounts for 62% of the variance in brand loyalty, confirming its pivotal role. Consistent with other researchers' findings, customer loyalty is essential for business success and profitability, as loyal customers generate substantial revenues, require less attention, forgive service mishaps, are less sensitive to price changes, and promote positive word-of-mouth (Anderson & Mittal, 2000). Therefore, customer loyalty is a significant source of sustained growth and profit. Retaining customers is also significantly less costly than acquiring new ones, providing businesses with competitive advantages (Reichheld, 2014a; Lam & Burton, 2006).

Additionally, a study by Jung et al. (2020) investigates how consumer loyalty, leading to a persistent attitude toward a brand, is influenced by customer satisfaction, brand image, and consumer trust, reinforcing H1 and H2. Moreover, customer loyalty influences brand loyalty, further supporting the connections established in the current study. In the traditional fashion industry, sustainable marketing initiatives that foster enduring bonds between consumers and brands can increase market share and provide a stable competitive edge. Therefore, companies should establish solid connections with customers based on brand loyalty, customer satisfaction, and trust, which serves as a primary driver of generating substantial synergies from sustainable marketing initiatives. In particular, businesses should seek opportunities to engage in ESG (Environmental, Social, and Governance) initiatives related to product and delivery packaging. According to Jung et al. (2020), sustainable marketing initiatives that are culturally, environmentally, and economically sound significantly impact consumers' favorable brand associations. ESG compliance is increasingly popular among companies, including Malaysian milk tea brands like KOI, Chagee, and Tealive. Consequently, companies that fail to engage in ESG practices risk damaging their brand image and losing customers.

While the analysis reveals that the significance level of the relationship between customer satisfaction and both customer loyalty and brand loyalty is lower than that of customer trust and customer loyalty, a positive association between customer satisfaction and loyalty still exists. This observation supports the rejection of Hypothesis H4, which posits a direct link between customer satisfaction and brand loyalty, indicating that such a connection is not statistically significant. In a similar vein, Hypothesis H5, which suggests a direct positive relationship between customer trust and brand loyalty,

is also not supported by the findings. This underscores the complexity of the relationship dynamics, highlighting that while customer satisfaction and trust are essential for building customer loyalty, additional factors such as emotional connections may be necessary to convert these attributes into brand loyalty. Thus, businesses should consider fostering emotional engagement alongside satisfaction and trust to effectively enhance brand loyalty.

In addition to the previously discussed independent variables, factors such as moderators, mediators, and antecedents that cultivate emotional connections with customers play a vital role in fostering loyalty formation. Companies should aim to create "lovemarks"—brands that evoke loyalty beyond reason through deep emotional ties. Effective digital marketing strategies are essential for distinguishing a brand in a competitive landscape. For instance, Mixue Ice Cream & Tea has successfully utilized digital marketing by leveraging its mascot and viral theme song, which enhance its brand identity and contribute to customer loyalty.

Research by Hayuni and Sharif (2023) indicates that a strong sense of Brand Love for Mixue significantly moderates the relationship between Brand Satisfaction and Brand Loyalty. Similarly, Song et al. (2019) found that lovemarks greatly influence the relationship between brand loyalty and trust. Gustafsson et al. (2005) emphasize that to cultivate customer loyalty through lovemarks, a brand's emotional components must resonate harmoniously. Lovemarks facilitate direct emotional connections between companies and consumers, leading to passionate commitments rather than mere transactions. Pawle and Cooper (2006) highlight that emotions profoundly impact human behavior, with emotional and intuitive responses significantly shaping consumer actions. Therefore, businesses should prioritize building these emotional connections to enhance loyalty formation.

In the Malaysian market, several local brands offer similar products and marketing strategies to Mixue Ice Cream & Tea. However, Mixue distinguishes itself through its unique brand identity and approachable image. The development of customer satisfaction and trust has further solidified its customer base. To maintain a competitive edge, businesses should continue to foster emotional connections and enhance the process of brand loyalty formation.

## **CONCLUSION**

This research on the development of brand loyalty within the milk tea market, particularly through the case study of Mixue Ice Cream & Tea, provides critical insights into the dynamics of loyalty formation. The study confirms the positive relationships between customer satisfaction, trust, and customer loyalty, as hypothesized in H1 and H2, and further validates the significant influence of customer loyalty on brand loyalty, as per H3.

However, the anticipated direct impact of customer satisfaction and trust on brand loyalty (H4 and H5) was not supported by the data, indicating that these factors may influence brand loyalty more indirectly, through their effect on customer loyalty. This finding underscores the importance of customer loyalty as a mediating factor in the relationship between customer satisfaction, trust, and brand loyalty.

In conclusion, businesses, especially in competitive markets like the milk tea industry, should focus on strategies that enhance customer satisfaction and trust to build a strong base of loyal customers. Additionally, creating emotional connections with customers through branding and marketing efforts can further solidify this loyalty, ultimately translating into stronger brand loyalty. Embracing sustainable marketing practices that

align with ESG standards can also play a crucial role in maintaining customer trust and loyalty, ensuring long-term success and profitability in the fast-evolving market landscape.

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## **DECLARATION OF CONFLICTING INTERESTS**

Every author affirms that they have no conflict of interest.

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