

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 Introduction**

The purpose of this chapter is to provide a context for understanding the relationship between branding, brand equity, brand loyalty and the determinants of brand loyalty by reviewing the extant literature. It starts with an overview of branding and its importance before it focuses on the central topic of this study, that is, brand loyalty.

### **2.2 Overview of the Importance of Branding**

There are numerous definitions of the term brand in the extant literature. Kotler (2000, p.404), defines a brand as “a name, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate from those of competitors”. He also emphasizes the importance of branding in terms of adding value or dimension to a product or service and differentiating it in some ways from other products or services designed to satisfy consumer needs.

Brands are also the means to distinguish one product from another. Powerful brands create meaningful images in the minds of customers (Keller, 1993).

Besides this, Keller also recognizes that the role of brands goes beyond mere identification. He suggests that in order to understand why and how consumers evaluate brands, researchers and practitioners need a deeper understanding of brand associations which greatly influence consumer preference. This implies that the major purpose of branding is to develop strong, unique and favorable brand associations that create a differential effect on consumer response to the marketing actions of a focal brand.

Keller (1993) also indicates that brand awareness is a necessary condition or step to create a brand's image. Brand awareness affects a consumer's decision making by influencing the formation and strength of brand associations in the brand image. A strong brand image and reputation enhances differentiation and has a positive influence on buying behavior (Gordon et al., 1993; McEnally and Chernatony 1999).

According to both Aaker (1991) and Keller (1993), the awareness of the product or brand is the beginning of brand loyalty. If a customer is aware of a certain product or brand, there is a higher possibility that the customer will have a favorable image of the product or brand. Thus, a positive brand image through high brand awareness will increase the likelihood of brand purchase leading to brand loyalty.

Brands offer both functional and symbolic advantages to the consumers. Muller (1998) states that brands create a strategic position and specific associations in the mind of the consumer. Thus, for the consumers, a brand is a promise of a certain level of product and service execution. The key point to emphasize here is that products and services are often acquired based on the evaluation of their perceived quality.

Brands can also serve as a “symbolic” device for the customers, thus allowing them to project their self-image or status. In addition, brands reduce the perceived risk of purchasing, and signal the quality of the product (Shimp, 1997; Janiszewski and Van Ossekaer, 2000).

Jacoby, Olson & Haddock (1971) state that brands also help consumers to make decisions faster. As a result of their experiences with a brand, consumers develop a “simplification process”, that is, they do not have to engage in a lot of additional thought or processing of information for product decisions. Another author who supports their views is Biswas (1992) who states that brands allow consumers to lower search cost both internally (how much they have to think) and externally (looking around). Thus, based on what consumers already know about the brand, they make decisions faster.

McNamara (2005) defines a brand as “a sum of all feelings, thoughts and recognitions that is positive or negative which people in the target audience have

about a company, a product or service”. This also highlights the importance of consumers’ perception towards a brand and its influence on decision making.

According to Kapferer (1997), brand serves eight functions which are summarized in Table 2.1.

**Table 2.1: The Functions of the Brand for the Consumer**

<b>Function</b>	<b>Consumer Benefit</b>
Identification	To be clearly seen, to make sense of the offer, to quickly identify the sought-after products.
Practicality	To allow savings of time and energy through identical repurchasing and loyalty.
Guarantee	To be sure of finding the same quality no matter where or when you buy the product or service.
Optimization	To be sure of buying the best product in its category, the best performer for a particular purpose.
Characterization	To have confirmation of your-self-image or the image that you present to others.
Continuity	Satisfaction brought about through familiarity and intimacy with the brand that you have been consuming for years.
Hedonistic	Satisfaction linked to the attractiveness of the brand, to its logo, to its communication.
Ethical	Satisfaction linked to the responsible behavior of the brand in its relationship towards society.

*Source: Adapted from Kapferer (1997)*

### **2.3 Definitions and Concepts of Brand Loyalty**

Brand loyalty is one of the most important factors that explain consumer brand choices. The concept of brand loyalty has aroused an enormous interest among academics as well as practitioners within the field of marketing and consumer behavior. According to Assael (1992) and Zaltman & Wallendorf (1979), brand loyalty is viewed as being the repeated, habitual selection of one brand from a larger field of competing brands due to:

- 1) High involvement with the purchase decision/brand.
- 2) Reinforced satisfaction followed by consistent preference or insistence in terms of both attitude and behavior that was learned through some experience leading to one's discrimination between at least some members of the brand set.
- 3) Continued commitment on the part of the buyer to the preferred and selected brand.

Brand loyalty is the "result most business managers seek when attempting to influence consumer behavior" (Walters and Bergiel 1989, p.494).

With brand loyalty, it can be extremely advantageous to a seller because it is often much cheaper to retain customers than to attract new ones (Sheth and Parvatiyar, 2000; Lindgreen, 2001; 2004).

Dick & Basu (1994) view that brand loyalty generates positive word of mouth and greater resistance among loyal customers to competitive strategies. Their findings have encouraged marketers to build and maintain brand loyalty among customers. Hence, when striving for such goals, information on factors determining the creation of brand loyalty among customers becomes an important matter.

Yoo & Donthu (2001) describe brand loyalty as “the tendency to be loyal to a focal brand, which is demonstrated by the intention to buy the brand as a primary choice”.

However, brand loyalty is not just a simple one-dimensional concept. It involves both the behavioral and attitudinal aspects. Oliver (1997) has presented a conceptual framework of brand loyalty that includes the full spectrum of brand loyalty based on a hierarchy of effects model. It involves the cognitive, affective, conative (behavioral intent), and action (repeat purchase behavior) dimensions. He defines brand loyalty as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior."

According to Oliver, there are four consecutive phases of brand loyalty described as follows:

- 1) Phase one – ‘cognitive loyalty’ which is based on brand belief, that is, the attribute information available to the customer indicates that one brand is preferable to its alternatives.
- 2) Phase two – ‘affective loyalty’ which is a liking or attitude toward the brand based on several satisfying experiences.
- 3) Phase three – ‘conative/ behavioral loyalty’ which implies a commitment to repurchase and, therefore, attaches customers more strongly to a brand than ‘affective loyalty’. However, the desire to rebuy may be an anticipated, yet unrealized step.
- 4) Phase four – ‘action loyalty’ which means that the motivated intention is now transformed into readiness to act, accompanied by a desire to overcome obstacles that might prevent the act.

Besides Oliver, other researchers also recognize brand loyalty construct from the behavioral and attitudinal approaches.

Jacoby & Chestnut (1978) describe brand loyalty as “repeat purchase but clearly point out that this behavior is a function of psychological processes”. In other words, repeat purchase is not just an arbitrary response but the result of some proceeding factors such as psychological, emotional or situational factors. In a nutshell, they provide the following conceptual and operational definition of brand loyalty which is:

- 1) Biased (i.e., non-random);
- 2) Behavioral response (i.e., purchase);
- 3) Expressed over time;
- 4) By some decision-making unit;
- 5) With respect to one or more alternative brands out of a set of such brands,  
and;
- 6) Is a function of psychological (decision making, evaluative) process.

Similarly, Mellens et al. (1996) view brand loyalty as a multidimensional construct which includes attitudinal and behavioral dimensions. According to them, behavioral loyalty measures define brand loyalty in terms of “the actual purchases observed over a time period”, whereas attitudinal loyalty measures are based on “stated preferences, commitment or purchase intentions”.

Yi & La (2004) also define brand loyalty from both the behavioral and attitudinal perspectives. They define loyal customers as “those who rebuy a brand, consider only that brand, and do no brand-related information seeking”. Brand loyalty in the behavioral sense is measured using repurchase probability, long-term choice probability, or switching behavior. In the attitudinal sense, brand loyalty is operationalized as brand preference or emotional commitment which is measured with repurchase intention, resistance against better alternatives, price tolerance, and intention to recommend the product or service.



Brand loyalty can also be defined from the behavioral, attitudinal and choice perspectives (Javalgi and Moberg 1997). While behavioral perspective is based on the amount of purchases for a particular brand, attitudinal perspective incorporates consumer preferences and dispositions towards brands. The choice perspective focuses on the reasons for purchases or the factors that may influence choices.

In summary, this study will adopt the definition of brand loyalty based on three perspectives. The behavioral perspective which emphasizes the consumer's actual loyalty to the brand as reflected in purchase choices, the attitudinal perspective which accentuates the consumer's intentions to be loyal to the brand and choice perspective which focuses on the factors that may influence choices.

## **2.4 The Conceptual Models of Brand Equity**

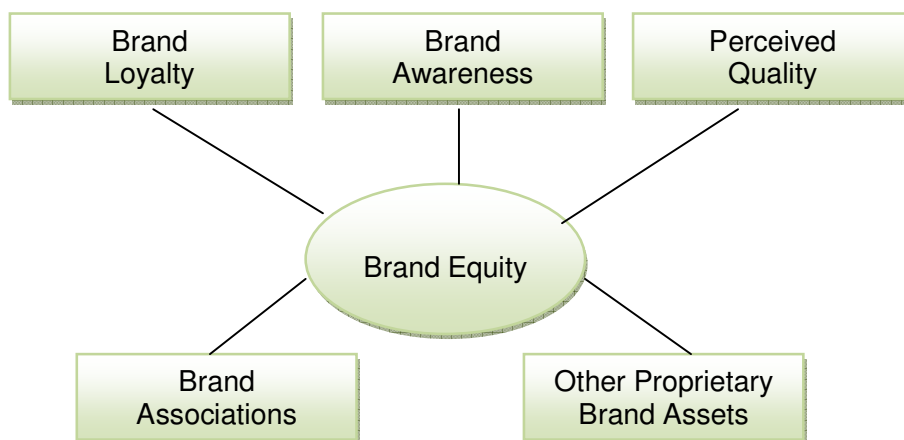
Brand loyalty is a major component of brand equity in Aaker's brand equity model (Aaker, 1991), and it is the main source of brand equity in Keller's customer-based brand equity framework (Keller 2003).

### **2.4.1 Aaker's Brand Equity Model**

In Aaker's model (1991), he conceptualizes brand equity as an aggregate variable of five dimensions of brand assets: brand loyalty, brand awareness,

perceived quality, brand association, and other proprietary assets (such as patents and trademarks) as shown in Figure 2.1.

**Figure 2.1: A Conceptual Framework for Customer-Based Brand Equity**



*Source: Aaker (1991)*

According to Aaker, brand loyalty is the core of brand equity. He defines it as “the attachment that a customer has to a brand”. It reflects how likely a customer will be to switch to another brand, especially when that brand makes a change, either in price or in product features. As brand loyalty increases, the vulnerability of the customer base to competitive action is reduced as this enables the brand to compete with differentiating brands. It is also linked to future profits, since brand loyalty directly translates into future sales (Aaker, 1991). Brand owners are able

to charge a premium price as well as promoting customer's brand loyalty (Aaker, 1991; 1996).

#### **2.4.2 Keller's Customer-Based Brand Equity Model**

Keller (1993) conceptualizes customer-based brand equity as "the differential effect of brand knowledge on consumer response to the marketing of the brand". This also means that the power of a brand lies in the minds of consumers in the effect of what they experienced and learned about the brand and their responses to the brand over time (Keller 2003).

In his model, Keller (2003) examines brand loyalty under the term "brand resonance", which refers to the relationship between the brand and its customers and the extent to which the customers feel they are "in sync" with the brand. Customers, with true brand resonance, have a high degree of loyalty, actively seek means to interact with the brand and share their experience with others or even recommend the brand to others. In other words, brand recognition and loyalty ultimately depends upon consumer brand resonance.

Based on Keller's model, there are four sequential steps for building a strong brand which include brand identity, brand meaning, brand responses and finally brand relationships as shown in Figure 2.2. Each step also represents a fundamental question the customers ask about brands which are as follows:

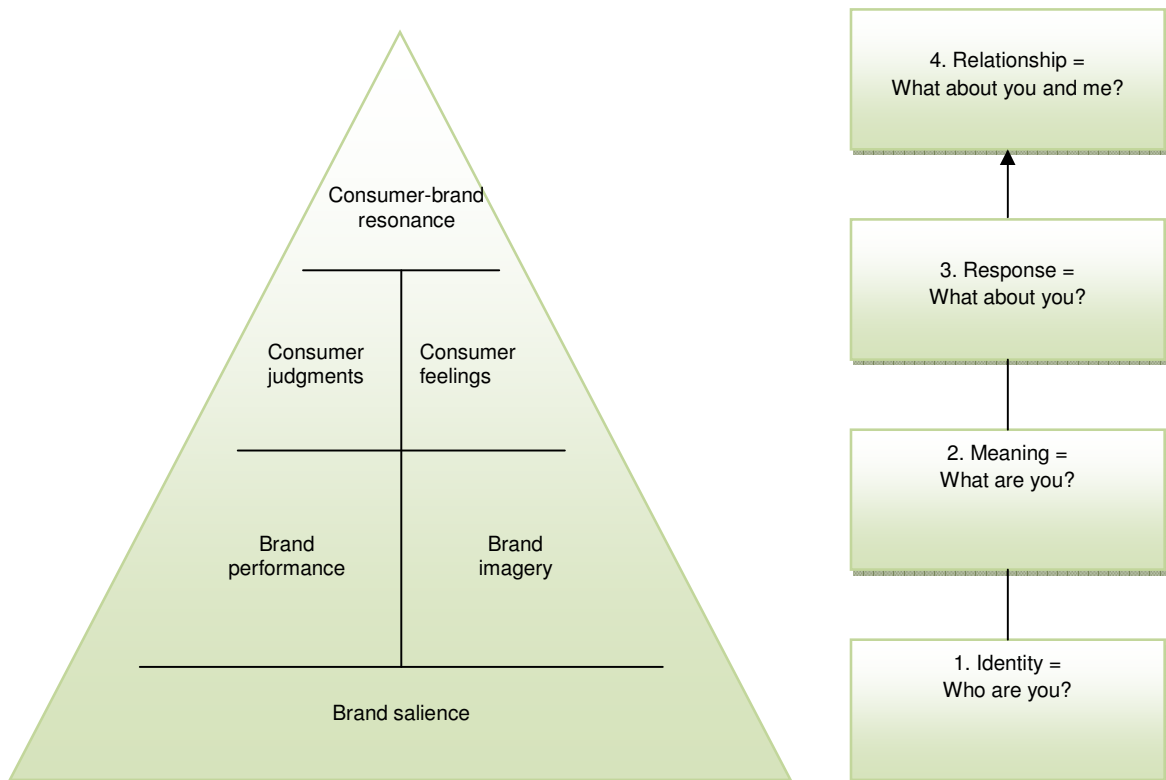
- 1) Ensure the correct brand identity – ‘who are you’?
- 2) Establish the meaning of the brand in the customer’s mind by strategically linking tangible and intangible brand associations with certain properties – ‘what are you’?
- 3) Eliciting customer responses to the brand identification and meaning – ‘what about you’?
- 4) Converting the response into an active, intense and loyal relationship between the customers and the brand – ‘what about you and me’?

These four steps in turn consist of six brand building blocks which are salience, performance, imagery, judgments, feelings and resonance. The pinnacle of the pyramid is resonance, which refers to the nature or strength of the relationship between the customer and the brand. The sub-dimensions or elements within each of these building blocks are shown in Figure 2.3.

The ultimate aim is to reach the pinnacle of the customer-based brand equity pyramid, that is, resonance where a completely harmonious relationship exists between customers and the brand. Brand resonance, the most valuable brand building block, occurs when all the other brand building blocks are established. With true brand resonance, customers express a high degree of loyalty to the brand such that they actively seek means to interact with the brand and share their experiences with others. Firms that are able to achieve brand resonance

should reap a host of benefits, for example, greater price premiums and more efficient and effective marketing programs.

**Figure 2.2: Customer-Based Brand Equity Pyramid**



*Source: Keller (2003)*

**Figure 2.3: Sub - Dimensions of Brand Building Blocks**



*Source: Keller (2003)*

## **2.5 Factors Influencing Brand Loyalty**

Although there are many factors affecting brand loyalty, it is impossible to find a study that has examined the effects of all factors simultaneously and jointly. Lau et al. (2006) highlight seven factors that influenced consumers' brand loyalty towards the sportswear brands, namely, brand name, product quality, price, style, store environment, promotion and service quality. In this study, the work of Lau et al. (2006) is replicated to assess the potential factors that influence brand loyalty in the Malaysian mobile phone market based on five factors only. These include brand name, brand design, perceived quality, price, brand design, and promotion.

### **2.5.1 Brand Name**

Brand name is the fundamental indicator of the brand. It is the basis for raising awareness of the brand and all communication efforts. More importantly, is the fact that it can generate association which serves to describe the brand" (Aaker, 1991).

Brand name influences the consumers' decision in brand choice. Although there are many brand names to choose from, but usually consumers will purchase a brand which has a good reputation in market. Consumers will often buy a reputable or recognized brand over an unknown brand (Aaker, 2000). Those

prestigious brand names and their images attract customers to purchase the brand (Aaker, 1996)

A well-known and familiar brand name which is associated with a positive brand image creates competitive advantages in terms of increasing consumers' interest, attention, and positive evaluation of a product, and encourages repeat purchases (Porter and Claycomb 1997; Shen 2001). In addition, when consumers lack knowledge about the attributes of a product and are uncertain about the product, brand names play an important role in reducing perceived risk and assessing product quality (Dean 1999).

Famous brand names can disseminate product benefits and lead to higher recall of advertised benefits than non-famous brand names (Keller 2003).

Prestigious brand names and their images attract consumers to purchase the brand and bring about repeat purchasing behaviour and reduce price - related switching behaviours (Cadogan and Foster 2000).

Individuals also tend to buy brands whose personalities are perceived to closely correspond to individuals' own self-images (Schiffman and Kanuk 2000). Consumers make choices in the context of symbolic meanings attached to various brands (Onkvisit and Shaw 1987). They may value the prestige, exclusivity, or fashionability of a brand because of how it relates to their self-



image (Solomon 1983). A brand name also suggests the best choice (Ginden 1993).

Based on the study conducted by Lau et al. (2006) on the sportswear product category, it shows that brand name exert influence on hard-core loyal customers. Hard core loyal customers trust their favorite brands and consistently repurchase these brands. Thus, the following hypothesis is developed:

**H<sub>1</sub>:** Brand name will have a significant positive influence on brand loyalty among Malaysian consumers in their choice of mobile phone brands.

### **2.5.2 Brand Design**

Consumers may have associations with a product or brand that goes beyond its functional aspects to more aesthetic considerations or attractors such as its design, size and color. Roth & Romeo (1992) defines brand design as the appearance, style, color(s), and variety of the product.

In a study conducted by J.D. Power and Associates (2006), consumers rated physical design (24 percent) as the most important factor over other factors such as operation (22 percent) and features (20 percent) in their overall satisfaction with wireless handsets. Aesthetically pleasing designs also help to build a strong brand sense by influencing the most important human sensory organ, the eyes

and consequently users' emotional attachment to the device brand (Lindstrom 2005; Vincent 2005).

In a related study on brand choice behavior, Liu (2002), In-Stat/MDR (2002) and O'Keefe (2004), both size and brand of the phone affect choice.

The concept of colors has also realized its importance in the mobile phone domain. The mobile market is flooded with the widgets in vibrant colors. The mobile phone has progressed from being a functional or high-tech device to a fashion accessory, where the color of the device becomes equally important. These vibrant colored phones provide strong visual and emotional appeal to mobile holders. Mobile phone manufacturers such as Nokia, Samsung, Sony Ericsson, LG, Motorola and Blackberry have all launched colorful models to appeal to the "fashion conscious" users. The vibrant range of phones has given way to different colors including passionate red, blushing pink, shimmering silver, bronze, orange, purple, blue and chocolate (<http://www.mobileisgood.com>).

Hence, mobile phones in different colors have provided users with personalized options of these devices and transformed them from a functional tool to a fashion accessory (Research and Markets 2005). Therefore, the following hypothesis is proposed:

**H<sub>2</sub>:** Brand design will have a significant positive influence on brand loyalty among Malaysian consumers in their choice of mobile phone brands.

### **2.5.3 Perceived Quality**

Perceived quality is defined as the customer's perception of the overall quality or superiority of a product or service relative to alternatives (Aaker, 1991b). It is an intangible, overall feeling about a brand which is usually based on the characteristics of the products to which the brand is attached, such as reliability and performance. It also provides a pivotal reason-to-buy, influencing which brands are to be included in or excluded from the consideration set, and eventually the brand that is to be selected. It also provides the option of charging a premium price which can increase profits and/or provide resources with which to reinvest in the brand. In addition, a strong brand with respect to perceived quality can be exploited by introducing brand extensions which will find a higher success probability than a weaker brand (Aaker, 1991b).

Researchers investigating the relationship between perceived quality and brand loyalty have invariably identified some positive links. An empirical evidence is provided by Selnes (1993) and Fornell (1992), demonstrating the effects of performance quality on brand loyalty mediated by satisfaction. Similar results on the direct link between quality and brand loyalty are also provided by Oliva et al. (1992) and Boulding et al. (1993).

Consumers may intend to purchase a particular brand because they perceive the brand to offer the right features, quality, or performance benefits. The perception of high quality may be closely linked to the differentiation and superiority of a particular brand and thus encourage them to choose that brand over competing brands (Yoo et al., 2000).

Ambler (1997) conceptualizes brand value as a function of the existing relationship between the consumer and the brand, and trust being one of the most important ingredients in this relationship.

Consumers often purchase a familiar brand because they feel more comfortable and secure while buying a specific brand as they are aware and familiar with the brand name and have reasonable trust in its reliability and quality. This can be an essential factor when it comes to the actual purchase decision (Aaker, 1991b). Hence, it is inferred that:

**H<sub>3</sub>:** Perceived quality will have a significant positive influence on brand loyalty among Malaysian consumers in their choice of mobile phone brands.

#### **2.5.4 Price**

The price of the product or service is considered as a non-product-related attribute because it represents a necessary step in the purchase process, but it does not directly relate to the product performance or service function.

Some consumers will emphasize on price over quality, while others, in turn, will emphasize on quality more than price (Zeithaml 1988).

Price is one of the important elements for companies to generate profit, to create brand awareness and build positive relationship with the customers. Generally consumers assign the status of a brand according to price level (Keller, 1993).

Price strategy plays an important role to attract customers towards a particular brand when there are several brands competing in the market. Sometimes, customer knows the brand name well but does not agree to the product price because other brands are available in market at lower prices (Daryi, 2000).

Lassar et al. (1995) believe that brand equity originates from the greater confidence that consumers place in a brand. This confidence is then expected to translate into customer loyalty and willingness to pay a premium price for the brand.

Several researchers have identified price and properties as the most influential factors affecting the purchase of a new mobile phone (Karjaluoto, Karvonen et al. 2003a; Karjaluoto, Pakola et al. 2003b). The price of mobile phone is a critical factor in the selection of mobile phones, especially among younger people. Also, the price of mobile phone plays an important role in the choice especially among lower income consumers.

In addition, from the psychological standpoint, it explains that consumers may perceive high price as an indication of quality, status, and/or prestige, which positively affects their decisions (Lichtenstein et al., 1990). Other researchers have also found that price can be a quality cue in the presence of other extrinsic cues such as brand name or store name (Rao and Monroe 1989; Teas and Agarwal 2000). Thus, it is proposed that:

**H<sub>4</sub>:** Price will have a significant positive influence on brand loyalty among Malaysian consumers in their choice of mobile phone brands.

### **2.5.5 Promotion**

Promotion can help to trigger various reactions from consumers. The influence of sales promotion on the consumer depends on the consumer's characteristics.

According to Alvarez & Casielles (2005), there are three types of consumer segments:

- 1) Those who find these actions attractive and are therefore likely to buy the product.
- 2) Those who find them neither attractive nor necessary, and will therefore act by reducing their choice probability.
- 3) Those who remain indifferent and are therefore not affected by these actions in their final decision.

According to Gupta (1993), consumers who do not want to buy the brand initially, will want to acquire it because they are attracted by the sales promotion. In Brandweek (1994), it is highlighted some people who have changed brand as a result of a promotion, will change back to their favorite brand when buying that category of product later.

In another study, Raj (1982) states that the loyal users of a brand increased their volume of purchase in response to increased advertising as a promotional tool, while non-loyal users do not increase their purchases in spite of the increased advertising.

According to Smith & Swinyard (1983), advertisements can influence the formation of brand loyalty by establishing the source credibility and setting up a predisposition for a favorable usage experience, which will have an effect on subsequent purchases.

Deighton (1984) argues that advertisements can help consumers focus on the brand 's best attributes, and as such the consumers' brand usage experience can then be more favorable as advertised. This in turn helps in the formation of brand loyalty. Advertisements can help establish ideas or perceptions in the consumers' minds and differentiate the products against other brands. Good advertisements can also attract brand switchers and create brand loyalty. Effective communications can persuade and motivate consumers to think about and take action to purchase the product which is promoted in the advertisements (Czerniawski and Maloney 1999).

Some researchers have found that promotion helps to reinforce consumers' satisfaction which leads to an increase in the probability of choosing the brand , particularly for previous non-users of the brand (Rothschild and Gaidis 1981; Kahn and Louie 1990). Thus, the following hypothesis is developed:

**H<sub>5</sub>:** Price will have a significant positive influence on brand loyalty among Malaysian consumers in their choice of mobile phone brands.