

Conceptualizing Brand Loyalty and Brand Equity: Integrating Cognitive & Behavioural Perspective



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Sunita Kumar
Christ University
(sunita.kumar@christuniversity.in)

The concept of Brand Management is increasingly gaining popularity in marketing literature due to several advantages that emerge as a result of efficient brand management. The focus of this paper is to understand the constructs of Brand Loyalty and Brand Equity by synthesizing literature. The paper will try to provide conceptualization of the two concepts with focus on the most popular perspectives and approaches regarding the concepts from the literature. The paper will also sketch out a tentative model for the future research based on the synthesized literature.

Keywords: Brand, Brand Equity, Brand Loyalty, Customer Based Brand Equity

1. Introduction

The concept of Brand Management is increasingly gaining popularity in marketing literature due to several advantages that emerge as a result of efficient brand management. Philip Kotler, considered as ‘The Father of Modern Marketing’ defined Brand as ‘a name, term, sign, symbol or design or a combination of any of these which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors (Kotler, 1991). In totality, the concept of the Brand constitutes the components listed out by Kotler in the definition of Brand. Brand Loyalty and Brand Equity can said to be the desirable outcomes of the Brand Management strategies the firm or the company designs. Though the two terms are similar in several ways, they represent different aspects of Brand.

The focus of this paper is to understand the constructs of Brand Loyalty and Brand Equity by synthesizing literature. The paper will try to provide conceptualization of the two concepts with focus on the most popular perspectives and approaches regarding the concepts from the literature. The paper will also sketch out a tentative model for the future research based on the synthesized literature. It also explores the scope for further research, thereby presenting the arguments on the current literature.

2. Conceptualization of Brand Loyalty

Loyalty is a final desirable outcome; a company or firm intends to achieve through its marketing strategies. Brand Loyalty occurs when over time consumer’s perceptions and attitude towards a brand becomes positive and desirable, consumers grow more confident and fond of the brand and as a result of all this start making repeated purchases. Though, the concept is widely used and applied in the marketing strategies, there is no consensus amongst scholars regarding the appropriate definition of Brand Loyalty. However, the literature provides rigorous and operational insights of Brand Loyalty, necessary for the accurate and appropriate conceptualization and measurement of the concept. The most widely accepted definition of Brand Loyalty, is ‘the biased (i.e. non-random) behavioural response, (i.e. purchase) expressed over time by some decision making units, with respect to one or more alternative brands, out of a set of such brands which is a function of psychological (decision making, evaluative) processes (Jacoby & Chestnut, 1978). This definition has been widely adapted as the operational basis for several academic studies. The superiority of this definition is that it takes into consideration behavioural (repeated purchases) as well as attitudinal aspect, and thus looks at Brand Loyalty beyond one-dimensional aspect of repeated purchases. The definition by Jacoby & Chestnut reflects two forms of Loyalty, Behavioural Loyalty which stems from Non-random repurchases (behavioural loyalty) & an outcome of process of evaluation which represents Mental or Attitudinal Loyalty. A customer, who exhibits behavioural loyalty, manifests his/her loyalty in the form of repetitive purchases, whereas latter form of loyalty is manifested in the form of commitment or attachment towards the brand. They suggest that loyalty is the behavioural outcome of a Customer’s preference for a particular brand over a period of time which importantly is the result of an evaluative decision making process (McMullan & Gilmore, 2002).

The traditional marketing literature emphasizes on two different dimensions of the Brand Loyalty: Behavioural and Attitudinal. For the longest time the central thrust was laid only on the behavioural aspect of customers, thereby giving little attention to attitudinal dimensions of loyalty. This pattern is noticeable in the definitions of Brand Loyalty. Of note is a definition by Newman & Werbel (1973) that defines loyal customers as those who re-bought a brand, considered only that particular brand and did no brand related information seeking. The American Marketing Association defines Brand Loyalty as “The situation in which a consumer generally buys the same manufacturer-originated product or service repeatedly over time rather than buying from multiple suppliers within the category”. David Aaker defined brand loyalty from the perspective of customer’s likelihood of switching. Brand Loyalty reflects how likely a customer will be to switch to another brand, especially when that brand makes a change in price, product features its communication and distribution programs (Aaker,

1991). Arguing on the same lines of switching behaviour, Oliver defines Brand Loyalty as ‘a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behaviour (Oliver, 1999). He suggests that ‘Ultimate Loyalty’ exists if a customer remains loyal in the face of opportunities to switch to an alternative supplier (McMullan & Gilmore, 2002). The inclination towards the behavioural aspect more than the attitudinal is the defining element of the traditional brand loyalty research. This is largely due to the fact the ‘Behavioural’ aspect is can be directly inferred from his or her observed purchased behaviour. An alternative stream of research, the ‘Attitudinal Branch’ to brand loyalty focuses on underlying cognitive and evaluative processes when making a purchasing decision as evidence of loyalty which are in contrary not observable and hard to capture and measure. Also, the behavioural approach is defended on the grounds that it refers to what customers actually do and therefore should be used as a benchmark (Colombo & Morrison, 1989).

3. Forms of Brand Loyalty

Brand Loyalty is manifested from the behaviours and in the attitudes of a person. This has led to two major approaches to understanding Brand Loyalty: Behavioural Loyalty & Attitudinal Loyalty. While, the former is observable phenomenon and hence easily captured, it is the latter form of Loyalty that requires much attention. Several scholars have presented multitude of Brand Loyalty forms, with certain theoretical as well as practical underpinnings. Oliver (1997) developed a popular conceptual framework of Brand Loyalty by taking into consideration a full spectrum of dimensions. His Conceptual framework demonstrates four forms of Brand Loyalty namely: Cognitive, Affective, Co-native (Behavioural intent) & Action Loyalty (repeat purchases). In Oliver’s view, the Brand Loyalty is reached through four sequential stages. The initial phase is marked as Cognitive stage, wherein customer demonstrates direct or indirect knowledge about the brand and its benefits and makes purchases on the bases of a belief in the superiority of the offer. This is followed by Affective Loyalty which is a result of repeated confirmations of Customer’s expectations recorded during the preceding stage i.e. Cognitive Loyalty. The third stage i.e. Co-native Loyalty stage where the loyalty is strongly intentional. Finally, the most intense stage of Brand Loyalty is Action Loyalty which means loyalty is not just sustained by strong motivations but also but also one that results in actions.

The framework in the form Grid Model developed by Base & Dick (1994) is an important milestone model in the theoretical development of Brand Loyalty. Like the most other frameworks, Dick & Basu as well emphasize on two of Attitudinal and Behavioural aspects of Loyalty. In this framework the Customer Loyalty is conceptualized as a relationship between relative attitude towards an entity (brand/service/store) and repeat purchases, thus capturing both Attitudinal and Behavioural aspects. A distinct feature of this framework is that the repeat purchase is implied to be consequence of relative attitude (Jensen, 2011). In order to conceptualize the attitudinal aspect of brand loyalty, Dick & Basu have used the term Relative Attitude, which is a composite of attitudinal differentiation and attitudinal strength. If the consumer is unable to differentiate among alternatives and/or sees no or little differences between alternatives relative attitude will be low and there will be absence of Loyalty. Thus, it can be said that the ability to view or perceive the brand differently and favourably i.e. differentiation between brands is a pre-requisite for brand loyalty. The framework depicts four loyalty categories with the help of two dimensional grid model, shown below.

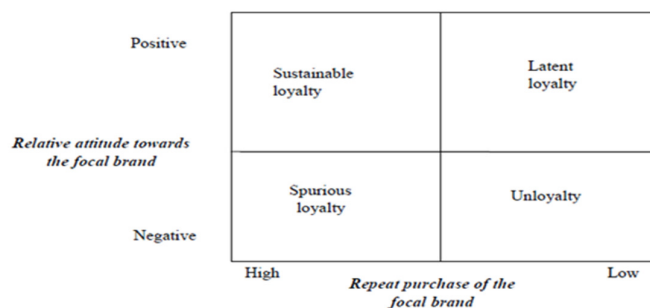


Figure 1 Taxonomy of Loyalty based on Attitudinal and Behavioural Dimensions
Source: Dick & Basu Framework (1994)

Through Grid Model it becomes clear that measuring only one facet (Behavioural or Attitudinal) of Brand Loyalty would result in measuring a spurious attitude (unstable attitudes that do not influence the subsequent behaviours) or a spurious behaviour (inertial behaviours that are unstable and unpredictable). Hence, it is pertinent to draw distinction between True Brand Loyalty and Spurious Brand Loyalty or Brand Inertia, a feature that is claimed to be lacking in traditional brand loyalty research because of indifferent operationalization’s of spurious and true brand loyalty (Fournier, 1998).

4. Customer Based Brand Equity

Brand Equity has been viewed from variety of perspectives; hence definitions of Brand Equity vary considerably and tend to reflect different discipline specific concerns. In a general case brand equity has been defined in terms of marketing effects

uniquely attributable to the brand. Aaker (1991) defined brand equity as “a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers.” Simon & Sullivan (1990), define Brand Equity stressing on the financial aspect, in terms of the incremental discounted future cash flows that would result from a product having its brand name in comparison with the proceeds that would accrue if the same product did not have that brand name.

Although, a number of useful perspectives have been put forth concerning Brand Equity, the concept of Customer Based Brand Equity (CBBE) provides a customer viewpoint on what brand equity is and is widely studied from the marketing perspective. The basic premise of CBBE is that the power of the brand lies in what consumers have felt, seen, heard and perceived about the brand as a result of its earlier experiences and marketing mix. The most popular definition of CBBE was given by Keller, (1993) as the differential effect that brand knowledge has on consumer response to the marketing of that brand. CBBE involves consumers’ reaction to an element of the marketing mix for the brand in comparison with their reactions to the same marketing mix element attributed to a fictiously named or an unnamed version of the product or service (Keller, 1993). A brand has positive CBBE, when the consumers react favourably to the product and the way it is marketed and vice versa in case of the Negative CBBE.

Components of CBBE

CBBE occurs when the consumer has a high level of awareness and familiarity with the brand and holds some strong, favourable and unique brand associations in memory linked to the brand. From a theoretical standpoint it is pertinent to understand how CBBE is constituted and what it denotes. The literature suggests that brand equity has both functional/attribute (objective) and experiential/symbolic (subjective) components. The functional components reflect presence of a brand’s intrinsic utilitarian aspects and its ability to satisfy consumer’s functional needs and want, the experiential components indicate that they reflect a brand’s ability to satisfy ones psychological or social needs (Keller, 2001). The debate of attitudinal vs. Behavioural approach is valid to some extent even in the case of conceptualization of CBBE as that of Brand Loyalty and noticeably appears in the literature. Brand Equity can be operationalized from two angles: from the angle of consumer perceptions (Cognitive Approach) and that involving consumer consumer behaviour (Behavioural Approach). The consumer perceptions approach includes Brand awareness, Brand Associations and perceived quality, on the other hand behavioural approach includes brand loyalty and the focus on paying the price differential (Mohan & Sequeira, 2016). The dominant view is that CBBE is a set of brand related associations held by the consumers in their memory (Keller, 1993), making it largely attitudinal in nature. Other prevalent views added constructs such as brand loyalty, purchase intentions and brand commitment as a part of its conceptualization, thereby adding to it a behavioural approach. Following Aaker (1991), Brand Equity is a multidimensional concept which comprises of components such as Brand Awareness, Brand image or brand associations, perceived quality, brand loyalty and other assets linked to the brand.

Among the many models that appear in the literature, those proposed by Aaker (1991) & Keller (1993) are the path-breaking ones providing a complete and integrated approach of the concept. The conceptual framework given by Keller is the most widely used framework and has served as a basis for several studies appears to have attitudinal associations to its core (Chaudhari, 1999). In this framework, Brand Knowledge is one of the main components of CBBE, which further constitutes of two broad constructs i.e. Brand Awareness and Brand image. Both of these constructs emerge from underlying psychological evaluative processes.

Figure 1.2 Dimensions of Brand Knowledge

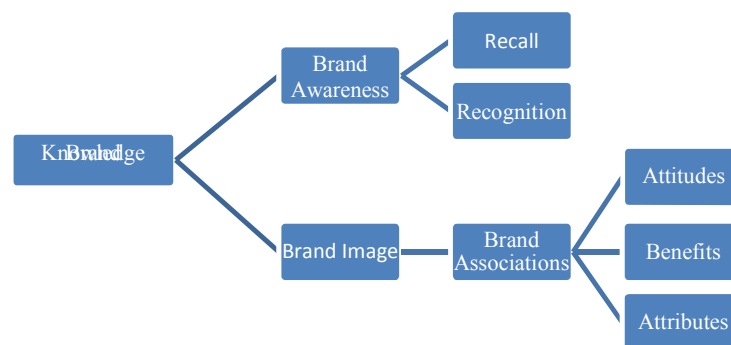


Figure 2 Dimensions of Brand Equity
Source: Keller’s Framework (1993)

The other prominent model is given by Aaker (1991). Aaker categorizes assets and liabilities on which Brand Equity is based, into five categories: Brand Loyalty, Brand Awareness, Perceived Brand Quality, Brand Associations & other proprietary brand assets. Considering Aaker’s model, strong inter-relationships occur among the dimensions of the Brand Equity (Moisescu, 2005). Aaker framework is summarized in figure below.

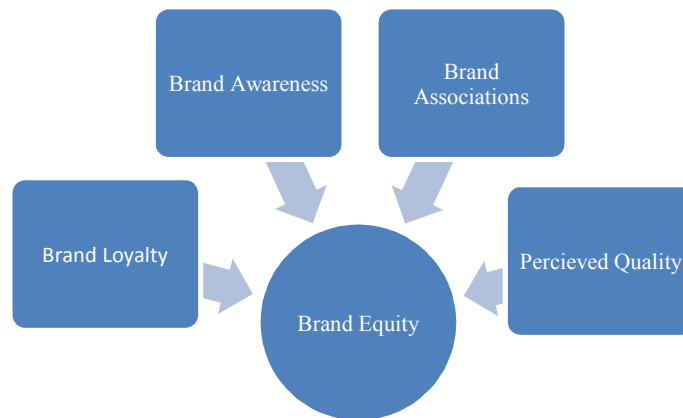


Figure 3 Four Dimensions of Brand Equity
 Source: Aaker's Framework (1991)

The above mentioned four dimensions of Brand Equity represent consumer perceptions and reactions to the brand, while the fifth dimension, i. e. proprietary brand assets are not pertinent to Customer Based Brand Equity per say; hence this dimension has been excluded.

5. The Model Design

In this paper, we have framed a conceptual framework based on the path breaking models from the literature. The underlying feature of the model proposed in this paper is that it incorporates both the Cognitive aspect as well as the Behavioural aspect in the operationalization of the two concepts i.e. Brand Loyalty and Brand Equity, a feature which seems to have been largely ignored. Exclusion of either of the dimension may produce faulty or incomplete conceptualization which will further affect the empirical results. From Dick & Basu's framework it is evident that, such exclusion of either of the dimension will result in capturing the Spurious Loyalty and not the True form of Brand Loyalty.

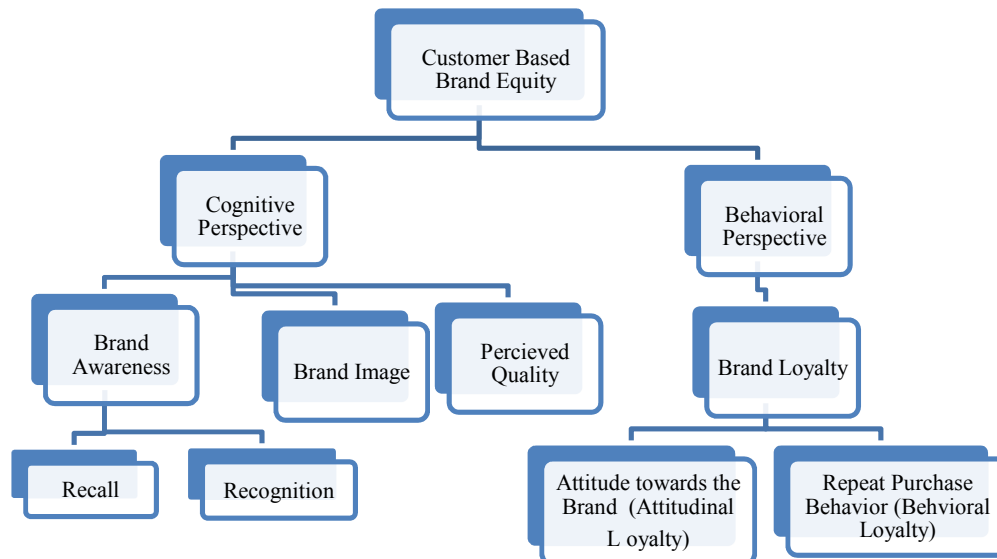


Figure 4 The Proposed Model Design of CBBE
 Source: Author's compilations

The above proposed figure clearly depicts the two dimensions of the Customer Based Brand Equity. The above framework provides a detailed componential view of the CBBE, which is in lines with CBBE pyramid model. The bottom of the pyramid represents Brand Awareness, which is followed by Brand Image or feelings, subsequently which gets manifested in the Brand Loyalty, which in the pyramid model can be aligned with Resonance phase in the pyramid.

6. Conclusion & Roadmap Ahead

The literature provides several insights into the nature of Brand Loyalty and Brand Equity. In the proposed model it implies that Brand Loyalty is in fact a component of Brand Equity. However, it can very well be argued that the relationship between

the two may be complex than that. The mediating effect of Brand Loyalty on Brand Equity is frequently highlighted through several studies. The attitudinal and habitual (behavioural) components may have different effects on the brand equity outcomes. The construct of Brand Loyalty is crucial consideration and helps in explaining the nature of relationship between Brand equity components on Brand Equity outcomes (Chaudhuri, 1999).

Another line of argument is the sequential or cyclical nature of relationship between the two components. In the case of Brand Equity, it may be clear that the Cognitive components precede the behavioural components, as is depicted in the pyramid model by Keller. In the pyramid model of CBBE, the flow and direction of events is linear in nature, wherein the bottom of the pyramid represents the Brand Awareness, followed by Brand image and finally Resonance which represents intense active loyalty. However, there is lack of clarity on the flow of events in the framework of Brand Loyalty. It may not be clear as to it is attitude or the behaviour that occurs first. Logically, it may be argued that after an initial number of several purchases, the attitudes about the brand is formed and based on the relative strength of these attitudes further repeated purchases are determined, which makes the relationship between the two components cyclical in nature. However, there seems to be little to no literature on the sequence of events.

While there is consensus on the nature of relationship between the components of CBBE, it is the concept of Brand Loyalty components that lacks consensus regarding the exact (Sequential or Cyclical) nature of relationship between its two dimensions or components. Also, there are very few studies that have incorporated both cognitive and behavioural concepts which the proposed model clearly captures. Further exploring the relationship between the components of Brand Equity may give insightful revelations adding on to the existing literature. The empirical evidence based study needs to be undertaken in this regard to be able to determine a conclusive nature of relationship. Apart from shedding light on the nature of relationship between the behavioural and attitudinal components, the above proposed model will also capture the role of brand loyalty on the CBBE.

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