



BRAND, BRAND LOYALTY, AND LOYALTY PROGRAMS: A SYSTEMATIC REVIEW OF EXISTING RESEARCH LITERATURE

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ABSTRACT The business world is facing lots of challenges due to competitive global markets. Disruptive innovations in technology raised a question for many businesses regarding the longevity of advantages they are enjoying on their investments in current technology. Product differentiation is much tougher nowadays because of the competitors imitating the leaders in market matching the standards fairly. To solve this problem companies use brand and brand loyalty to enjoy long-term competitive advantage. The main objective of this paper is to review the existing academic literature on brand, brand loyalty and loyalty programs and its advantages to the businesses. The researchers have used secondary data sources to know how companies are using these tools for creating competitive advantages. This paper gives details regarding the benefits of having a strong brand and creating and developing brand loyalty for the organizations and its customers. The outcomes of this review paper show that brand and brand loyalty programs are an essential part of any given business.

KEYWORDS : Brand, Brand Loyalty, Loyalty Programs, and Review of Literature

Introduction

There has been a huge revolution in the economies worldwide. Technology is changing the game. The business world has seen dramatic ups-downs; small startups turning into big corporations and well-established big corporations turning into dust due to competition and fiscal crisis. Competition being the most affecting factor for the success or failure of any business as the recent research suggests branding can work miracles in fighting competition.

Branding helps organizations attract and retain loyal customers which increases the profitability of organization. In today's global marketplace, organizations are very keen in creating their brands across the globe which includes products, services, and ideas. A strong brand serves as an asset to the organization. So suggests the research of the past that entrepreneurs consciously making efforts in creating, communicating, and delivering strong brand and value by augmenting brand loyalty programs have proved to be profitable in long term. Strong brands offered with a loyalty program provides shield against competition. There are organizations successfully managing loyalty programs to enhance the customer loyalty and enjoying competitive advantage over other players.

This paper investigates into the theory and concept of brand and its contribution in serving business and customers. Further, it investigates the elements of brand loyalty and contribution of loyalty programs in achieving brand loyalty.

The Brand and Brand Equity

The concept of branding is an old one and was in practice since the medieval era in Europe. Though the meaning and use of the brand was quite simple and limited. Traders and craftsmen used it to avoid substitution and to separate the produce of one producer from another. Its role has evolved as the market became more complex and global [Aaker, (1991)]. Brand is the most valuable intangible asset, and it takes the perfect mix of art and science to build one. To create a strong brand, one needs to undergo a careful planning, creatively designed, and executed marketing plan and a strong commitment towards achieving a strong position of the brand in the market [Kotler and Keller, (2012)].

In a research review of one hundred articles on brand it was found that there are twelve premises on which the definitions of brand are based. These definitions of brand defines brand as: logo, personality, company, relationship, image in consumer's mind, evolving entity, identity system, shorthand, legal instrument, value system, adding value, and risk reducer. It was also found that brand is a multidimensional entity which lives in the interaction between the organization and the customers [Riley and de Chernatony, (1998)].

Contributions of The Brand

Brand is contributing the most in improving consumers' satisfaction and increasing financial value of organizations. Brand is essential for

manufacturers in making their products desirable and important for customers in creating and interacting brand stories.

Marketers have to teach customers “who” the brand is, what it does, and they should care. Brands are deployed to create the differences between products. They do it by giving the brand a unique identity, a personality, and a name that customers can remember. The effectiveness of the brand can be assessed by the role they played in creating mental structures for customers in organizing their knowledge about products and services that helps their decision-making and provides value to the firm [Keller and Kotler, (2012)].

Brand helps customers to identify the producer of a product, and to hold them liable for its performance. Customers create a perception regarding the brand through past experience with the product and marketing program of the manufacturer. Thus, it helps in simplifying the decision-making process by finding out which brands satisfy them, and which does not [Kotler and Keller, (2012)].

Contributions of brand in serving customers:

1. As consumers struggle in making decision due to the abundance of equivalent products in the market, brands create value by streamlining the choice process [Doyle, (2000)]. Brands not only identify the source of the product, but also guarantee the quality and performance which consumers trust as a result of past experiences [Keller, (1998)]. The brand has the ability to create value for the consumer, and hence, the firm [Aaker, (1991)].

2. Robust brands accomplish a number of functions to decrease the perceived risk such as identification, practicality, guarantee, hedonistic satisfaction, and other functions [Kapferer, (2004)].

3. The brand has the ability to reduce the risk in buying. The main advantage for customers of obtaining a branded versus an unbranded product is that of risk diminution. The greater the brand in terms of quality offered, the lesser the risk customers bear in terms of buying a brand which may not perform to expectancies [Keller, (1998)].

Contributions of brand in serving organizations:

1. If customers know that the product is branded then they eventually like it and are ready to pay higher price as in periods when the offer is limited [Aaker, (1996)]. Brand loyalty enables firms to deploy premium-pricing strategies that upsurge the level of cash flow that could be otherwise achieved [Holbrook and Chaudhuri, (2001)]. Creating a strong brand can help in getting bigger market share, power to decree a price premium, and minimized promotional expenditures which all result in better incremental cash flow for the organization [Doyle, (2000)].

2. The brand provides entry barriers for other competitors. Brand preference creates certainty and security in revenues for a brand over

time and creates barriers of entry in the market. This can be a sustainable source of competitive advantage for the firm [Keller, (1998)].

3. The brand stimulates demand of the product. Literature indicates that the brand name is frequently symbolic of the quality of the product [Sullivan, (1998)]. Hence, when two products function as perfect alternates for one another, the consumer will trust on the brand name as an indicator of the quality of the product and as a choice criterion. Consequently, the brand optimistically affects the demand for a product leading to superior market share and profitability.

Brand Loyalty

There are numerous studies dedicated to brand loyalty as it is important for consumers and firms. Loyal customers are the biggest assets a firm can possess. Research suggests that getting new customers is costlier than retaining existing ones. There are various authors who have theorized brand loyalty in diverse ways. Some of them are as under:

Brand loyalty is the biased, behavioral response, expressed over time, by some decision making unit with respect to one or more alternative brands out of a set of such brands and is a function of psychological process [Jacoby and Kyner, (1974)].

According to Aaker (1996) brand loyalty is a premise to the firm's competitiveness and profitability. Different researchers have found that brand loyalty is an important strategy of achieving a competitive advantage while others have argued that brand loyalty is at the heart of the marketing activities of firms and is a key to integrated marketing. All the marketing strategies are directly or indirectly related to it [Reichheld and Teal, (2001)] that makes necessary the study of loyalty.

Brand loyalty is diverse from the other major elements of brand equity as it is related more closely to the experience of using the product. It cannot occur without prior purchase and experience of using the product while awareness; associations and perceived quality are features of many brands that a person has never used. Though, brand loyalty is persuaded in part by the other major elements of brand equity; brand awareness, brand associations and perceived quality. The tactic to repurchase the same brand refers to brand satisfaction, perceived greater value, and a preference or loyalty for the brand [Prasad and Dev, (2002)]. Brand loyal consumers offer the foundation for a steady and raising market share of a company.

Various authors have theorized several types of brand loyalty that are as follows:

1. *True focal brand loyalty* is when the consumer demonstrates loyalty to the brand that is being investigated, referred to as focal brand.
2. *True multi-brand loyalty* is when focal brand is part of the brands that the customer patronizes.
3. *Non-loyal repeat purchasing of focal brand* occurs when a consumer patronizes a brand even though they does not hold an emotional commitment towards it.
4. *Happenstance purchasing of focal brand* occurs when consumers of a different brand patronize the focal brand in absence of their personal choice.

Consumers will have an inclination for a specific brand and will grow loyalty towards it when there exists a positive brand attitude and image. Brand loyalty is reliant upon consumer trust within a brand [Lau and Lee, (1999)] and is an outcome of sustaining positive brand equity [Aaker, (1991)].

There are many benefits of brand loyalty. Companies must ensure that building and maintaining brand loyalty is essential to their marketing strategies for superior leverage of trade, reduced costs, customer retention, satisfaction, and attraction [Aaker, (1991); Keller, (1993)]. Existing loyal customers are the sources of true and genuine word of mouth and helps bring new customers to the brand. Loyal customers are the priceless assets of any given corporation as they ensure sustained income from sales for a longer period of time for the company [Reichheld, (1996)]. Brand loyalty creates value to companies. It equips the organization with a significant entry barrier to competitors, better sales and incomes, a customer base less delicate to the marketing efforts of competitors.

Loyalty Programs

In today's competitive marketplace, organizations must create and manage customer data that can be studied over time, and innovative

marketing strategies can be deployed. This helps in creating customized and personalized product and services to its customers. By doing so organizations can create an opportunity to satisfy customers' expectations and enhance the brand loyalty [Reichheld and Scheffer, (2000)]. Latest innovations in technology enabled marketing managers to create better customer relationship management with the help of CRM software packages. Same portals are now being used to offer various programs that induce loyalty of the customers.

The main purpose behind offering the loyalty program is to generate a strong customer database. These data are then uploaded and analyzed in the information system that then creates a competitive advantage for the organization in creating loyalty programs for existing and potential customers. Because loyalty programs in general reward repeat purchases but repeat purchase is not true brand loyalty. For this reason Dowling and Uncles (1997), suggested that loyalty programs should not only focus on repeat purchase, but also on attitudinal loyalty. Referring to Uncles (2003), customer loyalty programs have two aims: first to increase sales revenues by raising purchase levels and increasing the range of products bought from the supplier; and second, to build a closer bond between the brand and current customers, hoping to maintain the current customer base.

Loyalty programs are frequently perceived as being part of a marketer's range of promotional tools, promoting repeat purchase rather than attitudinal commitment, suggestive of a short rather than long-term relationship orientation [Bridson, (2008)]. Many companies have designed and executed loyalty programs by issuing loyalty cards offering attractive deals, promotional offers, lucrative discounts, and incentives. This trend has been observed in almost each and every industry including tourism, entertainment, hotel chains, telecommunication companies, airlines, shopping malls, and banking [Wirtz, (2007)]. One research examined the effect of loyalty programs and the effect of perceived switching costs on behavioral loyalty, as well as the curbing effect of attitudinal loyalty on this association. They affirmed the effectiveness of loyalty programs and also established how attitudinal loyalty curbs the relationships amongst loyalty programs attractiveness, perceived switching costs, and behavioral loyalty [Wirtz, (2007)].

Despite the facts stated above, some researchers still question whether the positive financial outcomes of the loyalty reward programs exceed the investments made in the program [Bolton, 2000]. They call for other empirical studies on the outcomes of brand loyalty and loyalty programs.

Conclusion

After having reviewed the existing research literature available on brand, brand loyalty and loyalty program in this paper it is found that constructs of brand and its elements play a vital role in today's fierce competitive marketplace. Conscious efforts of creating a strong brand and loyalty program can help improve financial position of a company and provide a strong shield against the competition. Advantages of brand mixed with brand loyalty would work miracles for a long-term financial wellbeing of the organization. Marketers should consider behavioral as well as attitudinal loyalty of the customers while designing and executing the loyalty programs.

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