



## Investigating the service brand: A customer value perspective

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### ABSTRACT

Despite considerable interest in the nature and role of marketing using a service perspective [Vargo S., Lusch R. Evolving to a new dominant logic for marketing. *J Mark* 2004; 68 (1): 1–17] there is limited research about branding. Research to date tends to be qualitative [e.g., Berry L. Cultivating service brand equity. *J Acad Mark Sci* 2000; 28: 128–137; de Chernatony L., Segal-Horn S. The criteria for successful services brands. *Eur J Mark* 2003; 37 (7/8): 1095–1118] rather than quantitative. This research closes this gap by developing and testing a theory of the influence of the service brand on the customer value–loyalty process. The model includes the traditional influence of brand image plus three additional influences that more fully reflect the broader service perspective (company image, employee trust, and company trust). Using survey data of a sample of 552 airline customers, the analysis shows there is a direct influence of all the aspects of the brand on customers' perceptions of value. In addition brand image, company image and employee trust have a mediated influence on customer value through customers' perceptions of service quality. Finally the analysis shows that a service brand does not have a direct influence on customer loyalty but rather its influence is mediated through customer value. This paper concludes with a discussion of the managerial and research implications.

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### 1. Introduction

The majority of the research about brands, until recently, focuses on consumer goods settings and centers around understanding the influences of the awareness and image of the brand (Keller, 1993). However, there is an emerging stream of research about branding, which aligns with the Service Dominant Logic (Vargo and Lusch, 2004), that focuses on the value-adding processes leading to creation of the customers' experiences (Berry, 2000; de Chernatony and Segal-Horn, 2003). Within this perspective the brand plays a broader role where it interfaces not just with end customers but the company, its employees and a network of stakeholders. Research articles (e.g., Padgett and Allen, 1997; Dall'Omo Riley and de Chernatony, 2000) and text books (e.g., Kasper et al., 2006, p. 163) refer to this broader perspective of branding as the “service brand.”

It is important to note that the “service brand” does not mean the same thing as the branding of services. Rather, it follows the way Vargo and Lusch (2004, p. 2) use the term service marketing; “where the service-centered dominant logic represents a reoriented philosophy that is applicable to all marketing offerings, including those that involve tangible output (goods) and the process of service provision.” Hence the concept of the service brand is integrative where “service” is super-

ordinate to the branding of “goods” and/or “services” (Brodie et al., 2006).

The pioneering research of Berry (2000), which stems from the interpretation of his personal experiences with labor-intensive service organizations, provides initial insight into the way brands play a broader role. While Berry's model still recognizes that the awareness of the company's presented brand influences the brand's equity, Berry suggests the brand's “meaning” that the customers derive from their service experiences is more important. Hence, Berry (2000, p.128) states that “the company” becomes the primary brand rather than the product. This implies that the consumers' experiences with the organization and its employees delivering the service offer are the major determinants of brand meaning. Research by Dall'Omo Riley and de Chernatony (2000) and Davis et al. (2000) expand on Berry's (2000) model. The Dall'Omo Riley and de Chernatony (2000) research utilizes 20 personal interviews with senior executives in the UK who are experts in the area of service marketing. The findings from this study reveal that the service brand acts as a “relationship builder” or “relationship fulcrum.” They conclude that: “the service brand is a holistic process beginning with the relationship between the firm and its staff and coming alive during the interaction between staff and customers” (p. 138). Similarly, Davis et al. (2000) undertake a study to understand online consumer shopping experiences. Their qualitative study also reveals that the retail company is the primary brand. This defines the consumers' experiences when shopping online in terms of service attributes, symbolic meanings and functional consequences of

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the service encounter. To fulfill this role the retail brand acts as a “relationship lever” upon which trust is built between a consumer and service provider. These studies provide a useful extension to Berry’s service branding model by elaborating on the nature of brand meaning. They show that the brand creates “experiential image,” “service experience promise” and “relationship trust.” Together these three studies highlight the need to have a broader conceptualization when rethinking the traditional image and logo view of the brand.

The purpose of the research is to further explore the understanding of the nature of the service brand by undertaking a quantitative investigation. Previous research about the nature of the service brand is largely qualitative. The empirical setting for the research is travel and a national airline is chosen. An important factor supporting this choice is the existence of ongoing extensive advertising and communication campaigns in which the image of the airline service and the airline itself is differentiated from its competitors. In addition, airline travel also provides a useful context to investigate the manner in which the employees and the management policies and practices of the airline exert influence, as the service processes involve extensive customer interactions with the airline and its employees. This study also extends the pioneering research by [Sirdeshmukh et al. \(2002\)](#) that examines the relationship between consumer trust, value and loyalty for an airline service, yet does not examine the influence of brand image.

The remainder of the paper is as follows. The next section examines the customer value–loyalty process and develops a theoretical framework for the service brand. The theoretical framework for the service brand is then combined with the customer value–loyalty process to derive the conceptual model and the hypotheses. The following sections outline the research methodology, present the findings and discuss their implications.

## 2. Theoretical framework, conceptual model and hypotheses

### 2.1. The customer value–loyalty process

The nature of customer value, how it determines customer loyalty and how this in turn leads to financial outcomes is the subject of considerable discussion amongst academics and consultants ([Payne and Holt, 1999](#); [Woodruff, 1997](#)). As with the development of any new area, there is debate about the alternative ways concepts can be defined. Some authors focus just on the benefits of customer value (e.g., [Orth et al., 2004](#); [Sweeney and Soutar, 2001](#)). Others adopt a cost–benefit view, which assesses value on the basis of a “get for give” view. The benefits are what the customer gets, and costs are what the customer gives up (e.g., [Netemeyer et al., 2004](#); [Whittaker et al., 2007](#); [Zeithaml, 1988](#)). Within a pricing theory context, [Monroe \(1990\)](#) refers to this as the “worth what paid for” trade-off. This study uses the “worth what paid for” approach as research by [Bolton and Drew \(1991\)](#) and [Varki and Colgate \(2001\)](#) show this is the most effective way to examine the relationship between customer value and loyalty.

### 2.2. Developing a conceptual framework for the service brand

Research by [Padgett and Allen \(1998\)](#), [Berry \(2000\)](#), [Dall’Olmo Riley and de Chernatony \(2000\)](#) and [Davis et al. \(2000\)](#) provides a valuable initial understanding of the role of the brand using a service perspective. This involves paying more attention to integrating the role of the brand in the value-adding processes creating customer experience, dialogue and learning. Within this logic [Dall’Olmo Riley and de Chernatony \(2000, p. 140\)](#) view the customer–brand–relationship as the “reciprocity, mutual exchange and fulfillment of promises.” This recognizes the importance of aligning what is promised in the brand communications with the values of the people responsible for service delivery ([de Chernatony, 2003](#)).

Other authors also highlight the integrating role of promises. For example, [Ambler and Styles \(1996, p. 10\)](#) define a brand as a “promise

of the bundle of attributes that someone buys,” which may be “illusory, rational or emotional, tangible or invisible.” [Balmer and Gray \(2003\)](#) also drawing on the concept of a promise suggest “the core of a corporate brand is an explicit *covenant* between an organization and its key stakeholder groups, including customers” (p. 982 *italics added*).

To develop the conceptual framework for the service brand the model first developed by [Calonius \(1986\)](#) and refined by [Bitner \(1995\)](#) and [Grönroos \(1996, 2006, 2007\)](#) is adapted (see [Fig. 1](#)). Within the framework the external, internal and interactive marketing activities of the organization form the customer, employee and organizational brand perceptions. The framework also portrays the service brand as playing an integrating role aligning customer, employee and organization brand perceptions and attitudes. The three marketing processes are:

1. External marketing (communication between the organization and customers making promises about the service offer).
2. Interactive marketing (interactions between people working within the organization/network and end customers creating the service experience associated with the delivery of the promises about the service offer).
3. Internal marketing (creating value through the supporting resources and processes which make and deliver promises about the service offer involving the organization and people working in the organization).

The focus in this study is on customers’ perception of the service brand. External marketing and interactive marketing influence this perception, with internal marketing having an indirect effect. Examination of the integrating role of the service brand, through internal marketing, is beyond the scope of this study.

Within the theoretical framework, the external marketing activities are associated with the “making of promises.” This largely relates to the traditional external marketing communications organizations use. First there are the communications that build awareness of the brand name and logo creating a distinctive image about the service offer. Second there are communications about company image that concern the organization’s reputation rather than the characteristics of the service offer. [Balmer and Gray \(2003\)](#) refer to the company image and reputation as the corporate brand. That the brand name for the service is also sometimes the same as the company name can present a complication. However, while the names are the same within the conceptual framework a clear distinction is made between the communications about brand image and communications about the company image. The research model treats them as separate but related constructs.

The interactive marketing activities are associated with “delivering promises.” These involve the interactions and experiences between

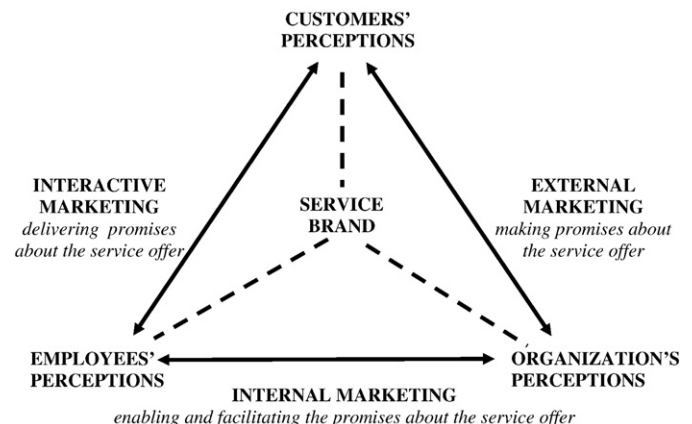


Fig. 1. Types of marketing and their influence on the perceptions of the service brand.

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