



## Consumer-brand relationships and brand loyalty in technology-mediated services



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### ABSTRACT

The successful diffusion of broadband services has substantially contributed to economic growth in the last decade. Broadband markets are now in the maturity phase and therefore, competition for customers is intense. However, while companies invest heavily on customer acquisition, there are few efforts for customer retention through the development of profitable long-term brand relationships. This study aims to develop and test a model to investigate the effect of three brand relationship dimensions, namely brand trust; brand satisfaction (cognitive dimensions), and brand commitment (emotional/affective dimension) on brand loyalty (repurchase intentions; positive recommendations, and price tolerance) in the broadband services market. Results indicate that the cognitive aspects of brand relationships are the major drivers of behavioral intentions followed by the affective one. On the other hand, the affective aspect of brand relationships has a stronger effect on price tolerance, while trust has no direct effect. Managerial implications and suggestions for further research are discussed.

### 1. Introduction

Fixed broadband internet services are offered by internet service providers (ISPs) and are defined as the technology that allows access to internet content at very high speed and enables people to access information; products, and services available on the internet without temporal restrictions (Choudrie and Middleton, 2014). However, several reports have shown decreased satisfaction and loyalty for ISPs worldwide. For example, the ACSI (2014) reported that “as the number of internet users grow, customer satisfaction with the services retreats, sliding 3.1% to an ACSI score of 63 – the bottom rating among 43 household consumer industries measured in the index”. Statista (2015) provides customer satisfaction statistics for ISPs in the U.K. Results show that satisfied and very satisfied customers dropped 4% (from 90% to 86%) between the first quarter of 2015 and the first quarter of 2010. Finally, the findings of Accenture's Global Consumer Pulse Research for 2013 (Accenture, 2013) for ISPs depicts the same picture since 32% (vs. 37% for 2012) of respondents declared that they are completely satisfied with the services offered; 23% (vs. 28% for 2012) felt loyal towards providers, and 23% (vs. 27% for 2012) had an intention to recommend their providers to others. This is mainly due to the fact that fixed broadband markets are currently in the maturity phase and therefore, service providers engage in intense competition for customers and use

price as the main competitive tool. On the other hand, fixed broadband services diffusion has been shown to be a very critical factor for economic growth since a 10% increase in the penetration of fixed broadband services would increase GDP by 1.21% in developed economies (Minges, 2016).

Therefore, it is important for service providers to develop a sustainable competitive advantage in this highly competitive market such as brand-based differentiation (Sreejesh and Roy, 2015). In fact, recent studies show that consumers differentiate brands based on the relationships that they develop with them and highlight the importance of maintaining strong relationships with customers as a long-term marketing strategy (Veloutsou, 2015). Therefore, several researchers have investigated the nature of the brand relationship development process as well as the marketing-related outcomes of this process (e.g. Ashworth et al., 2009) using three different paradigms, namely brand relationship quality (Fournier, 1998); brand love (e.g. Tsai, 2011a, 2011b; Batra et al., 2012; Albert and Merunka, 2013), and brand commitment, which is based on interpersonal relationship theory (Tsai, 2011a, 2011b). However, most studies prefer to use brand commitment (interpersonal relationship theory) to model the establishment and development of effective brand relationships and investigate their effect on several brand loyalty manifestations including repeat purchase; customer advocacy, and price tolerance (e.g. Fullerton, 2005, 2011;

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Fritz et al., 2014). Brand loyalty is recognized as a critical brand performance measure for service firms (Keller, 1993; Chaudhuri and Holbrook, 2001), since it contributes to increased repurchase volume; better acquisition rates from positive word-of-mouth communication (Aksoy et al., 2013); lower customers' price sensitivity (Chaudhuri and Holbrook, 2001); reduced cost and capital investment requirements (Aaker, 1991; Oliver, 1999), and improved service providers' profitability (Hayes, 2008).

Although various studies in delivery of technological services (i.e. broadband internet services) rely on the development of consumer-brand relationships (Chiou, 2004; Lin and Ding, 2009; Ou et al., 2014; Thaichon et al., 2014; Balaji, 2015) to explain brand loyalty, they do not provide an integrated theoretical framework that explains how the different service brand relationship dimensions interplay to affect various brand loyalty manifestations (i.e. repeat purchase; customer advocacy, and price tolerance). Specifically, the direct effects of brand trust; satisfaction, and commitment on brand performance, either individually (e.g. Thaichon et al., 2014; Lin and Ding, 2009) or as composite constructs (Bruhn et al., 2012; Nyffenegger et al., 2014), has been the main focus of related research. However, the examination of simple bivariate links between any of the brand relationship components and brand performance outcomes may either mask or overstate the true relationship due to the bias created by omitted variables. Furthermore, several studies assume that brand commitment fully mediates the relationship between satisfaction; trust, and brand loyalty, meaning that only bonds based on emotional values directly affect brand performance (i.e. Hess and Story, 2005; Story and Hess, 2006; Esch et al., 2006; Chiou and Droge, 2006; Ou et al., 2014). Recent literature, however, suggests that both cognitive and affective factors are important for consumer-brand relationships and have different effects on brand performance (Nyffenegger et al., 2014; Sreejesh and Roy, 2015).

To address these issues, this study uses the brand commitment paradigm (Tsai, 2011a, 2011b), to propose and empirically test a comprehensive model that shows the effect of both cognitive and affective brand relationship dimensions on brand loyalty in the fixed broadband services industry in Greece. This model uses brand trust and brand satisfaction as the cognitive dimensions and affective commitment as the affective dimension of brand relationships and investigates their relative impact on three service brand loyalty indicators (i.e. repurchase intentions, positive recommendations, and price tolerance) both independently and in tandem.

The paper is structured as follows. First, we review relevant literature and develop appropriate research hypotheses and the conceptual framework; second, we present the research methodology; third, we present and discuss results, and finally we conclude with theoretical and managerial implications, limitations, and suggestions for further research.

## 2. Conceptual background and research hypotheses

This section is devoted to the analysis of all brand loyalty and brand relationships related concepts and the development of appropriate hypotheses about their interrelationships.

### 2.1. Paradigms of consumer-brand relationships

Fournier (1998) defines consumer-brand relationships as the psychological bonds that consumers form with brands. Three main different theoretical perspectives have been proposed to conceptualize and measure the development of consumer-brand relationships (Tsai, 2011a, 2011b). First, the brand relationship quality (BRQ) paradigm where BRQ is considered a higher-order construct reflecting partner quality; interdependence; intimacy; commitment; self-connection, and brand passion/love (Fournier, 1998). Second, the brand love paradigm where the way consumers relate to brands is explained by passionate

love; emotional attachment, and self-brand connectedness (e.g. Carroll and Ahuvia, 2006; Albert et al., 2008, 2013; Tsai, 2011a, 2011b; Batra et al., 2012; Albert and Merunka, 2013; Fetscherin, 2014). Third, the brand commitment paradigm, where relationship commitment mediates the effects of interdependence (i.e. brand satisfaction) and social/communal (i.e. brand trust) dimensions of consumer-brand relationships on brand performance (e.g. Chaudhuri and Holbrook, 2001; Hess and Story, 2005; Esch et al., 2006; Tsai, 2011a, 2011b; Albert et al., 2013). The latter, which is a perspective of interpersonal relationship theory (Tsai, 2011a, 2011b), exploits the commitment-trust theory (Hennig-Thurau et al., 2002) to investigate the effect of customers' perception about the level of a consumer-brand relationship, on customer commitment and various brand loyalty manifestations (e.g. Fullerton, 2005; Ashworth et al., 2009; Aurier and N'Goala, 2010; Fullerton, 2011; Balaji, 2015).

Furthermore, brands offer both functional and emotional benefits that aim to create a unique and pleasurable experience for consumers (De Chernatony, 2010). Nyffenegger et al. (2014) argue that consumer-brand relationships have two types of dimensions, cognitive and affective and both influence brand loyalty. Based on these assertions, the brand commitment paradigm seems the best suited framework for investigating the effects of both the cognitive and affective dimensions of brand relationships on brand performance and has received considerable support by the branding literature (Hess and Story, 2005; Story and Hess, 2006; Ashworth et al., 2009; Papista and Dimitriadis, 2012; Fritz et al., 2014; Veloutsou, 2015). On the other hand, the other two paradigms present certain deficiencies in modelling brand relationships. More specifically, BRQ does not investigate how the cognitive and affective dimensions of brand relationships are related to each other and to brand performance, since it is conceptualized as a higher-order construct (e.g. Tsai, 2011a), and the brand love paradigm is based solely on affective or emotional dimensions to describe brand relationships.

This study uses the brand commitment paradigm (Tsai, 2011a; Papista and Dimitriadis, 2012; Ou et al., 2014; Veloutsou, 2015) to investigate the effect of both cognitive (brand trust and brand satisfaction) and affective (brand commitment) dimensions of consumer-brand relationships on different brand loyalty manifestations (repurchase intentions, positive recommendations, and price tolerance).

### 2.2. Research hypotheses development

Brand loyalty is defined as the extent of faithfulness of consumers to a particular brand, irrespective of the marketing activities of competitive brands (Oliver, 1999). Brand loyalty is included in the conceptualization of brand equity (Aaker, 1991; Keller, 1993; Yoo and Donthu, 2001), which is used in assessing brand performance. It is also used by practitioners and brand consultants as the most-frequently cited consumer-based criterion of brand success (De Chernatony et al., 2004). Previous research suggests that there are two types of brand loyalty: attitudinal and behavioral (Chiu et al., 2013). Behavioral loyalty expresses consumers' repurchase behavior for a specific brand, and attitudinal loyalty expresses consumers' attitude towards specific products or services (Kumar and Reinartz, 2006). The current study focuses on attitudinal loyalty because customers who seem behaviorally loyal can also be spuriously loyal as they may make repeat purchases because of certain situational constraints. Attitudinal loyalty manifests itself with a variety of indicators among which repurchase intentions; consumer willingness to recommend a service provider to other consumers, and price tolerance are the most commonly used (Vázquez-Casielles et al., 2009).

Trust is used to express a brand characteristic that inspires confidence in customers within a relationship (Chaudhuri and Holbrook, 2001; Delgado-Ballester et al., 2003; Brudvig, 2014). Becerra and Badrinarayanan (2013) assert that brand trust is composed of two sub-dimensions, cognitive and affective. Cognitive aspects

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