

## Customer Loyalty and Customer Advocacy as Brand Equity Enhancers of In-Store Brands– A Conceptual View

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### Abstract—

**T**he concept of In-Store brands has become a very important area of research since last two decades. The present paper conceptually examines the role of two important factors- Customer Loyalty and Customer Advocacy, which are expected to enhance brand strength of In-store brands. Retailers are supposed to be managing their store brand equity well in order to compete effectively in the market. Loyal customers and Customer advocates are the frontline promoters of a store and their role cannot be ignored. They play a major role in recommending a brand or a store to the prospective customers. This behaviour of loyalty is often triggered by a variable (construct), which is known as customer advocacy. Thus the present conceptual paper brings forth the role of Customer loyalty and Customer advocacy in enhancing the brand equity of private label brands and the store image. Success of a retail store in terms of brand equity of its own brands and store image depend on the number of loyal customers and their involvement in advocating the store to prospective customers. Hence retailers are expected to understand, deliver and maintain good relationship with the customers' in order to sustain and compete effectively.

**Keywords—** Customer Loyalty, Customer Advocacy, Brand Equity, In-Store brands, Retail

### I. INTRODUCTION

Retailing is considered to be the most effective among the channels of distribution in reaching out the increasing consumer market in case of consumer goods. The changes in retail formats and change in consumer preferences has led to a great challenge in deciding the type of merchandise by the retailers. Overtime by the entry of big business groups into retail sector and MNCs in retail expanding geographically, the perception that consumers have towards these stores has significantly changed. The concept of private labels has been significantly increasing in recent years in the retail sector. Manufacturer's brands are facing cut throat competition from the private label brands. Factors like price, quality, value for money, availability, risk factor, customization etc. are considered by the consumer segments to be the grounds of influence during decision making. The sustainability of a brand depends on its brand equity. The existence of private label brands is traced out from olden days. The retailers have started focusing on their own brands as they are fetching higher profit margins. The changing scenario in the retail sector evolved due to the entry of foreign retail giants into various markets globally. Even though today's retail market is known for value-for-money, many customers do not recall few private label brands when asked. Brands tend to be obsolete if they are not upgraded based on the changing consumer preferences. On one end researchers are focusing on factors associated with private label brands adoption and on the other end the competition between manufacturers brands and private label brands is been continuously assessed based on the differentiation they create from each other. Thus in our present research we try to interpret the role of Loyal customers as customer advocates in enhancing brand equity by strengthening the brand in context to in-store brands.

#### **A. Objective**

The present work brings forth the key enhancers of Brand strength which are Customer Loyalty and Customer advocacy. This study includes a reliable literature backup substantiating the importance proposed by the construct in enhancing brand equity. The current research encapsulates two main objectives within. The primary objective is to conceptually portray Customer Loyalty as an essential construct of brand equity of private label brands. Secondary objective examines the mediating role of customer advocacy in strengthening the relationship between Customer loyalty and Brand equity of private label brands from theoretical standpoint. The relationship between the proposed variables assumes significance because there are very limited studies that have addressed the relationship between the variables proposed.

### II. LITERATURE REVIEW

#### **A. Customer Loyalty**

Customer loyalty was popularized by the work of Jacoby and Chestnut (1978). They stated that Customer Loyalty is the biased, behavioural response, expressed over time, with respect to one or more alternative brands and is a function of psychological processes. Aaker (1991) stated that Customer loyalty determines the value of a brand to an organisation. Customer loyalty fetches profits to an organisation. Dick & Basu (1994) propagates that both attitudinal and behavioural components should be incorporated as Customer loyalty is the result of psychological processes and has behavioural manifestations. Morgan and Hunt (1994) stated that Customer advocacy is the result of customer commitment. Zeithaml et al., (1996) in their empirical study revealed that loyal customers spend more than non-loyal customers, act as

advocates for a brand by engaging in positive word of mouth, and are therefore considered as company's most valuable customer group. According to Yoo (2000) Customer decision can be influenced by brand loyalty in purchasing the same brand and prevent from switching to competitors' brands. The core dimension of brand equity is Brand loyalty which reduces costs and eases implementing works of an organisation (Rundle & Bennet, 2001). Keller (2003) stated that the relationship between a brand and customer is Customer loyalty. Brand loyalty is considered to be the most important brand equity determinant (Tong and Hawley, 2009). Brand loyalty reduces uncertainty as well as saves costs of building associations with other brand (Erenkol and Duygun, 2010). Therefore it is essential for the retailers to recognise the importance of loyal customers and take necessary measures which will motivate the loyal customers to advocate the brands to prospective customers and thus enhancing brand equity.

### ***B. Brand Equity***

Measuring brand equity is considered to be a very crucial responsibility of any organisation dealing with brands. Aaker (1991) defined Brand equity as the value that consumers associate with a brand. Higher consumer preferences and purchase intentions are the results of high brand equity levels (Cobb-Walgreen et al., 1995). Keller (1998) stated that change in consumer thoughts about the product performance in comparison to the competitors is the result of brand value perception of consumers. Shocker et al., (1994) defined Customer-based brand equity as evaluating the consumer's response in context to a brand name. The value of a brand lies in what customers have learned, felt, seen, and heard about the brand as a result of their experiences over time (Keller, 2003). Value added to a product by consumers' associations and perceptions towards a brand name results in brand equity (Winters, 1991; Chaudhuri, 1995). The brand equity consists of the brand's strength and the brand value. Lassar et al., (1995) stated that all the members and the organisation that are associated with the brand together contribute to brand strength which further determines the sustainability of the brand. Brand reputation, brand image, perceived quality and customer acceptance together constitute brand asset which further determines the brand value (Kapferer, 1998). Further Pappu et al., (2005) identified the corresponding assets connected to the brand such as patents, trade mark; relations in the distribution channel also contribute to the brand value. The present study conceptually investigates the impact of brand's customers' behaviour in enhancing brand equity of private label brands. Brand equity should be a powerful element wherein the attraction of prospective customers should be carried out by Customer advocacy more than any other promotional activities.

### ***C. Customer Advocacy***

Word of mouth is considered to be one of the most powerful tools in marketing. Word of Mouth refers to recommendations (Swan and Oliver, 1989). Customer advocacy is considered to be an extension function of positive word of mouth. Advocacy reflects the customers' relationship with the organisation as advocates actively promote the brands and organization to others and also they defend the company against detractors. (Cross and Smith, 1995). Peck et al., (1999) stated that an advocate actively recommends an organisation to others and does marketing for the brand. Advocacy has been used interchangeably with positive word-of-mouth (Lawer and Knox, 2006). Advocacy strategy incorporates a trusted advisor role that seeks to assist customers make better purchasing decisions and to maximise the value from the product or service (Sheth et al., 2000). The role of customer advocates is very powerful and productive both in case of National brands as well as Private label or store brands.

### ***D. In-Store Brands***

In-Store brands have become popular consumer choice and have been positioned as cheaper alternative to national brands. Baltas (1997) defined Store brands are brands owned, controlled, and sold exclusively by a retailer. Private labels have been seen in a number of product categories as retailers perceived numerous benefits by offering them. Raju et al., (1995) stated that In-Store brands created diversity in the product line in the retail category. In-store brands fetches higher retail margins in comparison to national brands (Ashley, 1998). Customised benefits accrued to the retailer in terms of differentiating its offerings from competing retailers. Meza and Sudhir (2003) stated that In-Store brands represent a good alternative to national brands for consumers. From the literatures we can interpret that store brands are gaining edge over national brands and will come in line with national brands in terms of market share if the store brand marketers present their offerings strategically.

### ***E. Customer Loyalty and Brand Equity***

Customer loyalty is considered to be one of the major antecedents of brand equity. According to Aaker (1991) even a small loyal customer base can make a positive significant change in brand equity. Lassar et al., (1995) established that the brand equity evolves from the greater confidence that consumers place in a brand than they do in its competitor. The brand equity is, according to Aaker (as cited in Keller, 1993) brand recognition, brand associations, brand image, perceived quality and customer acceptance. Brand loyalty represents the core of a brand's equity. According to Keller (2002) strong brand equity enhances positive image of a product and increases customer loyalty towards the brand as a whole. Customer loyalty is considered to be the strongest path leading to brand equity and has a positive and direct role in affecting brand equity (Atilgan et al., 2005). The brand loyalty of the customer base is the core of a brand's equity (Boo et al., 2009). As the literatures clearly state that customer loyalty is a major determinant of brand equity, it is very much essential for the store brand retailers to focus on the elements that convert potential customer to a loyal customer in order to enhance the brand equity of store brands.

#### F. Customer Loyalty and Customer Advocacy

Potential customers perceive information from peers or even strangers as more unbiased and reliable than those of an economic entity (Brown et al., 1987). Customer advocacy is regarded as an important consequence of customer commitment (Morgan and Hunt 1994; Price and Arnould 1999). In recent years, a number of studies have examined the relationship between affective commitment and advocacy loyalty (Garbarino and Johnson, 1999; Gruen et al., 2000; Bansal et al., 2004) and repurchase loyalty (Harrison-Walker, 2001). These studies show a uniformly positive and strong impact on affective commitment and advocacy loyalty and repurchase loyalty. Consumers who are affectively committed to a brand are less expensive to retain; less vulnerable to loss from competitive efforts, or service failures; willing to pay a price premium; and also desire to attract others to the brand via brand advocacy (Grisaffe and Nguyen 2011). Thus loyal customers who are well versed with the brand tend to advocate the brand to their peer groups. The concept of customer advocacy is so powerful because it conveys essence and meaning of customer's commitment to a brand and also enhancing the brand equity.

#### G. Customer Advocacy and Brand Equity

Advocacy is considered to be better than any other promotional tools in the current market scenario. Advocates who are high influencers and act as opinion leaders are believed to be playing a major role in advocating brands to potential customers. Advocacy is focused upon by many marketers as it drives sales, increase market share and also enhance customer relationships which overall contributes to enhancing of brand equity. Advocacy strategy incorporates a trusted advisor role that seeks to assist customers make better purchasing decisions and to maximise the value from the product or service (Sheth et al., 2000). It is always said that catering to a satisfied customer is less expensive than attracting a new customer to maintain long-term customer relationships (Zeithaml et al., 1996). Customer retention, willingness to enhance the relationship, price sensitivity and advocacy are believed to be the resultants of consumer behaviour (Morgan and Hunt, 1994; Bansal et al., 2004; Fullerton, 2011). Companies eventually turn loyal customers into advocates who in turn attract new customers behalf of the companies (Smith and Wheeler, 2002). Advocacy is the willingness of the customer to give strong recommendations and praise to other consumers on behalf of a products or service provider (Harrison Walker, 2001). As media and information tools are easily accessible by today's consumers they are able to compare brands, products and services (Wind and Rangaswamy, 2001; Prahalad and Ramaswamy, 2000), organisations are responding by developing advocacy-based strategies and practices (Urban, 2004). Therefore, it would be a progressive move if the retailers systematise the process and develop strategies promoting customer advocacy in order to enhance brand equity.

Based on the literature review the following conceptual model is developed:

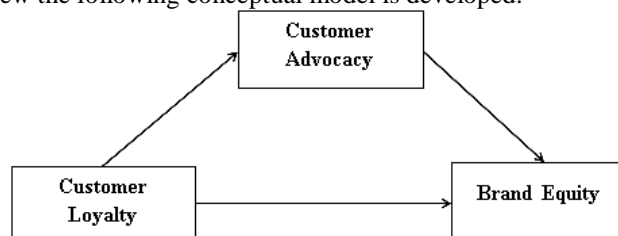


Fig. 1 Conceptual Model

### III. DISCUSSION

The present conceptual model is thoroughly backed with the literature support that provides adequate evidence in support of individual variables proposed in the current conceptual framework. Many store brands follow the footprints of National brands' strategies of positioning but in order to create differentiation it is very essential for the store brand marketers to develop their own unique strategies of positioning which gives customers a different perspective of viewing the store brands from that of national brands. From the literatures we can recommend retailers to strategize the action plans of increasing loyal customers and also inherit the practice of motivating them to play the role of an advocate into the process of customer relationship management, since it is believed to be major a influencing factor in consumer buying decision process. Our future research will examine the proposed relationship between the variables on an empirical note.

### IV. CONCLUSIONS

The present paper has put forth the literature review of Customer loyalty, Customer advocacy and Brand equity. Any business organisation that seeks stable relationship with a volatile and unpredictable environment face the prospect of failure, and retailers are no exception to it. To keep up with this dynamic environment, it is important for the retailers to continuously improve. But, in reality there is a cognizable rift between planning and implementation, thus we notice that retailers' brands are falling short of pace. Many past researches in this field have in fact proven it. This idea has evolved from the basic fact that all the brands possess the aspect of customer advocacy and customer loyalty in varying degrees. Having its roots from the Brand equity measurement models, it can be held that customer advocacy is one such factor that reflects the extent of Customer loyalty towards the brand resulting in varying Brand equity. This requires understanding, building and maintaining relationship with the customers and also upgrading In-Store elements to make it more demanding thereby creating competitive brands in the market.

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