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Marketing mix and customer equity of SPA brands: Cross-cultural perspectives

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ABSTRACT

Globalization has substantially transformed the fashion industry. Firms that conduct innovative marketing campaigns for SPA brands, also known as *fast fashion*, are operating worldwide. Because SPA brands tend to have short trend cycles, corporate profitability is sensitive to consumers' attitudinal changes. The authors of this study establish a theoretical framework by examining research trends related to customer equity at home and abroad by delving into the current state of global SPA brands, defining customer equity, developing customer equity measurements, and conducting empirical analyses. This study uses structural equation models to analyze corporate marketing activity effects on customer lifetime value through brand attitude. Although earlier studies identify customer equity as driving value equity, brand equity, and relationship equity, the authors introduce social network equity as another driver.

1. Introduction

Most companies attempt to collect thorough information about overseas target markets and potential consumers before they initiate new marketing activities. Although brand equity is currently a widely used metric to measure corporate equity, companies are increasingly developing a diversified understanding of customer value centering on the standardized manufacture of products. Accordingly, the concept of customer equity has emerged as a tool to help firms focus their marketing efforts on securing customers and increasing future profits (Holm, Kumar, & Rohde, 2012; Kumar, Lemon, & Parasuraman, 2006; Rust, Zeithaml, & Lemon, 2000).

Although researchers have long studied customer equity, before accepting this concept as theory certain questions must be resolved (Bell, Deighton, Reinartz, Rust, & Swartz, 2002) including direct issues related to acquiring customer data and using such information for developing detailed marketing strategies. Globalization has a substantial impact on the fashion industry (Kim & Park, 2013). In particular, firms engaged in innovative marketing of SPA brands (specialty retailers of private label apparel, also known as *fast fashion*) are quickly growing into global companies. Unlike luxury brands, SPA brands seek to produce diversified products that satisfy consumers from all walks of life, and thus they need a greater understanding of preferences among individual consumers. Furthermore, SPA brands tend to have short lifecycles; thus, corporate profitability is sensitive to attitudinal changes in consumers.

The study here constructs a theoretical framework by examining research trends related to customer equity on a global level and delving into the current state of global SPA brands. This study applies the concept of *drivers* (Rust, Lemon, & Zeithaml, 2004) to determine the effects of consumers' attitudes on customer equity. Customer equity drivers are known to include brand equity, value equity, and relationship equity, but here this study introduces the concept of an individual driver of social network equity: consumers' attitudes toward companies. Information technology advancements exert many influences on consumers' attitudes (Kim & Ko, 2012). Currently recognized drivers deliver to customers unilaterally, but social network equity is based on modern two-way communication (Chu, Kamal, & Kim, 2013).

The purposes of this study are, first, the study introduces social network equity as an additional customer equity driver in an effort to help marketing professionals communicate with customers more efficiently in the rapidly changing media environment. Second, the study generates marketing strategies for SPA brands applicable to the global market through a customer equity model, and suggests methods of segmenting global markets for effective marketing.

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This study aims to illuminate factors that can maximize customer equity for SPA brands desiring to expand to the global fashion market. In addition, the usage of a global consumer survey provides useful data for segmenting the global market and expanding the concept of customer equity.

2. Theoretical background

2.1. Customer equity

Customer equity refers to the total of the discounted lifetime values of all the firm's customers (Rust, Moorman, & Bhalla, 2010), and considers *time* in determining current value (Blattberg & Deighton, 1996). Direct marketing uses the concept of *customer lifetime value* (CLV) as basic to maximizing profits. The concept has recently attracted increased attention because of advancements in marketing technology (Kim, Park, Kim, Aiello, & Donvito, 2012). This study applies the concept of drivers including value, brand, relationship and social network equity to calculate the CLV (Rust et al., 2004).

2.1.1. Value equity

In recognizing corporate value equity, consumers evaluate products for their credibility, quality, and marketability. Value equity reflects relatively objective consumer opinions about products or services and is regarded as unilateral equity based on a company's product or service competence (Rust et al., 2004).

Consumers recognize value by comparing the rewards they get with the efforts they expend in acquiring products or services. Accordingly, companies can improve value by providing value beyond consumer expectations or by reducing consumer-provided rewards (Winters & Ha, 2012). At that time, this study can examine value from the perspectives of quality, price, and convenience.

2.1.2. Brand equity

Brand equity refers to consumers' evaluations of and personal preferences for brand images, which then grant value to products or services (Aaker, 1991). Along with corporate value equity, brand equity is an intangible monetary equity involving consumer recognition and brand expansion in the modern market economy (Rust et al., 2004).

2.1.3. Relationship equity

Relationship equity evaluates consumer perceptions of value in their relationships with the company regarding corporate provision of products or services (Rust et al., 2004). Consumers primarily evaluate the quality of face-to-face encounters to assess the benefits of company offerings in relationships and special treatments.

Companies should regard consumers as valued business partners and should tailor their services to incite emotional attachment through relationship marketing, which forms, maintains, and enhances relationships with consumers (Berry, 1995). In addition, relationship marketing is defined as marketing activities that establish, develop, and maintain the successful exchange of relationships (Dwyer, 1997).

2.1.4. Social network equity

Despite various theoretical disputes, the economics, sociology, psychology, and business management fields regard *society* as the most important concept for consumer-oriented customer equity. However, social phenomena appearing in various social sectors are hard to define and quantify. Therefore, defining *society* is of priority.

Networks are collections of individuals and nodes linking them. In terms of social, informational, technological, and biological factors, recent studies define social networks as groups of people with similar contacts or interactions (Newman, 2003). People establish social networks to create connections for exchanging information, which then generates information networks (Dwyer, 2007). Social networks have the power to dominate motivations and strongly affect the congruence between brand-related word-of-mouth and self-branding (Halvorsen, Hoffmann, Coste-Manière, & Stankeviciute, 2013; Lee, 2012).

Word-of-mouth has expanding value for the influence on individuals through online social network interactions (Lam, Ahearne, Hu, & Schillewaert, 2010). The study helps to understand the value of networks by observing word-of-mouth paths transmitted through social networks.

Brand and self-concept congruence is distinct from word-of-mouth. According to social identity theory, consumers create brand and self-concept congruence by identifying with brand images (McCracken & Macklin, 1998), and then form their identity with brands through purchases. In addition, they tend to link their self-concept with social groups (Tajfel & Turner, 1979). In other words, consumers identify brands with themselves to connect to social groups, and they identify themselves with social groups to connect with brands (Park & Kang, 2013).

2.2. Marketing activities

Marketing activities, particularly the concept of the 4Ps (price, product, promotion, place), have long played important roles in marketing strategies and have been regarded as important variables influencing corporate equity value. Until now, most corporate activities have been conducted within the scope of 4Ps strategies (Ataman, Van Heerde, & Mela, 2010), which help determine how to localize or standardize marketing mix factors if a global company expands into a new market (Lages, Abrantes, & Lages, 2008).

Consumers' behavioral intentions and behaviors are functionally related with service providers' overall perceptions. In particular, consumers renew their intention to use certain service providers based on their belief in brands, evaluation of experience with the service, and convictions based on norms and motivations (Bagozzi, Baumgartner, & Yi, 1992).

Furthermore, future evaluation and behavior are strongly linked with adopted levels. For example, if customers recognize that the provider gives excellent service, maintains a strong brand image, and offers loyalty incentives, they will continue to view the service provider favorably and will be repeat purchasers. Thus, I hypothesize:

H1. Marketing activity will positively affect brand attitude.

H1a. Product activity will positively affect brand attitude.

H1b. Place activity will positively affect brand attitude.

H1c. Price activity will positively affect brand attitude.

H1d. Promotion activity will positively affect brand attitude.

From the perspective of customer relationships, customers select brands based on three determinants: value equity, brand equity, and relationship equity (Rust et al., 2004). Following that conceptual model of causal relationships, researchers use survey questionnaires to gather consumers' purchase data for an empirical analysis of related customer equity drivers (Vogel, Evanschitzky, & Ramaseshan, 2008). Although the three drivers are independent customer equity influence factors, brand equity and value equity precede the formation of relationship equity (Chen & Myagmarsuren, 2011; Holehonnur, Raymond, Hopkins, & Fine, 2009). Customer equity drivers play a role in effectively managing marketing resources to form customer relationships. Prior to studies on customer equity, brand equity was classified into quality, brand loyalty, and brand recognition, sometimes including components of customer equity drivers (Yoo, Donthu, & Lee, 2000).