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The effects of service brand dimensions on brand loyalty

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ABSTRACT

The present paper uses a modified version of the Service Brand Verdict (SBV) model. The objective of the study is to incorporate service brand loyalty as an ultimate dependent measure seen as the outcome of consumers' evaluation of various service brand dimensions and communication, and test the generalizability of the modified SBV model in two different service sectors and cultural settings. Two studies using on-line survey data were conducted in Denmark and Norway in two different service industries (airlines and banks respectively). Previous findings suggesting that brand evidence significantly influences consumer satisfaction, attitude and behavioural loyalty towards service brands were confirmed. Moreover, contrary to previous findings, controlled communication elements (i.e. advertising and promotions) did not have any influence on customer satisfaction with service brands. However, the same communication elements directly and significantly shaped customers' perceptions of the various brand dimensions and their overall attitude towards the brand.

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1. Introduction

As a result of the increasing competition that characterizes global markets, companies shift their strategic focus toward customer satisfaction and retention (Gustafsson et al., 2005). In this respect, branding is a prime practice that allows organizations to establish beneficial long-term relationships with their customers. Furthermore, branding creates superior customer value, which satisfies and helps retain consumers (Aaker, 1991; de Chernatony and McDonald, 1992). In the service sector, the importance of branding has been highlighted by several authors (Arora and Stoner, 1996; Berry, 2000; Brodie, 2009; Java and Cliquet, 2012; McDonald et al., 2001; Sok and O'Cass, 2011; Teichert and Schontag, 2010), who agree that branding is as a key success factor for service organizations and that it must be seen as "*a cornerstone of services marketing in the 21st century*" (Berry, 2000).

Several theoretical models have been proposed to explain how consumers evaluate and behave toward brands (Aaker, 1991; Berry, 2000; de Chernatony and Dall'Olmo Riley, 1998; Kapferer, 2008; Keller, 1993). In most of these models, the primary focus has been on physical products and goods, whereas attention to services has been limited. The differences between goods and services may well question the relevance of existing branding models in a service setting (Berry, 2000; Brodie et al., 2009; Grace and O'Cass, 2005). Features of services, such as intangibility, perishability, heterogeneity and simultaneity (van Riel et al., 2001), have resulted in a widespread belief that consumer evaluation of service brands may differ from physical product brands in both kind and degree, and thus require different theoretical approaches (Berry, 2000; de Chernatony and Dall'Olmo Riley, 1998; McDonald et al., 2001; Zeithaml et al., 1985).

Moreover, the existing branding models often demonstrate significant weaknesses due to the absence of empirical testing, lack of validation and narrow focus (Grace and O'Cass, 2005). For example, de Chernatony and Dall'Olmo Riley (1998) investigated service branding based on expert interviews without incorporating the end-user's perspective. Likewise, the service brand equity model developed by Berry (2000) simplified brand complexity into a manageable number of elements, yet its focal constructs and their interrelationships were not empirically tested. Coping with these limitations, Grace and O'Cass (2005) proposed the Service Brand Verdict (SBV) model that explains how consumers evaluate and respond to service brands. In addition to the need for the development of empirically tested brand models tailored the characteristics of service sectors, it has also become apparent that in order to capitalize on the value of branding, research has to address not only the dimensions that are relevant to customers when evaluating service brands, but also their effects on consumers' response. When referring to the latter point, the concept of loyalty has received broad attention, especially in the service industries because it is frequently seen as the ultimate determinant for a successful and profitable business (Caruana et al., 2000; Juhl et al., 2002).

Taking into account limitations from previous work, this paper validates a modified version of the SBV model that investigates the effects that service brand dimensions have on consumers' brand

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loyalty. More specifically, the following research questions are addressed: (a) what are the dimensions of service brands that are meaningful to consumers when evaluating branded services? (b) how do service brand dimensions affect consumers' brand loyalty? and (c) how are other consumer response variables, such as customer satisfaction and brand attitude, relate to service brand loyalty?

2. Service branding

Similar to physical product brands, a service brand is the basis to build trustful customer relationships and, as such, it is frequently seen as a consumer-directed informational device that serves as a promise regarding the future service experience (Berry, 2000; Davis et al., 2000). However, due to the intangibility and the perceived risk associated with services, customers' perception of a branded service is particularly crucial, since it motivates their ultimate behaviour toward the brand (Davis et al., 2000). Consequently, branding is equally important for service providers as for physical goods manufacturers (Arora and Stoner, 1996; McDonald et al., 2001). Nevertheless, the significance of certain branding aspects is expected to vary between these two types of offerings (Berry, 2000).

One of the fundamental differences between product and service branding lies in the fact that within the service sector the company name becomes the brand name, since consumers usually view the whole firm as the provider of the service experience (Berry, 2000). The strength of a service brand is thus mainly determined by organizational attributes, such as the quality of the service provided by a company's employees and the overall relationship between the firm and its customers (Alexandris et al., 2008). However, the interactions between consumers and staff might cause disparate experiences with a service brand that pose major challenges to service marketers (de Chernatony and Segal-Horn, 2003).

The intangible nature of services stresses the crucial importance of service brands as opposed to physical goods brands. Since services lack the tangibility that would allow for packaging, labelling or displaying, strong brands are a particularly powerful instrument for service organizations to increase consumers' trust in such “invisible purchases” (Javalgi et al., 2006). Absence of physical properties in service offerings additionally emphasizes the role of branding as a means of differentiation (de Chernatony and Dall'Olmo Riley, 1999; McDonald et al., 2001). Keeping in mind that service branding is concerned with communicating the benefits of an offering, a strong brand is considered to be a key element in a service provider's effort to distinguish oneself from competition.

Service brands have often been exclusively associated with their brand names, based on the fact that service attributes are considered to be difficult to communicate via any other means (Turley and Moore, 1995). While at an abstract level a brand represents a product and its value, customers at a lower level of abstraction are expected to evaluate and respond to a variety of brand dimensions (Keller, 1993). A brand is more than a mere name, as it involves all those associations that a customer holds with respect to various product- and non-product-related attributes. Accordingly, Davis et al. (2000) stated that a service's brand image refers to the customers' perception of the service experience that is created by those service elements that are associated with the service brand. On a similar vein, the concept of service brand equity has recently gained the attention of many researchers (e.g. Boo et al., 2009; Brian and Chunhui, 2011; Java and Cliquet, 2012; So and King, 2010). In this respect, a better understanding of the brand associations formed is crucial and, therefore, a challenge for service marketers.

In an attempt to investigate the branding principles for services and physical goods, de Chernatony and Dall'Olmo Riley (1999) suggested that developing a brand is similar for both sectors. In their view, brands are regarded as a combination of functional and emotional attributes that symbolize a promise for future customer satisfaction that help building a brand image. It is at the operational level during which the manifestation of specific elements of services brands should be emphasized. However, the findings of de Chernatony and Dall'Olmo Riley (1999) do not reflect customers' perspective. While a service brand might essentially be viewed as “*a blend of what the company says the brand is, what others say, and how the company performs the service*” (Berry, 2000), it is still customers who form associations of various service-related dimensions. As a consequence, there is a need for customer-based information on which brand dimensions hold meaning for service users.

Grace and O'Cass (2002) compared the importance of brand dimensions for branded products and services. The authors suggested that brand dimensions may differ between services and physical goods to the extent that customers find some to be unique to one sector whereas others to be common to both sectors. More specifically, word-of-mouth (WOM) communications, as well as a company's physical facilities and employees, were shown to be particularly important for the evaluation of branded services. On the other hand, attributes such as consumers' feelings and self-image congruence with respect to the image of the brand were primarily of concern to customers of physical goods (Grace and O'Cass, 2002). All the above suggest that service brands are different from physical goods and therefore may require adjustment of marketing approaches, at least to a certain extent.

Besides understanding how customers formulate brand associations, a key point in branding is to understand the importance of these associations and the extent to which they influence customers' attitudes and behaviour. Although previous branding frameworks (de Chernatony and Dall'Olmo Riley, 1998; Keller, 1993) argue to be relevant to both products and services, there is criticism as regards to their application to service offerings (Berry, 2000; Grace and O'Cass, 2005). In addition, the majority of early branding frameworks lacked empirical testing, use an inconsistent terminology and identify different brand elements.

To address this limitation, Berry (2000) proposed a service branding model that explains the relationship between service brand dimensions and a company's performance. In his model, Berry suggested that building strong service brand equity can be created not only by the use of effective brand communications but also through customer experience. On a similar vein, Grace and O'Cass (2005) proposed the Service Brand Verdict (SBV) model that conceptualized a service brand as consisting of two basic higher-order dimensions (“brand evidence” and “brand hearsay”) that, in turn, are composed by several lower order attributes of which customers formulate brand associations. In their model, brand evidence refers to all those brand attributes that a customer experiences during the pre-purchase and usage stage, whereas brand hearsay involves those types of communication (i.e. controlled and uncontrolled) that a customer exclusively receives prior to purchase. As such, brand evidence represents more than just the tangible dimensions of the brand (e.g. brand name, price), by comprising intangible service brand attributes that influence customers' brand evaluations (e.g. feelings, employee service).

3. Model conceptualization and hypotheses

In an attempt to model consumers' evaluations and behaviour toward service brands this paper uses a modified version of Grace

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