

Impact of Corporate Branding Strategy on the consumer loyalty: An Empirical Investigation

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ABSTRACT

Branding strategy is activity performed by the companies to manage their portfolio, so that they could be visible, differentiated, and preferred in the market. Companies have many options regarding branding strategy; they can use name of their company, give independent name, or mixed of both for branding their offerings. The objective of this study is to assess the impact of branding strategy on the consumer loyalty. It has been found that devise corporate branding strategy does not directly leads to consumer loyalty, rather it enhances corporate image and positive corporate image leads to corporate loyalty which finally results to brand loyalty.

Keyword: Branding Strategy, Corporate Branding Strategy, Corporate Image, Corporate Loyalty

INTRODUCTION

All the authors like Murphy (1989), Olins (1989), Laforet and Saunders (1994), Kapferer (1997), Aaker and Joachimsthaler (2000), Urde (2003), and Keller (2003), had authored many articles and researched about branding strategy. Branding strategy is an activity performed by the company to differentiate its one offering from another in its own portfolio, sometimes in the same product category or the other, as well as with the offerings of competitors in the same product category in the market. By devising branding strategy, companies ensure that their brand portfolio would be managed properly and rejuvenated time to time to offer competitive advantage to the firm in terms of market share and revenue generation as well as long term relationship with consumers.

Companies generally have three choices of branding strategy, first using corporate name in each of its offering (e.g. Nirma), second separate or independent brand name for each of its offering (as practiced by fast moving consumer goods companies like Hindustan Unilever Ltd.), and lastly a mix of both where corporate brand is associated with the independent brand name famously known as mixed branding (Laforet and Saunders, 1994). Sometimes the brand strategies are identified as branding structures (Olins, 1989) as “monolithic” (a corporation

uses one name and identity worldwide, e.g., TATA), “endorsed” (the corporate name is used in association with a subsidiary or product brand, e.g., Cadbury’s Dairy Milk), and “branded” (emphasizes multiple product-level brands, e.g., P&G using brands such as Tide and Ariel).

The choice of appropriate branding strategy is always a matter of concern for the companies, i.e. whether they should go for independent brands, use its own company name for branding, or use mixed branding i.e. using both strategies.

Decision on branding strategy depends upon the contribution that the brand elements provide in terms of advantages to the companies. Study conducted by Singh (2011) concludes that corporate brand strategy exposes the product to large audience as they associate the product with the corporate’s value system and identity. It carries the organisation’s culture and image. It provides a sense of trust and quality with the offerings of the company. While the product brand strategy is focused toward the consumer, it has its free individualistic market standing being developed by the marketing manager or the marketing department through marketing mix of the company (Balmer and Gray 2003; Hatch and Schultz 2003; de Chernatony, 2001). While the mixed branding strategy possesses the advantages of both, whether corporate name is at driver seat or brand name is at front.

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In Indian context branding strategy is an unexplored area. The purpose of this research paper is to study the impact of corporate branding strategy and its constructs on the consumer behaviour in terms of corporate brand awareness, corporate loyalty, corporate image and brand loyalty.

CORPORATE BRAND AWARENESS

Keller (2003) in his book “Strategic Brand Management: Building Measuring, and Managing Brand Equity”, states that brand awareness is the likelihood that a brand name will come to mind with the ease when some relevant cue is given or confronted about the brand. The corporate brand awareness is how widely the corporate name (brand) is familiar to the consumers.

CORPORATE IMAGE

Brand Image is much explored topic in the area of branding it is defined here as “perceptions about a brand as reflected by the brand associations held in consumer memory” (Boulding, 1956; Newman 1957; Keller 1993, Kapferer 1992, 1995). The brand image concept applied to the corporate brand image is defined by Bernstein (1984) as “Corporate image is the net result of the interaction of all the experience, beliefs, feelings, knowledge, and impressions that people have about the company.”

Balmer (1998) suggests that corporate identity and corporate image are two different concepts. The former refers to the reality or facts concerning the company and the latter refersto the perception held by the stakeholders and consumers for the company.

CORPORATE LOYALTY

It is the loyalty and commitment that the consumers have toward the company. It is a durable and long term relationship or attachment of consumers towards the company. It may be a result of sum of efforts made by the company to the society in terms of financial return to shareholders, quality offerings for the consumer, or in terms good corporate citizenship as in the form of Corporate Social Responsibility and good governance.

Bhattacharya and Sen (2003) put forth that corporate loyalty can lead to the consumer loyalty for all the products of the company but the opposite case is not always true.

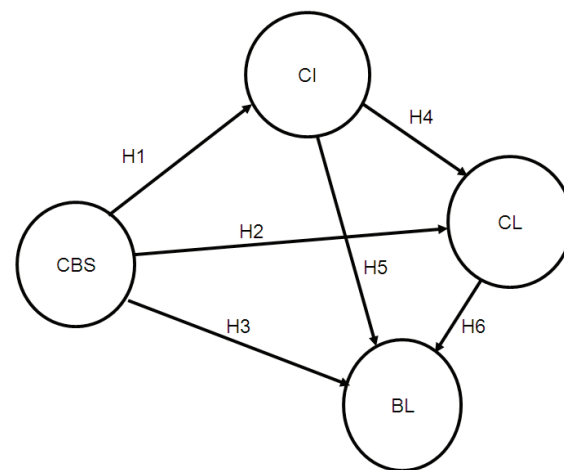
BRAND LOYALTY

Brand loyalty is another much explored area. Different researchers (Jacoby and Kyner, 1973; Dick and Basu, 1994; Chaudhuri and Holbrook, 2001; Shukla, 2009) have explained brand loyalty as re-buying brand or patronizing a brand consistently. It is a tendency that discontinues or prevents search motivation, offers resistance to counter persuasion and leads to positive word of mouth. It puts an end to switching behaviour. Dick and Basu (1994) further classified loyalty as true loyalty, spurious loyalty, latent loyalty and no loyalty. Morgan (1999) suggested that the term ‘loyal’ can be interpreted in different ways, ranging from affective loyalty (what I feel) to behavioural loyalty (what I do).

PROPOSED MODEL AND HYPOTHESIS

On the basis of the literature review, the conceptual model (Fig. 1) is proposed focusing to analyse the impact of branding strategy on corporate image, corporate loyalty and brand loyalty.

Figure 1: Conceptual model of Research Hypothesis



HYPOTHESES

On the basis of model shown in Fig. 1, the following hypotheses are suggested.

- H1: Corporate Branding Strategy (CBS) has a significant impact on corporate image (CI).
- H2: Corporate Branding Strategy (CBS) has a significant impact on corporate loyalty (CL).

- H3: Corporate Branding Strategy (CBS) has a significant impact on brand loyalty (BL).
- H4: Corporate image (CI) has a significant impact on corporate loyalty (CL).
- H5: Corporate image (CI) has a significant impact on brand loyalty (BL).
- H6: Corporate loyalty (CL) has a significant impact on brand loyalty (BL).

RESEARCH METHODOLOGY

This study is the empirical investigation of impact of corporate branding strategy on consumer. The product category chosen for the study was chocolate, as it is evident that the chocolate marketing companies pursue corporate branding strategy.

A close ended structured questionnaire was prepared for data collection. The questions were framed in a five point likert scale ranging from 5 - Strongly Disagree, 1- Strongly Agree. The questionnaire was divided into five constructs, first construct was to know about the brand preference of chocolate the company it belongs to, other four constructs were for corporate branding strategy (3 questions), corporate image (4 questions), corporate loyalty (2 questions) and brand loyalty (6 questions).

The scales that comprise to measure brand loyalty were adapted from Choudhuri and Holbrook (2001). These are -The [product] package carries the name of the company;The name of the company producing this [product] is well known and reputed; The company producing this [product] extends its name to all the products it produces. For analysing the brand strategy, corporate image and corporate commitment, measurement scale of Souiden *et al.* (2006) was used with some modification. The scales used to measure corporate image are: The company which produces this [product]is innovative and pioneering; The company which produces this [product]is successful in marketing and in financial term; The company which produces this [product]is known for its high quality products; The company which produces this [product]is the industry leader.For measuring corporate loyalty, the scales used are:I have an affection and emotional attachment to the company that produces this [product]; I have high regard to the company's other products; I felt good about this particular brand of [product] of this company over the

other brand(s); I felt very attached to this particular brand of [product] of this company over the other brand(s);and for brand loyalty questions asked are: Over the last few years, I have always bought the same brand of [product]; I would continue to buy the same brand of [product]; Although another brand was on sale, I still bought this particular brand; I would be upset if I had to buy another brand over my favourite.

For testing the reliability of the questionnaire Cronbach's alpha is determined through SPSS. The value of Cronbach's alpha is 0.805 which represents good reliability.

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.805	15

Questionnaires were distributed to 150 female MBA university students of age in between 19 to 21 years old, during the academic semester (December 2012 – July 2013). In determining the sample size, a rule of thumb which state that the appropriate sample size in the consumer research would be in between 30 and 500 (Sekaran, 2003) was applied. An optimum sample size of 150 is employed. Among 150 distributed questionnaires, 146 were returned and all were regarded as valid responses.

ANALYSIS AND FINDINGS

The model suggested in Fig. 1 was tested using LISREL 8.5 (student edition). Model fit statistics/indices are as follows. Chi-square (df = 84) = 107.07 is highly insignificant ($p > 0.01$), which shows a good model fit (Joreskog and Sorbom, 1989); the ratio of chi-square to degree of freedom is less than 2 (Hair *et al.*, 1995); GFI, AGFI, RMR are respectively above 0.90, above 0.80 and below 0.05 (Chin and Todd, 1995). NFI > 0.90, RMSEA < 0.05 shows a good model fit.

The effect of independent variable (exogenous latent variable) corporate branding strategy (CBS) on dependent variable (endogenous latent variable) corporate image (CI), corporate loyalty (CL) and brand loyalty (BL), is estimated. Fig. 2 and Table 3 show the standardised coefficient between corporate branding strategy and corporate image ($\gamma_1 = 0.67$, $t = 5.02$, $p < 0.01$), corporate branding strategy and corporate loyalty ($\gamma_2 = 0.27$, $t =$

Table 2:Item Statistics

<i>Item</i>	<i>Mean</i>	<i>Standard Deviation</i>	<i>N</i>
The name of the company producing this chocolate is well known and reputed	1.27	.492	146
The chocolate package carries the name of the company	1.29	.553	146
The company producing this chocolate extend its name to all the products it produces	1.90	.881	146
The company which produces this chocolate is innovative and pioneering	1.73	.710	146
The company which produces this chocolate is successful in marketing and in financial term	1.41	.595	146
The company which produces this chocolate is known for its high quality products.	1.37	.551	146
The company which produces this chocolate is the industry leader.	1.79	.815	146
I have an affection and emotional attachment to the company that produces this chocolate	2.55	1.175	146
I have high regard to the company's other products.	2.221	.939	146
I felt good about this particular brand of chocolate of this company over the other brand(s)	1.60	.670	146
I felt very attached to this particular brand of chocolate of this company over the other brand(s)	1.91	.909	146
Over the last few years, I have always bought the same brand of chocolate	2.12	1.041	146
I would continue to buy the same brand of chocolate	2.25	1.007	146
Although another brand was on sale, I still bought this particular brand	2.28	.923	146
I would be upset if I had to buy another brand over my favourite brand.	2.67	1.145	146

Table 3: Estimation of effect

<i>Hypothesis</i>	<i>Independent Variable</i>	<i>Dependent Variable</i>	<i>Estimates of direct effect</i>	<i>t-value</i>	<i>Test result</i>
H1	CBS	CI	0.67	5.02**	Accept
H2	CBS	CL	0.27	2.34*	Accept
H3	CBS	BL	0.18	1.88	Reject
H4	CI	CL	0.48	3.48**	Accept
H5	CI	BL	0.22	2.06*	Accept
H6	CL	BL	0.53	3.89**	Accept

**Significant at the 0.01 level, * Significant at the 0.05 level.

2.34, $p < 0.05$), corporate branding strategy and brand loyalty ($\gamma_3 = 0.18$, $t = 1.88$, $p > 0.05$).

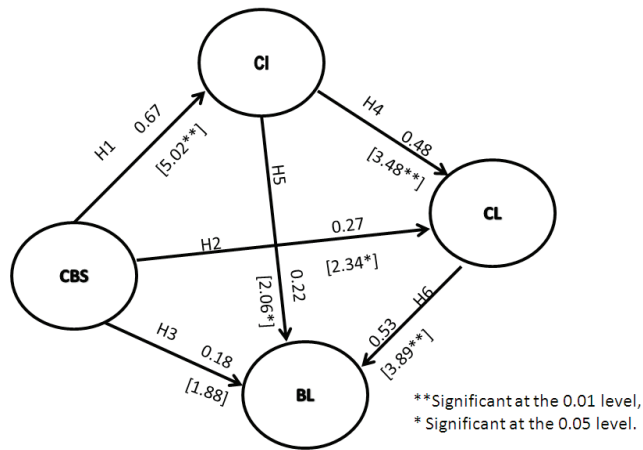
The relationship between each pair of endogenous latent variables is estimated i.e. the direct effect of corporate

image on corporate loyalty ($\beta_2 = 0.48$, $t = 3.48$, $p < 0.01$), corporate image on brand loyalty ($\beta_1 = 0.22$, $t = 2.06$, $p < 0.05$), corporate loyalty on brand loyalty ($\beta_3 = 0.53$, $t = 3.89$, $p < 0.01$)

It should be noted that all values are positive and significant except the relation between corporate branding strategy and brand loyalty. Thus the hypothesis H1, H2, H4, H5, H6 are accepted, while H3 is rejected that corporate branding strategy significantly affects the brand loyalty.

From Table 3, it is evident that the relation between corporate branding strategy and corporate image; corporate image and corporate loyalty; and corporate loyalty and brand loyalty is highly significant at $p \leq 0.01$.

Figure 2: Estimation of Direct Effect of Independent Variable on Dependent Variable



CONCLUSIONS

The objective of this study was to analyse the effect of corporate branding strategy on enhancing corporate image, developing corporate loyalty and lastly developing and strengthening brand loyalty. Gregory and Wiechmann (1999) presented in their study that the corporate branding strategy strongly affects the corporate image, which is supported in the present study too. In the study the relation between the corporate image and corporate loyalty is established which confirms the findings of Shapiro (1982) that good corporate image can positively affect the firm's sale and market share, and in the establishment and maintenance of loyal relationship with customers (Andreassen and Lindestad, 1998). It was also argued that there is a stronger relationship between the consumer loyalty towards the company and the share of purchase from the company (Souidenet al., 2006). Bhattacharya and Sen (2003) assert that corporate loyalty can lead to consumer loyalty for all the products of the company, which is supported in the study.

But this study fails to establish direct association between the corporate branding strategy and brand loyalty. Balmer and Gray, (2003) suggested that in corporate branding strategy, corporate brand name and corporate image is integral part of it and it influences the brand loyalty.

Lastly from the study it can be concluded that in case of companies devising corporate branding strategy in their offerings, it contributes in developing good corporate image. It could also help in developing corporate loyalty, but companies are required to be cautious that just by using the name of their company in branding their products, they cannot develop loyalty of customers toward their brands i.e. the brand loyalty cannot happen in vacuum or in isolation. To develop loyal customer companies are required to enhance their brand image and develop loyalty towards company then it will result in brand loyalty.

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