Relationship Between Millennials and Brand Loyalty: Mediating Brand Loyalty Factors

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Abstract
The purpose of this study is to identify factors (brand elements) that mediate between Millennials and brand loyalty, and to test a theoretical model that includes these mediating factors in describing the relationship between millennials and brand loyalty. The study focused on the key factors that we identified and hypothesized to mediate the relationship between millennials and brand loyalty. The quantitative study surveyed two hundred and fifty-three (n=253) respondents randomly drawn. Structural Equation Modelling (SEM) was used to test a model of the relationship between the mediating factors, millennials and brand loyalty. All model fit parameters were well within acceptable bounds. The Comparative Fit Index (CFI) was 0.999, Root Mean Square Error of Approximation (RMSEA) was 0.018, and Standardized Root Mean Square Residual (SRMR) was 0.022. However, we believe that the model is over-fitting the data, and this is not surprising given that there are 22 variables and 253 data points. These results show promise, but require further investigation in a second phase of the inquiry. This study limited itself to surveying millennials, brand loyalty, and the seven mediating factors we identified and hypothesized to play a role in mediating between them. Based on this study, brand management strategies are proposed.

Keywords
millennials, repeat purchase, superior service, advertising, customer trust, social media, quality products and services, company mission, brand loyalty

1. Introduction
Brand loyalty is a fundamental element in increasing marketing performance. Millennials have been a significant market segment for brand managers due to recent surpass of other clusters in the entire population according to latest reports from the government sources, including bureau of census and statistics. This significant change in the overall population globally has signaled brand managers to develop a complete understanding of this particular segment to reach out with their marketing communication. Scholars have established that brand managers should consider all elements that make up a complete brand in building brand loyalty (DeVaney, 2015; Caraher, 2015; Safer & Textor, 2007; Oliver, 1999; Morgan & Hunt, 1994; Lotfizadeh, 2015; Sproles & Kendall, 1986; Jacoby & Kyner, 1973; Hawkins & Vel, 2013; Dick & Basu, 1994; Beneke, 2013; Alamro & Rowley, 2011; Von Freymann, 2006; Luce, Bettman, & Payne, 2001; Brakus, 2009; Chaudhuri & Holbrook, 2001; Liu-Thompkins, 2013). These elements are Repeat Purchases (RP), Superior Service (SS), Use of Advertisements (UA), Customer Trust (CT), Use of Social Media (USM), Quality Products and
Services (QPS), Overall Company Mission (OCM). Although scholars have been able to identify these drivers, it remains that they have not been able to establish the degree of mediation of these drivers, specifically relationship between millennials and their level of brand loyalty. As such, we address the gap by identifying the mediation of the above drivers on the relationship between millennials and their degree of brand loyalty. The challenge of the brand managers, in today’s business context, is to make the millennials purchase their products/services as many times as possible (repeat purchase). Repeat purchase will increase the organizational profitability while minimizing the cost of customer acquisition in the long-run. Online reviews lead to influence consumer’s propensity to switch among products, which could fuel the price competition and eventually lead to losing profits (Li, Hitt, & Zhang, 2011). Chiu, Wang, Fang and Huang (2014) argue that buyers’ repeat purchase intention is positively associated with both utilitarian value and hedonic value. While the effect of hedonic value increases, a higher level of perceived risk reduces the effect of utilitarian value on repeat purchase intention. Superior customer service provides a memorable experience for customers to reconsider a brand when making purchase decisions. Delivering high-quality service and creating superior customer value can result in achieving high customer satisfaction, thus affecting the firm’s corporate image, and ultimately leading to consumer retention (Hu, Kandampully, & Juwaheer, 2009). Customers will repeat the reconsideration of a particular brand based on the number of times they have been exposed to that brand through mass media. Customers who are not members of the loyalty program, advertising effectiveness does not significantly affect either attitudinal loyalty or behavioral loyalty. However, advertising effectiveness affects attitudinal loyalty of members of the loyalty program. Loyalty program membership mediates the relationship between advertising efficiency and attitudinal loyalty (Maity & Gupta, 2016). Meeting the needs of the customers regarding utility will increase the degree of consumer trust of a brand for a repeat purchase. Trust in feelings is the extent to which individuals believe that their feelings point toward the “right” direction in judgments and decisions (Avnet, Pham, & Stephen, 2012). Millennials are virtually connected with their peers and share, comment, and suggest brand related information in their virtual societies. As such, Millennials prefer to interact with any brand via social media. Over the past recent years, the revolution in marketing due to significant changes in digital media platform has offered new ways to reach, inform, engage, sell to, learn about, and provide services to customers (Lamberton & Stephen, 2016). In building a brand, consumers seek for quality products and services. A company could leverage its sales by selling the bundle when its core product has a sufficient advantage in product quality (Zhang, Nan, Li, & Tan, 2016). Yuen and Chan (2010) affirm that there are three dimensions positively associated with customer loyalty to store. These three dimensions are physical aspects, reliability and problem-solving. However, personal interaction of retail service quality is positively associated with customer loyalty to staff. Finally, overall company mission is also a key consideration for millennials in building brand loyalty. Dobni and Luffman (2000) report that organizations should adopt marketing orientation as its culture governed by the overall organizational mission to succeed in their marketing endeavors. A mission statement is a declaration of the reason for the existence of an organization. It should be short and memorable, as well as noble and motivational. It should be easily remembered by all stakeholders of the organization and should be used in decision-making at all levels within the organization. This study shows all the above drivers mediate the relationship between millennials and brand loyalty except two drivers (repeat purchase and use of advertisements) do not support the mediation the relationship between millennials and brand loyalty. Given that all of these mediators are central to most brand-related marketing communication, the insights of this study will help brand managers understand
the impact of marketing communication goals on brand loyalty, especially targeting Millennials, and ultimately overall marketing performance.

2. Literature Review
Seven hypothesized mediating factors, millennials, and brand loyalty are described and defined in the following section.

2.1 Repeat Purchase (RP)
Liu-Thompkins (2013) argues that customers who repeat purchases at a single location are not necessarily brand loyal based his study. In his paper on a discussion of brand loyalty, Oliver (1999, p. 34) defines loyalty as “a deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior”. There are two types of brand loyalty, attitudinal and habit (Liu-Thompkins, 2013). Attitudinal loyalty is defined as a firm intention to buy from the brand and eventually repeat purchase behavior (Oliver, 1999). Habitual loyalty is defined by Dick and Basu (1994) as “spurious loyalty”, which is essential fake loyalty. Additionally, the author argues that habitual loyalty is behavioral loyalty which again is viewed as ingenuine. Furthermore, attitudinal loyalty and habit can result in similar purchase behavior. Both lead to a persistent choice of the same brand, despite unfavorable factors such as a higher price (Chaudhuri & Holbrook 2001). Attitudinally loyal and habitual consumers, both may be highly resistant to competitors’ promotions to induce customer switching (Desai & Raju, 2007; Klemperer, 1987). However, despite these similarities, attitudinal loyalty and habitual loyalty operate at different levels. Favorable attitudes will be motivated at the brand level while the latter being associated with the presence of stable cues. This behavior is evident only at the purchase context level (Liu-Thompkins, 2013). Simply meaning that customers who display attitudinal loyalty whole heartedly believe and like the brand. Because of this, consumers are not inclined to switch even at a lower price point from competitors. While habitual loyalty is fostered because the price of the good resonates well with the consumer, a similar brand sells similar products and services at a lower price point the consumer will be inclined to switch. Furthermore, attitudinal loyalty and habit are formed differently (Liu-Thompkins, 2013). These attitudinal and habitual loyalties stem from the positive evaluation of the brand. Researchers argue that there is a variety of factors that have attributed for attitudinal and habitual loyalty. These factors are satisfaction and perceived value (Oliver, 1999; Herrmann et al., 2006). Customers who were attitudinal loyal were easier to cross sell compared to habitual loyal customers. Interestingly enough, the author also states a “generic cross-selling promotion not only is ineffective in moving habitual consumers to the new category but can also negatively affect their purchases in the old category, even after the promotion ends”. The above indicates that habitual loyal customers need strategic targeting strategies implemented to cross-sell them instead of general techniques as it could negatively impact spending in the long run (Liu-Thompkins, 2013). Based on the above premise, we propose the following;

Hypothesis 1: Repeat purchases will mediate the positive relationship between millennials and brand loyalty.

2.2 Superior Service (SS)
Depending on generational demographic, how consumer views perceived store services quality and attitude is based on age. As such, age plays a vital role in determining the degree of the service quality. Kumar (2003) contends that they are not opportunistic in their dealings with the brand, are less
price-sensitive, have a long-term relationship perspective, and could ultimately be more profitably served. Furthermore, Kumar suggests that customers’ relationship intentions comprise five sub-constructs: involvement, expectations, forgiveness, feedback, and fear of loss of the relationship. Maity and Gupta (2016) argue that customers who are not members of loyalty programs are less affected by advertisements and these advertisements do not significantly affect attitudinal or behavioral loyalty. Attitudinal loyalty more efficiently impacts customers who are members of LP’s (Loyalty Programs) through advertisements (Maity & Gupta, 2016). The above is formulated as the following hypothesis;

Hypothesis 2: Superior service will mediate the positive relationship between millennials and brand loyalty.

2.3 Use of Advertisements (UA)

Kevin Lane Keller (2009) established how integrating marketing communications involves “mixing and matching different communication options to create the desired awareness and image in the minds of consumers”. Mixing and matching different communication options to create the awareness and image in the minds of consumers will become significant for brand managers when positioning brands in the minds of consumers, especially millennials, who will be the target audience of the future. Moreover, due to new technology and the internet, brand marketers face challenges as to how they build and manage their brands. Traditional advertising media such as TV, radio, magazines and newspapers are losing their grip on consumers. Technology and other factors have profoundly changed when, where and how consumers process communications. The rapid diffusion of powerful broadband Internet connections, ad-skipping digital video recorders, multi-purpose cell phones and portable music and video players have forced marketers to rethink many of their traditional practices (Kaplan & Koval, 2003; Kiley, 2005). This study also provides insights as to how marketers can take a “broader perspective in their marketing communication strategies when building brand equity”. In creating brand resonance, marketers must first create a foundation on which resonance can be constructed. Under customer-based brand equity, resonance is most likely to have achieved when marketers are first able to create awareness (breadth and depth), establish points of parity and difference, positive judgments and feelings that appeal to emotional and rational perspectives of the consumer. Based on the above notion, we formulate the following;

Hypothesis 3: Use of advertisements will mediate the positive relationship millennials and brand loyalty.

2.4 Customer Trust (CT)

Trust could be defined as a degree to which individuals believe their opinions direct towards the “right direction in judgments” when making decisions. Some studies show the following metal temperaments when there is a higher degree of trust in feeling; increases reliance, amplifies the influence of advertisements-influenced feelings in persuasion, bias in risky choice, and rejection of unfair offers. Moreover, when the feelings are highly relevant, they are persuaded regardless of the degree of trust. On the other hand, when feelings have low relevance, they rely only on others’ trust on them. Chai and Dibb (2014), argue that acculturation level moderates interpersonal trust towards the service provider. In their argument, it is encapsulated that acculturation is a process that creates congruence between the organizational culture and the culture of the customer. Therefore, acculturation needs a greater deal of consumer research to understand the consumers and customize corporate communication to meet the needs of the customers. Signaling theory explains how organizations could use a particular signal to positively motivate consumers to purchase, re-purchase, and be loyal to certain products (Atkinson &
Rosenthal, 2014). In their study, the authors contend that organizations were labeling them as a “green company” would be a signal to a particular target audience to reach out to that organization for future interactions. Based on the above premise, we propose the following;

Hypothesis 4: Customer Trust will mediate the positive relationship between millennials and brand loyalty.

2.5 Use of Social Media (USM)

Customers periodically seek value in their exchange relationship with brands (Agustin & Singh, 2005). Extant literature supports that greater perceived value leads to greater attitudinal and behavioral loyalty (Kuikka & Laukkanen, 2012). Research finds that a consumer’s prior disposition is a significant moderator of ad response (Cacioppo & Petty, 1985). If the subject is a loyal user of the brand or is familiar with it, the positive response to exposure is likely to be higher. Research also suggests that advertising is more effective in increasing the volume purchased by loyal buyers but less effective in winning new customers (Raj, 1982). Based on Tina McCorkindale et al. (2013) research, findings established how organizations can target the millennial generation, “one of the most commanding publics concerning purchasing power and influence” with social media. It is important to understand the fact that millennials have been surrounded by technology for so long that they cannot imagine their lives without digital media. Organizations can use social media as a “strategic marketing tool for companies to promote, solicit donations, support causes, and interact with publics. Utilizing social media not only provides another medium to communicate, but also it delivers messages in a way that encourages engagement resulting in relationship development” (Barber, Dodd, & Ghiselli, 2008). Doster (2013) contends it is important to gain an understanding of the millennial subculture and their self-presentation and communication styles as they have a significance of the implications when applying marketing strategies today and in the future. Considering the above domain, we suggest the following.

Hypothesis 5: Use of social media will mediate the positive relationship millennials and brand loyalty.

2.6 Quality Products and Services (QPS)

When it comes to the performance of a product, millennials are known to want the latest and greatest. According to Keller (2001), brand performance refers to the intrinsic properties of the brand regarding inherent product or service characteristics which define the functional performance of the product as expected by all customers. Brand Performance can be an objective field because the performance of a product is based off two set of eyes, the users, and the brands. The performance image is taken from what the brand portrays the performance as, and how the consumer views it as, but the performance can shift between customers on the same product based on initial thoughts and expectations of a product. Belonging is one of five core social motives, the midpoint in Maslow’s hierarchy of needs (Fiske, 2004), and essential for group survival. Despite the need to belong, consumers may be motivated to break away from concerns over what others may think of them, how others may act toward them as a function of their product choices, or many other social situations (Labrecque, 2011). When it comes to a product performance, it is a factor taken into play, and the performance of a product as seen in the consumer’s eyes may outweigh the performance of a product as viewed in the eyes of other consumers/peers and the company. Based on the above notion, we propose the following;

Hypothesis 6: Quality products and services will mediate the positive relationship between millennials and brand loyalty.
2.7 Overall Company Mission (OCM)
Dobni and Luffman (2000) report that organizations should adopt marketing orientation as its culture governed by the overall organizational mission to succeed in their marketing endeavors. A mission statement is a declaration of the reason for the existence of an organization. It should be short and memorable, as well as noble and motivational. It should be easily remembered by all stakeholders of the organization and should be used in decision-making at all levels within the organization. Mission statements are constructed using several methods. One method is for the president to develop a mission statement in the privacy of his or her mind. Another approach is for top management to go off on a retreat and come back with a mission statement. Another method is for senior management, in conjunction with the organization’s stakeholders, to use quality management tools to develop a mission statement. A sub-group of the people attending the meeting word-smith a draft mission statement and circulate it for comment. This process is repeated until consensus is achieved for the mission statement (Gitlow, 2005). It is critical to defining a clear mission to an organization and highlight the significance of sorting, screening, and compensation policies for all the stakeholders to foster healthy relationships with the organization (Carpenter & Gong, 2016). The adoption of specific marketing strategies is related to several factors in an organization including the organization’s mission, objectives, resources, and market orientation. Based on the above, we articulate the following hypothesis;

Hypothesis 7: Overall company mission will mediate the positive relationship between millennials and brand loyalty.

2.8 Millennials (M) and Brand Loyalty (BL)
According to Smilansky (2016), Millennials are described as a weary and cost-conscious generation, especially during the housing market crash in 2005. Smilansky further remarks that paying attention to peer input and online reviews, offer subscription models for products and services, crafting meaningful brands causes rather than emphasizing diversion or boost of status, be transparent and honest about products and creating them, and investing in social influencers and collaborate with them to shape marketing efforts would be the way to attract millennials. Solomon (2016), gives five key traits of millennials such as millennials expect technology to work simply, Millennials are a social generation, they collaborate and cooperate, they are looking for adventure, and passionate about values. When putting these along with what DeVaney (2015) suggests, a cohesive posit can be put together to form a well-written description about Millennials, and how they should be perceived and worked towards in the marketing world. When shared values are present, Millennials are to be more loyal to that brand, but not loyal due to their positive reaction to job control. The above behavior is because authority and conformity to not mix well with millennials, so being tied down to one brand would not be a positive result among millennials.

Lam (2010) argues that people craft their social identity by affiliating with social groups. Consumer seeks many sources to add value to their self-image. The association with certain brands will help to achieve the objective. Customer-Brand Identification (CBI) as a customer’s psychological state of perceiving, feeling, and valuing his or her belongingness with a brand. Customers may switch to a new brand for self-enhancement purposes to maximize socio-psychological utility rather than functional utility (Lam, 2010). Millennials are more likely to be affected by a status brand’s typical characteristics and by the degree of congruency between the brand user’s self-image and the brand image (Eastman & Liu, 2012). Chao and Schor (1998) suggest that younger consumers spend more on branded products including status products. When status-seeking consumers discover which brands convey status, they will stay with those brands for as long as the status effect lasts (Liu, 2008). Millennials are more likely
to be affected by status brand’s typical characteristics, by feelings evoked by the brand and by the
degree of congruence between the brand user’s self-image and the brand image. Chao and Schor (1998)
suggest that younger consumers spend more on branded products including status products. Finally,
Moore and Carpenter (2008) found that millennials are the cohort most likely to buy prestigious
clothing, while Boomers are significantly less prestige sensitive. Keller (2001) defined brand salience
as the ability of customers to identify brands. Although it is known that using one’s logo or stamp on a
product is the norm throughout the marketing world, Justin Saddlemeyer and Sabrina Bruyneel (2016)
argue in their study that more high-quality end brands may shrink down and blend in their brand’s logo.
Justin Saddlemeyer and Sabrina Bruyneel (2016) defend that brands may be able to do this to let the
product speak for itself regarding quality and performance. Brands often use a variety of marketing
signals to represent quality, at varying costs (Saddlemeyer & Bruyneel, 2016). For example, a firm may
offer a product warranty, which may incur costs to the brand at a later point in time, but is viable for
companies with high quality (Boulding & Kirmani, 1993). Things such as warranties can be a
subliminal message to people that the brand has a warranty due to the low quality of a brand. Despite
the given information of a product during the time of the purchase or search, customers may respond to
different brands differently based on their knowledge about the brand. Therefore, creating a brand that
is known are the primary focus of salience. Based on the above premise, we propose the following;
Hypothesis 8: Millennials have a positive relationship with brand loyalty.

3. Method

3.1 Sample and Procedures
This quantitative study administered an online survey to 253 respondents using a random sampling.
The survey link was circulated among university students. We used our known contacts personally to
circulate the survey link among the university student population. These respondents are aged between
18 and 32 years from all the regions in the world; Africa, America, Asia, Middle East, Europe, and
Australia, and New Zealand to interpret a global phenomenon. The questionnaire is divided into three
main sections (A through C). Section A: Millennials and their demographics, Section B: Brand Loyalty
with its elements to loyalty. The measurement items in the survey were developed from scales with
established validity and reliability and distributed among three categories (seven mediating variables,
M, and BL). Section one-Millennials—was measured with options provided to choose from the areas of
age, income, the place they live, education, and employment; Section two-Brand Loyalty—was
measured on a five-point Likert scale (1 = “Very Low” and 5 = “Very High”).

3.2 Measures
A Structural Equation Model (SEM) was used to determine the validity of the above theory. A
91-question survey was distributed and had 253 respondents. The 91 questions have been circulated
among the nine categories (including M and BL), where a raw score was developed for each category.
Category variables were then rescaled to a domain of [-1, 1] and used in the model.

4. Results

4.1 Reliability
Reliability of survey items was measured using Cronbach Alpha. The resulting statistic was 0.754;
Cronbach Alpha based on standardized items was 0.827, and the number of items used for computation
was 9. Therefore, the Cronbach Alpha values represent high reliability among the items employed in
the survey.
4.2 Model Fit
A raw score was developed for each of the nine categories, and a Structural Equation Model (SEM) was used to determine the validity of the theoretical model. Category variables were rescaled to a domain of \([-1, 1]\) for use in the model.

The SEM had two equations (omitting coefficients and bias constants):

\[
M = RP + SS + UA + CT + USM + QPS + OCM \quad (1)
\]
\[
BL = RP + SS + UA + CT + USM + QPS + OCM \quad (2)
\]

The model was fitted using Lavaan Package in R (http://lavaan.ugent.be/). SPSS was used to test the hypotheses running a regression, co-variance, and partial correlation. All model fitting parameters were well within acceptable bounds. The Comparative Fit Index (CFI) was 0.999, Root Mean Square Error of Approximation (RMSEA) was 0.018, and Standardized Root Mean Square Residual (SRMR) was 0.022. The model is well-fitting the data given the number of variables and data points. The results show a significant relationship between Millennials and Brand Loyalty with Pearson r correlation of .74 (p < .0001).

4.3 Hypotheses
To test the hypothesized mediating factors in our model, we used linear regression analysis as a substitution for Sobel Test due to the limitation of the statistical software used (SPSS). Except for Repeat Purchases (RP) and Use of Advertisements (UA), all the other mediating variables established a positive, significant correlation with Brand Loyalty (BL). Below are the results of each hypothesis (significant at the p < .05 level).

Hypothesis 1: Repeat Purchase will mediate the positive relationship between millennials and brand loyalty. This was not supported by a partial correlation value of -.02.

Hypothesis 2: Superior service will mediate the positive relationship between millennials and brand loyalty. This is supported with a partial correlation value of .25.

Hypothesis 3: Use of advertisements will mediate the positive relationship millennials and brand loyalty. This was not supported by a partial correlation value of .04.

Hypothesis 4: Customer Trust will mediate the positive relationship between millennials and brand loyalty. This is supported with a partial correlation value of .94.

Hypothesis 5: Use of social media will mediate the positive relationship millennials and brand loyalty. This is supported with a partial correlation value of .75.

Hypothesis 6: Quality products and services will mediate the positive relationship between millennials and brand loyalty. This is supported with a partial correlation value of .68.

Hypothesis 7: Overall company mission will mediate the positive relationship between millennials and brand loyalty. This is supported with a partial correlation value of .79.

Hypothesis 8: Millennials have a positive relationship with brand loyalty. This is supported with a partial correlation value of .74.
5. Discussion
This study provides support for the conceptual model proposed in Figure 1, which contains seven factors that we propose mediate between millennials and brand loyalty with the exception of the repeat purchase and use of advertisements factors for which we did not find significant support. Based on data this suggestion is unlikely in a real-world context, especially the negative correlation between repeat purchase and brand loyalty. As such, it is our intention to conduct further investigations along this line. These seven factors were either suggested by previous research in the scholarly literature or proposed through our understanding of brand loyalty. Our findings should be of interest to managers who wish to implement brand management strategies that aim to enhance the degree of brand loyalty of millennials and ultimately, organizational success (profitability). Targeting the millennial segment, based on our findings, brand managers should consider customer trust ($r = .94$) as the key driver in building brand loyalty followed by overall company mission ($r = .79$), use of social media ($r = .75$), quality products and services ($r = .68$), and superior service ($r = .25$) hierarchically in developing marketing communication strategies. Therefore, in targeting millennial customers, marketing managers should focus on building customer trust, use of social media, quality products and services that govern with the most appropriate organizational mission. The findings should also be of interest to scholars in this area who are interested in developing theory and testable models that capture the relationships between millennials and their brand loyalty. Nonetheless, the present study is limited and should be considered further investigations; we may wish to discuss additional mediating factors, based on a more exhaustive review of the literature. We believe our initial review was thorough, but the possibility remains that there are other factors to consider and add to the model. We must also examine the Repeat Purchase and Use of Advertisements factors to understand better why these particular variables did not perform as expected. An enhanced survey instrument is in the development, and we expect to provide even more definitive support for the theoretical model in the near future. In the meantime, it seems apparent
to us that marketing and brand managers wishing to enhance the relationship between millennials and their level of brand loyalty have at least five factors in our model on which to focus if they wish to improve marketing efficiencies.

References


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