

CHAPTER I

INTRODUCTION

I. Research Background

After a long hiatus in brand-building activities, marketers have once again placed the development of consumer brand loyalties at the core of their business plans (Aaker, 1991). The need to understand and leverage consumer brand bonds has become particularly critical in a marketplace characterized by unpredictability, decreasing product differentiation, and increasing comfort (Shocker et al., 1994). Kiseleva et al. (2016) called loyalty as a positive emotion or reaction from buyers to the company, this word “loyal” comes from the English word. Lipstein (1959) explained that loyalty can be measured by the possibility of product repurchase. When customers have a positive position in their minds, the brands become powerful and irreversible, which means the brands win the loyalty of the consumers (Erdogmus and Cicek, 2012). Customer loyalty is fundamental for online businesses existing in the digital market (Goutam and Gopalakrishna, 2018). It will affect long-term business profitability and increase profitability as customers will repurchase (Yoon et al., 2013).

There are so many types of programs that have been established and executed to raise customer loyalty, e.g. decrease the price, vouchers, etc (Hur et al., 2011). On the other hand, Gustafsson et al. (2005) conveyed

that kind of programs are needed, however, they do not possess enough circumstances to concurrently boost customer loyalty. Throughout the time, the brand community assists companies to engage personal buyers and make a more powerful connection with them that will result in long-term relationships (Stokburger-Sauer, 2010).

Roy et al. (2013) stated that consumers who love a brand tend to have strong loyalty. Brand love refers to “the degree of passionate emotional attachment a satisfied consumer has for a particular trade name” (Carroll and Ahuvia, 2006). It involves consumers’ passion with the brand, bond, positive evaluation, positive feelings in response to the brand, and how they express their love (Carroll and Ahuvia, 2006). According to Niyomsart and Khamwon (2016), there are four levels of consumer love a brand: 1) brands that can be trusted and keep promises as confidence, 2) brands that can solve problems and respect consumers as integrity, 3) brands that make consumers proud to wear the brand as pride, 4) the highest level of manufacture of the relationship between consumers and brands as passion. Few studies found that brand love is influenced by some constructs; trust and identification (Albert and Merunka, 2013).

A lot of brand wants to keep customer loyalty by increasing the brand’s love. One of them is brand Shop at Local in fashion industry, produces their collection with good quality yet affordable to increase consumer who loves the brand that will leads to loyalty. Based on the findings of our preliminary study involved 3346 respondents, most of the

respondents (76%) claimed that if they loyal with a brand it means that they love the brand. According to Albert and Merunka, Bergkvist and Bech-Larsen, Nilay et al. (2013; 2010; 2016), brand identification, brand trust, and brand experience influence brand love.

Building customer relationships and long-term business relationship is very important in a brand (Millan and Diaz, 2014). The formation of consumer-brand identification is one of the main consequences of building strong relationships between consumers and brands (Du et al., 2007), it can be interpreted as consumers perceive as similarities between brands and consumers (Bagozzi and Dholakia, 2006; Bergami and Bagozzi, 2000; Stokburger-Sauer et al., 2012; Tuskej et al., 2013). Consumer love a brand is a way to build consumers' self-concept or identities (Albert and Merunka, 2013). "we are what we have"- what we purchase, own and spend characterized us to others along with our self (Belk, 1988). Individuals are classified and identified themselves based on groups that have similarities (Kuenzel and Halliday, 2008). Active and selective relationships with companies managed by consumers with the aim of fulfilling their personal definition needs is identification of consumers with companies/ brands (Bhattacharya and Sen, 2003).

According to Schmitt (2003), when creating a brand experience, companies are understand that their customers are valuable; customers are the most precious assets of the business. The business only survives when it has customers and only grows when it can maintain them and hire fresh

ones; and that the business should, therefore, be organized and managed around the customer. Customer experience is defined in every part of the customer-company relationship as the sum of all a customer's different experiences (Joshi, 2014). While Shaw and Ivens (2002) defined eleven physical categories of a great customer experience; accessibility, services, quality, activities, environment, products, price, range, delivery, location, and availability.

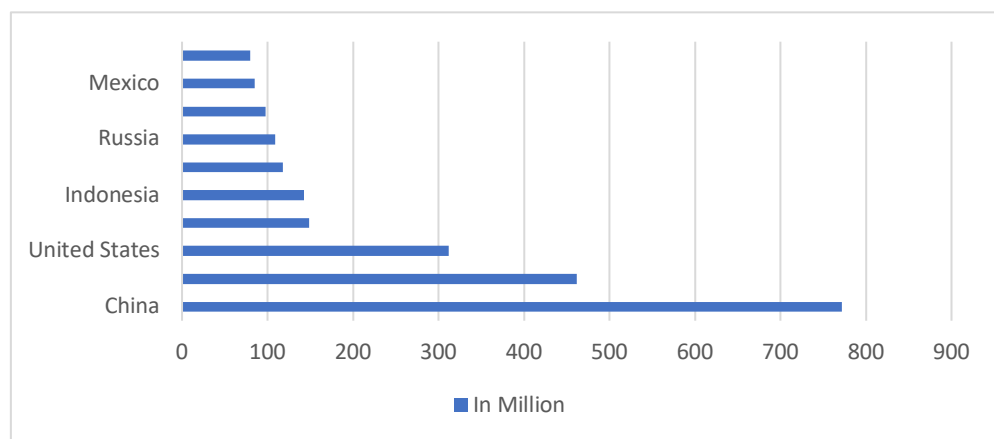


Figure 1.1 : Countries with the highest number of internet users as of December 2017 (in millions)

Source : (“Number of internet users in selected countries 2017 | Statistic,” n.d.)

Along with the ease of internet access and the rapid development of technology, many businesses change from offline into online business shopping. This shifting makes online shopping become a new trend all around the world, especially in Indonesia. Through online shopping, customers can save more time, money, and effort (Warayuant, 2015) and

companies can easily reach current and profitable buyers (Limayem et al., 2000). The internet and technological empowerment, companies reap huge benefits from consumers and entrepreneurs (Manyika and Roxburgh, n.d.). Figure 1.2 (“Number of internet users in selected countries 2017 | Statistic”, n.d.), Indonesia is depicts that Indonesia is ranked 5th in the world for the highest number of internet users. It shows that Indonesia has the largest number of internet users, thus, the people have bigger opportunities to do online business.

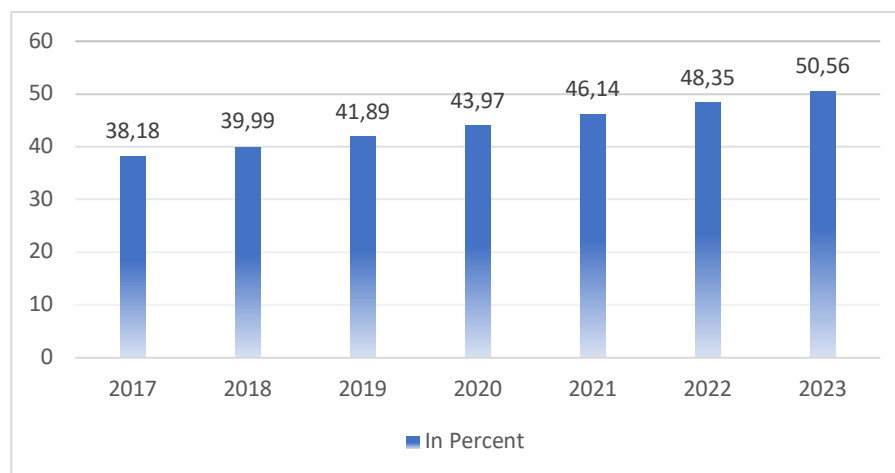


Figure 1.2 : Digital Buyer Penetration in Indonesia from 2017 to 2023

Source: (“Digital buyer penetration in Indonesia 2017-2023 | Forecast,” n.d.)

The penetration of digital buyers in Indonesia in figure 1.2 will reach 50.56% in 2023 which means the number consistently grows every year.. The penetration of digital buyer is high, then it will make it easier for sellers and buyers to make transactions. Sellers will be easier to

promote their product virtually without having to meet face-to-face with buyers, and buyers will find it easier to get the goods or services they need and desire. Based on the data, the seller must be able to change the marketing strategies, from traditional to digital. Many brands (new and old) compete in using internet advancement to increase sales and as a platform to increase customer relationships with brands.

Kruh (2017) stated some reasons driving consumers to shop online; the ability to shop, ability to compare prices, online sale/better prices, time-saving, the convenience of not going to shop, greater variety/selection, free shipping offers, the convenience of everything in once place, to locate hard to find item, to avoid crowds, product are not sold in the city/country and to avoid checkout lines. The top reasons why consumers prefer to shop online instead of offline ones are time flexibility and cost savings (Kruh, 2017). Furthermore, consumers can get rid of a bad shopping experience, avoid being in a crowd or queuing in cashier (Kruh, 2017). The consumer tendencies to do online shopping can be the data for companies to develop their brand.

The tight competition in the online market collectively grabs the public's attention triggering various challenging offers and advertisements from online businesses, with limited cognitive resources, using mental shortcuts to maximize the transaction in the online market (Krauter, 2002). One effective mental shortcut is trust, that is useful for reducing the complexity of human behavior in a situation where people must overcome

uncertainty (Luhmann, 1989) when doing transaction. Albert and Merunka (2013) explain that trust becomes one of the reasons generating people love a brand. Someone who trusts a brand will take action to give positive results or at least not harming the partners (Delgado, 2003). Moreover, it can help a brand to attain continuous competitive advantage and to boost the business performance (Youl Ha, 2004). According to Kruh (2017), when customers can easily contact the people at the company, they will honestly tell the negative news or event and educate the customers about their products.

Based on Albert, Marunka and Nilay (2013; 2016), brand identification, brand trust and brand experience influence brand love (Albert and Merunka, 2013; Nilay et al., 2016). Moreover, brand loyalty is influenced by brand love (Algharabat, 2017). This phenomenon also happens to the local brand from Yogyakarta Indonesia, which is *Shop At Local*. *Shop At Local* is an online fashion local brand from Yogyakarta, Indonesia. It was established on 1st September 2016. This brand offers minimalist clothes with “simple and comfy” as the tagline. Until April 2019, it has reached more than 83,000 followers on Instagram. Knowing the use of social media makes the online business in Indonesia grow rapidly. Shop At Local decided to use full online service. Many kinds of social media are used to run the business, such as Instagram, Facebook, Line and so on. On the other side, the company also uses an online market place to grab more customers, for instance, *Shopee*. Choosing online

business, this company is able to sell hundreds to thousands of products. In line with the phenomena that happen, the study chose *Shop at Local* as the setting of this research.

II. Research Problem

Based on the description above, this study comes up with some research problems regarding the factor of brand love that affects the brand loyalty of consumers at *Shop At Local*.

1. Does brand identification influence customer brand love ?
2. Does brand experience influence customer brand love ?
3. Does brand trust influence customer brand love ?
4. Does brand love affect customer brand loyalty ?
5. Does brand identification influence brand loyalty?
6. Does brand experience influence brand loyalty?
7. Does brand trust influence brand loyalty?

III. Research Objectives

The study is based on the objectives that need to be achieved, namely :

1. Analyzing the influence of brand identification on customer brand love.
2. Analyzing the influence of brand experience on customer brand love.
3. Analyzing the influence of brand trust on customer brand love.
4. Analyzing the effect of brand love through customer brand loyalty.

5. Analyzing the role of brand identification influence brand loyalty.
6. Analyzing the role of ween brand experience influence brand loyalty.
7. Analyzing the role of brand trust influene brand loyalty.

IV. Research Benefits

The results of this study are expected to be useful for:

1. Company

The results of this study can be used as input for companies adopting the brand love framework to brand loyalty. This research can be used to examine consumers' characteristics based on samples taken from Shop At Local consumers. This can be used as a benchmark for marketing strategy implementation.

2. The results of this study can be used as references and data for other researchers interested in taking out marketing research, especially brand loyalty, brand love, brand trust, brand identification and brand experience.

3. For academics, it can be a reference and contribution to the development of marketing studies and can be beneficial for future researchers who plan to work on related topic.