Building Brand Love: A Dynamic Capabilities Approach

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Abstract: This paper investigates the impact of dynamic capabilities (DC) on brand love. From a resource-based view, there is little clarity vis-à-vis the specific capabilities that drive the ability to create brand love. This paper focuses on three research questions: Firstly, which dynamic capabilities are relevant for brand love? Secondly, how strong is the impact of certain dynamic capabilities on brand love? Thirdly, which conditions mediate and moderate the impact of specific dynamic capabilities on brand love? Data from a multi-method research approach have been used to identify the specific capabilities that corporations need, to enhance brand love. Furthermore, a standardized online survey was conducted on marketing executives and evaluated by structural equation modeling. The results indicate, that customer expertise plays a major role in the relationship between dynamic capabilities and brand love. Furthermore, this relationship is more important in markets that have a low competitive differentiation in products and services.

Keywords: Dynamic Capabilities, Brand Love, Brand Management, Customer Expertise

1 Introduction

This research provides a systematic analysis of the impact that dynamic capabilities have on brand love. According to Batra, Ahuvia, and Bagozzi [BB12], the present construct of brand love is a well-established concept in marketing research. Based on this fact, related work identifies the impact brand love has on several marketing objectives [Za16], e.g. brand loyalty [BB12], Word of Mouth (WoM) [AM13], and purchase intentions [SS14]. The extent to which brand love has established itself in different customer segments, is the focus of another research stream [CA06]. Moreover, from a resource-based view, there is very little clarity vis-à-vis the specific capabilities driving the ability to create brand love. This is the case, in spite of the existence of a body of research on brand love. Because of this research gap, this paper aims to investigate brand love under the perspective of dynamic capabilities [TP94]. Therefore, we look into the different capabilities corporations need, in order to arouse brand love. Consequently, this paper focuses on three relevant research questions: (a) What are the relevant dynamic capabilities for brand love? (b) What is the level of impact of certain dynamic capabilities on brand love? (c) Which conditions mediate and moderate the impact of specific dynamic capabilities on brand love?

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Interviews involving marketing experts and marketing scholars were conducted to identify a specific set of dynamic capabilities. In addition, a systematic literature review was executed to examine the existing body of relevant research. Moreover, a standardized online survey was developed with the help of marketing executives and a PLS structural equation model was used to analyze the effects of a certain dynamic capability set on brand love.

Using this information, we were able to identify a set of specific capabilities, corporations need to develop in order to enhance brand love. Furthermore, the effects of most dynamic capabilities on brand love have a strong correlation to the degree of customer orientation. Finally, the relationship between dynamic capabilities and brand love is more important in markets that have low competitive differentiation in products and services.

2 Theoretical Foundation

2.1 Brand Love

The relationship between brands and consumers can be expressed in several different constructs. Brand satisfaction is to be seen as the lowest intensity relationship that consumers have with brands. Herein, satisfaction is simply based on positive experiences with the brand [HP05]. More intense relationships can lead to brand trust and brand loyalty [Ho08]. Several studies indicate that the highest level a relationship can evolve to is brand love [BB12, FM99]. Brand love describes the degree of emotionality a consumer has with a particular brand. This includes positive emotions that the consumer experiences vis-à-vis a brand, as well as his/her loyalty and attachment to a specific brand.

Conventional consumer satisfaction is different to brand love, in that it is actually linked to a limited timeframe after the purchase. In contrast, brand love is an emotional devotion towards a brand that has been developed through a long-term relationship between the consumer and the brand [CA06]. Furthermore, this involves positive evaluations of the brand, declarations of love for the brand, as well as integration of the brand with the consumer's identity [CA06]. Research on brand love has been substantial and has revealed several associations.

Consumers, who have this affinity, tend to show a more desirable behavior post-purchase and this is expressed, for instance, in an intention to repurchase a particular product [BB12]. Studies also show that brand love has a positive impact on Word of Mouth (WoM), on engagement [KM15], on brand loyalty [CA06, Fo98, Th05] and on an increased willingness to pay higher prices [AM13, Ba09, Th05]. Furthermore, in case of failure of the beloved brand, the ability to forgive [Ba09].
Moreover, studies indicate that brands that are perceived as enhancing a consumer's social life or are perceived as reflecting his/her inner self, have a positive association with brand love [CA06, Es04, Hu15, Lo12, VE15]. This is especially true for hedonic products and self-expressive brands. They generally tend to be loved more [CA06].

Thus, the significant influence that brand love has on marketing objectives, cannot be ignored. For marketing executives, brand love represents an important construct, in that it differentiates and emphasizes the degree of affection consumers have for a particular brand [CA06]. Consequently, brand love is relevant as a core objective for a long-term emotional relationship with the consumers.

However, while the benefits of building brand love are well understood, little is known about the capabilities firms need to focus on, in order to gain their customers' affection. Related studies often concentrate on determining antecedents for brand love, such as brand identification and a sense of community [BB10]. This is also the case in product involvement and customer self-brand congruity [Ra13]. While these findings greatly enhance our theoretical understanding of the construct brand love, they have limited practical value when viewed from a managerial point of view. In order to facilitate their implementation, it seems worthwhile to consider an approach from a resource-based view.

As part of this approach, one explores the impact of specific capabilities on brand love.

### 2.2 Dynamic Capabilities

The dynamic capabilities view (DCV) originates from the resource-based view (RBV). This view describes how firms can achieve a competitive advantage based on their resources and capabilities [Ba86, Ba91]. Since the RBV cannot fully explain how and why certain firms end up having a competitive advantage in situations of rapid and unpredictable change, the DCV was introduced [EM00]. Dynamic capabilities (DC) were initially defined as the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments [TP97].

In contrast to ordinary capabilities, which allow firms to survive in the short term, DC are those that operate to extend, modify, or re-create ordinary capabilities [Wi03]. DC occur as sets of specific and clear processes, such as product development, strategic decision-making, and alliancing [EM00]. Although the specifics of any given DC may be specific to a particular firm, key features (popularly termed 'best practices'), generally linked with superior effectiveness can be seen amongst all firms [EM00].

In the field of marketing research, DC are integrative processes, which utilize the collective knowledge, skills, and resources of a firm to the market-related needs of the business [Lu15]. As this definition implies, such DC are of significant value in order to survive in the market, particularly in a highly competitive environment [Wi15]. This has led to a positive association of DC with a firm’s performance [Ho05, VM05]. In practice, DC allow firms to identify crucial market signals, evaluate new processes or
services, and design and execute effective responses to changes in the market [Wa13]. Furthermore, they also have an effect on a firm’s product development, in its innovative service design, and its long-term customer relationships [Du03]. DC have also been examined in the contexts of product life cycle and market development [MA06]. In this paper, our emphasis is on the examination of DC in the context of brand management. Given the idiosyncratic nature of brands, DC around branding are very difficult for competitors to isolate and imitate, which is why they constitute a strategic advantage [Br16]. We posit, that an important part of DC refers to the ability of a firm to create and maintain brand-based competitive advantages. Thus, it is important to identify which specific DC are particularly important in order to drive brand relevant objectives like brand love.

3 Conceptual Framework

Our conceptual framework focuses on the impact of DC on brand love. The general model is presented in Figure 1. As part of an initial analysis, we conducted several explorative semi-structured interviews with three marketing scholars and four marketing executives. While the executives were questioned on specific objectives and strategies vis-à-vis brand love, the emphasis of the interviews with marketing scholars lay on the review of current research and relevant constructs. The interviews took about 30-45 minutes each and had to be recorded digitally for subsequent analyses. Initial insights served as a platform for the ensuing review of related work in this field.

As part of this process, several constructs for dynamic capabilities emerged, that could have a strong bearing on customer orientation and brand love. This refers to the questions, (1) how firms deal with the generation and usage of customer related expertise, (2) how firms interact with their customers, (3) if and how firms integrate their customers in the development of their core communication strategies, (4) if firms are integrated in customer processes with their products, services, and communication touchpoints, and (5) if firms are able to measure the success of their brand communication and, thereby, allowing for an on-going improvement in their overall communication strategy. We also found evidence to support the theory that the interplay of these five DC leads to a higher level of customer orientation. Therefore, the theoretical foundation of customer orientation provides us with a solid footing for our model and allows us to mediate the positive impact of DC on brand love.

The corresponding conceptual framework receives further support from related literature. For instance, Wang, Hu, and Hu [Wa13] argue that expertise in understanding and analyzing consumer behavior is a crucial DC that firms need to develop in order to meet customer’s needs. Thus, firms that have comprehensive knowledge of their target customer tend to outperform competitors by being in a better position to identify customer’s needs. They are then better able to provide more suitable products and services. Furthermore, Kaufmann, Loureiro, and Manarioti [Ka16] provide evidence for
the assumption, that customers increasingly want to be heard and to be taken seriously vis-à-vis their relationships with brands, e.g. as part of co-creation initiatives. Therefore, it is right to assume that the integration of consumers in the development of communication strategies might serve as a suitable DC for customer orientation. Furthermore, Luxton, Reid, and Mavondo [Lu15] have discovered that the ability of firms to devise effective customer interaction strategies is an important aspect that needs to be taken seriously when building strong brands. In fact, when it comes to building brand love, we believe that emphasizing and satisfying customer needs, allows for more effective brand communication strategies than traditional forms of communication around products and services. Additional related work refers to the integration of products, services, and communication touchpoints into core customer processes. Therefore, the offerings of firms need to act like a solution for customer needs [FM16]. For this to be successful, these offerings need to be strongly integrated into core customer processes. Finally, firms need to measure the ensuing outcomes of their marketing strategies. Therefore, the implementation of a suitable measurement framework could also be perceived as a DC for customer orientation and brand management [FR16].

As per the outcomes of the literature review and the explorative interviews, we expound the following hypotheses on the impact of DC on customer orientation.

- H1: Expertise and analytical capabilities vis-à-vis customer behavior have a positive impact on customer orientation.
- H2: The capability of creating and maintaining valuable interactions with customers has a positive impact on customer orientation.
- H3: The integration of customers during the development of communication strategies has a positive impact on customer orientation.
- H4: The integration of products, services, and communication touchpoints into core customer processes has a positive impact on customer orientation.
- H5: The capability of measuring the effects of communication strategies and the usage of these insights for continuous improvement have a positive impact on customer orientation.

As mentioned earlier, we assume that an improvement in such DC leads to a higher level of customer orientation [At05]. Therefore, DC do not have a direct impact on brand love, but are an important antecedent for the aggregated level of customer orientation. Consequently, a higher level of customer orientation has a positive impact on brand love [Ku11]. Furthermore, branding effects based on marketing capabilities are more important in markets that have low competitive differentiation in products and services.
This has led to the conclusion, that customer orientation is particularly important in markets, where there are many suppliers offering standardized products and services. We integrated this specific market characteristics as moderation construct in the model.

The discussion of potential mediation and moderation effects has led to the following additional hypotheses.

H6: A higher level of customer orientation has a positive impact on brand love.

H7: The impact of customer orientation on brand love is stronger when market conditions entail low competitive differentiation in products and services.

4 Methods and Results

We tested the formulated hypotheses using data collected during a survey conducted on marketing executives in different industries. The questionnaire was developed on similar lines to what Churchill [Ch79] as well as Gerbing and Anderson [GA88] recommend. Whenever possible, existing scale items were adapted to the context, such as the established scale for brand love as per Bagozzi, Batra, and Ahuvia [Ba16]. Multi-item, seven-point, Likert-type scale items were used to measure the constructs in the proposed model. Furthermore, the survey development process incorporates the results of the pre-test done on a selected group of marketing executives and marketing scholars. Subsequently, the survey was sent out to the 789 marketing executives listed on a mailing list and we received 99 full responses, giving us a response rate of 12.54 %. The sample results include responses from marketing executives from different industries as well as data from 70 male and 29 female respondents who are on an average, 43 years old. Moreover, the data set includes both B2B and B2C firms.

The results of the online survey were analyzed using partial least square structural equation modeling (PLS-SEM) with SmartPLS. All items were loaded onto their respective constructs, and each loading was large and significant at the 0.01 level, thereby demonstrating satisfactory convergent validity on an indicator level [GA88]. Assessment of the reflective measurement models is displayed in Table 1 and incorporates Cronbach's $\alpha$ and composite reliability to evaluate the internal consistency, the indicator reliability, and the average variance extracted (AVE) - to evaluate convergent validity on a construct level. Furthermore, Fornell-Larcker criterion, cross-loadings, as well as heterotrait-monotrait ratio of correlations (HTMT) were applied to assess discriminant validity [He15]. The results of this analysis provide support for sufficient discriminant validity.

After the measurement models were deemed suitable, we provided estimations using a causal model in order to test the impact of the displayed DC constructs on customer
orientation and brand love. Furthermore, we ran a bootstrapping estimation using 5,000 subsamples to estimate the statistical significance of the causal relationships. The results of these analyses are displayed in Figure 1.

Therefore, we can conclude that roughly 33% of the variance in brand love comes about because of customer orientation. Furthermore, 47% of the variance in customer orientation can be explained via the five DC constructs. However, while all five DC constructs load positively on customer orientation, only the generation and implementation of customer expertise receives statistical significance in the sample data ($t=2.686; p=.007$). This indicates that the expertise dimension has a dominant role within the capabilities that have an impact on customer orientation and branding.

Other results are relevant concerning the proposed moderation and mediation hypotheses. Firstly, the impact of customer orientation on brand love is varied under specific market conditions, supporting our central moderation hypothesis ($\beta=.259$, $p=.001$). To be precise, the impact of customer orientation is strongest in markets that have low competitive differentiation in products and services. Other control variables like age, gender, or market form (B2B versus B2C) lead to no significant heterogeneity in the data set. Finally, mediation analyses show no significant “direct effect” of the existing DC constructs on brand love, supporting the mediating role of customer orientation.

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<th>Cronbach's $\alpha$</th>
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<th>Average variance extracted (AVE)</th>
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<td>Interaction</td>
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<td>Brand Love</td>
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<td>Market Characteristics</td>
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Tab. 1: Assessment of internal consistency and convergent validity
5 Implications and Discussion

The outlined research model has lead to several theoretical implications for customer orientation and brand management. To begin with, the influence DC has on customer orientation can be divided into five independent constructs, namely (1) customer related expertise, (2) quality of customer interaction, (3) integration of customers into co-creation strategies, (4) integration of products, services and communication touchpoints into customer processes, and (5) measurability of the effectiveness of marketing communication strategies.

In general, all five constructs have a positive impact on customer orientation, whereas only the effect of expertise is statistically significant in the customer sample ($\beta = .290$, $p = .007$). Thereby, it can be stated that the methods used by firms to generate customer expertise and how they use this expertise in order to create strong customer experiences has led to a higher level of customer orientation. Therefore, the specific interplay between expertise, customer orientation, and brand love might be a subject for exploration in further research projects. A strong limitation of the current study is the limited sample size. Therefore, the effects of the other four DC could turn out differently if an upcoming study were to be done using a larger data set.

A strong theoretical contribution in the research deals with the exploration of mediation and moderation effects on brand love. In this context it can be stated, that there is a strong correlation between the generation of brand love and the level of customer orientation ($\beta = .457$, $p = .000$). Therefore, the impact of internal DC on brand love could lead to a higher degree of customer orientation.

Further research, involving additional empirical parameters could delve deeper into this theoretical perspective. Additionally, the impact of customer orientation on brand love is stronger in markets that have low competitive differentiation in products and services. Therefore, firms that presently deal with standardized products in a transparent and dynamic marketplace might benefit the most from stronger DC and the corresponding customer orientation effects on brand love.

Overall, brand managers should reassess the orientation of corporate strategies if they want to increase brand love. Moreover, customer orientation is strongly affected by customer related expertise. Therefore, marketing executives need to specifically focus on different strategies for the generation of customer related expertise. Furthermore, they also need to re-think how they could use this expertise for further differentiation. Even more promising for brand managers are the managerial implications outlined in this research. Marketing executives need to enhance their capabilities in the five displayed areas. This would lead to a stronger emphasis on customer orientation and thereby act as a foundation for the generation of brand love.
Fig. 1: Causal Model, Effect Size, and $R^2$

References


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