

INCREASING BRAND LOYALTY OF GENERATION Y FOR FUTURE MARKETERS

Violet Lazarevic and Sonja Petrovic-Lazarevic

*Working Paper 28/07
November 2007*

**DEPARTMENT OF MANAGEMENT
WORKING PAPER SERIES
ISSN 1327-5216**



Abstract

The paper extends the fields of generation Y and brand loyalty by examining the influencing loyalty in the generation Y segment. Generation Y, one of the most important cohorts in today's market, is difficult to market to because of its dislike of traditional marketing and disloyalty to brands. The current literature does not distinguish generation Y as an important cohort, nor does it address how its disloyal behavior could be changed. The proposed conceptual model points to the contextualization of brand loyalty drivers for the generation Y segment and investigation into how marketing tools can be used to influence loyalty.

This paper is a work in progress. Material in the paper cannot be used without permission of the author.

INCREASING BRAND LOYALTY OF GENERATION Y FOR FUTURE MARKETERS

INTRODUCTION

Generation Y, born from 1977 to 1994, consists of a group of consumers that behave differently from previous generational market segments. Because of its large size, its current significant amount of spending power and its potential for huge amounts of future spending power it is becoming a very important segment in today's market (Wolburg and Pokrywczynski, 2001).

Generation Y as a target market presents a particular challenge because it is resistant to marketing efforts and difficult to capture and hold as loyal consumers (Bush et al., 2004; Megehee, et al 2003). It is notoriously disloyal to brands, which is why continued repeat purchase is difficult to secure (Sebor, 2006; Wood, 2004). Bakewell and Mitchell (2003) argue that generation Y has formed a different approach to shopping than the demographic segments before and there has been little academic research into how this important cohort shops or makes consumption decisions.

Generation Y consumers have a very unique attitude towards brands. They have been raised in a time where just about everything is branded and therefore they are more comfortable with brands than previous generations and thus respond to them differently (Merrill, 1999). They are disloyal as a segment and traditional marketing methods cannot be applied by firms to appeal to or capture these consumers (Sebor, 2006; Bakewell and Mitchell, 2003). Although brand loyalty as a concept is quite developed, researchers have failed to address how the markedly different generation Y should be targeted for increasing loyalty.

This paper explains how the increasing brand loyalty from generation Y consumers can be influenced using a proposed conceptual model based on the importance of integrated market communications and brand strategy.

The paper is structured as follows: after this introduction, the relevant literature review is presented; then the proposed model of brand loyalty with limitations and some practical recommendations for marketers to target generation Y; and finally some concluding remarks and future research interests.

LITERATURE REVIEW

Consumer brand loyalty has been extensively researched and shown to profit firms by saving them money and creating fringe benefits such as positive word of mouth (Liu, 2007; Gustafsson et al 2005; Wood, 2004; Yi and Jeon, 2003; Rundle-Thiele and Bennett, 2001; Oliver, 1999). Consumer brand loyalty is defined as positive feelings towards the brand and intensely entrenched dedication to purchase the same product/service from the same brand repeatedly now and in the future, regardless of competitors' actions or changes in the environment (Liu, 2007; Wood, 2004; Grassl, 1999; Oliver, 1999). For the purpose of this paper brand is understood as a name, image, drawing, or mixture of these which sets apart a specific product from others in the market and makes it appear superior (Keller, 1993). Researchers have often looked at how to increase consumer loyalty (Wood, 2004; Rundle-Thiele and Bennett, 2001). A good example is Oliver's model of consumer loyalty (1999). This model suggests that loyalty happens at four stages.

The first stage of Oliver's model (1999) leads the non-consumer to develop cognitive loyalty towards the brand. Cognitive loyalty is when the consumers think the brand/product is the best one on the market to meet their needs and loyalty is to the information that they have internalized about the product. This is based more on a cost versus benefits analysis rather than the brand itself (Oliver, 1999). For this stage the communications about the product features and price are important (Oliver, 1999). This first stage is very vulnerable to switching behaviours from the

consumers because they have not achieved satisfaction with the product/brand. Satisfaction is defined as an affective reaction to a consumption experience (Cadotte et al, 1987). Once satisfaction is achieved it leads to an overall improvement of the perception of the brand and stage two of this model (Pasovac et al, 1997).

Once the consumers are satisfied with a product/brand experience more than once they move on to affective loyalty at stage two. The consumers are committed to the brand because they like it but may still engage in switching behaviour because they have not committed to the intention to buy or the action itself. Here, the brand experience is important as well as the imagery and associations of the brand being communicated (Oliver, 1999).

When the consumers have established a preference for the brand because of its likeability, quality and continuous satisfaction they move into stage three of the model. Stage three is conative loyalty which is loyalty towards the aim and intent to buy the product/brand again. The intent may not be carried out if the consumers try a different product that satisfies them more. Their previous satisfaction will be discarded if their expectations fail to be met by the product or a competitors offering supersedes it.

If the brand maintains its superiority and is available for purchase when and where the consumers go to buy it then, they will move to stage four of the model. This stage is the behavioural component of loyalty referred to as action loyalty. Action loyalty is the consumers' motivation to buy again being realized and willingness to surmount any barriers to repurchase (Oliver, 1999).

The literature to date fails to address how to increase the loyalty of the typically disloyal generation Y. Only one study has looked at a consumer segment which belongs to generation Y, 18-24 year olds, and it was limited in scope and generalizability (Wood, 2004).

Generation Y loyalty is particularly important because if firms can make generation Y consumers loyal to their brand now, then the benefits for the firms can only increase as this segment becomes more powerful. Appealing to this generation now when it is still young can establish brand loyalties that will last into the future (Wolburg and Pokrywczynski, 2001).

One way to increase brand loyalty is to use integrated market communications (IMC) which integrates a variety of convincing messages across various forms in order to communicate and develop relationships with customers (Eagle et al, 2007). IMC also creates synergies in the organization, integration and efficiency of the information being presented to consumers and that is why it is more important than simply advertising (Reid, 2005; Zahay et al, 2004).

For generation Y consumers marketing communications seem to be essential for making them familiar with the brand and what it stands for and conveying the relevance to them (Wood, 2004). The traditional marketing approaches are not effective for this segment. But significant marketing theories including IMC can be used to influence the loyalty behaviours of generation Y and since this has not been well explored by the literature, we propose a new theoretical model.

CONCEPTUAL MODEL

The proposed brand loyalty model and the factors that can influence consumers' movement through stages are focused on generation Y. The importance of the branding and IMC strategies is highlighted, illustrating how they can be manipulated to increase likelihood of movement through stages to get consumers to the desired action loyalty stage.

The model based on Oliver's model of consumer loyalty (1999) shows how the non-consumer moves through four stages of loyalty (See Figure 1).

The first stage represents the generation Y consumers before they have consumed the brand; hence they are labelled non-consumers. It is important to include non-consumers when conceptualizing brand loyalty because non-consumers have the potential to become consumers if they become aware of the brand and are persuaded to try it (Bandyopadhyay and Martell, 2007).

At this stage creating awareness of the brand and what it offers seems really important to persuade the generation Y consumers to consider the product. Without awareness the brand cannot enter the consumers' consideration set of brands (Pasovac et al., 1997). For generation Y in particular, awareness should be focused around the quality of the brand, and the brands' image and associations (Wood, 2004). Brand theory contends that brand image must be congruent with consumers' image of themselves in order for the brand to seem appealing (Keller, 1993). This may be particularly important because generation Y uses brands as a means of self-expression (Lippe, 2001). The use of a popular celebrity endorser could personify the brand image for the consumer and enhance the reputation of the brand (Braunstein and Zhang, 2005). To ensure endorsement is successful the celebrity must match the brand and the consumer (Braunstein and Zhang, 2005; Sukhdial et al., 2002).

Proposition 1: Creating brand image and reputation will influence the generation Y consumers' perception of the brand.

Proposition 2: If this brand image reflects the generation Y consumers' self-image the likelihood of movement to stage two loyalty increases.

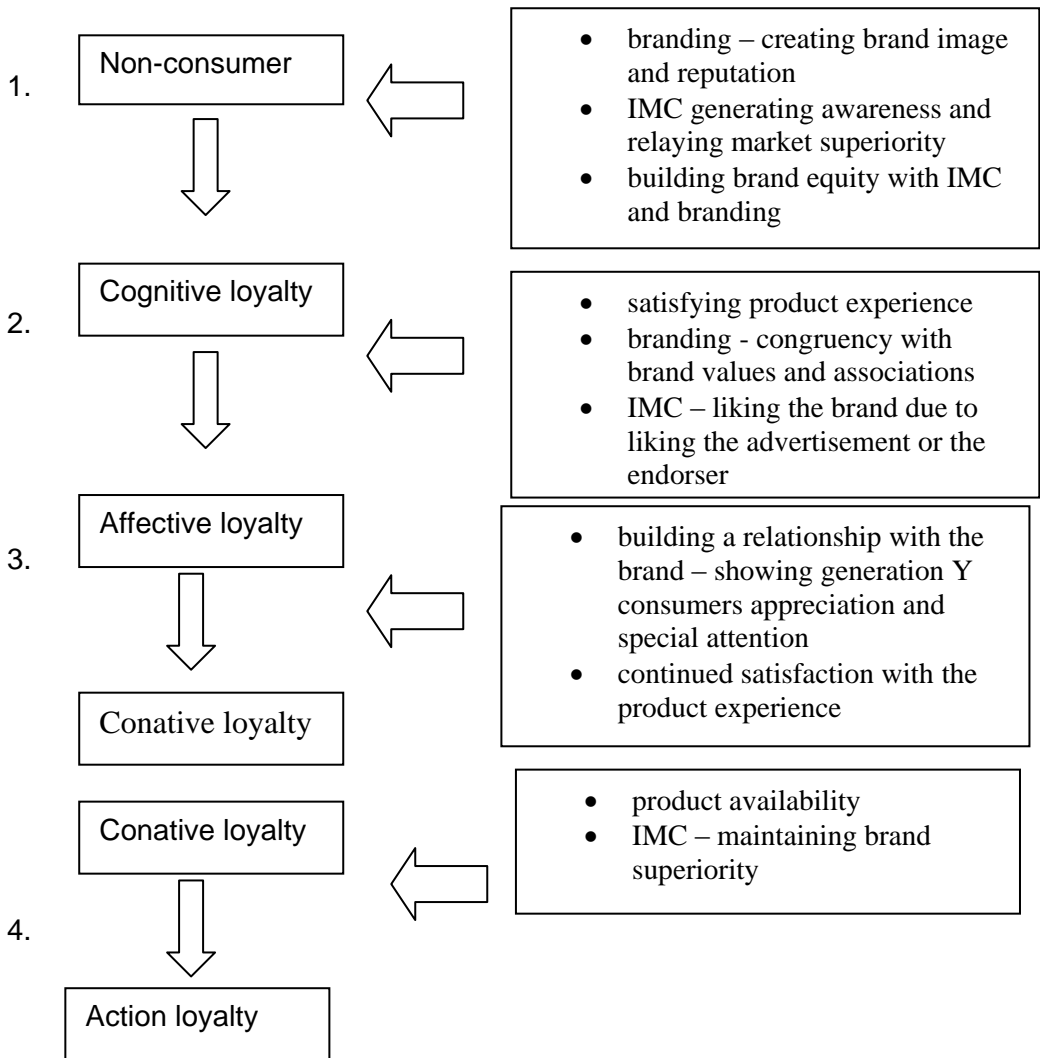
IMC should play an important role in this stage because of its ability to give the non-consumer information about the brand and generate awareness (Megehee et al., 2003). In order for consumers to get the message and brand information marketers should use IMC to first capture the audiences' attention so that they attend to the information being passed on. The difficulty with appealing to generation Y is how to stand out from the crowd to gain its attention, particularly because by the age of 21 it has been exposed to 23 million advertising messages if not more (Mitchell et al., 2007; Sebor, 2006). Generation Y is critical of advertising clutter and will only consider advertising messages that it deems significant and reflective of its values (Scarborough, 2007). To pique the interest of generation Y consumers marketers should create ads that this cohort has not been exposed to before (Tsui and Hughes, 2001). Marketers need to use new and novel approaches to get this segment talking about their brand (Sebor, 2006).

Proposition 3: IMC can be used to generate brand awareness which leads to cognitive loyalty only if marketers can successfully capture generation Y consumers' attention.

Marketers can utilize brands and IMC to create brand equity, which is the consumers' perception of the brand being valuable (Wood, 2004). Having brand equity means that the generation Y consumers will believe that offered brand is better than anything else on the market which will lead to stage two loyalty (Keller, 1993). IMC is an important tool here to persuade consumers to have high perceptions of product/brand quality (Reid, 2005). According to Davis et al., (1991) conveying the quality of the brand to the market is most important for products where it is hard to assess quality just by looking at it. Advertising is crucial for communicating to consumers why the offered product is different and better from its competitors and to increase the perception of quality about the brand for generation Y consumers (Ambler and Hollier, 2004). When generation Y consumers have cognitively assessed a product as better than the market alternatives then, they develop a perception of high quality, leading to cognitive loyalty (Zeithanl, 1988).

Proposition 4: IMC and branding can be used to create brand equity which leads to a more favourable assessment of the brand.

Figure 1: Model of brand loyalty for generation Y



The second stage of the model shows a non-consumer moving toward cognitive loyalty, believing that the brand is the superior offering on the market. Oliver (1999) argues that here the marketing communications about product features and price will influence the likelihood of moving towards cognitive loyalty. In the context of generation Y who is very concerned with the brand acting as a reflection of self, price should not be as important (Lippe, 2001). In addition, this cohort has a considerable amount of discretionary spending power and correlates high price with high quality indicating that generation Y is not price sensitive (Sebor, 2006; Bush et al, 2004). The product features should not establish market superiority for generation Y consumers who are not motivated by utility needs but rather identification and aspiration needs (Lippe, 2001). Brands express their identity and allow them to become who they want to be (Aaker, 1997).

In order to move from cognitive to affective loyalty the generation Y consumers should have more than one experience with the brand and feel satisfied (Oliver, 1999). Satisfaction indicates that their expectations regarding the performance of the brand have been met and their perceptions of quality upheld (Pasovac et al, 1997). The previously believed brand associations should be maintained with the quality of the actual experience; therefore, the generation Y consumers' belief in the product superiority is reinforced and they are less likely to believe competitive claims (Wood, 2004; Keller, 1993).

A positive appraisal of the product results in satisfaction and affective feelings towards the brand (Bagozzi, 1992). Whether a generation Y customer is satisfied with an experience or not can be influenced by communicating realistic expectations to the consumer pre-trial and keeping quality consistent across the products so that every experience is satisfying (Wood, 2004; Keller, 1993). If the generation Y consumers were not satisfied because their expectations were not met, then the perceived quality of the brand would diminish and the consumers would no longer believe in the brands' superiority (Parasuraman et al, 1988).

Proposition 5: A satisfying product experience will reinforce perceptions of quality and decrease attention to competitors' claims, reducing propensity to switch.

It seems important for the generation Y consumer to like the brand in order to move to the next stage of loyalty (Oliver, 1999). Liking the brand can be a result of branding initiatives or IMC. Branding can be used to increase liking by ensuring that the brand exhibits the same values as the generation Y consumer (Aaker, 1997). Using a celebrity endorser that generation Y looks up to and wants to emulate can lead to increased congruency between the values of the generation Y consumer and the brand (Shuart, 2007). This congruency can create a relationship with the brand and feelings of brand equity which increase how much the generation Y consumer likes the brand (Aaker, 1997; Pasovac et al., 1997).

Proposition 6: Using branding to increase the congruency of values between the generation Y consumer and the brand can lead to increased liking and relationship building which moves the generation Y consumer to the affective loyalty stage.

IMC can also be used to increase liking. Making brand communications likeable can facilitate information processing and elicit positive feelings from the consumer towards the communication and this is transferred to the brand (Smit et al, 2006). The true impact of IMC at this stage is not its specific message but what feelings it instils in the consumer about the brand (Ambler and Hollier, 2004).

Proposition 7: IMC can be used to increase the likeability of brands or to build relationships with generation Y consumers which lead to the affective stage of loyalty.

The stage three of the model shows the consumer who has affective loyalty towards the brand moving to the conative loyalty stage (Oliver, 1999). This movement should be influenced by whether the generation Y consumer feels a relationship with the brand. This relationship, as mentioned in the previous stage, can be maintained with the use of IMC and branding (Pasovac et al., 1997; Keller, 1993). Relationships with brands are extremely important for generation Y (Tsui and Hughes, 2001). The generation Y customer should feel appreciated and singled out by the organization (Sebor, 2006). This relationship development and maintenance can also be achieved through the use of loyalty programs which distinguish the generation Y consumers from other consumers and make them feel special, appealing to their self-esteem needs (Sebor, 2006; Yi and Jeon, 2003).

Proposition 8: Creating and sustaining a relationship with the generation Y consumers showing them appreciation and special consideration will increase the likelihood of movement to stage four.

The generation Y consumers should also continue to experience satisfaction with the product to maintain the belief that it is better than competitors' offerings (Gustafsson et al., 2005). If consumers are satisfied with the product experience then there may be no reason for them to waste effort in switching to another brand and therefore they are less likely to switch (Wood, 2004).

Proposition 9: Ensuring continuing satisfaction with the brand by maintaining high quality consistency will uphold the perception of the brands' superiority and decrease likelihood of switching.

The final stage of the model is when the consumer moves from intent to buy loyalty (conative loyalty) to exhibiting tangible loyalty behaviour, the actual repurchase of the brand. Oliver (1999) suggests movement into this stage is influenced by the availability of the product. For the generation Y consumers having the product available when they want to purchase seems to be even more important. This is because generation Y is demanding and used to getting everything it wants (Bakewell and Mitchell, 2003). In addition if the product is unavailable to the generation Y consumers it can potentially diminish their perception of the brand (Keller, 1993) and drive them to the competitors offering (Bandyopadhyay and Martell, 2007).

Proposition 10: Product availability will influence whether the generation Y consumer exhibits the behavioural loyalty action of repurchasing the brand.

Model's Limitations

This theoretical construct framed around Oliver's model (1999) has some limitations. It has not been empirically tested. It is limited in scope. It has not looked at whether generation Y differs across cultures and what the implications of this might be. Cultural differences may make generation Y consumers more or less prone to brand loyalty and may impact on how marketers can appeal to this segment using IMC and branding. In addition, the focus has been on generation Y at present and their motivations and values may change as they get older. The propositions made may not apply anymore once generation Y move away from the impressionable adolescent stage (Wood, 2004). This model only presents a broad generalization based on the segment and not the product.

In spite of the drawbacks, the model can be useful for marketers to increase the brand loyalty of generation Y.

Recommendations for marketers

IMC and branding

IMC and branding are both very important marketing tools for increasing the loyalty of generation Y consumers. The decisions made around communications and branding should be based on solid market intelligence about generation Y or the part of generation Y marketers want to target. If the brand or the IMC are not relevant to them generation Y will not listen to it (Tsui and Hughes, 2001). High customization is recommended for messages, to allow for creativity and a more direct voice to the generation Y consumers and to their attention long enough to create brand awareness (Sebor, 2006). Generation Y wants to be treated differently from the rest of the market (Lippe, 2001) and marketers should acknowledge this. In addition relationships are very important to this segment (Tsui and Hughes, 2001) and marketers should utilize IMC and branding to create these relationships.

Loyalty Programs

Marketers use tactics such as loyalty programs to increase likelihood of repeat purchase and retrieve important information about the consumer and their spending habits (Liu, 2007). Even though these programs cost a lot of money they can create a relationship between the brand and the generation Y consumer which can contribute to loyalty (Liu, 2007).

Loyalty programs may enhance the consumers' opinion about how much the firm can offer them and show them that the firm acknowledges and is thankful for their patronage, essentially for building a relationship with generation Y (Yi and Jeon, 2003). This recognition from the firm can elicit positive feelings from the consumer and a stronger connection to the firm (Bitner et al., 1998). Loyalty programs can also increase switching costs for consumers because they add to the benefits side (Liu, 2007).

Memberships or loyalty cards appeal to generation Y consumers and can be one way of increasing their loyalty (Gronbach, 2000). The reason they work well is because it makes them feel like they belong in a group or are part of a relationship (Gronbach, 2000; Tsui and Hughes, 2001). Furthermore they also feel elite, because these memberships offer special deals and merchandise just for them and these gratify their ego needs (Sebor, 2007; Gronbach, 2000).

CONCLUSIONS

The proposed theoretical model points to the importance and ways of increasing brand loyalty of generation Y for future marketers, since the literature has failed to address whether generation Y can be influenced to become brand loyal and what marketing factors would need to be employed to realize this influence. The model has significant implications for theory building suggesting that not all segments of the market respond in the same way to marketing efforts targeted at increasing brand loyalty. In addition the model highlights the complexity and distinctiveness of generation Y and calls for more research to be done in the area and to empirically test the propositions introduced.

REFERENCES

- Aaker, J.L., 1997, 'Dimensions of brand personality', *Journal of Marketing Research*, 34 (3): 347-356.
- Ambler, T., and Hollier, E.A., 2004, 'The Waste in Advertising is the part that works', *Journal of Advertising Research*, 44(4): 375-389.
- Bagozzi, R.P., 1992, 'The Self-Regulation of Attitudes, Intentions and Behavior', *Social Psychology Quarterly*, 55(2): 178-204.
- Bakewell, C., and Mitchell, V., 2003, 'Generation Y consumer decision-making styles', *International Journal of Retail & Distribution Management*, 31(2): 95-106.
- Bandyopadhyay, S., and Martell, M., 2007, 'Does attitudinal loyalty influence behavioral loyalty? A theoretical and empirical study', *Journal of Retailing and Consumer Services*, 14(1): 35-44.
- Bitner, M.J., Gwinner, K.P., and Gremler, D.D., 1998, 'Relational Benefits in Service Industries: The Customer's Perspective', *Journal of the Academy of Marketing Science*, 26(2): 101-114.
- Braunstein, J. R., and Zhang, J.J., 2005, 'Dimensions of athletic star power associated with Generation Y sports consumption', *International Journal of Sports Marketing & Sponsorship*, 6(4): 242-268.
- Bush, A.J., Martin, C.A., and Bush, V.D., 2004, 'Sports Celebrity influence on the Behavioral intentions of Generation Y', *Journal of Advertising Research*, 44(1): 108-118.
- Cadotte, E.R., Woodruff, R.B., and Jenkins, R.L., 1987, 'Expectations and Norms in Models of Consumer Satisfaction', *Journal of Marketing Research*, 24(3): 305-314.
- Davis, E., Kay, J. and Star, J., 1991, 'Is Advertising Rational?' *Business Strategy Review*, 2(3): 1-23.
- Eagle, L., Kitchen, P.J., and Bulmer, S., 2007, 'Insights into interpreting integrated marketing communications – A two-nation qualitative comparison', *European Journal of Marketing*, 41(7-8): 956-970.
- Grassl, W., 1999, 'The reality of brands: Towards an ontology of marketing', *American Journal of Economics and Sociology*, 58(2): 313-359.
- Gronbach, K., 2000, 'Generation Y – Not just 'kids'', *Direct Marketing*, 63(4): 36-39.
- Gustafsson, A., Johnson, M.D., and Roos, I., 2005, 'The Effects of Customer Satisfaction, Relationship Commitment Dimensions, and Triggers on Customer Retention', *Journal of Marketing*, 69(4): 210-218.
- Keller, K.J., 1993, 'Conceptualising, measuring and managing customer-based brand equity', *Journal of Marketing*, 57(1): 1-22.
- Liu, Y., 2007, 'The Long-Term Impact of Loyalty Programs on Consumer Purchase Behavior and Loyalty', *Journal of Marketing*, 71(4): 19-35.
- Lippe, D., 2001, 'It's all in creative delivery', *Advertising Age*, 72(26): S8-S9.
- Megehee, C.M., Dobie, K., and Grant, J., 2003, 'Time Versus Pause Manipulation in Communication Directed to the Young Adult Population: Does It Matter?', *Journal of Advertising Research*, 43(3): 281-292.
- Merrill, C., 1999, 'The ripple effect reaches Gen Y', *American Demographics*, 21(11): 15-17.
- Mitchell, V., Macklin, J.E. and Paxman, J., 2007, 'Social uses of advertising: An example of young male adults', *International Journal of Advertising*, 26(2): 199-222.
- Oliver, R.L., 1999, 'Whence Consumer Loyalty?' *Journal of Marketing*, 63(4): 33-44.

- Parasuraman, A., Zeithaml, V.A., and Berry, L.L., 1988, 'Communication and Control Processes in the Delivery of Service Quality', *Journal of Marketing*, 52(2): 35-48.
- Pasovac, S.S. and Sanbonmatsu, D., and Fazio, R.H., 1997, 'Considering the best choice: Effects of salience and accessibility of alternatives on attitude-decision consistency', *Journal of Personality and Social Psychology*, 72(2): 253-261.
- Reid, M., 2005, 'Performance auditing of Integrated Marketing Communication (IMC) Actions and Outcomes', *Journal of Advertising*, 34(4): 41-54.
- Rundle-Thiele, S., and Bennett, R., 2001, 'A brand for all seasons? A discussion of brand loyalty approaches and their applicability for different markets', *Journal of Product and Brand Management*, 10(1): 25-37.
- Scarborough, M., 2007, 'Making Customers of Generation X and Y', *Community Banker*, 16(7): 20.
- Sebor, J., 2006, 'Y me', *Customer Relationship Management*, 10(11): 24-27.
- Shuart, J., 2007, 'Heroes in sport: assessing celebrity endorser effectiveness', *International Journal of Sports Marketing and Sponsorship*, 8(2): 126-141.
- Smit, E.G., Meurs, L.V., and Neijens, P.C., 2006, 'Effects of Advertising Likeability: A 10-Year Perspective', *Journal of Advertising Research*, 46(1): 73-83.
- Sukhdial, A.S., Aiken, D., and Kahle, L., 2002, 'Are you old school? A scale for measuring sports fans' old-school orientation', *Journal of Advertising Research*, 42(4): 71-81.
- Tsui, B., and Hughes, L.Q., 2001, 'Generation Next', *Advertising Age*, 72(3): 14-16.
- Wolburg, J.M., Pokrywczynski, J., 2001, 'A Psychographic Analysis of Generation Y College Students', *Journal of Advertising Research*, 41(5): 33-53.
- Wood, L.M., 2004, 'Dimensions of brand purchasing behaviour: Consumers in the 18-24 age group', *Journal of Consumer Behaviour*, 4(1): 9-24.
- Yi, Y., and Jeon, H., 2003, 'Effects on Loyalty Programs on Value Perception, Program Loyalty, and Brand Loyalty', *Journal of the Academy of Marketing Science*, 31(3): 229-240.
- Zahay, D., Peltier, J., Schultz, D.E., and Griffin, A., 2004, 'The role of transactional versus relational data in IMC programs: Bringing customer data together', *Journal of Advertising Research*, 44(1): 3-18.
- Zeithaml, V.A., 1988, 'Consumer Perceptions of Price, Quality and Value: A Means-End Model and Synthesis of Evidence', *Journal of Marketing*, 52(3):2-22.