

QUT Digital Repository:  
<http://eprints.qut.edu.au/>



Zainuddin, Nadia and Russell-Bennett, Rebekah and Hartel, Charmine E.J. (2007) Why Are Businesses Brand Loyal? A Functional Approach to Three Dimensions of B2B Brand Loyalty. In *Proceedings 2007 Australia And New Zealand Marketing Academy Conference (ANZMAC)*, pages pp. 1872-1879, Dunedin, New Zealand.

© Copyright 2007 (please consult author)

## **Why are Businesses Brand Loyal? A Functional Approach to Three Dimensions of B2B Brand Loyalty**

**Nadia Zainuddin, Rebekah Russell-Bennett, Queensland University of Technology  
Charmine E.J. Härtel, Monash University**

### **Abstract**

While there has been substantial research conducted in the business to consumer (B2C) sector on brand loyalty, there is scant evidence of the same in the business to business (B2B) sector (Russell-Bennett, McColl-Kennedy, & Coote, 2007). This paper seeks to advance the understanding of business brand loyalty through the use of a tri-dimensional approach to brand loyalty and the identification of the psychological function that these dimensions of brand loyalty provide to the business buyer. The four functions of utilitarian, knowledge, value-expression and ego-defence provide insight into the benefits that are gained by the business buyer from being loyal. Mail surveys were completed by 105 Australian businesses. The relationship between the functions and three dimensions of loyalty were examined using correlation analysis. The results show that all four functions of brand loyalty were identified as benefits by different business buyers and there were different relationships between these functions and each of the three dimensions of brand loyalty. Importantly, the role of emotions in business buying has been highlighted as an area needing further investigation.

### **Introduction**

Brand loyalty is a concept often thought of as a consumer term and there has been little research conducted on brand loyalty in the business sector. The term “brand” is not used extensively in B2B and business buyers are unable to distinguish between a *product* and a *brand*, often equating the two terms to mean the same thing. There is also little evidence of a tri-dimensional approach to brand loyalty in either sector. This paper aims to address these two gaps in the existing loyalty research. Substantial research on loyalty has focused on explaining variation in brand loyalty dimensions or levels in consumer brand loyalty levels. To date, this variation has largely been explained as a result of product type (FMCG, durable or services) or situational factors such as pricing and sales promotion (Uncles, Dowling, & Hammond, 2003). There has been little investigation of the effect of individual characteristics such as psychological functions. Thus this paper proposes that the difference in business buyer brand loyalty can be at least partially explained by the function that being brand loyal serves. This functional approach has been adapted from Katz’s (1960) functional theory of attitudes.

### **Literature Review**

Traditionally, B2B researchers state that the B2B sector does not function in the same way as the business-to-consumer (B2C) market in terms of the way transactions are done and the criteria for selection of purchases (Ames, 1970; Cooke, 1986; Lilien, 1987; Webster, 1978). Simply put, the assumption is that what traditionally works in B2C may not work in B2B (Soderlund, Vilgon, & Gunnarsson, 2001). However, while there is agreement that consumer

behaviour and business buyer behaviour differs, some suggest that B2B and B2C marketing practices could be the same, or at least similar (Bennett, Härtel, & McColl-Kennedy, 2005; Coviello & Brodie, 2001; Shaw, Giglierano, & Kallis, 1989; Voss, 1990). Interestingly this concept is not new, as Fern and Brown (1984) made the assertion that the differences between the consumer and business sectors may not be as distinct as to warrant completely separate research. Another common element between business buying and consumer purchase is that the purchase in both instances have the element of the purchaser being human. This suggests that even in business buying, the role of emotion may play an influential role. Before this issue can be addressed, it is necessary to consider the functions that loyalty plays for consumers.

## **Functions of Loyalty**

The functional theory of attitudes posits that people develop attitudes (attitudinal loyalty) for a purpose (Katz, 1960). This has been applied to brand loyalty in the consumer sector (Bennett, Härtel, Worthington, & Dickson, 2006) where empirical support was found for four functions of loyalty; utilitarian, evaluative, ego-defensive and value-expressive. The functional approach to loyalty (Bennett et al., 2006) suggests that customers gain benefits from being loyal to a specific brand or product and an understanding of these functions increases the understanding of brand loyalty and or the manager's ability to influence the dimensions of loyalty through managing the functions.

A useful marketing construct to distinguish between the two cognitive-based functions of utilitarian and knowledge is involvement. The use of involvement theory to explain different levels of cognitive activity created by purchase situations was popularized by Krugman (1965) and East (1997), and supports the use of involvement theory to explain differing levels of cognitive processing. According to Katz (1960), the utilitarian function concerns the maximization of rewards and the minimization of penalties in people's environment. In business, the *utilitarian* function involves the purchase of brands which fulfil a performance need. The purchase pattern is often repeated and the products usually serve a need rather than a want; this often includes necessity items. Many B2B purchases have substantial scale and thus involve a higher degree of risk on the part of the business buyer. Given the complexity and risk associated with B2B purchases that are core to the business, it is likely that utilitarian purchases are high involvement. Conversely, the opposite is proposed to occur for the *knowledge* function of loyalty. Katz (1960) defines the knowledge function as the acquisition of knowledge to generate heuristics and mental shortcuts to satisfy the individual's needs. Heuristics are described as cognitive processing and are used unconsciously to facilitate information processing (Tversky & Kahneman, 1974). They involve mental shortcuts and use automation and routinisation in decision-making. It is an effort minimization strategy. In business, the knowledge function involves the acquisition of knowledge about alternative brands of the same product and the selection of the brand which is believed to be the best choice based on this knowledge. For business buyers, their decision-making is based on experience, hence heuristics may be developed as a mental shortcut in re-buy situations. Purchases of brands of products or services that fulfil the knowledge function of loyalty are proposed to have low to moderate levels of decision making because it involves the automated choice of what is perceived to be the best alternative.

Katz (1960) defines the ego-defensive function as a function that helps individuals reduce their insecurities and reduce internal conflict. In business, brands of products and services that fulfill the business buyer's sense of self-esteem are those that fulfill the *ego-defensive*

function of loyalty. More specifically, personal identity is used to describe the ego-defensive function of loyalty. Hogg and Abrams (1988) describe personal identity as *feeling* comfortable and personally gratified with whom one is. The purchase of brands of products or services by the business buyer for the fulfillment of his or her ego-defensive needs can be considered a form of symbolic identification, which is internally expressed and held within the individual's self. Typical products that serve this function include experiential items such as Qantas Club Membership or Corporate Box season tickets to a sporting game. The *value-expressive* function is defined by Katz (1960) as giving positive expression to the individual's central values as well as the type of person the individual perceives himself or herself to be (social identity). Tajfel and Turner (1979) describe social identity as the definition of one's self in terms of a particular social identity where the individual acts to maintain or enhance the positive distinctiveness of the group with which the identity is associated. Brands of products or services that fulfill the value-expressive function of loyalty are those that are consistent with the business buyer's personal values and allow the business buyer to express these values.

### **Tri-Dimensional Approach to Brand Loyalty**

When brand loyalty has been investigated in the B2B sector, it has used the same two-dimensional approach used in the consumer sector as recommended by Dick and Basu (1994) (see Bennett et al., 2005; Taylor & Hunter, 2003). While this is significant progress compared to a uni-dimensional approach of either attitudinal or behavioural loyalty, there is great benefit to be gained from deconstructing attitudinal loyalty into its component parts – cognitive and emotional loyalty. While there is debate about the ordering of the emotion and cognitive components, it is clear that both are related and work together to form attitudes (Ajzen, 2001). The separation of emotional and cognitive loyalty rather than combining them into attitudinal loyalty provides marketing theorists and practitioners with a more fine-grained approach to diagnosing, maintaining or increasing existing levels of brand loyalty.

Emotional loyalty is the *affective commitment to a brand consisting of positive feelings about and attachment to purchasing a brand on the next purchase occasion*. Cognitive loyalty is the *psychological preference for a brand consisting of positive beliefs and thoughts about purchasing a brand on the next purchase occasion*. Behavioural loyalty is the *consumer's tendency to repurchase a brand revealed through behaviour which can be measured and which impacts directly on brand sales* (Hammond, East and Ehrenberg 1996).

### **Hypotheses**

The utilitarian function is hypothesised to be a higher-order cognitive function based on the importance of buying products that are core to the functionality of the business. The level of pre-purchase evaluation to select the supplier of such an important purchase is expected to be done with care, thus it is expected that businesses would continue to repurchase that brand until it ceased to be perform at the necessary standard. These types of purchases tend to be objective in nature and require little emotional engagement because the products that typically satisfy the utilitarian function serve a performance need rather than an emotional need. Thus it is hypothesised that: *H1: The utilitarian function of loyalty is significantly and positively correlated with behavioural loyalty and cognitive loyalty, but not with emotional loyalty*. The knowledge function is hypothesised to be a lower-order cognitive function that involves routine purchase with little decision-making. It is likely that buyers will be open to switching to brands that have pricing

specials, are more convenient or available. There is likely to be little commitment to the brand or emotional investment. Thus it is hypothesised that: *H2: The knowledge function of loyalty is significantly and positively correlated with cognitive loyalty but not with emotional and behavioural loyalty.* The ego-defensive function is hypothesised to be an emotion-based function that builds a person's self worth and allows people to compensate for their insecurities (Katz, 1960). The buyer is likely to engage in repeat purchase of that product or brand because he or she has associated good feelings with being a customer of that brand and has their personal identity reinforced. Purchases that defend the business buyer's ego are likely to over-ride rational factors such as pricing or alternative offers. Thus it is hypothesised that: *H3: The ego-defensive function of loyalty is significantly and positively correlated with emotional loyalty and behavioural loyalty, but not with cognitive loyalty.* The value-expressive function is hypothesised to also be an emotion-based function however this function links to social identity rather than personal identity. Brands of products or services that fulfill the value-expressive function of loyalty are those that allow a person to positively express his or her core values as well as express the type of person he or she perceives himself or herself to be (Katz, 1960). These core values facilitate the affiliation of the buyer with others who also buy the brand such as business club-members. Brands and products selected to express one's values, tend to be high-involvement products. The public observation of the expression of values is likely to mean that buyers continue to buy the brand as long as it continues to represent their values. Thus it is hypothesised that *H4: The value-expressive function of loyalty is significantly and positively correlated with emotional loyalty, cognitive loyalty and behavioural loyalty.*

## Method

A list of national business buyers was purchased from a national list broker and 105 responses were received. To assess non-response bias, a time-trend analysis was conducted as recommended by Armstrong and Overton (1977). No significant differences were found between early and late respondents. The unit of analysis was business buyers within the organisation. The introductory letter specified the person in the business who should complete the survey was the one who made the final decision to purchase the brand. Four versions of the survey were issued, each one asking respondents to select a brand that met the plain English definition of one of the four functions. They were then asked to complete items relating to the functions of loyalty and their loyalty towards this brand. The measures used in this study were derived from the literature; cognitive loyalty was based on cognitive commitment measures (Chaduri & Holbrook, 2001; Gilliland & Bello, 2002) emotional loyalty was based on emotional commitment measures (Allen & Myer, 1990; Mathieu, Bruvold, & Ritchey, 2000) and behavioural measures of share-of-category and allegiance (East, 1997) were used. The functions of loyalty were derived from Bennett, Härtel, Worthington and Dickson (2006) and adapted for the B2B sector. Reliability and validity tests were conducted to purify all items to be used in the final analysis. The sample consisted of national businesses across all industries, ranging from SMEs to large businesses with 90% generating revenues exceeding \$1m. The data were analysed using correlation analysis to examine the relationship between the functions of loyalty and the dimensions of loyalty.

## Findings

The findings of this research showed evidence of all four functions being present for the B2B respondents, demonstrating the relevance of the functional approach to brand loyalty. A correlation analysis was used to examine the relationships between the functions of loyalty

and the dimensions of loyalty. Overall, one of the hypotheses (H4) was fully supported and three were partially supported (H1, H2 and H3) (see appendix for results statistics). The data indicate that the utilitarian function is significantly correlated with cognitive loyalty and behavioural loyalty (brand preference – share of category) and brand allegiance as hypothesised. However, it was also correlated with emotional loyalty which was not hypothesised. Thus, **H1** is partially supported. The data also indicate that the knowledge function is significantly correlated with cognitive loyalty but not with behavioural loyalty as hypothesised, however it was significantly correlated with emotional loyalty which was not hypothesised. Thus, **H2** is partially supported. The ego-defensive function is significantly correlated with emotional loyalty as hypothesised. However, it was also correlated with cognitive loyalty and not correlated with behavioural loyalty (brand allegiance = 0.079, brand preference = -0.113), which was not hypothesised. Thus, **H3** is partially supported. The value-expressive function was significantly correlated with emotional loyalty with cognitive loyalty and with behavioural loyalty (brand allegiance) as hypothesised. Thus, **H4**, is fully supported.

### Conclusion

This study demonstrates that the functional theory of attitudes is applicable and relevant in B2B, although some functions such as utilitarian, may possess more relevance than others. Furthermore, this research also addressed the gaps of investigating brand loyalty in the B2B sector and as a tri-dimensional construct. Two findings highlight the importance of considering the role that emotions play in B2B purchases. The first was the unexpected relationship between the utilitarian and knowledge functions with emotional loyalty. The second was the presence of the ego-defensive and value-expressive functions, which indicates that being brand loyal meets emotional as well as functional needs in the business buyer. Both of these findings dispel the myth that emotions do not factor in business buying decisions. The emotional functions are especially important because the correlations with emotional loyalty were higher than for cognitive loyalty. The findings also show that behavioural loyalty is most highly related to the utilitarian and value-expressive functions and with only the utilitarian function being correlated to all measures of loyalty. Thus if business brands are seeking loyal business customers, they should focus on the elements of that brand that meet these functions. Further research should further explore the role of emotions in business buying, investigate the role of the buying centre and how this moderates the influence of the function of loyalty on actual loyalty as well as investigate the effect of product types and situational factors.

## References

- Ajzen, I., 2001. Nature and operation of attitudes. *Annual Review of Psychology*, 52, 27-58.
- Allen, N. J., Myer, J. P., 1990. The measurement antecedents of affective, continuance and normative commitment. *Journal of Occupational Psychology*, 63, 1-18.
- Ames, B. C., 1970. Trappings vs. substance in industrial marketing. *Harvard Business Review*, 48(July-August), 93-102.
- Armstrong, J. S., Overton, T. S., 1977. Estimating non-response bias in mail surveys. *Journal of Marketing Research*, 14, 396-402.
- Bennett, R., Härtel, C. E. J., McColl-Kennedy, J. R., 2005. Experience as a moderator of involvement and satisfaction on brand loyalty in a business-to-business setting. *Industrial Marketing Management*, 34(7), 97-107.
- Bennett, R., Härtel, C. E. J., Worthington, S., Dickson, P. A., 2006, 23-26 May 2006. A functional approach to brand loyalty: an exploratory study. Paper presented at the European Marketing Academy Conference, Athens.
- Chaduri, A., Holbrook, M. B., 2001. The chain effects from brand trust and brand affect to brand performance: the role of brand loyalty. *Journal of Marketing*, 61(April), 81-93.
- Cooke, E. F., 1986. What is business and industrial marketing? *Journal of Business & Industrial Marketing*, 1(1), 9-17.
- Coviello, N. E., Brodie, R. J., 2001. Contemporary marketing practices of consumer and business-to-business firms: how different are they? *Journal of Business & Industrial Marketing*, 16(5), 382-400.
- Dick, A. S., Basu, K., 1994. Customer loyalty: Toward an integrated conceptual framework. *Journal of the Academy of Marketing Science*, 22(2), 99 - 113.
- East, R., 1997. *Consumer Behaviour: Advances and Applications in Marketing*. Hertfordshire: Prentice Hall.
- Gilliland, D. I., Bello, D. C., 2002. Two sides to attitudinal commitment: the effect of calculative and loyalty commitment on enforcement mechanisms in distribution channels. *Journal of the Academy of Marketing Science*, 30(1), 24-43.
- Hammond, K., R. East., A Ehrenberg., 1996. *Buying more and buying longer: concepts and applications of consumer loyalty*. London: London Business School
- Hogg, M. A., Abrams, D., 1988. *Social identifications: A social psychology of intergroup relations and group processes*. London: Routledge.
- Katz, D., 1960. The functional approach to the study of attitudes. *The Public Opinion Quarterly*, 24(2), 163-204.

- Krugman, H. E., 1965. The impact of television advertising: learning without involvement. *Public Opinion Quarterly*, 29(Fall), 349-356.
- Lilien, G. L., 1987. Business marketing: present and future. *Industrial Marketing and Purchasing*, 2(3), 3-21.
- Mathieu, A., Bruvold, N. T., Ritchey, P. N., 2000. Subcultural research on organisational commitment with the 15 OCQ invariant instrument. *Journal of Personal Selling and Sales Management*, 20(3), 129-138.
- Russell-Bennett, R., McColl-Kennedy, J. R., Coote, L. V., 2007. The relative importance of involvement and satisfaction on brand loyalty in a small business services setting. *Journal of Business Research* (in press).
- Shaw, J., Giglierano, J., Kallis, J., 1989. Marketing complex technical products: the importance of intangible attributes. *Industrial Marketing Management*, 18, 45-53.
- Soderlund, M., Vilgon, M., Gunnarsson, J., 2001. Predicting purchasing behaviours on business-to-business markets. *European Journal of Marketing*, 35(1/2), 168 - 181.
- Tajfel, H., Turner, J. C., 1979. *An integrative theory of intergroup conflict*. Monterey, CA: Brooks/Cole.
- Taylor, S. A., Hunter, G., 2003. An exploratory investigation into the antecedents of satisfaction, brand attitude, and loyalty within the (B2B) eCRM industry. *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behaviour*, 16, 19.
- Tversky, A., Kahneman, D., 1974. Judgement under uncertainty: heuristics and biases. *Sciences*, 185, 1124-1131.
- Uncles, M. D., Dowling, G. R., Hammond, K., 2003. Customer loyalty and customer loyalty programs. *Journal of Consumer Marketing*, 20(4), 294-316.
- Voss, B., 1990. Cutting through the clutter. *Sales and Marketing Management*(February), 19-20.
- Webster, F. E., 1978. Management science in industrial marketing. *Journal of Marketing*, 42(January), 21-27.

## Appendix

	Utilitarian H1	Knowledge H2	Ego-defensive H3	Value-expressive H4
Cognitive loyalty	<b>.43(**)</b> <b>0.000</b>	<b>.27(**)</b> <b>0.003</b>	<b>.26(**)</b> <b>0.008</b>	<b>.24(*)</b> <b>0.017</b>
Emotional loyalty	<b>.34(**)</b> <b>0.000</b>	<b>.21(*)</b> <b>0.030</b>	<b>.67(**)</b> <b>0.000</b>	<b>.65(**)</b> <b>0.000</b>
Behavioural loyalty – preference (share of category)	<b>.21(*)</b> <b>.041</b>	-.12 .239	.07 .438	.11 .280
Behavioural loyalty – allegiance	<b>.31(**)</b> <b>.002</b>	-.08 .427	.10 .345	<b>.30(**)</b> <b>.002</b>

**Figure 1: Summary of Correlations Between the Functions of Loyalty and Dimensions of Loyalty**

\*\* Correlation is significant at the 0.01 level (2-tailed)

\* Correlation is significant at the 0.05 level (2 tailed)

Note: **Bold** indicates significant items.