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THE ROLE OF BRAND IDENTITY IN THE FORMATION OF BRAND LOYALTY

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1 INTRODUCTION

This bachelor's thesis is going to inspect the role of brand identity in the process of creating brand loyalty. The introductory chapters are going to first give a quick overview of the factors of the current business environment that lead to the significance of the research question. These themes are then followed by an overview of the way that this study was conducted and summaries of the concepts that are crucial with regards to the analysis of the research material and reaching the final conclusion in terms of answering the research question.

1.1 Importance of the subject

Effectively every single industry has been greatly affected by the digital revolution. On one hand, globalization and the increasing role of internet in the consumption process offers companies enormous opportunities in the form of being able to reach a never before seen amount of potential customers. However, on the other hand this increased exposure naturally also comes at the cost of increased competition. Since effectively all commercial entities offering a solution to a particular problem to an extent compete over the same pool of potential customers, it is important to be able to distinguish oneself from among the mass of competing solutions. One way to achieve this goal is to establish an effective brand. If the branding process is conducted effectively and a positively distinctive brand is established, the company in possession of that brand can gain access to a hugely relevant source of value, for example in the form of increased profit margins, consistency of income, and enhanced protection against competition (Keller, 2001). This means that it is definitely important for commercial entities to have a fundamental understanding of the process in which the brand of the entity is created, to be able to manage it in as effective of a manner as possible. Although it is possible to operate a profitable business relying solely on the quality of the offered product or service, a deeper understanding of the purchase/consumption process has to be obtained in order to reach the highest possible level of value. This is where the importance of branding and brand loyalty creation comes in (Wu, Yeh & Wu, 2015).

1.2 Definition of the research question

The formulation of a complete brand of a company is a complicated and active process, that has huge potential value embedded in it from the point of view of commercial companies. The ultimate goal for these companies with regards to this process should be the formation of a high level of brand loyalty among their customer base. This goal isn't however as easy to reach as it might seem at first glance. Largely this is due to the fact that a relevant portion of the process happens outside of the company's control. Rather than looking at branding as a sole operation of the company, it should be looked at as an active process in which the consumers have an enormous role as well (Black & Veloutsou, 2017). Because of other parties having control over the branding process, it becomes increasingly important for the company to have a good grasp on the portion of the process that it can in fact control. This part is the formation of brand identity, which according to the traditional approach to the subject is the internal vision of the brand, that is formulated before the brand is placed into contact with the customer (Black & Veloutsou, 2017). The role of brand identity is crucial in the branding process from the point of view of the company both due to the fact that it is one of the elements of the brand that the company has primary control over, as well as the fact that it can be argued that the construction of the brand identity is the very first part of the branding process, over which all the other steps are subsequently built upon (Shirazi, Lorestani & Mazidi, 2013). This theory however is not universally accepted and differing ideas regarding the formation of brand identity have been voiced. One of these ideas was presented by Törmälä and Gyrd-Jones (2017), whose understanding of brand identity was more flexible in nature.

When the role of brand identity is considered in relation to the branding process, it is clear that the nature of brand identity has an undeniable connection to the aspect of brand loyalty (Coelho, Rita & Santos, 2018). Since establishing a high level of brand loyalty is a crucial goal of commercial companies, it is naturally important for them also to understand how brand loyalty is formed and how they can affect its formation. By combining these realizations, we come to the aim and main research question of this thesis:

What is the role of brand identity in the formation of brand loyalty?

By finding the answer to this question, this thesis is able to create a coherent and comprehensive theoretical whole of the research matter. This in turn allows the access to knowledge regarding an issue, the research of which has been relatively limited in the past. The to an extent lacking amount of previous research regarding the main research question of this thesis means that understanding it in a more in-depth manner can have a notable amount of potential value still to offer.

1.3 Methodology overview

The concept of branding and the different aspects of the process have been recognized to be a crucial part of marketing theory for some time now. Because of this, there is already a plentiful amount of scientific research existing regarding the subject. The pre-existing recorded information leads to the conclusion that for the purposes of this thesis, the research is conducted in the form of a review of scientific literature due to efficiency reasons. Furthermore, the analysis of this research is going to be conducted using qualitative methods. This approach is justified due to the complexity of the subject and the fact that qualitative methods allow a deep understanding to be reached with regards to the fundamental understanding of reasons and processes behind the studied subject (Salminen, 2011). Although quantitative methods might offer opportunities to study for example the severity of the correlation between the studied aspects of the branding process, the aim of this thesis is to understand the relationship in a more descriptive manner. Analysis using quantitative methods might be warranted in the future for example in order to validate the conclusions that are going to be drawn later in this thesis.

1.4 Key concepts

After doing some preliminary research into the pre-existing scientific literature handling the subject, one particular obstacle presented itself right away. Although the branding process has for a significant time now been an important field of scientific marketing research and discussion, there still exists some ambiguity in the used terminology. This has been an issue for a long time, which can be observed for example from the article by Thomas F. Schutte published in the Journal of Marketing already in 1969. The phenomenon however has been present in the scientific discourse more

recently as well, an example of which is an article by Kevin Keller published 2001 in the Journal of Marketing Management. To be able to conduct the research and discussion relevant to this thesis in an effective manner, it is obvious that this is a problem that has to be solved by very strictly and descriptively defining the various aspects of the branding process that are handled. It also warrants clarification that when different aspects of a brand and branding are discussed in this thesis, the focus is specifically on corporate brands. Corporate brands are brands built on the specific identity of a particular company, and they represent that company (de Chernatony & Harris, 2001).

First of the terms to be looked at is *brand identity*, which is going to be the main variable considered in this thesis. A popular approach to considering brand identity is defining it as the combination of enduring and distinctive characteristics of the brand that is formed as the first step of the branding process as an internal construct of a company (He, Li & Harris, 2012). Brand identity is the underlying idea guiding a company's branding process and acts as a goal regarding the image that the company wants to be created in the minds of its customer base with regards to the brand. From this idea we arrive to the second relevant term, which is brand image.

Brand image should be considered to be the combination of all various perceptions that consumers have in their mind with regards to a specific brand (Nandan, 2005). It should also be noted that brand image is the variable that ultimately defines the brand (Wheeler, Frost & Weiler, 2011). This is a natural argument to make based on the nature of the process that is being discussed. The branding of commercial entities is ultimately done in order to gain value through interaction with the consumer base. Because of this, it is only logical that the view of the consumer base about the brand is the factor that should be considered when the quality of the brand and the outcome of the overall branding process are evaluated. From this idea it is easy to move on to the last major concept that is going to be discussed in this thesis, *brand loyalty*.

Creating a loyal and profitable customer base should be the underlying goal of the branding process. It has been observed that consumers that feel commitment and loyalty towards a brand are willing to pay more for a single unit of a product or service than consumers who don't have developed that sense of loyalty, while also practicing

more profitable purchasing behavior in terms of their purchase volume and frequency (Wu, Yeh & Wu, 2015). Brand loyal consumers also act as an important source of value in a scenario where something changes with regards to the business activity that the considered brand is connected to. Often in a situation like this a company that hasn't developed a loyal customer base suffers significant losses of revenue due to lost customers, but naturally the retention rate of brand loyal customers acts as a barrier lessening negative financial effects of this type of a situation (Ghodeswar, 2008). These are just few of the examples showcasing the benefits that a company can obtain through correctly understanding and cultivating brand loyalty.

All three of these main concepts that are going to discussed are crucial to the success or failure of a company's branding strategy. Their interaction and nature are also quite complex, meaning that marketing professionals need to dedicate significant time and resources in order to obtain a fundamental mastering of them. This investment however is important to make due to the scale and directness of their correlation with financial value. First this thesis is going to take a quick overview of overall branding theory in order to establish the context in which the important concepts are discussed. Then the three main concepts are handled and their interaction analyzed, finally arriving to overall discussion and drawing a conclusion about the role of brand identity in the formation of brand loyalty.

2 METHODOLOGY OF THE STUDY

During this chapter of the thesis the focus is going to be on the practical methodology of the study to a more detailed degree. This inspection is going to start by first outlining what does it mean to conduct a scientific literature review focusing on the integrative variant of the method, which was used in this particular study. After the more general overview of literature review as a research method, the chapter is going to outline the way that this method was utilized in the context of this thesis by going through the steps taken in the research one by one.

2.1 Scientific literature review

Literature review is a research method where the researcher immerses themselves with the already existing literature regarding a particular topic that is being studied. Essentially this means that the method studies previously made studies handling a specific issue (Salminen, 2011). By doing this the researcher can conduct research with various different goals, for example the improvement of already existing scientific understanding, development of new theory built upon the old, portrayal of the historical development of the understanding regarding a certain phenomenon, or the evaluation of the current scientific understanding of a variable (Baumeister & Leary, 1997). Due to this flexibility of the method and the fact that literature review can be done in various different ways in terms of its methodology, the researcher should have a clear plan and goal in mind when conducting the research. If this however is the case and the research is conducted following the established and accepted norms of scientific research, such as its objectivity, critical approach, and publicity, this method can be used to achieve hugely relevant contributions to current scientific understanding (Salminen, 2011).

2.2 Literature review used in this study

The literature review conducted for the purposes of this thesis was integrative in nature. This choice was made due to the fact that integrative literature review is an ideal literature review method to use when as wide as possible of a picture is wanted to be achieved about the factor being studied (Salminen, 2011). Integrative literature

review reviews, critiques and synthesizes previously produced scientific literature on the research topic in order to generate new frameworks and perspectives on the topic (Torraco, 2005). Integrative literature review as the chosen method also fits the needs of this study due to the nature of the topic being discussed. Although the branding process itself is not strictly the topic of this thesis, it and the various factors under its mandate have been the subject of a significant amount of previous research. This means that the variables falling under that category and taking part in the formulation of the research question of this thesis also have a significant amount of previously established information available about them. Due to this level of maturity of the topic being discussed and the amount of available information, literature review is a good choice for the research method of this thesis. Conducting the review in an integrative manner also allows this thesis to address the corresponding need of reviewing, critiquing and potentially reconceptualizing the existing information, that is linked with the maturity of the topic (Torraco, 2005).

Like was previously stated, the process of literature review starts with the definition of the goal of the research, mainly the research question. This was the start of the process in this study as well. The next step was the choosing of the appropriate data bases to be used in order to accumulate and validate previously generated scientific material to be analyzed in this study. These data bases were chosen to be Business Source Complete (EBSCO), Business databases (ProQuest), Scopus, Emerald Journals and Oula-Finna. These databases were then utilized in conducting material searches using various combinations of the following search terms: *identity, brand identity, corporate brand identity, loyalty, brand loyalty, corporate brand loyalty, brand loyalty generation, brand loyalty creation, consumer behavior,* and *brand image.* The process of examining the large amount of available information received by conducting these searches began by first identifying the articles relevant to the research question of this thesis by reading the abstract portions of seemingly relevant studies. Articles were deemed relevant if they handled one of the individual variables talked about in this thesis in an in-depth way, or if they provided insight on how some of those variables are linked together. The promising articles were then identified and placed under a deeper review by reading their discussion chapters and final conclusions. After these steps were taken, a satisfactory overall understanding of the main themes of various promising studies was reached. This stage was followed by reading the relevant studies

completely in order to gain the required in-depth understanding of them, which was needed to be able to integrate their findings effectively together in the final synthesis portion of the review. Twenty-eight relevant pieces of scientific literature were identified during this process and twenty-one of them were ultimately used in conducting this integrative literature review.

The specific relationship between brand identity and brand loyalty is a relatively unexplored phenomenon. Some research on this relationship exists, but to a significant degree the analysis of the research material needed to be done by considering the findings of studies handling one of the individual variables in some manner and combining the findings into a coherent whole. Due to the large amount of available information this process was however able to be conducted in a very constructive manner. The synthesis of the collected material resulted in a deep and logical view of the studied link between brand identity and brand loyalty, which will be outlined in the later chapters of this thesis.

3 OVERVIEW OF BRANDING

Although the focus of this thesis is not on the branding process specifically, the studied variables undeniably are factors falling under the larger body of the theory handling the branding process. To be able to effectively internalize different ideas handled in the later parts of the thesis, some background information on the overall branding process should be established. This is going to be done by taking a brief overview of how brand and branding are understood today.

To be able to effectively study the factors of the branding process relevant to the subject of this thesis, it should first be established what is actually meant when talking about a *brand*. Although this might at first seem like a straightforward thing to do, the reality is more complex. A brand is far more than just a logo or a slogan of a company. Rather than just a static and simple variable, a brand should be seen as an integrate whole created from factors both tangible and intangible (Wu, Yeh & Wu, 2015), the purpose of which is to both identify the branded entity and more importantly, distinguish it from the competition (Ghodeswar, 2008). On a more concrete level, a brand could be seen to be an inclusion of a name or reputation to something, this something in the consideration of this thesis being a commercial company, in order to differentiate the entity in a positive way (Slade, 2016). Correspondently, branding as a process could then be seen as being the act of attaching a brand to a particular entity (Kotler, Keller, Brady, Goodman & Hansen, 2012).

It is important to note also that building an effective brand is not a way of manipulating consumers just for the benefit of the company, but rather it is a process that can offer significant benefit for both sides of the purchase and consumption process. It is quite clear that the benefit for the company in this scenario is monetary value stemming from positively affecting the customer's purchase decision (Rajagopal, 2010). This phenomenon in a more concrete way materializes itself by enhancing both the purchase volume and the value of a single purchase through consumer's willingness to invest more to the brand than they would to a bare product (Wu, Yeh & Wu, 2015). There however is value to be offered to customers as well. This value stems from the consumers identifying themselves with the brand (He, Li & Harris, 2012), resulting in lessened purchase anxiety and a higher level of perceived need fulfillment (Slade,

2016). What is meant with the latter benefit is the fact that well-built brands that the consumers relate to are able to offer deeper satisfaction, for example by being able to satisfy needs of a higher level in the model of the hierarchy of needs first introduced by Abraham Maslow (Rajagopal, 2010).

After establishing the fact that huge potential value can be accessed with the branding process from the point of view of both companies and their customers, it is an easy conclusion to draw that acquiring a good understanding of the branding process is crucial for marketing professionals to do. Arguably the most significant aspect of the process to internalize is the fact that branding is a dynamic social process between the company and its customers, and not just a one-way operation conducted by the company (Black & Veloutsou, 2017). This means that marketing professionals need to have a very clear understanding of their target customer segments to be able to conduct the branding process in a manner that results in a brand with sufficient strength, quality, personality, and generated trust, in order to access the full potential monetary value that can be reached (Rajagopal, 2010).

4 BRAND IDENTITY

Brand identity is the main variable, the effect of which is studied in this thesis. This chapter is going to first define what is precisely meant by the term and then examine the benefits that can be achieved by acquiring an in-depth understanding of it. Although brand identity is the primary variable studied in this thesis, it is only a part of the studied entirety. The link between brand identity and brand loyalty is started then to be approached by examining the connection between brand identity and brand image, which is a relationship integral to understand before the underlying research question of this thesis can be effectively answered.

4.1 Defining brand identity

Being able to correctly operate the complicated processes of modern marketing management is a very difficult task. The business environment is undergoing constant development in terms of available technology, competitive situation and customer profiles, meaning that there is an enormous number of factors to constantly consider and evaluate in order to be able to make an educated decision with regards to marketing operations (Nandan, 2005). This realization is even further emphasized by the fact that the process involves so many factors that are out of the direct control of the company conducting marketing management, meaning that the factors that it can in fact control increase in relevance even further. Due to the complexity of the task it is crucial that the foundation of the overarching operations is constructed effectively. In the specific context of brand management, this foundation is the brand identity.

Brand identity is the vision that a company has with regards to what they themselves think their brand is like, and the way that they want their brand to be perceived by stakeholders outside of the company (Wheeler, Frost & Weiler, 2011). Basically, it's the company's internal view of what they think their brand should be and what the stakeholders inside of the company perceive to be enduring and distinctive about their organization compared to their competition (Black & Veloutsou, 2017; He, Li & Harris, 2012). This means that since the goal of brand management should be to create the intended image of the brand in the minds of the company's customer base, this intended image is identical to the internal identity of the brand.

Like was mentioned previously in this thesis, the traditional approach to the nature of brand identity has been to consider it to be static and enduring, while considering its construction to be the very first step of the branding process. This idea has however been challenged to some degree, for example by Törmälä and Gyrd-Jones (2017). They did not consider the formation of brand identity to be the first step of brand management, but rather thought that the brand identity of a company slowly develops in a dynamic process between the company and its stakeholders over time. Not only did they challenge the traditional view of brand identity in terms of its formation, but in terms of its endurance as well. The researchers did not consider brand identity to be static and fixed, but rather under constant change and development based on the aforementioned dynamic process happening in the context of the company's business operations. While differing opinions regarding the nature of brand identity exist, its crucial role in the success or failure of a company's brand management process and potential creation of brand loyalty is however commonly recognized across competing theories (Törmälä & Gyrd-Jones, 2017; Shirazi, Lorestani & Mazidi, 2013).

The Brand identity itself is a construction of tangible and intangible variables that are determined by the internal core values of the company (Ghodeswar, 2008 and Wheeler, Frost & Weiler, 2011). These variables related to the company's business operations such as pricing, quality, design, personality, and imagery, form a vision of how the organization wishes to identify itself and is a crucial driver behind how the organization's culture, personality and relationships with various different stakeholders are formed (Ghodeswar, 2008; Nandan, 2005).

4.2 Usefulness of brand identity

In order to be able to conduct brand management in a coherent manner, marketing professionals need a clear direction or a guiding principle to guide them. This is one of the functions of brand identity. It can be argued that in the process of brand management, the establishment of brand identity should the very first step (Keller, 2001). This is the case since for brand management to be able to be conducted effectively, all the different processes in it have to form a coherent and harmonious whole. If this isn't the case and the brand is constructed in such a manner that the marketing activities of the company in question include variables that are either not

coherent with the brand identity and desired image, or are even in direct contrast with them, the goal of the brand management process cannot be reached and the company will receive significant financial detriment (Nandan, 2005). It is also important to note that this detriment doesn't only come in the form of lost potential value, but it also can have a direct negative effect on a company's revenue. This idea can be demonstrated by utilizing the concept of brand equity, which is the amount of value that customers place on a product or service based on the brand of the organization providing it, which is beyond the bare value that would be placed on that product or service if it did not have that brand attached to it (Slade, 2016). In her aforementioned work Slade inspected the concept of brand equity and noted that it can be either positive acting as an asset for the organization increasing revenue, or negative and affecting revenue levels by lowering them.

This idea leads to the realization that everything a brand does or agents under that brand do has an effect on the way that relationships are formed between the brand and its stakeholders, particularly its customer base (Park, MacInnis & Priester, 2009). This means that brand management has to be conducted in a very controlled manner. This is a more complex task than it might appear at first glance, since like was mentioned earlier, the process includes many variables that are outside of the direct control of the company conducting brand management. If actions unfitting to the organization's branding strategy are taken and these actions are exposed to those factors outside of the organization, mainly its target customer base, it is extremely likely that the organization's marketing strategy will not achieve its goals and the results can be severe (Nandan, 2005). From this idea a straight line can be drawn to the main usefulness of brand identity, which is its nature as the overarching and guiding principle providing direction to effectively all operations under brand management.

4.3 From brand identity to brand image

Brand identity is definitely a very crucial factor to consider when planning and conducting brand management. However, to be able to fully understand the branding process and the creation of possible brand loyalty, marketing managers have to expand their view from just internal aspects of the process and take into account external variables as well, which was one of the central ideas resulting from the adaptation of

the modern branding approach (Slade, 2016). Branding should be seen as a dynamic and bidirectional social process, in which consumers and other external stakeholders have an active role as well (Black & Veloutsou, 2017). If the role of these stakeholders is ignored, the resulting setting of brand management operations will very likely have significant blind spots, which naturally lead to financial detriment for the company.

The concept that is central when inspecting the role of these external stakeholders in the branding process is brand image. Whereas brand identity is the company's internal understanding of their brand and what their brand should be, brand image is the perception of the brand that is generated in the minds of the company's customers and other external stakeholders (Black & Veloutsou, 2017). When a company conducts marketing activities or even effectively any other business operations that are exposed to the attention of an external stakeholder, the stakeholder naturally goes through a subjective reaction to what he or she experiences. Based on this subjective reaction he or she then forms an understanding in their mind of what they think the brand of the company in question is like, hence creating a version of brand image (Nandan, 2005).

The role of the consumer in the branding process is hard to overstate. This idea was emphasized by Don Peppers and Martha Rogers, when they talked about the matter in a very quotable manner stating that: "The only value your company will ever create is the value that comes from customers - the ones you have now and the ones you will have in the future. Businesses succeed by getting, keeping, and growing customers. Customers are the only reason you build factories, hire employees, schedule meetings, lay fiber-optic lines, or engage in any business activity. Without customers, you don't have a business." (Kotler, Keller, Brady, Goodman & Hansen, 2012.) The central role of consumers is even more significant in the modern market setting, where consumers have many opportunities to choose from between competing brands. This means that having a clear understanding of the needs and wants of the target customer base is crucial to the success of the branding process (Rajagopal, 2010).

Brand image is an important concept for marketing professionals to understand, since if a company is able to create a positive brand image fitting to their brand identity and overall business and marketing strategy, the brand image can have a direct and sizable positive effect on the company's success (Shirazi, Lorestani & Mazidi, 2013). The way

that this value is generated starts by a stakeholder first forming a construction in their mind of what their understanding of the brand in question is. In the case of an external stakeholder, for example a customer of the company the brand of which is being considered, this construction is a version of brand image. The next step in this value creation process is the customer then forming psychological and emotional connections to that brand image (Sorresse, 2018). It has to be noted that these connections can also be negative in nature, but if the brand identity of the company has been able to be communicated to the consumer in such a manner that the created brand image is coherent with the personal value system of the consumer, that consumer then starts to identify themselves with the brand (He, Li & Harris, 2012). Once this identification has occurred, the brand becomes a part of that consumer's persona and they form a mental relationship with that brand (Park, MacInnis & Priester, 2009). The formation of this relationship should be one of the goals, if not the most important goal, of brand management (Ghodeswar, 2008). If the company is able to generate a strong bond between its consumer base and its brand, the consumers experience a relationship with the brand that to a certain extent functions quite similarly to a personal relationship that they might have with another person (Park, MacInnis & Priester, 2009). From the point of view of the company to the brand of which the consumer has developed such a connection, in the ideal case this relationship can develop into a high level of brand loyalty on the part of the consumer, which in turn will act as a hugely valuable asset for the company, delivering value in a vide array of different forms.

5 BRAND LOYALTY

Brand loyalty is the final central variable to be considered before starting to answer the research question of this thesis. Like with brand identity, this consideration is going to start by first defining what is meant by brand loyalty. Beyond the definition of the concept, this chapter also examines how brand loyalty is formed in the minds of stakeholders of the company, mainly its customer base. Then after an understanding of the phenomenon has been established, the focus is going to turn on the role of a company in this process and how they in their part can further the development of loyalty felt towards their brand.

5.1 Defining brand loyalty

While it is important for marketing professionals to have a good grasp on the concepts that have already been talked about in this thesis, it is also crucial to have a clear picture of what should be the aim of a particular branding strategy. If the goal of a branding strategy is clear and the benefits of this goal have been recognized and validated, planning and managing a particular branding strategy is a significantly more straightforward task.

One of the most important, if not the most important, goal of any modern branding strategy should be to establish a brand loyal customer base (Ghodeswar, 2008). Brand loyalty has been recognized as such of a crucial variable to cultivate from the point of view of the company the brand of which is enticing it, that it has even been argued that the generated level of brand loyalty in the target customer base should be the primary variable to measure when evaluating the success or failure of the company's marketing strategy (Nandan, 2005)

While the concept of brand loyalty might at first glance seem like a self-explanatory term, it is still important to clearly define what is being talked about, just like with the previously handled concepts. One way to define brand loyalty is to consider it to be a deeply held commitment in the mind of a consumer to re-purchase a product or service from a particular brand, even though some situational factors might entice a change in behavior (Kotler, Keller, Brady, Goodman & Hansen, 2012). This means that

consumers that are brand loyal are willing to utilize the services of the brand both at a higher unit cost and also more often (Wu, Yeh & Wu, 2015). They are willing to do this because they have formed a mental relationship with the brand, that has been established based on the level of alignment between the personal value system of the consumer and the value system tied to the image of the brand that the consumer has constructed in their mind (Keller, 2001). Although a consumer might continuously buy a certain product just based on its quality, this doesn't necessarily entail brand loyalty. The level of loyalty that offers the desirable value for the company takes place only after close meaning ties are formed between the consumer and the brand, and when from the point of view of the consumer the brand acts more as a partner linked to the identity of the consumer, and not as an external commercial entity (Coelho, Rita & Santos, 2018). Establishing this level of commitment would be easy if it could be achieved solely based on the quality of the offering, but that is not the case. Because of the complexity of the brand loyalty creation process and the significant potential value that is achieved if this process is conducted effectively, it is very important to have a clear picture of how brand loyalty actually forms.

5.2 Nature of the brand loyalty creation process

After establishing the fact that brand loyal customers are hugely beneficial for a company to have and their acquirement should be a central objective of a modern branding strategy, it should be considered how brand loyalty actually is generated. How does the bond between the customer and the brand actually form in the mind of the customer?

The foundation of this phenomenon is value, in the sense of the word meaning benefit to the customer. A clear relationship has been observed between brand identity and the loyalty that the brand stirs in its customers, and the basic level understanding is that this relationship is indeed built on the value that the customer receives from interacting with the brand (Coelho, Rita & Santos, 2018; He, Li & Harris, 2012). However, in order to fully understand the process of brand loyalty creation, a more fundamental approach has to be taken.

While the quality of the product or service that a company offers is a part of this value and helps initiate the loyalty generation process, this type of functional value isn't the only, or even most important value for the customer in terms of loyalty creation. It has been observed that in addition to the functional value that a customer gets from interacting with the brand, the levels of trust, satisfaction, and emotional connection based on the coherence of value systems between the customer and the brand are dominant drivers and predictors of the generation of brand loyalty (He, Li & Harris, 2012; Keller, 2001; Wu, Yeh & Wu, 2015). Out of all of these variables, the coherence between the consumer's personal value system and the corporate values of the brand is arguably the most important (Rajagopal, 2010). After the initial contact has been made between the consumer and the brand, the consumer often starts to anthropomorphize the brand, assigning human attributes to it based on the image that the consumer has accumulated of the brand (Rajagopal, 2010). The resulting personality of the brand is known as brand character, which is a variable with an enormous role in the process of creating brand loyalty and affecting consumer behavior (Wu, Yeh & Wu, 2015). Brand character is also an important concept for marketing professionals to grasp, since it has been noted that a company can influence the creation process of the character of its brand by using brand positioning tools, naturally meaning that they can influence the resulting construct in a beneficial manner (Rajagopal, 2010). The next step is that the consumer compares his or her personal value system to the value system of the brand character and starts to develop a connection with the brand based on the coherence between them (Keller, 2001). Naturally if the coherence between the value systems is high and it is very easy for the consumer to relate to the brand, both the likelihood and extent of potential brand loyalty creation is much higher.

5.3 Role of the company in creating brand loyalty

Although these findings place a high focus on the role of the customer in the brand loyalty creation process, the company is still able to take certain steps in order to make its brand as probable to entice loyalty as possible. The fundamental focus of the company's brand management should be on the coherence between the value systems of the consumer and brand character. If this coherence is extensive and meaning ties between the customer and the brand are cultivated, a significantly higher level of brand

loyalty can be achieved (Coelho, Rita & Santos, 2018). The focus of the planning of this process should be on the values and needs of the customer. If this is not the case, the customers will simply end their relationship with the brand and move their purchasing activity elsewhere, which is an unavoidable precondition of the modern highly competitive business environment (Nandan, 2005). Because of this, the brand of a company has to be constructed in a manner that emphasizes consumer needs (Rajagopal, 2010). This is a beneficial idea for both the company and the customer, since the customer receives a higher level of satisfaction and value based on the aforementioned factors and the company gains access to a larger amount of monetary value and a higher level of potential brand loyalty (Rajagopal, 2010).

It is crucial for the company to keep the values and needs of its customers keenly in mind when formulating and conducting branding strategy. If this isn't done, it is very difficult to create a branding strategy that leads to goal fulfillment with regards to generating customer loyalty within the target customer group. Once a deep understanding of the needs, wants and thought patterns of the target customers have been acquired, the company can then reflect on those variables in the context of their brand identity and start formulating a branding strategy fitting to their brand identity, while at the same time being approachable and enticing from the point of view of the target customer base. Approaching the formation of branding strategy in this manner allows the company to consolidate their position and brand power, hopefully resulting in a clear and effective brand (Rajagopal, 2010). In addition to the viewpoints of the company's internal brand identity and the target customer base, it should also be made sure that the resulting branding strategy fits into the preconditions set by the overall business environment, particularly the competing brands. From the point of view of the consumer, distinctive brands are considered to be able to offer significantly more value and entice a higher degree of loyalty, based on which it can be argued that the brand in question has to be effectively differentiated for the previous considerations to even be relevant (Coelho, Rita & Santos, 2018).

It is easy for marketing professionals to approach the formation of branding strategy from a too close-minded mindset, meaning that they are too enticed by the brand identity of the company and to a too large degree build their branding strategy upon it, leaving the customers' point of view and the brand's image with too little attention. If

this happens either the company is unable to create brand loyalty, or the customers might even take charge of the direction of the brand, which leads to the company losing basically all control of it (Black & Veloutsou, 2017). However, the branding process cannot be conducted solely based on the customers' point of view either. Successful branding requires a deep commitment to the values of the brand on all levels of the company, which is difficult if the views of the internal stakeholders of the company don't resonate with those values (Wheeler, Frost & Weiler, 2011). By considering both of these statements, it is clear that there has to be a balance between the company's and its customers' views of the brand, meaning the brand identity and the brand image, and the balance of these variables then should act as the foundation of branding strategy. Deep coherence between the brand identity and brand image is a fundamental factor affecting the development of brand loyalty in the minds of the brand's customer base (Nandan, 2005). The company's ability to both create and maintain this relationship between its brand identity and brand image depends largely on how the company interacts with its customer base by for example keeping up with their attitudes about the brand, communicating with them, and collecting feedback while also acting on that feedback (Nandan, 2005). By approaching the branding process in this manner, the company can create a setting where both themselves and the customer base are working and interacting with the brand together, resulting in a mutually beneficial setting offering value to both sides of the process.

6 FINDINGS

Before talking about the role of brand identity in it particularly, the ideas presented in the previous chapters of this thesis should be combined in order to create an understanding of the brand loyalty creation process in terms of the variables studied in this thesis. The nature of the start of this process is debatable to a degree from the point of view of brand identity. For the purposes of this thesis, the analysis of the matter is done by taking the traditional approach to the development of brand identity, meaning that brand identity is considered to be developed at the very beginning of the branding process. This notion is however debated, for example by the aforementioned study conducted by Törmälä and Gyrd-Jones (2017), who considered brand identity to not be developed at the start of branding process, but rather while this process and other overall business operations are well underway. Similarly, it should be distinguished that when talking about brand loyalty, the focus of this thesis is specifically on the loyalty of the external stakeholders of a company, particularly the target customer base. While keeping these preconditions in mind, the ideas of this thesis combined lead to the following understanding of the brand loyalty creation process.

First the brand identity of the commercial entity is developed inside the entity. The internal stakeholders of the company develop an understanding in their minds of what their brand is like in terms of enduring and constant qualities (He, Li & Harris, 2012). The internal stakeholders of the company internalize the identity of their brand to the degree where it affects their behavior in situations where they act as agents of the brand. At least this is hopefully the case, since successful branding requires commitment from the part of the internal stakeholders of the company to the values of the brand, in order to deliver a constant performance aligned with the desired brand image (Wheeler, Frost & Weiler, 2011). If certain aspects of the conducted business operations do not fit into the intended image of the brand, the brand loses credibility in the eyes of its target customer base (Rajagopal, 2010). The acts that the agents of the company then conduct when interacting with external stakeholders cause the external stakeholders to develop an understanding of the brand based on their subjective experiences. The subjective reactions of the stakeholders that result from their experiences then start forming an understanding in the minds of the external stakeholders about the brand, which ultimately leads to a formation of a version of

brand image (Nandan, 2005). Next part of the process is the stakeholder then mentally interacting with the created brand image. The nature of this interaction depends of the coherence between the value system of the external stakeholder and the values that are emended in the generated brand image (Keller, 2001). If no coherence exists or it is limited, no relationship is created, and the stakeholders might even react to the brand in a negative manner (Nandan, 2005). However, if the stakeholder is able to relate to the brand and their value system is aligned to their understanding of the value system of the brand image, essentially the character of the brand, they start forming mental and emotional bonds with the brand (Wu, Yeh & Wu, 2015). If these bonds are extensive and tight, they can lead to the formation of brand loyalty, which should be the goal of the company's brand management (Ghodeswar, 2008). Below this process is depicted in a simple manner for the purposes of reification.
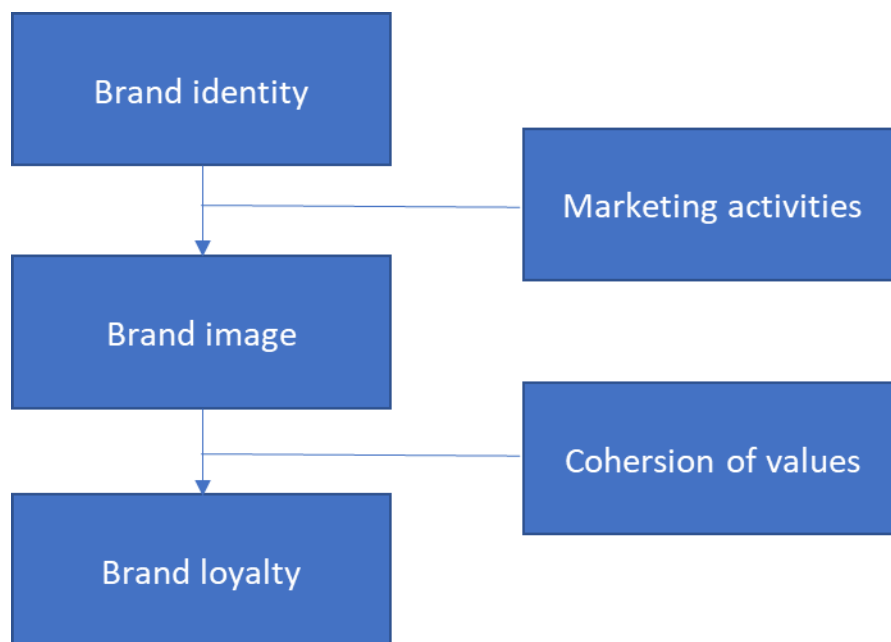

Figure 1. Formation of brand loyalty in terms of the inspected variables

7 CONCLUSIONS

Now that an understanding of the brand loyalty creation process has been formed in terms of the variables studied in this thesis, the specific role of brand identity in it can be inspected in order to answer the original fundamental research question:

What is the role of brand identity in the formation of brand loyalty?

According to the previously outlined understanding of the brand loyalty creation process, brand identity itself is not the main variable directly affecting the potential formation of loyalty that the customers of a company feel towards its brand. Brand identity has a big impact on the creation of brand loyalty, but this impact is indirect in nature. This conclusion is natural to draw due to the fact that the customers of a company are not actually in direct contact with the identity of the brand, which is a mental construct in the minds of the internal stakeholders of that company. Rather the development of potential brand loyalty on the part of the customer base is generated based on the degree to which the image of the brand is aligned with the value systems of its customers. This means that brand image is the primary variable with which the customers interact with and develop potential brand loyalty based upon. This however does not mean that brand identity has no role in the brand loyalty creation process.

The role of brand identity in the formation of brand loyalty can be observed from an early stage of the brand loyalty creation process, and it is guiding in nature. Like was stated previously, the identity of a brand is an enormous factor affecting the behavior of the internal stakeholders of a company, and both the marketing and business operations of that company in general. If the identity of the brand has been internalized by the internal stakeholders acting within the context of this brand, their behavior is hopefully aligned with the values of the brand. This means that they conduct themselves and the operations that they run in a manner that is aligned with the values of the brand identity, and that aims to create a particular type of a brand image that the target consumer segment of the brand reacts positively towards. Achieving the construction of a specific type of a brand image would be very challenging, if not impossible, if the various internal stakeholders of the brand were to act in an incoherent manner without a set of shared principles.

This is the role of brand identity in the process of creating brand loyalty. Based on the findings of this study, brand identity acts as a value system providing the internal stakeholders of a company with a shared set of principles to act according to and motivating them to do so. A well-established brand identity, through guiding the actions of the internal stakeholders of the brand, makes it more likely that the company is able to achieve a brand image that the target customer segment reacts positively towards and ultimately hopefully forms a bond of brand loyalty with. This means that the role of brand identity in the brand loyalty creation process is to act as the source of the desired image, and the template based on which the brand management operations of a company, as well as other business and marketing operations in general, are planned and formed. Through these functions the identity of the brand of a company can act as a hugely important source of value for that company, especially if the management personnel of the company recognize this potential of it and cultivate a level of profound commitment to the values of the brand identity in the internal stakeholders within the company.

The main contribution that this particular study makes is shining light on a subject that has not been studied nearly to the degree that is warranted considering the aforementioned both theoretical and managerial implications linked to it. This is done by drawing a connection between two particular factors, these factors being brand identity and brand loyalty, which is something that has not been done extensively in academic research. Although the various individual factors handled in this study have been the subject of a significant amount of previous high-quality scientific research, this thesis aims add to the previous scientific discourse by connecting the previously established ideas in a new and innovative way.

In the realm of scientific research, it is common to explore the connection between brand identity and brand image, a good example of which is the study conducted by Shiva Nandan (2005). In his study Nandan handles this particular connection from a communications standpoint, which certainly is an important avenue to study from the perspective of marketing. This study however does not recognize the link between brand identity and brand loyalty. Similarly, the connection between brand image and brand loyalty has been significantly studied and the relevance of this relationship has been widely recognized for example by Mabkhot, Shaari and Salleh (2017), whose

study demonstrated the magnitude of this connection by studying automobile brands. Again, although the findings of this study certainly are important and useful, the researchers chose to explore an already extensively researched interaction. Instead of doing this, this thesis aims to formulate results differing from previous studies approaching the same discussed factors, by taking essentially a different approach to the study of those factors. However, it should be acknowledged that recognizing the connection between brand identity and brand loyalty has been done in previous studies to a limited degree. This was done for example by Shirazi, Lorestani and Mazidi (2013), who studied the link between these two factors in the context of mobile phone brands. The approach that these researchers chose for their study was however quite limited to that particular commercial setting, while this thesis aims to formulate more applicable results with potentially both academic and commercial implications.

It should be noted that the approach chosen for the purposes of this thesis is rather theoretical in nature and the findings of the thesis have not been validated outside of the setting of literature review. This means that in order to effectively evaluate particularly the legitimacy of the findings from a managerial standpoint, further research should be conducted by applying the theories presented in this thesis in a more practical and case-orientated setting. Concretely this means that the process of brand loyalty creation presented in this thesis should be inspected in the context of a specific case company or case companies. Doing this allows the inspection of the way that the brand identity of the particular case company or companies concretely affects the potential formation of brand loyalty in the customers of the studied brands. The relatively unexplored nature of this subject means that it still has numerous potential avenues of study available within in, meaning that it can provide a fruitful amount of relevant knowledge both from academic and commercial standpoint.

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