CHAPTER II

THEORETICAL BACKGROUND

II.1 Marketing

Marketing holds a very important role within a company business. It is one of the most basic process in collecting profit for the sake of the company existence in the business. But the market nowadays has also improved in term of what can satisfy their needs and wants. Consumers as a human being create such a sophisticated demand of satisfactory due to the uniqueness of the human emotions itself.

According to American Marketing Association, the definition of marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for consumers, clients, partners, and society at large. Today, marketing must be understood not in the old sense of making sale "telling and selling" but in new sense of satisfying customer needs. Marketing is the homework that managers undertake to assess needs, measure their extent and intensity, and determine whether profitable opportunities exists (Kotler and Armstrong, 2006).

Marketing is not as easy as it looks because it involves a multidisciplinary theories and researches. There are so many theories on how to win the market. In a simple way, marketers' goal is to sell their products and services to the customers in

order to gain maximum profit and persuade the customers to come back to them to buy more of their products and services.

II.1.1 Segmentation

If all consumers were alike in terms of needs, wants, desires, and coming from identical education, experience, and background mass marketing would be a logical approach. While in the real life a very different reality happens here. Consumers are different in many ways as an individual. This requires a strategy of segmentation to split a market into different subsets of consumers with common needs or characteristics. But the process will not stop just there. This is the first step in the big grand scheme of marketing. Marketer then must select one or more segments to target. To accomplish this, the marketer must decide on a specific marketing mix. The final step is to have a positioning strategy of their product so that it is perceived by the customers in each target segment as satisfying their needs better than other competitive offerings (Schiffman and Kanuk, 2003, p. 50).

There are five major categories of customer characteristics. They are geographic, demographic, psychographic, benefit, and behavioral segmentation (Keegan, 2001, p. 192). The geographic segmentation is dividing the world into geographic subsets. While demographic segmentation is based on measurable characteristics of populations such as age, gender, income, and education. The

behavior segmentation focuses on whether customers purchase and utilize a product, as well as how often and how much they use it.

Psychographic segmentation involves grouping customers in terms of their attitudes, values, and lifestyles. It sees a customer segment can be thought of as a composite of customers' pleasured activities, interests, and opinions (Schiffman and Kanuk, 2003, p. 60). The segmentation is more emphasizing on the customer lifestyle. The result of psychographic segmentation efforts are frequently reflected in companies' marketing messages. Psychographic is usually associated with the values and lifestyle (VALS) system developed by the SRI Consulting in 1978, and redefined in 1989.

II.1.2 Positioning

Product positioning refers to the act of locating a brand in customer's minds over and against other products in terms of product attributes and benefits that the brand does and does not offer (Keegan, 2001, p. 339). There are five positioning strategies: positioning by attribute or benefit, quality/ price, use or application, and use/ user. Two extra strategies have been recommended for global products: high-tech and high-touch.

High-tech products may be divided into three categories: technical products, special-interest products, and demonstrable products. Marketing for high-tech products should be informative and emphasize features.

Marketing of high touch products needs less stress on specialized information and more emphasis on image. The customers in here share a universal language and set of symbols relating to themes of wealth, materialism, romance; they also have passion for products that have country of origin appeal.

II.2 Brand

There is so many way to define the term "Brand." But the author finds this description is suitable with the context of this research. Brand is a set of perceptions and images that represent a company, product or service. While many people refer to a brand as a logo, tag line or audio jingle, a brand is actually much larger. A brand is the essence or promise of what will be delivered or experienced (http://www.persuasivebrands.com/showpagecontent.aspx?pagename=Brand_Definiti on). Brands are not just names that companies use to identify the various products and services they attempt to sell to people. Brands provide a greater idea for both marketer and customer.

At the first time brands originally used by hunters and cattle herders as exclusive marks shaped to signify source or ownership. Their role was purely to differentiate one thing from another. The brand was a simple distinct marker of ownership. Then the brand evolves to more than mere ownership due to the appearance of artists' signatures, family crests, and heraldic emblems. They were employed to convey important messages, some of which had to do with the status or

position of the owner and some other served as guarantors of product quality, conveying the particular pride felt by their creator or producer.

The role of the band thus extended well beyond merely differentiating possessions. Brands now conveyed the personal endorsement of the product's creator as well as positive, enviable values associated with the ownership experience. They now expressed a reciprocal relationship, something that has value for both the owner and the maker (McEwen, 2005, p. 18).

II.2.1 Brand As a Symbol

Brands are symbols. The market is a world dominated by commercial icons, total design intiatives, and completely intergarated marketing efforts, where products are consumed less for what they are (materially) and more for what they represent (spiritually or socially) (Atkin, 2004, p. 111).

Symbols literally make meaning possible; they allow a given worldview to come alive in any and in every community. Symbols are the part of culture, whether they are written, verbal, aural, or pictorial. They are the diverse media by which humans aggressively and externally communicate, celebrate, and protect their beliefs and values. They more resemble an arrangement of signs that bind together an entire set of meaning.
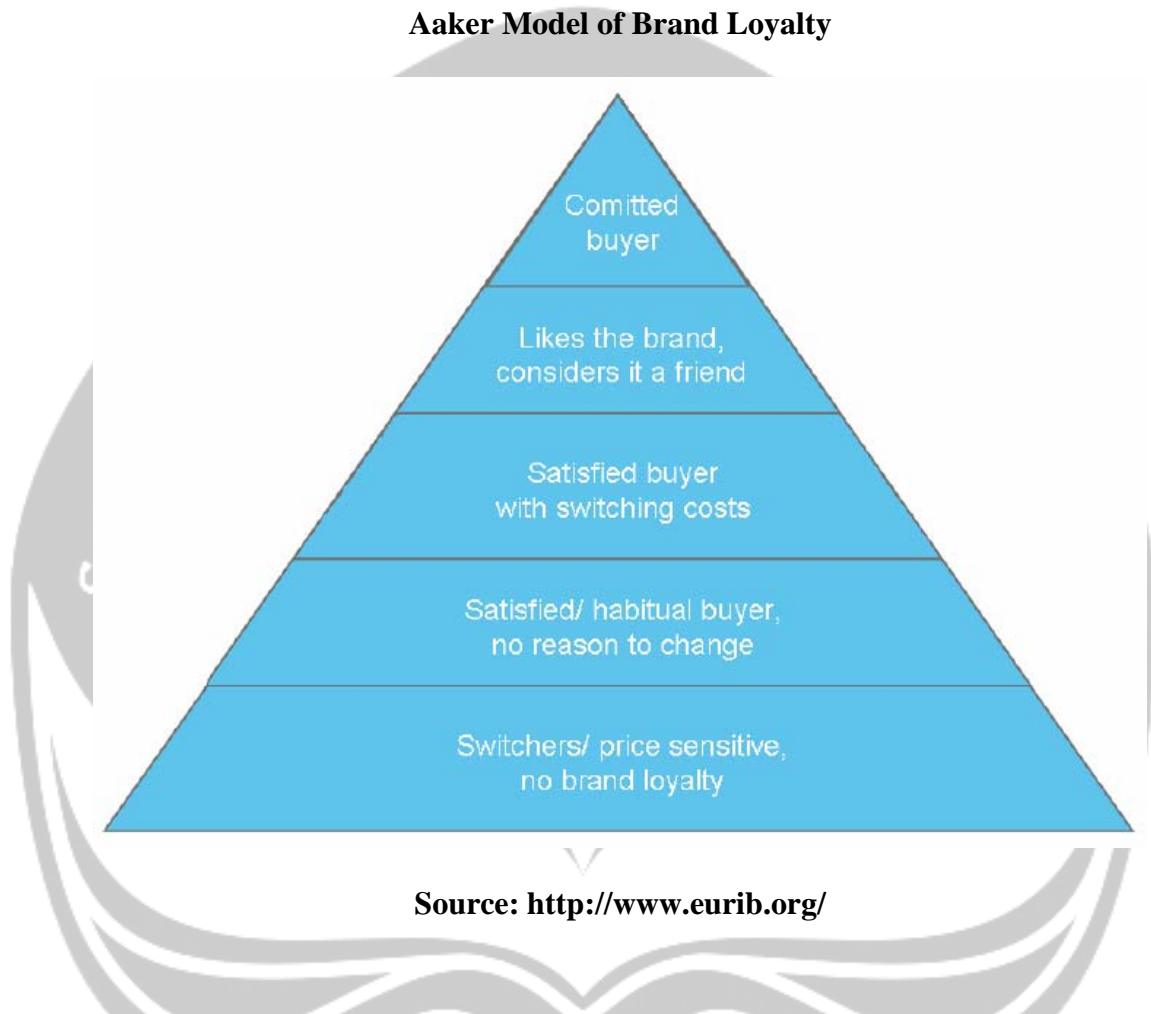
As the economy shifts from supply-side to the demand-side, so too does the social importance of the brand. Almost half a century ago, it was the producer that the

brand legitimized: the origin and authenticity of the product. Today a brand legitimizes the customer: the individual's and community's origin and authenticity. A brand is no longer viewed as a flat sign fro corporate identification, a two-dimensional logo appeared on the packaging of a product. Brands become distinctive markers of human identity (McEwen, 2005, p. 115). As the creative developer of Apple's campaign, Lee Chow, explains, "Brands are not just a way of remembering what you want to buy anymore. They have become part of the fabric of our society. Brands are part of our system of ordering things, they even create context about who we are and how we live. They articulate who you are and what your values are."

Creating a differentiated brand name or look is only the earliest part. The real task for brand holders is to create a distinctive brand experience, a unique feeling that results from purchasing or consuming the brand. The brand experience is the basis for a brand relationship (McEwen, 2005, p. 18).

II.2.2 Brand Loyalty

David A. Aaker defines brand loyalty as a measure of the attachment that a customer has to a brand. It reflects how likely a customer will be to switch to another brand, especially when that brand makes a change, either in price or in product features. There are five levels of brand loyalty according di Aaker, ranging from not loyal to very loyal.

Figure 2.1

Aaker Model of Brand Loyalty

Comitted
buyer

Likes the brand,
considers it a friend

Satisfied buyer
with switching costs

Satisfied/ habitual buyer,
no reason to change

Switchers/ price sensitive,
no brand loyalty

Source: http://www.eurib.org/

The five types of customer behavior on the brand loyalty scale are:

1. Switchers

   These are buyers that are not loyal to the brand. This customer does not look at the brand by any means in the customer purchase behavior. They tend to buy discounted brand. This type of customer has no hesitation about switching brands.

2. Satisfied/ Habitual Buyer

These are customers that purchase a brand out of habit. These tend to be reasonably satisfied customer who essentially does not see any foundation to change their purchase behavior and therefore they are not looking for any alternatives. When such customer has to go to some difficulties to get his or her usual brand, he or she will relatively easily purchase another brand, instead of going to another store to get the brand he or she usually uses.

3. Satisfied Buyer with Switching Costs

Characterized as a satisfied customers who are unwilling to switch to a competing brand due to existing threshold (switching costs). Such threshold can arrive in the form of expenses incurred in terms of time (the time it takes to go to another store to find the usual brand), financial expenses, and the feeling of making compromises to quality.

4. Brand Likers

They can be classified as true brand enthusiasts. Their brand preference is mostly engendered by an experience of emotional benefits, beside mereore than rationally, such as price, time and quality. Emotional benefits can be pursued by connecting certain associations and or experiences to a brand. This highly positive attitude towards a brand can be seen as a sort of friendship. This is additionally reflected by the fact that brand likers are in

general incapable to state why exactly they have such a strong preference for the brand.

5. Commited Buyer

The highest level of brand loyalists. They are the proud users of a brand, in whose daily lives the brand actually plays an important role. Committed buyers purchase this brand because it closely binds with their personal values. Retention of customers at this level is high.

II.2.3 Measurement for Brand Loyalty

Brand loyalty is the desired goal on consumer learning. Marketers agree that brand loyalty consist of both attitudes and actual behaviors toward a brand. Attitudinal measures are concerned with customers' overall feelings (e.g. evaluation) about the product and the brand and their purchase intentions. Behavioral measures are based on observable responses to promotional stimuli, repeat purchase behavior rather than attitude toward the product or brand (Schiffman and Kanuk, 2003, p. 241). This indicates an acknowledgement that emotion is playing a significant role in the brand loyalty that could lead to strong relationship with the customers.

II.3 Consumer Behavior towards Brands

Consumer behavior is defined as the behavior that consumers display in searching for, purchasing, using, evaluating and disposing of products and services

that they expect will satisfy their needs (Schiffman and Kanuk, 2003, p. 8). It emphasizing on how customers as an individual make decisions to spend their available resources (time, money, and effort) on consumption related items (Pimentel and Reynolds, 2004, p. 18). Consumer behavior occupies the thoughts and feelings customers experience and the actions they perform in consumption processes. It also embraces all the things in the environment such as advertisement, price information, packaging, product appearance, promotion tools and many other that influence these thoughts, feelings, and actions.

II.3.1 Maslow Hierarchy of Needs

Psychologist Abraham Maslow first introduced his concept of a hierarchy of needs in his 1943 paper "A Theory of Human Motivation" and his subsequent book, Motivation and Personality. This hierarchy proposes that people are motivated to fulfill basic needs before moving on to other needs. Maslow's hierarchy of needs is most often demonstrated as a pyramid, with lowest levels of the pyramid made up of the most basic needs and more complex needs are at the top of the pyramid. Needs at the bottom of the pyramid are basic physical requirements including the need for food, water, sleep and warmth. Once these lower-level needs have been met, people can move on to the next level of needs, which are for safety and security.

As people progress up the pyramid, needs become increasingly psychological and social. The need for love, friendship and intimacy become important. Further up

the pyramid, the need for personal esteem and feelings of accomplishment become important. Maslow emphasized the importance of self-actualization, which is a process of growing and developing as a person to achieve individual potential and believed that these needs play a major role in motivating behavior. Hierarchy of Human Needs and concepts like self-actualization are the key to understanding why customers consistently choose one brand over another and enjoy such strong relationships with them (Ragas and Bueno, 2002, p. xxix).

Figure 2.2

Maslow Hierarchy of Needs
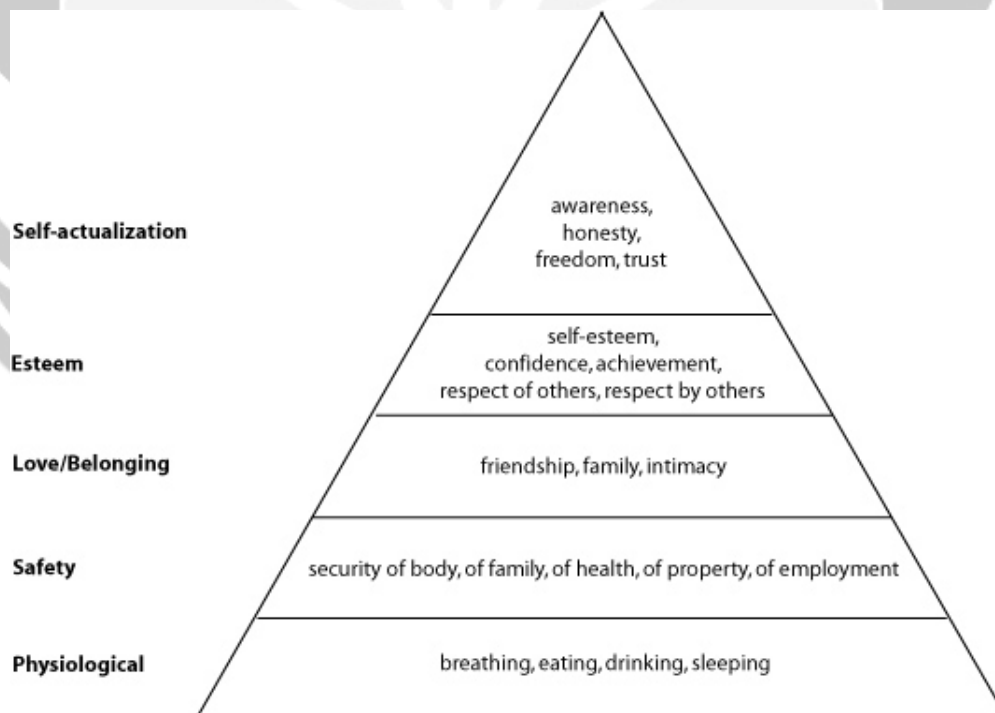
Maslow's Hierarchy of [Human] Needs

Source: http://blog.makingitclear.com

The levels of hierarchy are:

1. Physiological Needs

    These include the most basic needs that are essential to survival, including the need for water, air, food, and sleep. Maslow believed that these needs are the most vital and natural needs in the hierarchy because all needs become less important until these physiological needs are met.

2. Safety Needs

    After the first level of need is satisfied, safety and security needs become the driving force behind an individual's behavior. These needs are concerned not only with physical safety but also include order, stability, routine, familiarity, and control over one's life and environment. Health and the availability of health care are important safety concerns. Saving accounts, insurance policies, education, and vocational training are all means by which individuals satisfy the need for security.

3. Love/ Belonging Needs

    The third level includes such needs as love, affection, belonging, and acceptance. People seek warm and satisfying human interactions with other people and are motivated by love for their families.

4. Esteem Needs

After the first three needs have been satisfied, esteem needs becomes increasingly important. These include the need for things that reflect on self-esteem, personal worth, social recognition, and accomplishment. This need is also known as Egoistic Needs. These needs can take either an inward or an outward orientation, or both.

5. Self-Actualization Needs

This is the top level of Maslow's hierarchy of needs. Self-actualizing people are self-aware, concerned with personal growth, less concerned with the opinions of others, and interested fulfilling their potential. Maslow noted that the self-actualization need is not necessarily a creative urge but that it is likely to take that form in people with some capacity for creativity.

II.3.2 Commitment

II.3.2.1 Allen and Meyer Commitment Types

Allen and Meyer on 1990 developed and tested a three-component model of commitment. It was originally applied to the commitment of an employee to an organization.

1. Continuance Model

The continuance component of commitment refers to the employee's perception of the costs of leaving the organization as opposed to the benefits of remaining. The emphasis of this model is on the costs. They

compare between the benefits received from an activity and the cost of not conducting the activity. If the benefit is higher cognitively, they will perform such activity.

2. Normative Model

The normative component occurs when employees are loyal to the organization because they feel that is the moral and correct thing to do, that they have a responsibility to the organization.

3. Affective Model

The affective component works when employees are loyal because the want to be. These are employees who feel very connected and have strong affective feelings toward the organization.

II.3.2.2 Echambadi Commitment Types

Echambadi also applied the framework of the Allen and Meyer model to the customer retention context.

1. Calculative Commitment

Calculatively committed customers expressed preferences for brands due to product features and benefits. They see a net benefit when comparing the costs (financial, effort, emotional input) and the benefits .

2. Normative Commitment

While normatively committed customers referred to family traditions with various brands. Normative commitment can be viewed as the sum total of internalized pressures and reflects the socio-normative base to retention. They behave to receive certain reward for it. They behave because the others expect them to behave like that. The motivator for such devotion is intrapersonally-based antecedents. These antecedents for loyalty relate to anticipated personal benefits to be received by being loyal to a brand, such as consistently pleasing performance of the product and a perception of good value for the money. Satisfaction of these can be motivating commitment to a brand (Pimentel and Reynolds, 2004, p. 21).

3. Affective Commitment

Through the sacralization process calculative and normative commitment could progress into the affective commitment, a more personal and intense form of commitment. Affectively committed customers are committed regardless of the balance of costs and benefits for it and regardless of the expectations of others. The antecedents for this commitment are interpersonally-based.

Calculative and normative commitments are not mutually exclusive. These forms of commitment are temporary or transitory. If other brand offers better alternatives (discounts, lower consumption of fuel, more sleek design) or if the socio-

normative influence does not affect the customers to perform such commitment, they might likely to shift to other brands.

According to Fournier, if a customer has developed a committed relationship with a brand, the customer is even more invested, monetarily and emotionally. The higher level the commitment is, the bigger the investment will be. Affective commitment in this context also includes increasing identification with the brand. For example, "Harley Davidson represents me as a person as much as I think a motorcycle can. It is strong, rebellious, and uncompromising". After customers complete sacralization processes, commitment to the brand appears to be more affective, versus calculative or normative.

As shown on the above example, the outcome of affective commitment can be defined: (company) performance is not necessarily important to the customer's identification with the brand.

II.4 Cult Brands and Customer Devotion

If the performance is not necessarily important to the customer's identification with the brand, then what drive them into such commitment? The answer is the true commitment to the brand itself. This cult brands exhibit a high degree of customer loyalty. Their customers not only choose their product or service over the competition once or twice, but keep on doing that week after week, month after month, and year after year. Customers are hooked and happy. A core group of happy repeat customers.

The brands do not just greatly influence purchase decisions, they actually become a crucial part of their customers' lives and actual identity.

II.4.1 Cult Branding

Cult can be defined as a group or movement exhibiting a great devotion or dedication to some person, idea, or thing. Its ideology is distinctive and it has a well-defined and committed community. It enjoys exclusive devotion (not share it with another group), and its members often become voluntary advocates.

By the extension of the cult definition, cult brand can be defined as a brand for which a group of customers exhibit a great devotion or dedication. Its ideology is distinctive and it has a well-defined and committed community. It enjoys exclusive devotion (no share it with another brand in the same category), and its members often become voluntary advocates (Atkin, 2004, p. xix).

Cult branders enjoy incredible loyalty because they work hard to connect with their customers at the very highest levels of Maslow's Hierarchy. They are able to create such brands that can fulfill human needs on the higher levels of the hierarchy that become irreplaceable in the mind of the customers. They are not just selling a product or a service; they are selling the opportunities to fulfill their customers' passions, dreams, and aspirations. The need for feelings of self-empowerment and self-fulfillment is timeless and ageless (Ragas and Bueno, 2002, p. 49).

II.4.1.1 Characteristics of Cult Brands

A marker of a brand which has reach this status is when the logo of the brand has become symbolic, not only the brand, but their customers also become symbolic. The situations where customer connections with brands have reached a level of loyalty so intense that the loyalty survives poor product performance, scandal, bad publicity, high prices, and absence of promotional efforts.

The basic characteristics of cult brands (Ragas and Bueno, 2002, p. xxxi) are:

1. Cult brand is strong

   To find the way to their customer heart, cult branders listen closely and follow what their customers think. Not only on the quality of their products, but also how to improve this brand. This is including being honest to them, make sure all the promises are delivered, and make sure that prompt action is taken when the promises are unmet. This kind of treatment will keep the emotional bond between brand and its customers strong (McEwen, 2005, pp. 124-125). After all, since they are sharing the same ideas and values, the customers feel like they are looking after their own property or even themselves.

2. Cult brand is different

   Cult brand is not for everyone. To put it in an extreme way, although it delivers the message of friendliness, the people within the group do not share the same value with the existing society. But it does not mean that

the group consisted of anti-social individuals. By grouping together, those alienated individuals become indifferent to each other. Together they value the same principles and beliefs. Take a look on the Harley Owners Group (HOG). They share the same value of freedom, rebellious, and Americana. As stated in the brand guidelines document: "Harley Truth #1: 'Harley is not for everyone.' "

3. Cult brand is brave

    Since cult brand is not for everyone, therefore it is only for individuals who are brave enough to celebrate their own differences and uniqueness. Take a look on Mac Users, when the majority of the world is using Microsoft-software-based computers, they bravely show to the world what a computer should be. And take a look also on the Harley Davidson case again. Almost everybody wants to be a rebel, but not everybody has enough courage to show it to the world.

4. Cult brand promotes personal freedom

    Cult brands are offering liberation from the monotony of life. Although Harley and Apple Computer liberate their customers from the norms, they create different themes of freedom. Harley, as obvious, offered the undeniably freedom on two wheels during motorcycle riding. While Apple offered the liberation of uncreative and unbeautiful world of Microsoft-based PC which is viewed as ultra-corporate evil-force. This is best

described with the statement of: "You become more you." Whether they want to be freedom fighters or be sophisticated nerd is up to them to decide.

5. Cult brand is beyond the products functional utilization

    Today's most successful brands do not just provide marks of distinction for products. Cult brands are beliefs. They have morals, embodies values. Cult brand stands up for things. They work hard; fight for what is right. Cult brands supply our modern metaphysics, imbuing the world with significance (Atkin, 2004, p. 97).

II.4.1.2 Characteristic of Mac Users Groups

Globally Apple customers are known as MUGs (Mac Users Groups). Mac Users have seen themselves as creative people in an uncreative world and have tended to find what refuge they can in the businesses of architecture, advertising, music and film, Apple's traditionally strong business base. To these people, Apple's call to challenge the norm has elevated their attachment to the brand beyond the simple desire to buy a clever box of electronics.

They see themselves as the savior from the dull, uncreative, uninventive, super-controlling, and ultra-corporate world of PC. By mentioning PC here, it means the Windows-operated computers. To some people it is hard to understand why Apple continues to challenge the gigantic Windows but to MUGs this is the matter of

unconformity and liberty. Microsoft, in the eyes of MUGs is viewed as the living symbol of ignorance and inferiority while Apple as the symbol of self-empowerment and freedom in personal computing.

II.4.2 Customer Devotion

A devoted customer derives benefits from the brand that are affective in nature, rather than merely utilitarian. They will display the brand logo on items from product categories different from the branded product, such as the logo of an automobile company on a shirt. They will seek opportunities to acquire and exhibit the logo, not necessarily in connection with consuming the product. In addition, commitment to the brand is essentially permanent for the devoted customer (Pimentel and Reynolds, 2004, p. 1). Thus the customer devotion can be described as the ultimate customers who are affectively committed to the brand and are proactively engaging in sustaining behavior that sustains their affective commitment.

Customers have high levels of pride for buying brands that reflect, reinforce, and somehow complete their own self-images. These feelings are evident even when their purchases are neither visibly apparent nor readily recognizable by others (McEwen, 2005, p. 86). The devoted customers and the brand are sharing the same values and ideas. The customers feel that the brand is the representation of their selves. Therefore the customers are without hesitating put their efforts to ensure that the brands keep on representing them. They want the brand to be sustainable.

II.4.2.1 Antecedents Creating Customer Devotion

Individuals who grow commitment to a brand may do so to fulfill expectations that others have of them, or to satisfy their own needs. In other words, the antecedents can be based interpersonally or intrapersonally (Pimentel and Reynolds, 2004, p. 7). The antecedents that create customer devotion are:

1. Norms

    Norms in this research context defined as how an individual reaction to the pressure from the group's beliefs and unwritten principles for him or her to represent him or herself as part of the group. This norms could force an individual become a customer of brand. The norms itself could come from the family or society. For example a father has always been using Apple computers almost all his life. Most likely, if the son values the familial norms, he will also uses the same brand because it probably remind him of his father or the time they have spent together with that computer.

2. Felt Void

    Others may develop commitment to a brand to fill a void that causes cognitive inconsistency about their self identities and their life situations. They become committed to a brand in effort to compensate for something that they feel is missing in their lives (Pimentel and Reynolds, 2004, p. 7).

For example after receiving a promotion in his office a employee felt that his commitment to his work has make his sense of freedom a little bit been taken from him. He did not complain about it. He knew the consequences of the job. What he did is sit and ride his Harley to an open road to feel the wind on his face and having that sense of freedom again even for a while.

3. Need for Distinction

Individuals may also be motivated toward commitment to a brand by their need for distinction. Customers as an individual, vary in many ways. There is no one on earth that has a complete perfect precision between one individual to another. For example a customer bought Apple because everyone around him is using Windows.

4. Enhance Self-Identity

Some research proposed that individuals can develop strong bond with the brand to fulfill self-definitional needs. As a result, some customers may become committed out of a passion to define or enhance their self-identity. In one of the researches an interviewed informant said that he was creative at the first and Apple was the extension of his creativity.

II.4.2.2 Sacralization

Sacralization is the activity to make something become sacred. Customers may experience the shift from calculative or normative commitment into affective

commitment through the process of sacralization. This process may not happen to all customers, some of them stay atrophy. Several events occur during this process to move customers to this stronger form of commitment, at which the brand becomes sacred to the customers.

This sacralization process is similar to family traditions creating normative commitment, but at a level of greater intensity. For sacralization by inheritance to occur, one or more of the following conditions are necessary: the brand had already achieved sacred status for the family (so that the individual is inheriting something sacred), or the process of inheritance itself had some sacred of transcendent meaning to the recipient (Pimentel and Reynolds, 2004, p. 11). Part of the sacralization, or transition to affective commitment, is an increasing identification with the brand in which viewing the brand as part of one's self begins. This is consistent with Fournier's "self-connection" facet of brand relationship quality. Self-connection is the degree to which the brand delivers on important identity concerns, tasks, or themes.

As stated above, sacralization results affective commitment of customers to the brand. Customers who have enduring involvement with particular brand receive a great deal pleasure from it and can lead to biased, positive perception of the brand. Customers with higher bond and higher identification with the brand are more likely to ascribe positive attributes to their brand and negative attributes to the other brand (Pimentel and Reynolds, 2004, p. 13).

A classic example for this is the battle between Apple against Windows. Even though Microsoft is one of the largest developers of software for Mac, Apple has relished painting Microsoft as being uncreative, uninventive, super-controlling, and ultra-corporate. Furthermore Guy Kawasaki, a highly-respected former Apple employee and an Apple evangelist, on his mailing list portraying Microsoft as being a giant, slow-moving provider of inferior and restrictive software. Mac Users Groups see these values as oppositions to the values they hold, oppositions to their sets of views, ideals, or even philosophies.