

CHAPTER 2

LITERATURE REVIEW

2.1 Theoretical Background

2.1.1 Brand Loyalty

According to Shanahan et al. (2019), brand loyalty arises as a habitual reaction to a product based on a positive perception of the brand. Consequently, when a company frequently interacts with a customer before or after a purchase, the customer may choose to buy from that brand due to the favorable relationship established with the firm. Ruvio & Iacobucci (2023) added that brand loyalty translates into observable actions such as repeat purchases, a preference for the brand over alternatives, and a decreased sensitivity to price changes. These behaviors are often driven by consistent positive experiences and a perception of strong value from the product or brand. Chaudhuri & Holbrook (2001) stated that brand loyalty can be understood through two key lenses: behavioral and attitudinal. Behavioral loyalty is demonstrated through repeated purchases of the brand, while attitudinal loyalty reflects a deeper commitment driven by a perceived unique value proposition associated with the brand.

Ruvio & Iacobucci (2023) explained that loyal customers are a company's greatest asset, extending far beyond just repeat purchases. Not only are they less swayed by competitor tactics and more receptive to new offerings, but they also provide valuable feedback that fuels business improvement and innovation. These kind of customers are fiercely loyal, even defending the brand during challenging times and actively countering negative word-of-mouth. Ultimately, loyal customers are the most cost-effective source of business, as retaining them is significantly cheaper than acquiring new ones.

Brand loyalty is a heavily researched topic within the realm of customer-brand relationships. Building brand loyalty is a top priority for most businesses, and achieving it hinges on a number of factors. Research by He et al. (2012) found

significant and positive effect of brand identification on brand loyalty. Brand identification was also found to exhibit a mediating effect on brand identity's connection with brand loyalty. Recently, several studies found that brand trust and customer brand engagement also drives brand loyalty (Kwon et al., 2020; Samarah et al., 2022).

2.1.2 Brand Trust

Brand trust is the confidence that customers have in a brand's ability to consistently deliver on its promises (Jun & Yi, 2020). Li et al. (2020) defines brand trust as the dedicated and personal connection between customers and a brand. Brand trust is reflected in the consumer's belief that a brand will fulfill a particular function, and it evolves from past experiences and prior interactions (Kwon et al., 2020).

According to Samarah et al. (2022), there are two key aspects that influence a customer's trust in a brand: willingness to depend and subjective probability of depending. Willingness to depend reflects a customer's voluntary trust in the brand. They are comfortable relying on the brand to consistently deliver a positive experience. Subjective probability of depending refers to the customer's belief that they will need or want to rely on the brand again in the future. This relates to a customer's prediction of future needs and their expectation that the brand will continue to fulfill them.

Brand Trust is important when risks exists (McKnight & Chervany, 2001). It relates with the likelihood of a customer doing business with the brand in the future. Customers will tend to purchase products from brands they deem as experts and trustworthy (Doney & Cannon, 1997). Since risks are abundant when marketing and selling a product, it is important for brands to build brand trust in order to maintain loyal customers.

In recent years, research has increasingly shown brand trust to be interconnected with a variety of other concepts. Khan et al. (2020) found that brand

trust is driven by brand experience and brand engagement. Li et al. (2020) and Samarah et al. (2022) has also found customer engagement to be an antecedent of brand trust. A number of studies found evidence of brand trust influence on brand loyalty (Kwon et al., 2020; Li et al., 2020; Samarah et al., 2022). Given these connections, the author delves deeper into how brand trust interacts with various concepts.

2.1.3 Customer Brand Engagement

The study of engagement originated within organizational psychology, but has recently gained traction in the field of consumer behavior (Kwon et al., 2020). Pioneering research by Brodie et al. (2011) and Hollebeek et al. (2014) established methods for measuring and explaining customer brand engagement, especially in the context of social media. The general definition of customer engagement, as defined by Samarah et al. (2022), is a motivated state arising from interactive experiences between customers and a focal agent (for example, a brand) within a relationship. Kwon et al. (2020) further added that customer brand engagement is a customer's positive cognitive, affective, and behavioral engagement with a brand during key interactions. Customer brand engagement is a multidimensional construct that is defined by three dimensions:

1. **Cognitive Dimension**

The degree of cognitive elaboration a customer engages in regarding a brand during a specific interaction.

2. **Affection Dimension**

The level of positive emotional response a customer experiences in relation to a brand during a specific interaction.

3. **Activation Dimension**

The degree of a customer's active engagement with a brand in terms of time, effort, and energy invested during a specific interaction.

Customer brand engagement plays a central role in understanding relationships, influencing and being influenced by other related concepts (Brodie et al., 2011).

Customer brand engagement has emerged as a prominent research construct in recent years. Studies have focused on identifying the factors that lead to customer brand engagement and the outcomes it produces. Studies have shown that a variety of factors, including brand interactivity (Cheung et al., 2020), involvement (Parihar et al., 2019), advertising and social network services content (Kwon et al., 2020), personalization (Shanahan et al., 2019), and gamification (Abou-Shouk & Soliman, 2021) can drive customer brand engagement. Customer brand engagement is also considered a key driver of positive outcomes for brand-customer relationships, including increased brand trust and brand loyalty (Samarah et al., 2022).

One of the ultimate importance of customer brand engagement is its influence on customer-brand relationship. According to Kwon et al. (2020), interactive experiences are important in cultivating both trust and loyalty of customers. This is true because as customers become more positively engaged in cognitive, emotional, and activation aspect with the brand on social media, they will be reassured that the brand will be honest. Customers will also develop loyalty-oriented behaviors, such as increased repurchase intentions and a preference for the brand over competitors.

2.1.4 Perceived Brand Interactivity

France et al. (2016) defines perceived brand interactivity as customer's perception of a brand's willingness and genuine desire to connect. Brand interactivity is characterized by two-way communication between consumers and brands. This interactive nature is considered essential for fostering positive consumer experiences and building strong brand relationships (Cheung et al., 2020). Interactivity is encouraged through various platforms, including through social media (Al-Htibat & Garanti, 2019).

According to France et al. (2016) the perception of brand interactivity is formed by evaluating two key aspects: the brand's technical capabilities for interaction and the evidence of a sincere interest in building a connection with the customer. The technical capabilities focuses on the effectiveness and convenience of the brand's online interactive features for facilitating direct, two-way

communication between the brand and consumers. Sincere interest in building a connection refers to consumers' overall impression of whether brands are genuinely interested in listening to their feedback and opinions in two-way communication.

Customer perceptions of brand interactivity can be fostered through the creation of interactive social media content that invites engagement behaviors such as liking, commenting, and sharing. This approach can stimulate cognitive processing, positive feelings towards the brand (affection), and a desire to interact further (activation), collectively known as customer brand engagement. (Cheung et al., 2020). Samarah et al. (2022) added that two-way communication strengthens customer perceptions of brand interactivity. This fosters an environment where customers are more likely to provide feedback and actively engage with the brand's communications.

Prior research indicated perceived brand interactivity as an antecedent for customer brand engagement (Cheung et al., 2020; Samarah et al., 2022). Research has also explored how customers' perception of a brand's interactivity can influence various customer-brand outcomes, such as brand attitude and brand experience (Samarah et al., 2022). Despite the established link between brand interactivity and customer-brand outcomes, research on its influence on the specific dimensions of customer brand engagement (cognitive, affection, and behavioral dimensions) remains limited.

2.1.5 Brand Involvement

Brand involvement reflects the degree of a consumer's interest with a specific brand, driven by its alignment with their needs, values, and goals (Touni et al., 2020). Bian & Haque (2020) added to this understanding that brand involvement is a cognitive state that influences how much mental effort consumers dedicate to evaluating a brand, impacting their decision-making processes. According to Quester & Lin Lim (2003), consumers with high brand involvement experience the brand as intrinsically interesting, occupying their thoughts even without an

immediate purchase decision. This interest likely stems from the perception that the brand aligns with their core values and goals.

Brand involvement and brand engagement are distinct constructs (Harrigan et al., 2017). Brand involvement focuses on how much a customer thinks about a brand, while engagement considers not only their thoughts, but also their feelings and actions towards it (Samarah et al., 2022). Research even suggests that brand involvement acts as a key antecedent of customer brand engagement (Bozkurt et al., 2021; Cheung et al., 2020; Samarah et al., 2022).

Customers who connect with a brand's social media presence because it reflects their own values are more likely to actively engage with the brand on the social media platforms (Samarah et al., 2022). Brands aiming to bolster customer engagement levels can achieve this by crafting social media content that reflects customer values and interests. Companies can also conduct two-way communication with customers on social media to increase customer involvement with the brand. This is important because customer involvement cultivates a sense of belonging to the brand, which in turn influences their cognitive processing, emotional and behavioral tendencies, or the customer brand engagement (Touni et al., 2020).

2.2 Previous Studies

Table 2.1
Previous Studies

	Title, Author, and Year	Variables	Analysis Method	Findings
1	The role of brand interactivity and involvement in driving social media consumer brand engagement and brand loyalty: the mediating effect of brand trust (Samarah et al., 2022)	<ul style="list-style-type: none"> • Perceived Brand Interactivity • Brand Involvement • Social Media Customer Brand Engagement • Brand Trust • Brand Loyalty 	Partial Least Squares Structural Equation Modelling (PLS-SEM) using SmartPLS 3.0 for structural and measurement model analysis, and for hypothesis testing.	The study found that perceived brand interactivity and brand involvement positively influence consumer brand engagement. Additionally, it was also found that consumer brand engagement has a positive influence on brand loyalty and brand trust. Brand trust also mediates the relationship between customer brand engagement and brand loyalty.
2	Antecedent factors that affect restaurant brand trust and brand loyalty: focusing on US and Korean consumers (Kwon et al., 2020)	<ul style="list-style-type: none"> • Advertisement • SNS content • Customer Engagement • Brand Trust • Brand Loyalty 	This study utilizes IBM SPSS version 22.0 for validity and reliability verification. It also uses AMOS version 22.0 to conduct correlation analysis using the Structural Equation Modelling method.	The results of this research revealed that advertisement and social network system content affects customer engagement positively. The study also revealed that customer engagement positively influence brand loyalty and brand trust. The indirect effect of customer brand engagement towards brand loyalty through brand trust as mediator is stronger than its direct effect on brand loyalty.
3	Getting to know you: Social media	<ul style="list-style-type: none"> • Perceived Personalization 	This study employs the Partial Least Squares-	The findings of this research shows that perceived personalization positively influence perceived quality

	personalization as a means of enhancing brand loyalty and perceived quality (Shanahan et al., 2019)	<ul style="list-style-type: none"> • Brand Attachment • Consumer Brand Engagement • Perceived Quality • Brand Loyalty 	Structural Equation Modelling (PLS-SEM) method using the SmartPLS 3 software.	and brand loyalty. Additionally, it was also found that consumer brand engagement positively influence brand loyalty and perceived quality. Furthermore, the study revealed that consumer brand engagement mediates the effect of perceived personalization on perceived quality and brand loyalty. Finally, brand attachment was revealed to have a positive influence towards perceived quality and brand loyalty. brand attachment also mediate the effect of perceived personalization on brand loyalty.
4	Driving consumer–brand engagement and co-creation by brand interactivity (Cheung et al., 2020)	<ul style="list-style-type: none"> • Brand Interactivity • Consumer Brand Engagement • Co-creation • Repurchase Intention 	This study uses the Partial Least Squares-Structural Equation Modelling (PLS-SEM) method using SmartPLS version 3.2.8.	This study examines five different constructs of brand interactivity and their influence on consumer brand engagement. It was revealed that three brand interactivity constructs out of five (entertainment interactivity, cognitive information-transfer interaction, and cognitive up-to-date information interactivity) have positive influences on consumer brand engagement. It was also found that consumer brand engagement has a positive and robust influence on co-creation and repurchase intention.
5	Antecedents and an Outcome of Customer Engagement with Hotel Brand Community on Facebook (Touni et al., 2020)	<ul style="list-style-type: none"> • Customer Involvement • Customer Engagement • Customer Brand Experience • Brand Relationship Quality 	Confirmatory Factor Analysis through AMOS version 22.0 was utilized to analyze the measurement model. Structural equation modelling technique is used to analyze the	The findings of this study confirms the positive effect of customer involvement and offline-based customer brand experience on customer engagement. The study also revealed that customer engagement mediates the positive effect of customer brand experience on brand relationship quality. Lastly, it was revealed that brand reputation positively influence brand relationship quality, although customer engagement has a higher

		<ul style="list-style-type: none"> • Brand Reputation 	hypothesis, while the bootstrapping technique is used to test the mediating effect.	significant and positive effect on brand relationship quality compared to brand reputation.
6	The role of perceived firm social media interactivity in facilitating customer engagement behaviors (Bozkurt et al., 2021)	<ul style="list-style-type: none"> • Perceived Social Media Interactivity • Platform Type • Brand Type • Customer Engagement Behaviors 	The researchers employ the confirmatory factor analysis (CFA) method in Stata 15.1 software. They also employ multiple regression in the PROCESS Model 1 app to test the hypotheses.	The results of this study indicate that perceived social media interactivity positively influences all four constructs of customer engagement behavior. Moreover, this research also concluded that there are variations in regards of how brand type and platform type moderate the effect of perceived social media interactivity on customer engagement behavior. This means that different brands and different social media platforms have different moderating effects on the relationship of perceived social media interactivity and customer engagement behavior.
7	The role of customer engagement in the involvement-loyalty link (Parihar et al., 2019)	<ul style="list-style-type: none"> • Involvement • Customer Engagement • Loyalty 	Confirmatory factor analysis (CFA) was used to analyze the measurement model. Partial Least Squares-Structural Equation Modelling (PLS-SEM) method via the SmartPLS software version 3.2.7 was used to analyze the structural model. Bootstrapping resampling	The study revealed that involvement is a driving factor for customer engagement. Customer engagement also plays a mediating role between involvement and loyalty, especially when the involvement construct of sign, interest and pleasure is sought by the customer.

			was used to test the hypotheses.	
8	Consumer brand engagement, satisfaction and brand loyalty: a comparative study between functional and emotional brand relationships (Fernandes & Moreira, 2019)	<ul style="list-style-type: none"> • Consumer Brand Engagement • Satisfaction • Brand Loyalty 	This research used the structural equation modelling (SEM) technique in AMOS version 22.0 software. Multi-group analysis method was used to test the moderating effect.	The findings of this study revealed a significant and positive impact of consumer brand engagement on brand loyalty. The findings also concluded that consumer brand engagement positively impact satisfaction, which in the end also affect brand loyalty. This means that satisfaction mediates the impact of consumer brand engagement on brand loyalty.
9	Brand engagement and experience in online services (Khan et al., 2020)	<ul style="list-style-type: none"> • Brand Experience • Brand Engagement • Brand Trust • Brand Commitment • Brand Loyalty 	The researchers used a two-step Structured Equation Modelling approach to evaluate the data and test the hypotheses using the AMOS 20.0 software.	The researchers found that customer engagement and experience are driving factors of brand trust, which in the end would influence brand loyalty, yet the researchers found that this will happen only in the presence of brand commitment between brand trust and brand loyalty. They also confirmed that brand trust and brand commitment plays a mediating role in the effect of brand experience and brand engagement on brand loyalty. Brand engagement and brand experience also indirectly affect brand commitment through brand trust. An interesting finding in this research is that brand loyalty are not directly linked with brand experience and brand engagement. In fact, the link between brand experience and brand engagement with brand loyalty only exist indirectly through brand commitment.

10	<p>What makes followers loyal? The role of influencer interactivity in building influencer brand equity (Jun & Yi, 2020)</p>	<ol style="list-style-type: none"> 1. Influencer Interactivity 2. Influencer Authenticity 3. Brand Trust 4. Emotional Attachment 5. Loyalty 	<p>The research utilized the confirmatory factor analysis (CFA) method in AMOS version 22.0 to analyze the measurement model. Structural equation modelling was used to analyze the structural model, including using bootstrap procedure to test the hypotheses.</p>	<p>The result that emerged from this study reveals that influencer interactivity has a positive effect on influencer authenticity and emotional attachment. It was also found that influencer authenticity mediates the influence of influencer interactivity on emotional attachment. Brand trust was also found to have a positive influence on brand loyalty. Lastly, the researchers found that brand trust mediates the effect of emotional attachment on brand loyalty of influencer brands.</p>
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2.3 Hypothesis Development

2.3.1 Perceived brand interactivity on customer brand engagement

A study conducted by Samarah et al. (2022) concluded that consumers are more likely to exhibit increasing engagement with social media brands perceived as highly interactive. Bozkurt et al. (2021) also revealed that customers who perceive a brand as highly interactive on social media are more likely to exhibit a range of engagement behaviors, including purchases, referrals, positive social influence, and feedback provision. Additionally, Cheung et al. (2020) found that several constructs of brand interactivity (entertainment interactivity, cognitive information-transfer interaction, and cognitive up-to-date information interactivity) directly influence engagement. Based on the evidence presented, the author proposes the following hypothesis:

H1: Perceived brand interactivity positively influence customer brand engagement.

2.3.2 Brand involvement on customer brand engagement

Touni et al. (2020) found that customer involvement in a brand's social media, specifically within Facebook brand communities, enhances their engagement with the brand on that platform. The results of Parihar et al. (2019) also revealed that engagement with an online brand is demonstrably influenced by a combination of indicators related to involvement, including the perceived symbolic value (sign), the level of cognitive interest, and the anticipated hedonic value (pleasure) associated with the products. These findings are strengthened by Naumann et al. (2020) stating that involvement leads to better positive customer engagement. Lastly, Samarah et al. (2022) also revealed a direct positive effect of brand involvement on the three dimensions of social media customer brand engagement. In light of the presented evidence, the author suggests the following hypothesis:

H2: Brand involvement positively influence customer brand engagement.

2.3.3 Customer brand engagement on brand trust

A study by Khan et al. (2020) found that customers who actively engage with a brand are more likely to trust it, especially if the brand has already built trust through things like positive reviews, advertising, or media coverage. Kwon et al. (2020) provided additional insight by demonstrating that when customers actively engage with a brand, it fosters a stronger emotional connection and trust. In the context of YouTube influencers (YouTubers), Corrêa et al. (2020) found that positive subscriber engagement helps build trust in a YouTuber's personal brand. Lastly, Samarah et al. (2022) also found evidence of customer brand engagement influence on brand trust. Given the findings of the studies, the following hypothesis is formulated:

H3: Customer brand engagement positively influence brand trust.

2.3.4 Customer brand engagement on brand loyalty

According to findings by Shanahan et al. (2019), customer's loyalty towards a brand is partly the result of their engagement with the brand social media. Samarah et al. (2022) also found that an airline brand built a stronger customer loyalty on social media by encouraging customers to actively interact or engage with them. Reinforcing this connection, Kwon et al. (2020) identified a positive influence of customer brand engagement on brand loyalty. Research by Parihar et al. (2019) also suggests that customer engagement fosters a deeper loyalty with the brand. Lastly, Fernandes & Moreira (2019) found that customer brand engagement positively impacts brand loyalty. Considering the presented findings, the author proposes the following hypothesis:

H4: Customer brand engagement positively influence brand loyalty.

2.3.5 Brand trust on brand loyalty

Several contemporary studies support the association between brand trust and brand loyalty. Research by Samarah et al. (2022) demonstrates a positive correlation between brand trust and behavioral brand loyalty on social media platforms. Jun & Yi (2020) in their study found that increased trust acts as a key driver of a consumer's desire for a long-term association with the brand, which translates to customer loyalty. Furthermore, Kwon et al. (2020) contribute to this understanding by demonstrating a positive influence of brand trust on brand loyalty. Finally, Khan et al. (2020) found that brand trust development enhances subsequent customer loyalty. Based on the analysis of the aforementioned research, this study proposes the following hypothesis:

H5: Brand trust positively influence brand loyalty.

2.3.6 Brand trust as mediator

A study by Kwon et al. (2020) concludes that brand trust plays an important role in mediating the effects of customer brand engagement towards brand loyalty. Samarah et al. (2022) support those findings, identifying brand trust as a critical intervening mechanism. This mechanism explains how social media customer brand engagement fosters brand loyalty. Li et al. (2020) also found that customer trust fully mediated the relationship between customer engagement and brand loyalty in the context of tourism social media. This suggests that, in tourism social media, customer trust serve as a bridge that facilitates the connection between customer engagement and brand loyalty. Based on the findings presented above, the hypothesis is formulated as follows:

H6: Brand trust mediate the positive effect of consumer brand engagement on brand loyalty.

2.4 Research Framework

This study aims to examine the antecedents of customer brand engagement, including perceived brand interactivity and brand trust. This research also aims to analyze the effect of customer brand engagement on two customer-brand outcomes variables, including brand trust and brand loyalty. This study also examines how brand trust affects brand loyalty. Lastly, another goal of this research is to examine whether brand trust plays as a mediator between customer brand engagement and brand loyalty. Building on the hypotheses established earlier, the author presents the following research framework to guide this study:

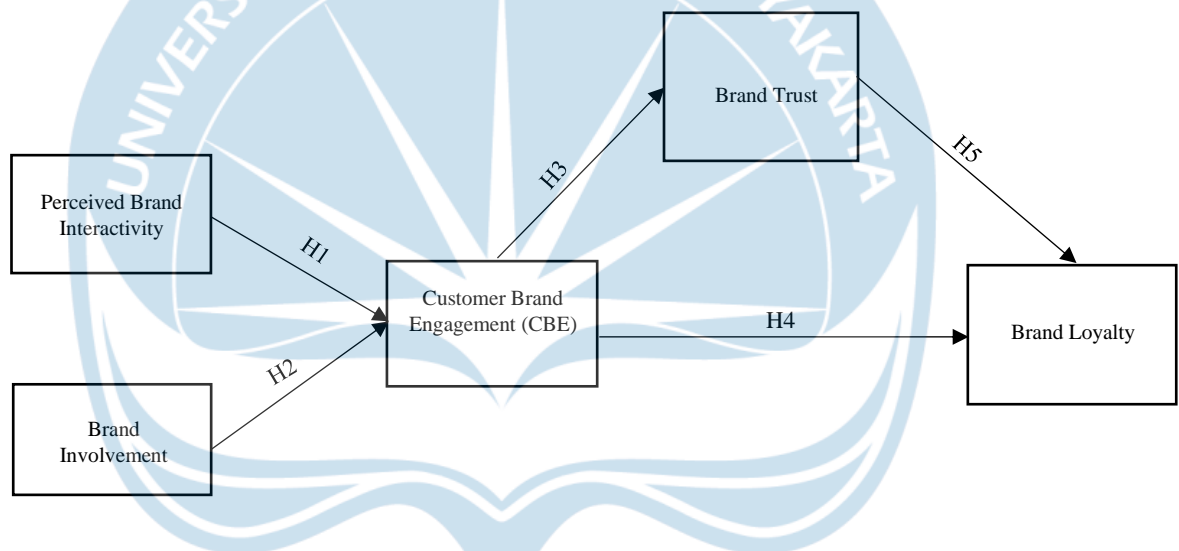


Figure 2.1 Research Framework

Source: Samarah et al. (2022)