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**Consumer-Brand Identification Revisited: An Integrative Framework of Brand Identification, Customer Satisfaction, and Price Image and their Role for Brand Loyalty and Word-of-Mouth**

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# **Consumer-Brand Identification Revisited: An Integrative Framework of Brand Identification, Customer Satisfaction, and Price Image and their Role for Brand Loyalty and Word-of-Mouth**

## **Abstract**

Consumer-brand identification has received considerable attraction among scholars and practitioners in recent years. We contribute to previous research by proposing an integrative model that includes consumer-brand identification, customer satisfaction, and price image to investigate the interrelationships among these constructs as well as their effects on brand loyalty and positive word of mouth. To provide general results, we empirically test the model using a sample of 1443 respondents from a representative consumer panel and 10 service/product brands. The results demonstrate that identification, satisfaction, and price image significantly influence both loyalty and word of mouth. Moreover, we find significant interrelationships among the constructs: identification positively influences both satisfaction and price image, which also increases satisfaction. By disclosing the relative importance of three separate ways of gaining and retaining customers, this study helps managers more appropriately choose the right mix of branding, pricing, and relationship marketing. From an academic point of view, our research is the first to explicitly examine the effects of the concept of identification for price management and to integrate variables from the fields of branding, relationship marketing, and behavioral pricing, which have separately been identified as particularly important determinants of marketing outcomes.

## **Keywords:**

consumer-brand identification; customer satisfaction; price image; brand loyalty; positive word of mouth.

## **Introduction**

Research has identified consumer-brand identification as one of the most important topics in marketing research and practice of the past decade (Lam, 2012). Many empirical studies report positive effects of higher degrees of identification on key indicators of marketing success, including customer satisfaction (Tuškej et al., 2013; Algesheimer et al., 2005; Ahearne et al., 2005), brand commitment (Tuškej et al., 2013), customer loyalty (Algesheimer et al., 2005; Homburg et al., 2009; Stokburger-Sauer et al., 2012; Wolter et al., 2015), repurchase (Kuenzel and Halliday, 2008), and willingness to pay a price premium (Del Rio et al., 2001; Haumann et al., 2014). Moreover, researchers emphasize that consumer-brand identification significantly increases customer extra-role behaviors, such as positive word of mouth (WOM), brand advocacy, and other supportive behaviors, for the benefit of the company (Ahearne et al., 2005; Stokburger-Sauer et al., 2012; Boenigk and Helmig, 2013; Wuyts, 2007).

The resultant increased focus on identity-based marketing strategies is accompanied by marketing researchers' and practitioners' observation that purely satisfaction-based loyalty strategies increasingly fail (Homburg et al., 2009). Continuously rising customer expectations challenge companies to fulfill or outperform these expectations, and customer satisfaction no longer suffices for differentiating from competitors. Consumer-brand identification therefore has developed into the new strong force in marketing in recent years.

As such, consumer-brand identification is considered as a crucial driver of marketing success (Bhattacharya and Sen, 2003). In particular, this construct stands out for its sustained, long-term effects on consumer behavior (Stokburger-Sauer et al., 2012) and its ability to forge long-term relationships (Boenigk and Helmig, 2013; 2003). As a consequence, marketers try to build high levels of brand identification among their customers.

Focusing on relational rather than transactional aspects, identity-motivated marketing

relationships (Lam, 2012) are closely linked to relationship marketing, in which this perspective has already been well established (Grönroos, 2000; Bitner et al., 1997). In particular, Ahearne, Bhattacharya, and Gruen (2005) view the shift to identification as an expansion of the domain of relationship marketing, which helps to build even stronger customer relationships. Identification therefore seems to be the last step in the evolution of customer–company relationships, starting on a transactional basis, moving to a focus on enduring relationships, and ending in perceived oneness of consumers with brands.

This notion emphasizes the important role of brands as relationship facilitators and substantiates their relevance for consumer decisions (Chaudhuri and Holbrook, 2001). Today, for many consumers the symbolic value of a brand is more important than the physical attributes and functions of the product or service (Wolter et al., 2015). Rather, people choose their brands because of long-term, affect-laden relationships with them (Fournier, 1998). Therefore, it is not surprising that consumer-brand identification is extensively discussed in literature on brand management mainly focusing on branding issues such as the co-creation of brand meaning in brand communities (Algesheimer et al., 2005; Schau et al., 2009) and consumer–brand relationships (Tuškej et al., 2013).

However, despite the positive findings of prior research on consumers' identification with a brand, we identify several important gaps in research on consumer-brand identification.

First, a shortcoming of many previous studies on consumer-brand identification is their focus on single brands that often possess high levels of symbolic meaning and evoke consumer commitment and emotional involvement, such as sports teams (Carlson et al., 2008), cars (Kuenzel and Halliday, 2008; Algesheimer et al., 2005), and smartphones (Lam et al., 2010). To better assess the true value of identification in marketing, studies should include multiple brands with different degrees of consumer-brand identification.

Second, empirical studies have not adequately addressed causal relationships between

identification and many other constructs that have proved to play an important role in relationship marketing. In particular, prior research provides an insufficient picture of the relationship between customer-brand identification and customer satisfaction; this relationship is either not discussed (Homburg et al., 2009) or analyzed in specific contexts, such as donors (Boenigk and Helmig, 2013), car owners (Kuenzel and Halliday, 2008), or online communities (Casalo et al., 2010). As a result, the relationship between both constructs and the relative importance of each for key marketing outcomes remain unclear.

Third, and partly a result of the previous issue, we observe a lack of adequate integration of identification into many traditional theories and models established in relationship marketing, such as the widely used service-profit chain (Heskett et al., 1994). Similar shortcomings apply to many other traditional approaches that explain long-term relational outcomes using a relationship marketing perspective, which neglect value co-creation triggered by consumer-brand identification (Gwinner et al., 1998; Hennig-Thurau et al., 2002). Therefore, with the evolution of knowledge on the relevance of identification, we propose reconsidering traditional models and exploring how they should be altered in accordance with these findings.

Fourth, we also observe little attempt to integrate the concept of identification into the broader field of marketing research. Instead, existing literature has predominantly examined consumer-brand identification from the perspective of brand management and relationship marketing, thereby predominantly focusing on the role of the construct in consumer-brand relationships and relationship variables. Specifically, to the best of our knowledge, research has not attempted to empirically examine the causal relationships between consumer-brand identification and pricing, though the management of price perceptions entails great opportunities for management (Steiner et al., 2013). An explanation for this surprising research gap might be that relationship marketing and branding have made customers less

price sensitive by providing them with added value, that is, something that is not physically part of the product (Grönroos, 1997). As a result, marketing scholars have increasingly focused on relationships and brands, thus neglecting the role of price perception in the management of customer satisfaction and customer loyalty (Steiner et al., 2013; Varki and Colgate, 2001). However, price still plays a considerable role even for branded products because it may have a stronger influence on consumers' assessment of a brand than quality (Voss et al., 1998) and it is directly linked to profitability (Homburg et al., 2005a). Hence, an important field of marketing has remained vastly untapped in relationship marketing (Varki and Colgate, 2001; Steiner et al., 2013).

Consequently, the aim of our study is to gain insights into these research gaps by broadening the scope of research on consumer-brand identification and integrating the different lines of research on identification, satisfaction, prices, and loyalty. In particular, we develop and empirically test an integrative model that illustrates a comprehensive view of the relationships between consumer-brand identification and other crucial psychological constructs in marketing (customer satisfaction and price image) and key indicators of economic success (customer loyalty and positive WOM). In doing so, we particularly address the following research questions:

1. How is consumer-brand identification related to customer satisfaction and consumers' evaluations of prices?
2. What is the relative importance of consumer-brand identification, customer satisfaction, and price image for retaining customers (i.e., brand loyalty) and gaining new customers (i.e., positive WOM)?

We organize the remainder of the article as follows: We first outline the conceptual framework of our research, providing relevant literature and developing the hypothesis of a structural model that depicts the relationships among consumer-brand identification, customer

satisfaction, and price image as well as their effects on brand loyalty and positive WOM.

Then, we describe the research design and the results of our empirical study and discuss our findings. Next, we outline some implications for an integrative marketing strategy that combines activities from branding, relationship marketing, and pricing. To conclude, we address some limitations of our research and suggest directions for further research.

### **Conceptual framework and hypotheses**

The conceptual framework of our research primarily integrates fundamental aspects of the consumer-brand relationship and their effect on customer in-role behavior (brand loyalty) and extra-role behavior (positive WOM). In particular, we draw on prior research on consumer identification, customer satisfaction, behavioral pricing, and brand loyalty because research has separately identified these constructs as particularly important determinants of marketing outcomes and finally profits.

#### *Consumer-Brand Identification*

Brands have become an important driver of consumer behavior because they carry symbolic meanings that consumers use for developing their sense of self, constructing their (personal and social) identities, and achieving self-representation goals (Belk, 1998). Mainly based on a theoretical foundation in social identity theory (Tajfel and Turner, 1986), marketing scholars have examined consumer identification with regard to several targets of identification consumers may identify with, including companies (e.g., Ahearne et al., 2005; Bhattacharya and Sen, 2003), brands (e.g., Stokburger-Sauer et al., 2012; Lam et al., 2010; Tuškej et al., 2013; He et al., 2012), and brand communities (e.g., Algesheimer et al., 2005; Stokburger-Sauer, 2010). From their prominence and crucial relevance for consumer decisions in particular, brands have gained attention as a target of identification among scholars and practitioners. Research has consensually defined consumer-brand identification as a consumer's psychological state of perceiving, feeling, and valuing his or her



belongingness with a brand (Lam et al., 2013). This definition illustrates the tripartite conceptualization of identification as including cognitive, affective, and evaluative aspects (Tajfel and Turner, 1986). Moreover, identification is considered an active, selective, and volitional act motivated by the satisfaction of one or more self-definitional needs that depends on the central, distinctive, and enduring characteristics of an object of identification (e.g., a brand) as perceived by the customer (Bhattacharya et al., 1995).

In the following, we aim to illustrate how this previously outlined psychological state of consumer-brand identification is related to satisfaction and pricing. We also investigate how important each of these three predominantly independent research streams is for both customer loyalty and the acquisition of new customers.

#### *Customer Loyalty*

Oliver (1999, p. 34) defines customer loyalty, or brand loyalty, as “a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.” Customer loyalty has emerged as one of the most important objectives of marketing activities and has proved to be one of the main drivers of profit (Hallowell, 1996).

Although brand loyalty is closely related to consumer-brand identification, there is a clear conceptual distinction between both constructs: In contrast with identification, brand loyalty represents a positive attitude toward the brand, while consumers’ self and the brand remain separate (Ashforth et al., 2008). Moreover, brand loyalty refers to the behavioral perspective and has a more action-oriented focus. Therefore, both constructs have been established as separate latent variables and received a great deal of attention among marketing scholars (Haumann et al., 2014).

Theoretical considerations provide ample support for positive effects of consumer-

brand identification on brand loyalty. First, loyal behavior strengthens the consumer's feeling of belongingness and fulfills his or her self-definitional need (McMillan and Chavis, 1986). Second, consumers who exhibit a higher degree of identification stay loyal to the brand to avoid losing emotional benefits they derive from the brand (Ahearne et al., 2005; Bhattacharya and Sen, 2003). Third, social identity theory suggests that people with high levels of consumer-brand identification exhibit supportive behaviors toward the brand (e.g., staying loyal to the brand) to raise its status (Kim et al., 2010). In other words, their identification motivates them to contribute to the brand's goals (Bhattacharya and Sen, 2003). Recent empirical studies also lend support to the assumption of a positive relationship between consumer-brand identification and brand loyalty (Homburg et al., 2009; Boenigk and Helmig, 2013; Lam et al., 2010; Kuenzel and Halliday, 2008; Bergkvist and Bech-Larsen, 2010). Thus, we propose our first hypothesis:

*Hypothesis 1: A higher level of consumer-brand identification positively influences brand loyalty.*

#### *Positive Word of Mouth*

The supportive behaviors for the benefit of the brand caused by high levels of consumer-brand identification may result not only in increased repurchase intentions but also in customer extra-role behaviors, such as positive WOM (Ahearne et al., 2005; Stokburger-Sauer et al., 2012; Boenigk and Helmig, 2013; Wuyts, 2007). We consider this an important aspect of identification; positive WOM, understood as favorable WOM passed on by a customer about a certain product or service, represents a powerful instrument in marketing. As WOM is characterized by high trustworthiness and a wide reach, it is considered to be an effective instrument for shaping consumers' attitudes and behaviors (Brown et al., 2005). Empirical research has demonstrated its ability to increase sales (Chevalier and Mayzlin, 2006) and sales performance (Eisingerich et al., 2014). Moreover, marketers consider it a

particularly valuable instrument for acquiring new customers (von Wangenheim and Bayón, 2007). While some researchers treat WOM as an integral part of a multidimensional customer loyalty construct (Sirdeshmukh et al., 2002; Jones and Taylor, 2007), Soederlund (2006) empirically demonstrates that combining repatronage intentions and word-of-mouth intentions may conceal significant aspects of loyalty and its relation to other constructs in the nomological net. We therefore subscribe to the notion of positive WOM as a separate, unique construct (Gruen et al., 2006; Maxham III, 2001).

Positive WOM as a result of strong customer–company relationships and as a form of displaying loyalty to the company is a widely known phenomenon in relationship marketing (Bettencourt, 1997). Recently, research has also conceptualized positive WOM as stemming from consumer-brand identification. This is theoretically substantiated by the idea that saying positive things about a brand helps a consumer express his or her own self-identity (Arnett et al., 2003). In particular, the greater the degree of overlap between the brand and the self, the more likely the consumer will say positive things about the brand to others (Brown et al., 2005). Empirical research on the relationship between identification and positive WOM (Ahearne et al., 2005; Kuenzel and Halliday, 2008; Tuškej et al., 2013; Brown et al., 2005) or brand advocacy (Stokburger-Sauer et al., 2012) supports this claim.

*Hypothesis 2: A higher level of consumer-brand identification positively influences positive WOM.*

### *Customer Satisfaction*

Before the rise of identity-motivated marketing relationships, customer satisfaction was a dominant research area in service marketing (Fisk et al., 1993; Kunz and Hogueve, 2011), with research identifying this construct as an important determinant of customer loyalty and, thus, higher profits (Szymanski and Henard, 2001; Hallowell, 1996). Therefore, investigations of the relevance of consumer-brand identification for brand loyalty and positive

WOM also need to take into account customer satisfaction both for modeling relationships between identification and satisfaction and for comparing the influence of these important drivers of loyalty and positive WOM.

The dominant model for conceptualizing and measuring customer satisfaction is the expectancy disconfirmation paradigm (Oliver, 1980). Thereafter, customer satisfaction occurs when the performance of a product or service meets or exceeds the customer's expectations (Oliver, 1980). In this research, we follow this performance-focused conceptualization of satisfaction, under which price is not included as part of the satisfaction judgment (Homburg et al., 2005a). We further take on a cumulative perspective, which is based on repeat purchases, of satisfaction because it better explains loyalty behavior than transaction-specific satisfaction, which is based on a single experience (Olsen and Johnson, 2003).

Several behavioral theories, including the theory of cognitive dissonance (Festinger, 1957), learning theories (Nord and Peter, 1980), and risk theory (Cox, 1967), are useful for explaining the causal effect of customer satisfaction on brand loyalty. Indeed, empirical studies from various contexts have shown that customer satisfaction positively influences brand loyalty (e.g., Szymanski and Henard, 2001; Homburg et al., 2009; Boenigk and Helmig, 2013). Therefore, we also assume this relationship in Hypothesis 3:

*Hypothesis 3: A higher level of customer satisfaction with a brand positively influences brand loyalty.*

Moreover, marketing research has identified a variety of theoretical reasons for a positive relationship between customer satisfaction and positive WOM, including altruism, reduction of cognitive dissonances, or the need to present the self in a positive light (Dichter, 1966; Arndt, 1967). Indeed, several researchers have found strong empirical support for a significant effect of satisfaction on customer referrals (e.g., Brown et al., 2005; von Wangenheim and Bayón, 2007). In line with this research, we propose that customer

satisfaction with a brand exerts a positive effect on positive WOM.

*Hypothesis 4:* A higher level of customer satisfaction with a brand positively influences positive WOM.

Although customer satisfaction has been established as an integral part of customer relationships and identification has recently been identified as another crucial element of consumer–brand relationships, empirical studies that include both constructs are scarce. Only a few studies have simultaneously integrated identification and satisfaction into one empirical model. For instance, Homburg, Wieseke, and Hoyer (2009) model a satisfaction-based path and a social identity–based path of the service-profit chain but do not account for a relationship between customer satisfaction and customer-company identification. However, theoretical considerations and empirical research indicate that both constructs are related to each other, though prior studies disagree on the direction of this link.

On the one hand, research argues that satisfied customers have fulfilled their self-definitional needs and thus are more likely to ascribe positive identity to the target of identification, which in turn increases identification (Bhattacharya et al., 1995; Arnett et al., 2003). Following this notion, some scholars have advanced models that feature a path from satisfaction to identification (e.g., Boenigk and Helmig, 2013; Kuenzel and Halliday, 2008) and Kuenzel and Halliday (2008) even demonstrate that a rival model in which identification is antecedent to satisfaction decreases model fit. Nevertheless, on the other hand, research treats identification more often as an antecedent of customer satisfaction (Stokburger-Sauer et al., 2008; Casalo et al., 2010; He et al., 2012; Millán and Díaz, 2014; Pérez and del Bosque, 2015). These studies argue that by fulfilling a basic self-definitional need, highly identified consumers derive additional benefits, which positively influence their evaluations of company performance (Stokburger-Sauer et al., 2008; Fournier, 1998). Moreover, consumer-brand identification enhances satisfaction by a more favorable overall judgment due to affective

attachment with the brand (Chaudhuri and Holbrook, 2001; Millán and Díaz, 2014). In addition, the antecedent role of identification is justified by the notion that brand identification regularly occurs even before people become customers (He et al., 2012; Bhattacharya and Sen, 2003). Identification is also a long-term disposition of the customer and is directed toward a relationship (Haumann et al., 2014), and thus influences each transaction and satisfaction as transaction-oriented construct. Therefore, we follow these convincing arguments and assume that consumer-brand identification is an antecedent of customer satisfaction, rather than the other way around.

*Hypothesis 5:* A higher level of consumer-brand identification positively influences customer satisfaction with a brand.

### *Behavioral Pricing*

Compared with the emphasis of customer satisfaction and consumer-brand identification in relationship marketing, less research has examined the role of price perceptions and evaluation on customer retention and positive WOM. This is surprising because Fornell et al. (1996) report that price plays an important role in various industries and in two of seven cases was even more important than perceived quality. The lack of integration of the different origins of customer retention and WOM is even more surprising, considering that prices are particularly important in services because of the variable, demand-based pricing that occurs in this context (Voss et al., 1998). Yet, despite these findings, the relationship between identification and price evaluation has not been investigated, and only a few studies have explicitly addressed the relationship between prices and satisfaction (Varki and Colgate, 2001; Steiner et al., 2013). Therefore, in addition to the relationship-oriented variables of consumer-brand identification and customer satisfaction, our research integrates the price image construct to broaden the scope of identification to the field of behavioral pricing.

In general, brands play an important role in price perception and evaluation because they lead to product differentiation and provide additional meaning to consumers (Mela et al., 1997). Satisfied customers are willing to pay higher prices (Homburg et al., 2005b) and loyal customers are less price sensitive (Mela et al., 1997). In line with these findings, retailers promote strong brands more frequently and pass on their trade deals compared to brands with weak loyalty (Allender and Richards, 2012). However, retailers and brand owners need to be cautious with price promotions because these make loyal, and particularly nonloyal, customers more sensitive to price (Mela et al., 1997). For these reasons, and in light of the recent technological advances that have empowered consumers with tools to gather price information (Hamilton and Chernev, 2013), continuously investigating strategies to manipulate consumers' price perceptions is important. Despite these considerations, price perception has been neglected in relationship marketing even though relationships can detract consumers' focus on price by building strong satisfaction-based relationships (Grönroos, 1997). Therefore, and in view of the emergence of consumer-brand identification in marketing research, we investigate the relevance of this construct for price perception.

In line with our focus on consumers, we investigate consumers' price perceptions—that is, the perceived price, not the real (i.e., objective) price (Dickson and Sawyer, 1990; Jacoby and Olson, 1977). Behavioral pricing has demonstrated that when consumers compare and evaluate offers, price image in particular is important for their decisions (Matzler et al., 2006; Hamilton and Chernev, 2013; Zielke, 2010). Research has predominantly investigated price image for retailers, identifying it as consumers' perceptions of the price level or relative price level of a retail store (Zeithaml, 1984). Zielke (2010) recently proposed a multidimensional view of price image, in contrast with the prevalent conceptualizations of price image as a one-dimensional construct that represents the categorical impression of the aggregate price level (Desai and Talukdar, 2003; Büyükkurt, 1986; Hamilton and Chernev,

2010). Thereafter, Nyström (1970, p. 134) defined price image as “buyer attitude towards price on the assortment level.” Consequently, Hamilton and Chernev (2013) consider price image one particular aspect of a retailer’s brand image.

We argue that the prevailing one-dimensional notion of price image as perceived price level can be easily applied to brands and that it offers a promising avenue to study price perception in the context of relationship marketing. As in the case of retailers, brands also commonly offer more than one product or service. Therefore, customers do not know or remember the actual prices of brands, but they encode the prices in meaningful ways (Zeithaml, 1984) and have price beliefs (Erickson and Johansson, 1985). Consequently, brand price images represent the way consumers perceive and evaluate prices.

Given that price image represents the perception of prices without taking quality differences into account (Zielke, 2010), use of this construct herein avoids confusions due to the role of price as an indicator of quality (Brucks et al., 2000; Zeithaml, 1988). Moreover, measurement of price image suggests its suitability in brand management. Unlike price perceptions of individual items, which tend to be nominally scaled and expressed in terms of a particular currency, price image is measured using ordinal scales (e.g., expensive vs. inexpensive) (Hamilton and Chernev, 2013; Zielke, 2006). Therefore, in line with the definitions of retailer price image, we define “brand price image” as the general belief about the overall level of prices that consumers associate with a brand (Hamilton and Chernev, 2013). Thus, price image matches the idea that consumers tend to make purchase decisions as simple as possible. From a company’s point of view, price perception and price evaluation (and not real prices) deserve study because manipulation of customers’ price perceptions is possible through a variety of means (Janiszewski and Lichtenstein, 1999).

Previous research suggests that price image positively influences brand loyalty. Research in a retailing context has particularly identified this causal relationship (Zielke,



2010; e.g., Hamilton and Chernev, 2013); however, ample evidence shows that this assumption also applies to brands and companies in general. For example, previous empirical models feature price perception as an aspect of “perceived value” (Johnson et al., 2006) or “value” (Sirdeshmukh et al., 2002), thereby demonstrating the positive effect of price image on loyalty. Bolton and Lemon (1999) further observe a positive influence of price on service usage. This substantiates Keaveney’s (1995) findings from a qualitative study of customer switching behavior, which reveal that (more than half the studied) customers switched because of unfavorable price perceptions. Finally, Varki and Colgate (2001) show that price perceptions significantly affect customer retention. In line with research, we assume that the more favorable consumers judge the price, the more likely they are to buy this brand in the future.

*Hypothesis 6: Brand price image positively influences brand loyalty.*

From research on WOM and research on the relationship of WOM to price-related constructs, we further assume a positive effect of a favorable brand price image on consumers’ intentions to recommend the brand. As Wirtz and Chew (2002) argue, people use WOM to reassure themselves in front of others, to gain support from others who share their opinions, to gain attention, to show connoisseurship, and to develop and enhance relationships. Sharing opinions of favorable prices can help consumers gain these “social benefits.” For example, Matzler, Würtele, and Renzl (2006) highlight the effect of perceived relative prices of a bank on WOM. Moreover, we substantiate the assumption of a positive influence of price image on positive WOM with the inverse findings of Xia, Monroe, and Cox (2004), who observe that consumers tend to spread negative WOM in the case of unfair prices; according to Hamilton and Chernev (Hamilton and Chernev, 2013), price fairness is closely related to price image.

*Hypothesis 7: Brand price image positively influences positive WOM.*

In general, scholars agree that perceived price images depend on the way consumers process available information and that price evaluation is a subjective process (Zielke, 2006; Hamilton and Chernev, 2013; Padula and Busacca, 2005). In their research in retail management, Hamilton and Chernev (2013) refute conventional wisdom that assumes that price image is mainly a function of average price level by demonstrating that several price- and nonprice-related factors contribute to price image formation. In particular, they identify consumer traits that are particular to the individual consumer and are relatively stable over time as important determinants of beliefs about prices and price image formation. Applying these findings on consumer-based drivers of price image to our research, we assume that consumer-brand identification is one of the crucial traits that influence price-level formation. In particular, we propose that consumers highly identified with a certain brand will evaluate prices more positively, because unfavorable price evaluations would also negatively affect themselves.

There are two more lines of reasoning for the positive relationship between consumer-brand identification and price image. First, research considers price image part of price satisfaction, which is a component of overall satisfaction (Lymperopoulos and Chaniotakis, 2008; Varki and Colgate, 2001). Thus, following the arguments in Hypothesis 3, we expect a positive effect of consumer-brand identification on price image. Second, consumers highly identified with a brand are more concerned with the product or service and are willing to pay higher prices for the brand (Del Rio et al., 2001). Therefore, we propose the following:

*Hypothesis 8: Consumer-brand identification positively influences brand price image.*

The central role of price perception in post-purchasing processes has also been substantiated by empirical findings on the influence of price on customer satisfaction. Although the relationship between price and satisfaction has not gained as much attention as the influence of service quality on satisfaction, several scholars have argued that favorable

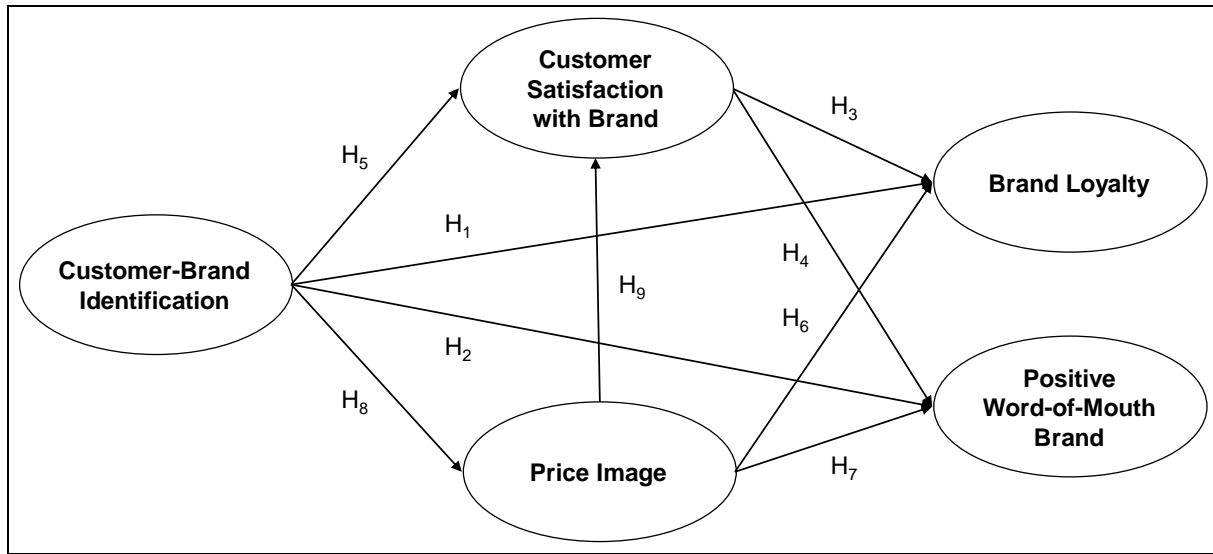
price perceptions increase customer satisfaction (Voss et al., 1998; Bolton and Lemon, 1999; Varki and Colgate, 2001; Siems et al., 2008; Herrmann et al., 2007). That is, when consumers compare their perceived benefits with their perceived monetary sacrifice, they will be more satisfied the more the benefits derived from the brand outweigh the price (Herrmann et al., 2007). Several empirical studies that show that favorable price perceptions lead to higher levels of customer satisfaction lend support to this assumption (Herrmann et al., 2007; Varki and Colgate, 2001). Empirical research has also demonstrated that similar conceptualizations of price, including price as a part of perceived value (McDougall and Levesque, 2000), price fairness (Martín-Consuegra et al., 2007) and price satisfaction (Lymperopoulos and Chaniotakis, 2008), have a positive impact on customer satisfaction. Moreover, Matzler, Würtele, and Renzl (2006) show that relative price significantly influences price satisfaction, which is a component of customer satisfaction. Finally, Lam et al. (2004) show that a favorable price-to-quality ratio (as part of customer value) enhances customer satisfaction. From these findings, we put forth the following:

*Hypothesis 9: Brand price image positively influences customer satisfaction.*

Figure 1 depicts the derived structural model and illustrates the assumed relationships of consumer-brand identification to other important psychological constructs (i.e., customer satisfaction and price image), as well as key indicators of economic success (i.e., brand loyalty and positive WOM).

**Figure 1.**

Integrative structural model for brand management and relationship marketing.



## Empirical study

### *Sample and Procedure*

We empirically tested the structural model posited in Figure 1 with a quantitative study using an online questionnaire. Given the aim of our research to provide general results for a variety of major brands, data were collected by a representative German consumer panel (for descriptive, see Appendix). We included a balanced set of 10 service and product brands that provided both symbolic and functional benefits. In particular, respondents were randomly assigned to the following brands: L'Oréal, Coca-Cola, Volkswagen, Adidas, Phillips, Toshiba, T-Online, Deutsche Bank, Visa, and McDonald's. By doing so, we gathered data from 1443 customers for these product and service brands.

### *Measures*

We adopted all measures from previous research. In the following, we briefly present key details of these measures; a complete list of the items used and the confirmatory factor analysis (CFA) results appear in Table 1. All construct items were measured on 7-point Likert scales, ranging from 1 (*strongly disagree*) to 7 (*strongly agree*). In particular, our

conceptualization of consumer-brand identification integrates cognitive, affective, and evaluative aspects, and we measure it with seven items from Algesheimer, Herrmann, and Dholakia (2005) and Stokburger-Sauer, Ratneshwar, and Sen (2012). For both brand loyalty and positive WOM, we use three-item measurement scales from Algesheimer, Herrmann, and Dholakia (2005). We also measure customer satisfaction with three items commonly used in marketing research (Homburg et al., 2009). For measuring perceived brand price image, we draw on Keiser and Krum's (1976) and Zielke's (2006) conceptualizations of price image.

### *Results*

Because all data come from the same respondents, there is potential for common method variance. As Podsakoff et al. (2003) recommend, we reduced this by using existing scales, proximally separating measures of predictors and criterion variables, and ensuring the respondents' anonymity. Moreover, to assess the reliability and to control for the panel respondents' consistency motif, which may cause common method bias, we applied Harman's (1976) single-factor test, which demonstrated that none of the factors accounted for the majority of covariance among items. Given these findings, common method bias is not a serious threat to our analyses (Podsakoff et al., 2003).

Further analysis followed Anderson and Gerbing's (1988) two-step procedure and implemented the covariance-based approach of structural equation modeling (Jöreskog, 1978). We estimated both the measurement model and the structural model using the software LISREL 9.10 and the maximum likelihood method. The measurement model performed well and no significant differences between a subsample comprising the product brands and a subsample comprising the service brands were found. Unidimensionality of all constructs was checked by exploratory factor analyses. Thereafter, the psychometric properties of our measures were assessed by CFA. The goodness-of-fit-statistics for the complete measurement model provided in Table 1 indicate a good fit to the data and, together, meet the standards

suggested in the literature (Bagozzi and Yi, 2012). Table 1 further shows the individual items and their loadings, all of which were significant and greater than .70.

**Table 1.**  
Constructs and CFA Results.

Construct	Item	Factor Loading
Consumer-Brand Identification (Algesheimer et al., 2005; Stokburger-Sauer et al., 2012)	This brand says a lot about the kind of person I am and I want to be.	.82
	This brand's image and my self-image are similar in many respects.	.87
	This brand plays an important role in my life.	.90
	I am very attached to this brand.	.94
	I feel a strong sense of belonging to brand X.	.96
	Brand X has a great deal of personal meaning for me.	.95
	Brand X embodies what I believe in.	.91
Consumer-Brand Satisfaction (Homburg et al., 2009)	All in all I am very satisfied with this brand.	.92
	"My experiences with this brand meet my expectations of ideal conceptions."	.91
	The performance of this brand has fulfilled my expectations.	.93
Price Image (adapted from Keiser and Krum, 1976; Zielke, 2006)	The price of this brand is less than the price of other brands in this product group.	.88
	The price of this brand is rather low.	.90
	The regular price level (without special offers) of this brand is very low.	.75
	Products or services of this brand are cheaper than offers of other brands of the same quality.	.78
Brand Loyalty (Algesheimer et al., 2005)	I intend to buy this brand in the future.	.84
	I would actively search for this brand in order to buy it.	.84
	I intend to buy other products of this brand.	.85
Positive Word of Mouth (Algesheimer et al., 2005)	I hardly miss an opportunity to say good things about this brand to others.	.92
	I will actively encourage friends or relatives to buy this brand.	.95
	If friends or relatives were to search for such a product or service, I would definitely recommend this brand.	.89
<i>Note.</i> All items used a 7-point scale, ranging from <i>strongly disagree</i> (1) to <i>strongly agree</i> (7); $\chi^2 = 1386.990$ , $\chi^2/df = 8.67$ , comparative fit index = .98, Tucker–Lewis Index = .98, root mean square error of approximation = .08, and standardized root mean square residual = .04.		

Table 2 provides other relevant psychometric properties and the correlation matrix for the CFA model, ensuring internal consistency and reliability of the measurement model. In particular, all average variances extracted (AVEs) exceeded .50, Cronbach's alpha values exceed .70, and all construct reliabilities were greater than .70, thus indicating excellent reliability and convergent validity of our construct operationalizations (Bagozzi and Yi, 2012). Furthermore, we checked for discriminant validity using Fornell and Larcker's (1981) criterion, and, as recommended, for all constructs, the square root of the AVE exceeded the factor correlations.

**Table 2.**

Means, Standard Deviations, Internal Consistency, Reliability, AVEs, and Correlation Matrix  
for CFA Model.

Constructs	M	SD	$\alpha$	CR	AVE	1	2	3	4	5
1. Consumer-brand identification	2.69	1.64	.97	.97	.82	<i>.91</i>				
2. Customer satisfaction with brand	5.07	1.49	.94	.94	.84	.41	<i>.92</i>			
3. Price image	3.00	1.26	.90	.90	.69	.45	.33	<i>.83</i>		
4. Brand loyalty	3.86	1.78	.88	.88	.71	.64	.62	.41	<i>.85</i>	
5. Positive word of mouth	3.14	1.74	.94	.85	.74	.79	.49	.49	.75	<i>.86</i>

Notes: M = Mean (calculated by averaging respective item scores), SD = standard deviation,  $\alpha$  = Cronbach's alpha, CR = composite reliability; the diagonal (in italics) shows the square root of the AVE for each construct; the off-diagonal numbers represent the correlations among constructs.

The structural equation model provides a good fit to the empirical data ( $\chi^2 = 1526.461$ , comparative fit index = .98, Tucker–Lewis Index = .97, standardized root mean square residual = .05, root mean square error of approximation = .09). Table 3 provides the estimated path coefficients of the proposed hypothesis and t-values.

**Table 3.**

Results of Hypothesized Model.

Hyp.	Path	Standard. coefficient	t-value	Hypotheses
H <sub>1</sub>	Consumer-brand identification → Customer loyalty	.43	16.32**	Supported
H <sub>2</sub>	Consumer-brand identification → Positive word of mouth	.65	27.16**	Supported
H <sub>3</sub>	Customer satisfaction → Customer loyalty	.42	17.38**	Supported
H <sub>4</sub>	Customer satisfaction → Positive word of mouth	.18	9.62**	Supported
H <sub>5</sub>	Consumer-brand identification → Customer satisfaction	.33	11.35**	Supported
H <sub>6</sub>	Price image → Customer loyalty	.09	3.68**	Supported
H <sub>7</sub>	Price image → Positive word of mouth	.15	7.35**	Supported
H <sub>8</sub>	Consumer-brand identification → Price image	.45	16.42**	Supported
H <sub>9</sub>	Price image → Customer satisfaction	.18	6.10**	Supported

Note. \*\*  $p < .01$ ;  $\chi^2 = 1526.461$ ,  $\chi^2/\text{df} = 9.48$ , comparative fit index = .98, Tucker–Lewis Index = .97, root mean square error of approximation = .09, and standardized root mean square residual = .05.

We found strong support for all proposed hypotheses. All the path coefficients reveal the expected positive sign and are statistically significant ( $p < .01$ ). In particular, our analysis shows that consumer-brand identification has a major direct effect on brand loyalty (Hypothesis 1:  $\beta = .43$ ,  $t = 16.32$ ,  $p < .01$ ) and positive WOM (Hypothesis 2:  $\beta = .65$ ,

$t = 27.16, p < .01$ ). In addition, we find that both customer satisfaction and price image influence brand loyalty (Hypothesis 3:  $\beta = .42, t = 17.38, p < .01$ ; Hypothesis 6:  $\beta = .09, t = 3.68, p < .01$ ) and positive WOM (Hypothesis 4:  $\beta = .18, t = 9.62, p < .01$ ; Hypothesis 7:  $\beta = .15, t = 7.35, p < .01$ ). Moreover, we reveal that price image is positively associated with customer satisfaction (Hypothesis 9:  $\beta = .18, t = 6.10, p < .01$ ). Finally, our analysis demonstrates that consumer-brand identification positively influences both customer satisfaction (Hypothesis 5:  $\beta = .33, t = 11.35, p < .01$ ) and price image (Hypothesis 8:  $\beta = .45, t = 16.42, p < .01$ ), thereby exerting indirect effects on brand loyalty and positive WOM.

Analyzing the total effects of identification, satisfaction, and price image (see Table 4), we can conclude that consumer-brand identification has the strongest impact on both brand loyalty and positive WOM. Customer satisfaction is the second strongest determinant of brand loyalty, and price image has the weakest, but still significant, effect on brand loyalty. With regard to positive WOM, consumer-brand identification is by far the most important, whereas both satisfaction and price image contribute approximately evenly to positive WOM.

**Table 4.**

Total Effects.

Construct	Brand Loyalty		Positive WOM	
	Total effect	t-value	Total effect	t-value
Consumer-brand identification	.64	23.36**	.79	32.77**
Customer satisfaction with brand	.42	17.38**	.18	9.62**
Price image	.16	5.78**	.18	5.19**

\*\*  $p \leq 0.01$

In total, consumer-brand identification, customer satisfaction, and price image explain 59% of the variance of brand loyalty and 70% of positive WOM. These moderate to substantial values of the squared multiple coefficient of correlation ( $R^2$ ) indicate moderate to substantial statistical power of our empirical model (Chin, 1998). Although many other relevant variables can influence brand loyalty and positive WOM, the observed R-square



values highlight the crucial role of the antecedents studied in our model. Moreover, the R-square values for price image ( $R^2 = .17$ ) and customer satisfaction ( $R^2 = .17$ ) show that consumer-brand identification (for customer satisfaction together with price image) considerably contributes to the explanation of both latent variables.

## **Discussion**

Our main research purposes were to propose and empirically test a model that integrates consumer-brand identification with customer satisfaction and price image and to examine the interrelationships among these latent variables and their effects on brand loyalty and positive WOM. By doing so, we help to explain the different but interrelated ways to retain and gain customers. Overcoming insufficient considerations of the relationship between identification and satisfaction (Homburg et al., 2009) and clarifying contradictory findings on the direction of the relationship (Boenigk and Helmig, 2013; He et al., 2012), we show that consumer-brand identification substantially influences customer satisfaction. Moreover, our comprehensive integration of identification and satisfaction into a framework of determinants of brand loyalty and WOM extends previous findings from Kuenzel and Halliday (2008). In their study on the direction between satisfaction and identification, the authors assume that either identification completely mediates the effect of satisfaction on brand loyalty and WOM or that satisfaction completely mediates the effect of identification on both target constructs. Above, we pointed out that the effect of identification on customer loyalty does not necessarily have to be mediated by satisfaction, but could also be a direct effect (e.g., loyal football fans who are dissatisfied with the team performance; fans of a mobile phone brand who stay loyal even in times of product failure). By considering this additional direct link in our conceptual model, we demonstrate the fundamental role of identification for brand relationships and brand-related behaviors.

Based on behavioral pricing we include the price image construct in our model. As a

consequence, we uncover the effects of consumer-brand identification on consumers' price perceptions as we demonstrate that consumers highly identified with a brand evaluate the price of a product or service more favorably than other consumers. This insight is particularly valuable given that prior research has emphasized the importance of perceived prices for consumer purchase and satisfaction and has called for further research in relationship marketing on the topic (Herrmann et al., 2007; Martín-Consuegra et al., 2007).

The observed significant direct effects of consumer-brand identification on brand loyalty and positive WOM demonstrate that this construct fundamentally affects both customer retention and the acquisition of new customers. In line with previous research that highlights the emergence of customer extra-role behavior from identification (Ahearne et al., 2005; Stokburger-Sauer et al., 2012), we found stronger effects of identification on positive WOM than on brand loyalty. This is plausible because the question whether a consumer rebuys a certain product or service depends on more factors other than a strong overlap between the consumer's self and the brand. For example, the available budget, competition, and other situational factors may prevent the consumer from buying the brand despite a strong identification with it.

Moreover, our research extends previous studies that include both loyalty and WOM as consequences of identification by simultaneously examining customer satisfaction. In doing so, we show that customer satisfaction differs in terms of its consequences: While its direct effect on repurchase is similar to the effect of consumer-brand identification, we observe considerably smaller effects on WOM. As a result of the positive association of consumer-brand identification with customer satisfaction as well as with price image, we illustrate that identification not only directly influences brand loyalty and positive WOM but also has significant indirect effects on both indicators of economic success.

## **Implications**

Our research is the first to explicitly examine the role of identification for price management. Moreover, we integrate consumer-brand identification and behavioral pricing, two research streams in marketing that have not been linked before. We further contribute to prior research by including a diverse set of brands and selecting respondents from a representative consumer panel. Thus, we extend previous research on consumer-brand identification that has predominantly focused on a single brand (Homburg et al., 2009), supporters of nonprofit organizations (Bhattacharya et al., 1995; Boenigk and Helmig, 2013), or brand communities (Stokburger-Sauer, 2010; Algesheimer et al., 2005)—in other words, consumers who are explicitly aware of their identification with a brand. However, our findings show that the positive aspects of consumer-brand identification apply for a variety of brands with symbolic and functional benefits and are not limited to some outstanding examples.

Our findings not only confirm many previous views regarding the importance of customer satisfaction and consumer-brand identification. They lead to several new insights for researchers and to important managerial implications, because of the integrative perspective on key drivers of marketing success, including identification, satisfaction, and price. In particular, we contribute with a broad view of the marketing advantages of strong brands (Hoeffler and Keller, 2003) which sheds more light on the significant interrelationships among identification, satisfaction, and prices and their effects on loyalty and WOM. Managers who focus entirely on one of these aspects do so at their own peril and may not be able to make full use of their opportunities.

As our results reveal, consumer-brand identification provides the “silver bullet” for relationship marketing because it entails widespread positive effects on several crucial determinants and indicators of relationship marketing success. The influence of consumer-brand identification on brand loyalty and word-of-mouth intentions exceeds the effects of

customer satisfaction on these important targets. Building strong relationships based on consumer-brand identification can outperform the effects of customer satisfaction and pricing strategies. However, the relative importance of satisfaction in comparison with identification demonstrates that satisfaction becomes more important for repurchase intentions, though identification still has a stronger impact than satisfaction. Therefore, companies should pursue identity-based marketing strategies and make use of the direct effects of identification on both retaining customers (brand loyalty) and acquiring new customers (positive WOM).

Moreover, managers can foster consumer-brand identification as an additional instrument for increasing customer satisfaction and improving perceived prices. First, high levels of identification may help compensate product or service failures by positively influencing the customer's evaluation. Second, consumer-brand identification brings additional scope for pricing policy of companies with which consumers identify. In particular, companies that succeed in developing strong consumer-brand identification have the chance either to set higher prices than their competitors or to set similar prices that will be evaluated more positively.

With this crucial importance of identification, companies should strive to foster consumer-brand identification by drawing on social influence and symbolic and psychological antecedents of identification. Branding activities could include brandfests, consumer clubs, brand communities, public consumption, and customer integration. Moreover, interactive, social components that increase involvement in the brand or service may help build identification from its value, rareness, inimitability, and non-substitutability (Balmer, 2008) and thus create a sustainable competitive advantage.

In addition to the crucial importance of consumer-brand identification for sustainable success, our research should not be misinterpreted as a call for exclusively targeting high levels of identification. Instead, a complementary, mixed use of the different areas of

marketing seems appropriate. Although pricing decisions are under the control of marketers more than changes in customer satisfaction or consumer-brand identification, the latter two bring about more sustainable effects. The key challenge for managers is deciding which aspect to emphasize in a particular situation or over a longer period. Together with previous research in the field of marketing, our findings may help practitioners find a better mix between these elements to ensure long-term success. For instance, Haumann et al. (2014) recently studied the long-term effectiveness of customer satisfaction and customer-company identification on customer loyalty and willingness to pay, thereby demonstrating that the effects of identification were more persistent than the effects of customer satisfaction. Moreover, in another longitudinal study of cellular phone customers, Johnson, Herrmann, and Huber (2006) demonstrate that early in the life cycle, perceived value (mainly based on the consumer's price perception) drives loyalty intentions, whereas over time, more affective attitudes toward the brand become more important. Our results corroborate these findings, as we demonstrate significant effects of consumer-brand identification, which is a long-term investment, and of customer satisfaction and pricing decisions, which are rather short-term investments.

Finally, given the significant interrelationships among identification, satisfaction, and price perception, managers should carefully consider the mutual dependencies among marketing strategies according to these aspects. Thus, we also advise managers to rethink traditional management models that focus on only one aspect (e.g., the satisfaction-driven service-profit chain; (Heskett et al., 1994). Integrating new concepts such as ours may help protect managers from making wrong decisions.

### **Limitations and Further Research**

The central aim of this article was to offer an integrative perspective of consumer-brand identification, customer satisfaction, and perceived prices to provide insights into the

importance of these constructs for retaining customers (i.e., brand loyalty) and gaining new customers (i.e., positive WOM). As such, our research ponders the causal relationships of these constructs, while ignoring other antecedents and consequences.

In particular, we link the underrepresented topic of pricing to the concepts of identification and customer satisfaction through price image. However, further research could substantiate our findings with other conceptualizations of perceived prices.

By using a balanced set of 10 product or service brands in our sample, our study was able to overcome the limitation of previous studies of focusing on single brand or specific contexts. However, our sample is limited to cross-sectional data, which does not allow for testing dynamic effects within the causal structure of our model. Longitudinal data or an experimental setting could help address this issue in further research.

Nevertheless, our research is a first step toward a more comprehensive perspective on marketing activities by (re)integrating pricing into the areas of identification and satisfaction, which are extensively examined in brand management and relationship marketing. The proposed model, which provides insights into the relationships among key constructs from the different research streams, therefore should encourage future studies with similar endeavors.

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## Appendix. Panel Description.

	Cases	%
Age in years		
18–24 years old	85	5.9
25–34 years old	449	31.1
35–54 years old	517	35.8
45–54 years old	274	19.0
55–64 years old	93	6.4
65 years or older	25	1.7
Sex		
Male	735	50.9
Female	708	49.1
Family status		
Single	313	21.7
Married / extra-marital cohabitation	1020	70.7
Divorced	82	5.7
Widowed	28	1.9