2 Theoretical Framework

To the present date, no comprehensive theory for user-generated content and its impact on branding exists. In this section, theories and approaches will be described that were used to answer the research questions on the emergence of user-generated brands and the influence of social media on branding.

2.1 Co-creation of Brands

Marketing literature in the last decade has undergone a shift towards a service-dominant logic (Vargo and Lusch 2004). This logic puts the customer back into the center of marketing theory as it implies that the value of an offering (product or service) is defined and co-created with the consumer instead of being embedded in the output per se (Vargo and Lusch 2008). Consumers are not perceived as passive participants anymore but as active shapers and contributors in marketing. The notion of the prosumer (Kotler 1986) has become a synonym for the value-creation relationship between firms and customers.

This new perspective in marketing is also reflected in the contemporary understanding of brands. The creation of brands is now viewed as an ongoing social process (Füller et al. 2012; Muniz and O’Guinn 2001), whereby value is co-created in the interplay and negotiations of various stakeholders (Merz et al. 2009). This process encompasses a system consisting of brand meaning, manifestations of this meaning, and the various stakeholders as the relevant actors (Mühlbacher et al. 2006). As shown by the brand community literature (Brown et al. 2003; Muniz and O’Guinn 2001; Schau et al. 2009), brand value is created through collective experiences and interpretations enabled by relationships based on brands. Brand value is therefore “also co-created through network relationships and social interactions among the ecosystem of all the stakeholders” (Merz et al. 2009, p. 338). Brand literature has evolved from a brand logic that viewed brands as simple markers of identification and value as inherent in goods determined by the value-in-exchange, to a new logic that views brands as being complex social phenomena (Brown et al. 2003; Holt 2002; Kozinets 2002; Pitt et al. 2006) and the value of brands as its collectively perceived value-in-use (Franke and Piller 2004; Schau et al. 2009).
The social nature of brands (Muniz and O'Guinn 2001) and the relevance of relationships in co-creating brand value (Kozinets et al. 2008; McAlexander et al. 2002) enhance the importance of social media as a marketing channel. Social media favors relationship and community building as well as it promotes active engagements of consumers. The direct involvement social media enables in respect to the creation of brand value gives consumers ever more power to influence brands and poses challenges for brand managers’ efforts to manage their brand. Furthermore, the ease of online brand-community building and the value those communities provide for consumers as well as firms, has become another important aspect of brand management. Therefore marketing activities within social media environments have to take into account and work with the increased power of consumers.

2.2 The Value of Brands

Brands are among the most valuable assets companies possess and hence the management of their value is of top priority for firms. Value for the owner of brands lies within a brand’s ability to generate financial profits and to establish a competitive advantage by differentiating itself from competitors (Keller 2008; Riesenbeck and Perrey 2007). For consumers the value of brands is based on the functions and utilities they represent (de Chernatony and Riley 1998; Kapferer 2008). In other words, a brand’s perceived value for a consumer is the total sum of the physical and psychological benefits the consumer receives from the brand (Avery et al. 2010). This perceived value stems from four distinct benefit dimensions: informational benefits, risk reducing benefits, symbolic and identity related benefits, and social benefits.

First, brands are carriers of information (cp. Kapferer 2008; Keller 2008). They let consumers easily recognize and identify products and give them information about the origin and quality of the product. They thereby lower search costs as they allow time and energy-saving through repurchasing and loyalty.

Secondly, brands lower consumers’ perceived risk of making a wrong purchase decision. They indicate a certain level of quality, ensure the expected performance, and attest social acceptance (cp. Kapferer 2008; Riesenbeck and Perrey 2007). Physical and psychological risks perceived by the consumer that are imminent in every purchase decision are thereby reduced. To serve these two rather mechanical functions, brands need to be perceived by consumers as trustworthy and as having the necessary expertise.
Third, brands support consumers in their creation of self-concept and social identity and therefore exhibit a symbolic function (Ahuvia 2005; Belk 1988; Escalas and Bettman 2005; Fournier 1998). For consumers, brands are a powerful source of meaning (Fournier 1998) and, hence, serve as powerful symbolic and cultural resources for individual identity projects (Holt 2002; McCracken 1989). For instance, brands can enhance individual identities through associations with certain social realities and standards (Grubb and Hupp 1968). Consumers tend to prefer brands with characteristics that match their own as they are better suited for identity building (Aaker et al. 2004). Put differently, consumers’ brand preference interrelates with the connection of the own self with the brand (Escalas and Bettman 2005). The greater the congruity or connection between consumers’ own personal characteristics and those of the brand is, the greater is the preference for the brand (Aaker 1997). Self-brand connection has been found to influence important variables such as brand attitude, brand choice, and store loyalty (Helgeson and Supphellen 2004; Sirgy et al. 1997). To serve as valuable ingredients of meaning for the creation of identity, brands must be perceived as authentic and sympathetic by consumers and must be offered as cultural resources (Holt 2002).

Fourth, and yet not widely acknowledged, brands exhibit a social function as they support the building of relationships and social ties and foster social integration (Cova 1997; Muniz and O'Guinn 2001; Schau et al. 2009). Research into brand communities demonstrates that a shared consciousness, rituals and traditions, and a sense of moral responsibility form and hold together affectionate communities around brands (Muniz and Schau 2005). Cova (1997) argues that consumers value products and services less for their use-value and more for their linking-value — for their ability to enable and facilitate bonds between individuals. A recent study by Füller et al. (2012) shows that brands exhibit a social value as they help consumers build social capital.

The relevance and utility of brands in consumer society change over time against the background of societal developments. Fournier (1996) for example described the role of brands in postmodern society as follows: "Relationships with mass brands can soothe the ‘empty selves’ left behind by society’s abandonment of tradition and community and provide stable anchors in an otherwise changing world. The formation and maintenance of brand-product relationships serve many culturally-supported roles within postmodern society" (p. 1). Hence, current societal post-postmodernistic developments are also likely to influence the role and utility of brands.
2.3 Social Capital Theory

Bourdieu (1984) described the social world as a multidimensional space in which differentiation happens through various types of resources or capital from which people draw. It follows that this social space is structured according to the distribution of various forms of capital, which have the capability to confer strength and power and consequently profit their holder. Bourdieu (1986) essentially differentiates among three types of capital: economic, cultural, and social capital. Economic capital comprises everything that is “immediately and directly convertible into money” (Bourdieu 1986, p. 243) and is institutionalized in the form of property rights. Cultural capital consists of “socially rare and distinctive tastes, skills, knowledge, and practices” (Holt 1998, p. 3) and appears in three primary forms embodied as “implicit practical knowledge, skills, and dispositions; objectified in cultural objects; and institutionalized in official degrees and diplomas” (Holt 1998, p. 3). Social capital is defined as the entirety of actual and potential resources that arise from more or less durable networks of institutionalized relationships (Bourdieu 1986). In other words, social capital gives its holder access to resources embedded in social networks that he may use and from which he may profit (Esser 2008; Lin 2001). Economic capital can be used to build the latter two forms of capital through efforts of transformation. Conversely, cultural and social capital exhibit value for the holder as they convey status and can be converted, under certain conditions, into economic capital (Bourdieu 1986). In respect to social capital, an individual holder can use his social relations to borrow or capture other actors’ resources in order to generate profit for himself (Lin 2001). For example, a social actor might get valuable information concerning a lucrative investment opportunity, or he might be able to get better medical treatment through his relations to top-class doctors. The ability to convert social capital thereby depends on the structural position of the actor in the network, the strength of the ties within the network, the purpose of access (i.e., instrumental or for maintaining cohesion, solidarity, or well-being) and the skills in conducting the conversion (Lin 2001).

In contrast to the other forms of capital, social capital is purely relational, as it entails resources based on membership to social groups (Vogt 2000). The profits, which accrue through this membership, are the basis for solidarity, which in turn makes the profits possible (Bourdieu 1986). These profits or returns arise from three typical forms of social resources and benefits provided by relations and networks: social integration, symbolic or identity value, and access to knowledge. First, through membership to a group or community, individuals in the
network experience mutual trust, solidarity and support (Esser 2008), and receive social credentials (Lin 2001). Second, as relations based on interactions form social capital, and as identity is a product of interactions and highly dependable on the social space in which these interactions take place, social capital plays a central role in the building of people’s identity and therefore exhibits identity value to the holder (Lin 2001; Vogt 2000). Third, social capital presents value to its holder as it grants access to knowledge and information within social networks (Esser 2008; Lin 2001).

Relationships and ties formed in an online environment create (social) value as they represent social capital. Value-creating relationships that constitute social capital are thereby independent of the proximity of these relations in geographical, economic, or social space (Bourdieu 1986). Therefore, it doesn’t matter if the relevant network ties are situated in an offline or online context. As relationships today are significantly influenced by developments of de-traditionalization and individualization (Vogt 2000), and as social interactions are happening increasingly in online environments, social online networks play an increasingly important role in the creation of people’s social capital.

The connection between social capital theory and branding theory is grounded within the social nature of brands and its encompassing benefits for customers. Because of the social function of brands, consumption and preference of a brand can help in building relationships and forming a sense of community (McAlexander et al. 2002, Muniz and O’Guinn 2001). Social connections, enabled by brand communities and other brand-related relationships, represent potentially valuable resources for consumers and therefore increase the value of the brand for consumers and, hence, for companies. By applying Bourdieu’s theory of capital, the value consumers receive from social interactions and relations in connection with a brand can be described as part of consumers’ social capital. Brands present to consumers a way to interact and relate to other consumers and thus to build social capital. Hence, one of the main purposes a brand today is consumed is for its ability to serve as a means for social integration, identity building, and information access. Through these profit sources, consumers receive additional returns for the social capital a brand represents. Putting it differently, the social capital a brand offers stems from being relevant in social networks and, thereby, providing individuals the possibilities to connect and interact with each other about the meaning and experiences that a brand offers.
2.4 Purchase Decision-making Process and the Hierarchy of Effects

The consumer decision-making process comprises various steps a consumer passes through when making a purchase decision. This process encompasses all steps from the recognition of a need through the pre-purchase search for information about potential ways to satisfy the need, the evaluation of alternative options to the actual purchase and the post-purchase processes including experience and evaluation of the product (Olshavsky and Granbois 1979; Schiffman and Kanuk 1991).

Similar to the framework of the decision-making process are the “hierarchy of effects” (HOE) models in communication and advertising. Instead of describing the series of steps a consumer runs through when making a purchase decision, those models focus on the mental stages of the relationship of consumers with a specific product or brand (Mooradian et al. 2012; Ray 1973). Hierarchy of effects refers to the fixed order in which consumers perceive, process and use advertising and other marketing communication information: first, cognitively (thinking); second, affectively (feeling); and third, conatively (doing) (Barry and Howard 1990). This means that the consumer first attains awareness and knowledge about a product, subsequently develops positive or negative feelings towards the product and finally acts by buying and using or by rejecting and avoiding the product (Kotler and Keller 2010). This kind of persuasive model argues for a hierarchical order in which things happen, with the implication that the earlier effects have a stronger impact on consumer’s decision-making (Vakratsas and Ambler 1999). Based on this idea a variety of models has been proposed, differing in most cases only in nomenclature or order of effects (Barry and Howard 1990; Vakratsas and Ambler 1999).

The best-known hierarchy of effects model is AIDA, which consists of the purchase decision or attitude building phases awareness, interest, desire, and action. Another widely recognized model is the one by Lavidge and Steiner (1961) (Figure 1). They included into their model the phases awareness, knowledge, liking, preference, conviction, and purchase. At the beginning of the modeled process, the consumer is unaware of the brand. In the next phase he becomes aware of the existence of the brand, but has not yet formed any knowledge. Next, the consumer receives (e.g., through advertising or word-of-mouth) or searches for information about the brand on which basis he learns what the brand has to offer and builds knowledge. After going through the “thinking”
2.4 Purchase Decision-making Process and the Hierarchy of Effects

Figure 1: Hierarchy of effects model

stage, the consumer decides in the affective stage if he likes the product or not and builds preferences based on favorable or unfavorable attitudes towards the brand. At the end of the affective stage the consumer develops a conviction of the usefulness of the purchase or in other words an intention to purchase the brand. In the conative phase the purchase or action is executed. Even though not included in most HOE models (Barry and Howard 1990; Smith et al. 2008; Vakratsas and Ambler 1999), consumer loyalty and advocacy ideally follows the action or purchase phase and represents a strong state of commitment to the brand. These stages have therefore been proposed as important additional parts by some (Mooradian et al. 2012; Riesenbeck and Perrey 2007).

Decisive for the sequence and flow of the single steps in the decision process is the involvement of consumers to the product or brand. According to Zaichkowsky (1985, p. 342), involvement is defined as “a person’s perceived rele-
vance of the object based on inherent needs, values, and interests,” whereby objects refer to products or brands, and depends on situational factors. In respect to the decision-making process, involvement can influence the HOE in two ways (Assael 1987; Petty et al. 1983; Smith et al. 2008; Solomon 2011). First, depending on the level of involvement consumers need differing amounts of time to go through the phases (Lavidge and Steiner 1961). This means that for high involvement products like cars, consumers normally take longer when they for example search and process information and therefore need more time to get to the subsequent phase. Second, the level of involvement potentially also influences the sequence of the HOE stages (Barry and Howard 1990; Kotler and Keller 2010). With low involvement products the affective and conative phases could precede the cognitive phase as consumers do not “think” when buying the product but build attitudes after the purchase in the stage of using.

Consumers make countless decisions every day and are confronted with an overwhelming amount of information input (Mick et al. 2004). They therefore develop certain habits and “heuristics,” which are shortcuts and “rules of thumb” used in decision making, to cope with this mental overload (Folkes 1988). Brands are the most common rule of thumb in the contemporary marketplace. They facilitate many purchase decisions and offer reassurance as they connect current and future decisions to experiences, satisfactions, and knowledge (Kapferer 2008; Keller 2008; Mooradian et al. 2012).

User-generated content and social media influence consumers in their purchase decision-making (Chen et al. 2011; cp. Kozinets et al. 2010). They therefore have to be seen as a marketing communication channels (Chen and Xie 2008). Brands as an integral part of consumers’ decision-making are also impacted by content made public via social media platforms (Constantinides and Fountain 2008).
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