Chapter 12

The Effects of Social Media-Based Brand Communities on Brand Loyalty and Brand Equity: Case Study – Cinere Company

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ABSTRACT

Nowadays, the concept of brand community is tied with media. So, the new concept of social media based brand community without constraint of geography is built. In this chapter, we investigate the effects of social media based brand community on elements of the customer centric model, brand loyalty and brand equity through its antecedents (i.e., brand loyalty, brand trust, perceived quality, brand awareness/association). An online survey with 170 users of brand community of Cinere company on facebook was conducted and path analysis technique was applied for data analysis. The results show that brand community of Cinere on social media has positive effects on all elements of the customer centric model. customer/other customer and customer/brand relationships have positive effects on brand loyalty with mediating role of brand trust; and loyalty, perceived quality,brand awareness/association have positive effects on brand equity. Interestingly, brand trust contributes only indirectly to brand equity. Finally, implications for practice and future research opportunities are discussed.

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INTRODUCTION

The concept of social media in today’s business program is on top of all the world. Decision makers and marketers of organizations are in an effort to identify ways and means by which companies can use social media to their best advantage.

On the other hand, the growing number of social media users is not limited to teenagers, members of Generation X, that are now 35-44 years old, increasingly populate the ranks of joiners, spectators, and critics (Kaplan & Haenlein, 2010). It is therefore reasonable to say that SocialMedia represents a revolutionary new trend that should be of interest to companies operating in online space or any space, for that matter (Kaplan & Haenlein, 2010).

Due to the advantages of social media in connecting businesses to end-consumers directly, in a timely manner and at a low cost (Kaplan & Haenlein, 2010), in bringing together different like-minded people (Hagel & Armstrong, 1997; Wellman & Gulia, 1999), and in influencing customer perceptions and behavior (Williams & Cothrell, 2000), it has become the center of attention in different industries (Laroche, Habibi, Richard, & Sankaranarayanan, 2012). The high level of efficiency of social media compared to other traditional communication channels prompted industry leaders to state that companies must participate in Facebook, Twitter, MySpace, and others, in order to succeed in online environments (Kaplan & Haenlein, 2010). Thus, more industries try to benefit from social media (Laroche et al., 2012). As brands are increasingly embedded in social networking sites (e.g. Facebook and Twitter) and other variant forms of social media (e.g. YouTube), the competition between brands has become a battlefield where companies co-own their brands, co-direct their brands’ competitive strategies, and co-define symbolic meanings of their brands with their consumers (Heil, Lehmann, & Stremersch, 2010; Tynan, McKechnie, & Chhuon, 2010).

One of the ways to participate in social media for organizations in recent years is establishment of brand community. Brands such as Jeep with famous offline brand communities (Schau, Muñiz, & Arnould, 2009) try to connect with their customers and enhance their brand communities on such social networking sites as MySpace and Facebook. (as cited in Laroche et al., 2012). Perhaps the most important advantage for companies in supporting brand communities is increasing brand loyalty, which is called the “Holy Grail” for businesses (McAlexander, Schouten, & Koening, 2002, p. 38) that building and maintaining it are one of the central themes of research for marketers for a very long time (i.e. Oliver & Rust, 1997; Chaudhuri & Halbrook, 2001; Bennett & Rundle-Thiele, 2002) and brand equity which is an important source of competitive advantage for the firm (Satanasavapak, 2010). Presence of company in brand communities affect these two items and their antecedents by various methods that we consider one of these ways in our research.

On the other hand, people have their own incentives to join social media and follow brands on it. They fulfill their need for belongingness and their need for cognition with those who have shared norms, values and interests (Gangadharbhatla, 2008; Tardini & Cantoni, 2005). The Uses and Gratifications Theory confirms these incentives and argues that “audiences use media to meet their needs and fulfill their personal gratification” (Lee, 2009, p. 16). According to Sicilia and Palazon (as cited in Lee, 2009, p.17), “the gratification of individual needs in a virtual community depends on the perceived value of being a member”. Virtual communities offer functional, social, and entertainment values. The functional values allude to an individual’s need to give and seek information and advice. Social values cover friendship and social enhancement. Finally, entertainment values are fun and relaxation from an individual’s interaction with others (Elizabeth & Bushelow, 2012). In the literature, Feeling of being socially connected is stated