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# **From Brand Experience to Happiness: Exploring the Impacts on Brand Loyalty and Price Premium**

## **Purpose of the Paper**

Since the advent of the 21<sup>st</sup> Century, the overemphasis on the utilitarian aspects of products has shifted the interest to the hedonic facets of consumption (Pine & Gilmore, 2011). Experience marketing presents a new approach to address this shift and to achieve long and lasting competitive advantages (Gentile, Spiller & Noci, 2007) and loyalty (Smilansky, 2009). Despite the increasing number and quality of articles addressing brand experience, this research area remains underdeveloped and not as well-established as other marketing constructs, such as consumer attitudes, consumer satisfaction and brand equity (Schmitt & Zarantonello, 2013).

More recently, happiness has received attention from marketers, and studies examining happiness in consumer research have also begun to appear (Schmitt, Brakus & Zarantonello, 2015; Bhattacharjee & Mogilner, 2014; Schmitt, 2012; Bettingen & Luedicke, 2009). Further, in a world where social concerns are garnering more insistence, it is argued that brands should contribute to consumers' happiness through experiences (Schmitt, Brakus & Zarantonello, 2014).

The main aim of this study is to model the relationship between brand experience dimensions (sensory, emotional, relational and cognitive) on the one hand and happiness on the other hand through the three orientations to happiness (pleasure, meaning, and engagement) (Peterson, Park & Seligman, 2005), and to examine the influence of happiness on brand loyalty and price premium. Therefore, the current research represents a meeting point between brand experience and happiness—two unique areas in marketing and psychology that are being afforded more importance nowadays (Brakus, Schmitt & Zarantonello, 2012; Carter & Gilovich, 2010;

Brakus, Schmitt & Zarantonello, 2009; Peterson, Park & Seligman, 2005). Figure 1 displays the conceptual framework and the suggested hypotheses of the study.

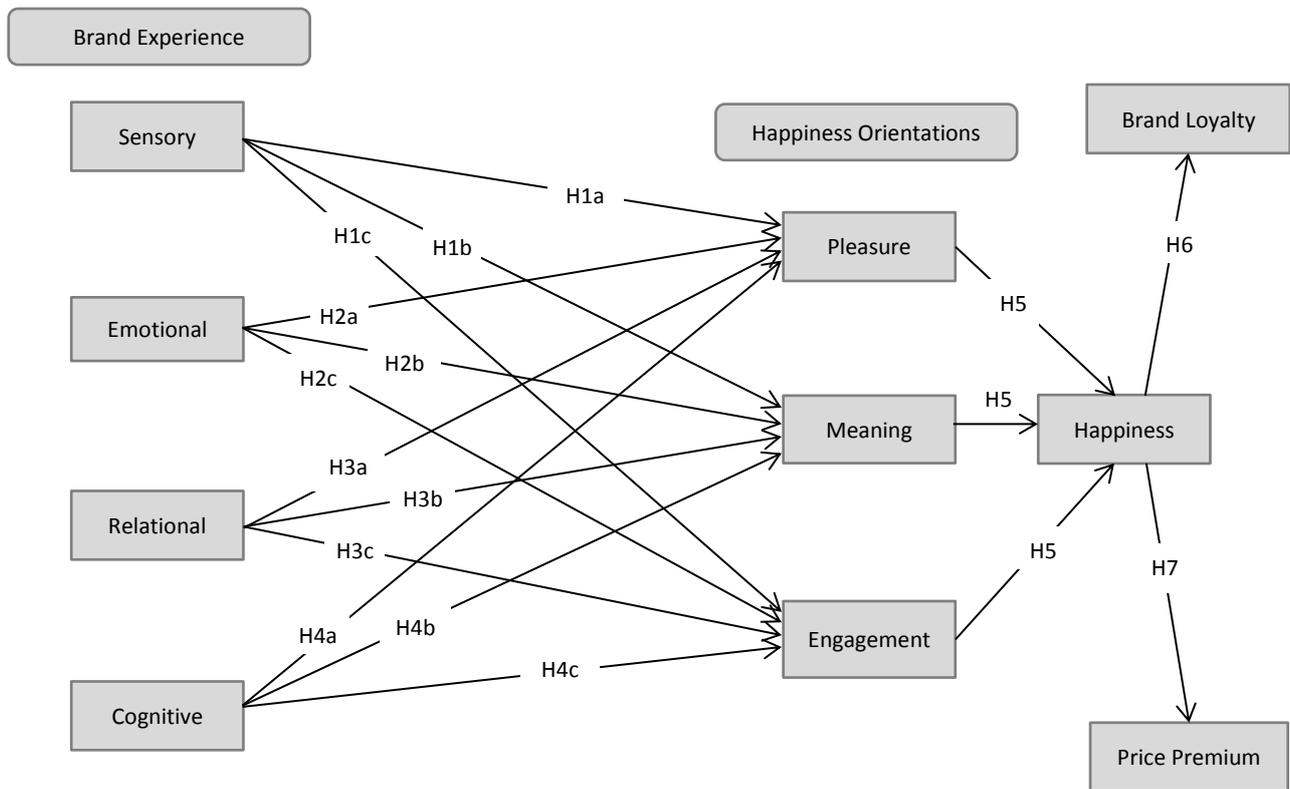


Figure 1: Conceptual Framework of the Study

It is argued that when consumers are exposed to brand-related stimuli, different scores are registered on the various dimensions of brand experience. In addition, it is proposed that every dimension will lead to more consumer happiness through three different routes or orientations (Peterson, Park & Seligman, 2005). While the first route implies indulging the self in the maximum amount of pleasures, the second route considers that happiness stems from cultivating a higher meaning and commitment to socially shared goals and values. The third route, engagement or flow, refers to the absorptive and joyful experience which becomes worth doing for its own sake to achieve a positive mental state, or happiness. (Csikszentmihalyi, 1999). Finally, the importance of making customers happy lies in not only cultivating happiness

as an end-state (Higgins, 1997), but also in the favoured consumer behaviour stemming from such a state as well (Fredrickson, 2001). In other words, it is hypothesised that happy consumer will show higher levels of brand loyalty and will be more ready to pay a price premium.

## **Methodology**

Services constitute a rich context for testing the relationships in the model of study due to the operational and interpersonal complexity and the high level of interactionism in services, the core of the concept of experience (Brakus, Schmitt & Zarantonello, 2009; Schmitt, 1999). Restaurants were chosen as a service domain for this study since food and dining experience are being viewed as a sort of entertainment, and as a way to display status and distinction (Warde & Martens, 2003).

A review of the relevant literature and empirical studies was conducted to develop the questionnaire and measure the constructs of the model. This study adopts the quota sampling design with two control dimensions (age and gender) due to its advantages, such as enabling researcher to generalise the findings (Bryman & Bell, 2011). Respondents were not instructed to recall a dining experience at a specific branded restaurant; rather, they were asked to report on a remembered eating out experience at a restaurant of their choice and respond to the items of the questionnaire based on their visit to this restaurant. With the help of an independent online panel provider in London, survey data were collected from 1086 British consumers based on their restaurant dining experiences in the UK.

## **Findings**

All the values of Cronbach's Alpha for all the variables were larger than the threshold .80 proving a great reliability except for Engagement 0.78, which is considered acceptable (Nunnally & Bernstein, 1994). After running exploratory factor analysis (EFA) with Oblique

rotation, the model was re-specified by deleting the items which cross-loaded with significant loadings greater than 0.40, and 26 items were retained for ten variables. Confirmatory factor analysis (CFA) was performed and a loading was produced for each variable in the data on every factor without cross-loading (Brown, 2015; Hair et al., 2014). The overall model  $\chi^2$  is 710.015 with 255 degrees of freedom. The GFI=0.95 is deemed to be acceptable for a good model fit (Shevlin & Miles, 1998). With a value of 0.93, AGFI is satisfactory (Hooper, Coughlan & Mullen, 2008). The value of RMSEA=0.041 is well below the stringent cut-off point of 0.07 suggested by Steiger (2007). The value of SRMR in this model is 0.036 which is below the cut-off point of 0.05 indicating a well-fitting model (Hair *et al.*, 2014).

Structural equation modelling was employed to test the hypotheses specifying brand experience dimensions as exogenous construct, and pleasure, meaning, engagement, happiness, brand loyalty and price premium as endogenous constructs. The  $\chi^2$  is 959.598 with 277 degrees of freedom. The indices of the structural model are GFI=0.932, AGFI=0.914, RMSEA=0.048 and SRMR=0.053. All of these indices are within the satisfactory range for good fit. The output of the estimated unstandardised and standardised structural path estimates of the model of study were accepted except for H1(b), H1(c), H2(b) and H4(b) which were not supported by the empirical evidence.

### **Theoretical Implications**

This study is the first to validate the positive effect of brand experience dimensions on price premium. Adding to the growing body of evidence on the importance of brand loyalty, this research also confirms the positive impacts of brand experience on brand loyalty which has been investigated in previous research (Nysveen, Pedersen & Skard, 2013; Lee & Kang, 2012; Iglesias, Singh & Batista-Foguet, 2011; Brakus, Schmitt & Zarantonello, 2009). The second contribution is related to demonstrating the unique influences of each of brand experience

dimensions on two behavioural outcomes, brand loyalty and price premium. The findings illustrated that, among the other dimensions, relational brand experience was the best predictor of brand loyalty and price premium alike. While the second greatest contributor was emotional brand experience, the third and fourth predictors were cognitive brand experience and sensory brand experience respectively. This extends the knowledge on the relative importance of each brand experience dimension.

The third contribution is linked to assessing the relative importance of brand experience dimensions in shaping consumer happiness. Relational brand experience was found to be the key contributor to consumer happiness. On the other hand, happiness was proved to be a better predictor of brand loyalty than of price premium. The fourth theoretical contribution is presented based on the gap addressing the limited evidence in the literature relating pleasure, meaning and engagement to happiness resulting from consumption. The current research is the first empirical study to examine the three orientation model in a consumption context. Further, it demonstrated that consumer happiness was most influenced by happiness through pleasure.

### **Practical Implications**

The first fundamental practical implication is related to highlighting the individual influences of brand experience dimensions on happiness and two behavioural outcomes. The findings illustrated that relational brand experience was the best predictor of happiness, brand loyalty and price premium alike. This means that marketing managers in restaurants who plan to enhance these two outcomes need to heed the relational elements when designing dining experiences. To achieve this task, they should make the most out of the concepts of brand community especially for the brands having strong images and rich histories (Muniz & O'Guinn, 2001). Themed environments and restaurants appear to be a successful tool in supporting such experiences (Gottdiener, 2006). Considering that emotional brand experience

was the second best predictor of happiness, brand loyalty and price premium as well, marketing managers are recommended to pay attention to the emotions embedded in the dining experience and throughout all the touchpoints with their diners. The final managerial implication is related to the inclusion of meaning and engagement which broadens the conventional narrow understanding of happiness as pleasure, and it gives marketing managers the opportunity to map experiential diners according to their orientations.

### **Limitations**

The limitations of this study were pertaining to issues like research design and measurement. First, consumers' ratings on happy experiences are prone to bias as they depend on their remembered experience, not the profile of experience (Kahneman & Krueger, 2006). They count on the gestalt characteristics of the most intense moments and final moments (Schmitt, 2011). Second, happiness correlates with the relative presence of positive and negative emotions, such as moods (Bettingen & Luedicke, 2009; Diener, 2000). Therefore, the reported happiness might be contaminated with bias. To improve the measurement reliability and to eliminate the measurement bias, it is useful to employ the experience sampling method (ESM) to capture the true levels of happiness. Though this method respondents provide self-reports at random occasions about what they do, feel, and think during their daily activities (Larson & Csikszentmihalyi, 2014).

### **Originality**

This study challenges the existing models and demonstrates the individual effects of brand experience dimensions. The knowledge of these effects will help brand managers in designing experiences that maximise a certain consumer behaviour outcome in line with the adopted marketing strategy.

Furthermore, for the first time in consumption contexts, this paper empirically reveals how different customers achieve happiness through different routes, suggesting departure from the unitary concept of happiness as pleasure to the view maintaining that happiness should be viewed as an outcome of pleasure, meaning and engagement.

**Keywords:** Brand Experience Dimensions, Happiness, Orientations to Happiness, Brand Loyalty, Price Premium.

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