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THE EFFECTS OF DIGITAL MARKETING
COMMUNICATION ON CUSTOMER LOYALTY:
AN INTEGRATIVE MODEL AND
RESEARCH PROPOSITIONS

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The Effects of Digital Marketing Communication on Customer Loyalty: An Integrative Model and Research Propositions

ABSTRACT

The cost efficiency and diversity of digital channels facilitate marketers' frequent and interactive communication with their customers. Digital channels like the Internet, email, mobile phones and digital television offer new prospects to cultivate customer relationships. However, there are a few models explaining how digital marketing communication (DMC) works from a relationship marketing perspective, especially for cultivating customer loyalty. In this paper, we draw together previous research into an integrative conceptual model that explains how the key elements of DMC - frequency and content of brand communication, personalization, and interactivity - can lead to improved customer value, commitment, and loyalty.

Keywords: *digital marketing communication; personalization; interactivity; customer loyalty; customer relationship management*

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1 INTRODUCTION

Marketers are learning how regular contacting affects the building and sustaining of customer relationships. The dominant logic of marketing is shifting from the exchange of goods toward service, interactivity, connectivity and ongoing relationships (Vargo and Lusch 2004). Technological innovations, new channels, and changing media environments facilitate this shift (Bhattacharya and Bolton 2000), and the question of how firms should interact with their customers is gaining in importance, especially as firms consider the cost differences between traditional communications media, such as television and sales forces, and electronic media, such as the Web and email (Reinartz et al. 2005). The cost efficiency and interactivity of digital channels facilitate ongoing dialogue between the enterprise and the customer (see e.g. Deighton and Barwise 2000; Peppers and Rogers 2004). Marketers can now be in touch with their customers on a more frequent basis and increase the level of personalization and interactivity with low or non-excessive cost. Our main claim is that being frequently in touch with customers should help achieve positive effects on customer loyalty.

For instance, customers can be offered additional information and brand communication when buying products or when using them. This can include newsletters, maintenance and repurchase reminders, help for keeping their products up-to-date, and tools for interacting with friends and peers. For example, Lensmart sends their customers email reminders when they expect customers to start running out of their supply of contact lenses. Lensmart uses database and purchase information to predict the repurchase moment and produce the personalized email. This way Lensmart can sell cost-effectively to their existing customers, and automate the re-selling process. While Lensmart gains in decreased sales costs, this kind of reminder also adds value to the customer. It may strengthen customer loyalty as customers feel that Lensmart takes care of their stock and assists them to repurchase at the right time with low effort. Customers might perceive emotional value for being personally remembered and cared, and appreciate the extra service (see e.g. Cram 2001).

For being regularly in touch with customers is also one of the central ideas of CRM. Recent studies have found that the relational information processes of CRM (regular communication, information collection, etc.) play a vital role in enhancing an organization's customer relationship performance (Jayachandran et al. 2005). Furthermore, the use of CRM applications is positively associated with improved customer knowledge and improved customer

satisfaction (Mithas et al. 2005). Reinartz and Kumar (2003) show how profitable customer lifetime duration is positively related to the number of mailing efforts of the company. Simulations show that to maximize customer profitability by optimising spending the dominant form of communication should be email (Reinartz et al. 2005). While email is substantially cheaper to send than conventional direct mail, research also suggests that it can deliver significantly better response rates (Bronrmo 2000; Di Ianni 2000; Rosenspan 2000). That is, from a company point of view, digital channels offer cost efficient opportunities for a brand to keep frequently in touch with customers which not only improves marketing performance, but particularly customer loyalty.

With such prospects in mind, it is not surprising that the use of digital channels in marketing is becoming an essential part of strategy in many companies. Car manufacturers use the Internet and email to launch new models, as well as engaging their customers into interaction on their web sites and with email. BMW uses a mobile portal to distinguish itself from its competitors, providing customers pictures of new models, games, and service. Nike targets the youth segment by launching a digital spring fashion show, which allows consumers to use the brand's latest fashion catalogue online to create their own looks and photos, and a virtual identity (Hargrave-Silk 2005). Canon iMage Gateway helps consumers share their digital photos with friends online. L'Oréal's brand Lancôme uses email newsletters to keep in touch with customers and hence strengthen their brand loyalty (Merisavo and Raulas 2004). Magazine publishers can activate and drive their customers into the Internet with email and SMS messages to improve resubscription rate (Merisavo et al. 2004). Such interaction and low cost communication with customers increases the effectiveness compared with traditional direct marketing efforts that publishers have used to win orders.

In line with Fournier's (1998) ideas, marketers increasingly bring brands closer to consumers' everyday life. The changing role of customers as co-producers of value is becoming increasingly important (Prahalad and Ramaswamy 2004). Interactivity in digital media offers customers better options to search for information, work as initiators, and get help. Interactivity also offers customers new ways to spend time with a brand, like playing games, participating in an activity on a website, or learning about the product or service they are using. This is what Canon pursues with iMage Gateway service, which can lead to improved customer involvement and satisfaction. Interactivity also provides marketers with more information about customer needs, preferences and interests.

Furthermore, interactive and virtual brand communities, like those built by Harley Davidson and Ducati, bring consumers with specific interests together from different geographic areas to strengthen their brand loyalty (McAlexander et al. 2002; Wind et al. 2002, 97). McDonald's uses online channel to reinforce brand messages and relationships. They have focused their online community building on communities for children, such as the Happy Meal web site with educative and entertaining games (Rowley 2004).

Digital channels also contain opportunities and tools for personalization. By using digital channels, customers can actively create or shape the form of brand communication, for example by stating their channel and content preferences. Likewise, marketers can create more personal brand communication based on customers' behavior and preferences, which can increase the effectiveness of brand communication by making customers perceive it as more relevant and interesting, and wanting to maintain a relationship with the marketer (Simonson 2005). As Simonson notes about customized offers; "If successful, marketers will be rewarded for the superior value they provide with higher customer loyalty." (see also Peppers and Rogers 1997, 177). For example, L'Oréal's CRM initiative aims to enhance personal communications with customers by analytical profiling, segmentation, database build and design, and bolstered data gathering (Brown 2003). This way L'Oréal seeks to increase the return on investment and capitalise on their customer insight for the long term.

Despite the growing use of digital channels in marketing and the evolving research around it, there are few models for explaining the mechanism of how digital marketing communication works from a relationship marketing perspective, especially for enhancing customer loyalty. Ideas have been suggested in many areas of marketing literature. Relationship marketing (RM), customer relationship management (CRM), as well as brand management and service literature emphasize the importance of building and managing customer relationships, and offer useful models to understand how customer relationships develop. Also consumer behavior, advertising, direct marketing, and e-marketing literature give insight into how digital channels can be used to communicate with customers in order to enhance customer loyalty.

The objective of this paper is to draw together previous research into an integrative conceptual model for understanding how digital marketing communication affects customer loyalty. In the following, we first define digital marketing communication. We then present and describe the model. Next we examine in more detail the components of the model and the theories behind

it, and construct research propositions. The paper concludes with a discussion and suggestions for future research.

2 DEFINITION OF DIGITAL MARKETING COMMUNICATION

The use of digital channels to strengthen customer loyalty has received surprisingly little attention, despite the obvious opportunities for using these channels to keep in touch and serve customers cost-effectively. It seems like the concept of “digital marketing” has been used more operationally, while the theoretical understanding and comprehensive models of how and why to use different digital channels are still developing. Despite the growing use of ICT in marketing, there are few definitions of digital marketing. Urban (2004, 2) suggests that “Digital marketing uses the Internet and information technology to extend and improve traditional marketing functions.” This is a broad definition, concerning all of the traditional 4 P’s, and both customer acquisition and retention. We also acknowledge that terms like “interactive marketing,” “one-to-one marketing,” and “e-marketing” are close to digital marketing, but neither are they defined very precisely. Coviello, Milley and Marcolin (2001, 26) have defined e-marketing as “using the Internet and other interactive technologies to create and mediate dialogue between the firm and identified customers.” They also consider e-marketing as a subset of e-commerce. In their view, more than creating discrete transactions, e-marketing is focused on managing continuous IT-enabled relationships with customers by creating dialogue and interactivity.

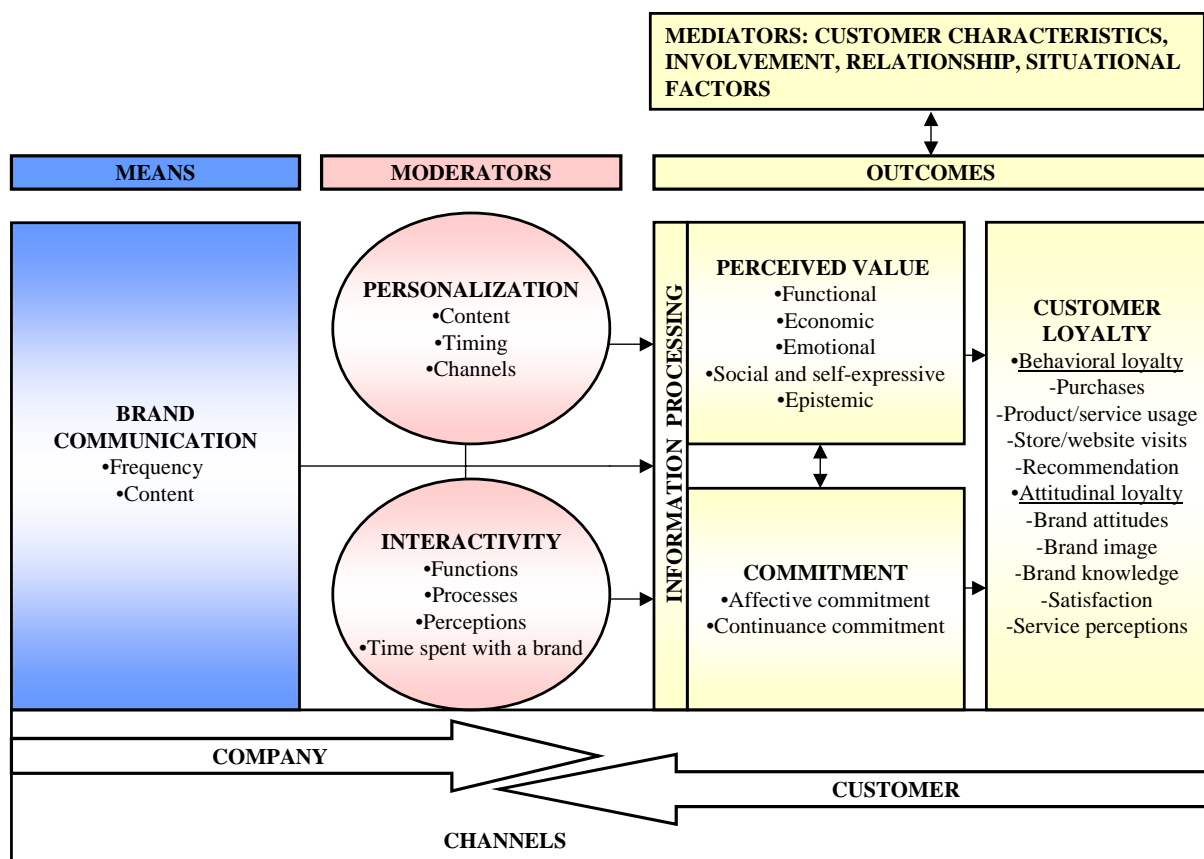
In this paper we focus mainly on the communication function of digital marketing, and how it helps to enhance the loyalty of existing customers. Hence, in this paper we refer to digital marketing communication (DMC) as *communication and interaction between a company or brand and its customers using digital channels (e.g. the Internet, email, mobile phones, and digital TV) and information technology*. This definition appreciates that communication can be two-way, initiated by either the marketer or the customer. Communication can be general messages to a larger audience or personalized messages. A customer relationship aspect acknowledges that communication can also include relational and service elements (e.g. news, reminders, tips), not just advertising and offers aiming for immediate purchasing transactions. That is, in addition to increasing sales DMC can be used to enhance customer loyalty in the long term.

3 AN INTEGRATIVE MODEL OF THE EFFECTS OF DIGITAL MARKETING COMMUNICATION ON CUSTOMER LOYALTY

In this section we draw together previous research into an integrative conceptual model for understanding how digital marketing communication affects customer loyalty. Figure 1 proposes an integrative model of the effects of digital marketing communication on customer loyalty.

FIGURE 1

An Integrative Model of the Effects of Digital Marketing Communication on Customer Loyalty



The model consists of means (brand communication via different channels), moderators (personalization and interactivity), outcomes (perceived value, commitment, and customer loyalty), and mediators (customer characteristics, involvement, relationship, and situational factors). By “brand communication” we refer to communication between the brand and customers. This can include advertising, direct marketing, newsletters, or consumer’s activity

in a brand community. This complies the view that the process of building brands and customer relationships is much more than traditional media advertising of (see e.g. Aaker and Joachimsthaler 2000, 42; Duncan and Moriarty 1998). The main focus in our model is on how brand communication affects customer loyalty. Two main factors in brand communication that are expected to affect customer loyalty are frequency (e.g. how many brand messages) and content (e.g. promotional or relational). The main outcome, customer loyalty is divided into behavioral (e.g. purchases) and attitudinal loyalty (e.g. brand attitudes). For true customer loyalty to exist, a pattern of repeat purchase must be accompanied by a positive attitude (see Jakoby and Chestnut 1978). This distinguishes it from spurious loyalty, where only behavioral loyalty is detected with low relative attitudes (Dick and Basu 1994). We acknowledge that different elements of DMC can influence both types of loyalty.

Brand communication can also be personalized. For example, customer profiles or preferences can be used to create customized message content for different segments or individual customers, sent via their preferred channels. This should increase the value of communication to the customer. We have identified content, timing, and channels to be the personalized elements. Furthermore, brand contacts can be interactive; customers can search for information, make inquiries, give feedback and engage in various other activities with marketers or other customers. This can likewise have positive effect on customer loyalty. We have divided interactivity into functions (e.g. a web contact form), processes (e.g. that messages are contingent upon previous messages), perceptions (how customers perceive interactivity), and time spent with a brand (e.g. playing games on brand's website).

The effects of brand communication are constructed in customers' minds through information processing, leading to perceived value and commitment. Finally, the effects of brand communication on customer loyalty can be detected from behavior and attitudes: e.g. purchases, website visits, brand attitudes, and satisfaction.

There are also mediating factors that affect how the loyalty effects of DMC are created. For instance, a message received in a specific situation can be perceived as more valuable.

One example to demonstrate the model is General Motors's internet-based owner center My GMLink (www.mygmlink.com), which offers customers a single location to manage all post-purchase needs. With the use of this information and service portal, customer-brand

communication and interactivity are increased because customers are able to visit the website anytime, anywhere - more often than stores. This way, the frequency of brand communication is increased, with the positive moderating role of interactivity. Customers also get different types of value from services like email service reminders, maintenance tips, seasonal safety tips, and special privileges and offers. GM also provides personalized information to customers. For example, they can check the current resale value estimate of their own car and determine the optimal time for selling it, which brings economic value. This can also lead to a shorter buying or trading cycle for cars. When customers get used to visiting the website regularly they may become emotionally attached to it, which builds commitment. Overall, customers' increased brand contacts by using My GMLink service possibly strengthen GM's customer relationships with more sales, and enhanced attitudinal and behavioral loyalty.

Next we examine in more detail the components of the model and theories behind it, and construct research propositions. We first discuss the effects of regular brand communication on customers, and then examine the additional effects of personalization and interactivity, and finally examine how to measure the outcomes of DMC on customer loyalty.

3.1 Regular Brand Communication – Benefits of Being in Touch with Customers

3.1.1 Frequency

The frequency of marketing communication and its effects on customer relationships has gained interest in recent studies. Reinartz and Kumar (2003) found that the number of mailing efforts of a company is positively related to profitable customer lifetime duration. Indeed, being regularly in touch with customers has positive effects on their loyalty. For example, regular e-mailings have positive effects on brand attitudes, purchases and loyalty (DuFrene 2005; Merisavo and Raulas 2004). Similarly, the usage of mobile services and receiving of mobile advertising messages are found to have positive effects on consumers' brand relationships and long-term purchase behaviour (Merisavo et al. 2006; Nysveen et al. 2005). These results imply that the strategic focus of ongoing brand communication via digital channels should be in creating meaningful brand encounters and deepening consumer-brand relationships, not just in seeking additional sales. This proposition is, for sure, not a new one in marketing as the frequency of marketing communication has been a central research topic. The

findings on the effects of frequency thus provide one established base for building the theory of DMC.

The rationale behind frequently communicating with customers has been addressed in numerous advertising studies. Regular communication is important, as it has been found that 90% of the cumulative effects of advertising on sales occurs within 3 to 9 months of the advertisement (Clarke 1976; Leone 1995). A central finding is that repeating messages or objects to consumers will translate into awareness and learning, possibly more positive attitudes toward the object, and eventually result in action (Broussard 2000; Crowder 1976; Howard-Brown 1998; Sawyer 1973; Zajonc and Markus 1982; Zielske 1959).

Moreover, the repetition of messages is effective only to an extent; the positive effects of repetition increase up to a certain level until the advertisement starts to wear-out. After this point it no longer has an effect or the effect is negative. That is, the relationship between repetition and advertising effects typically takes the shape of an inverted 'U' (Batra and Ray 1986; Cacioppo and Petty 1980; Ray and Swayer 1971; Venkatesan and Kumar 2004;). Similarly, DuFrene et al. (2005) have found the positive effects of email campaigns on customers' brand attitudes diminish over time after the first three messages. However, the focus of advertising and campaigns is often on the short-term and immediate results. More research is needed concerning the long-term effects of ongoing brand communication.

3.1.2 Information Processing

Consumers engage in brand relationships to simplify buying and consuming tasks, to process information, and to maintain cognitive consistency and a state of psychological comfort and gratification (Sheth and Parvatiyar 1995). It has been found that previously presented stimuli are easier to encode and process than are novel or unfamiliar stimuli, which is interpreted by the individual as liking (Bornstein and D'Agostino 1994). That is, increased frequency helps consumers to process brand communication. Repeated exposure to brand communication also enhances brand attitudes by allowing the customer to process more information (Berger and Mitchell, 1989). Also, messages that become familiar through repetition have a tendency to be perceived as more valid (Bacon 1979; Hasher et al. 1977). Repetition also has effects on customer loyalty. It has been found that learning and increased positive experiences with a certain brand decrease the search for information about alternative brands (Dick and Basu

1994; Newman and Staelin 1972). A similar finding is that the more attributes associated with a brand the more loyal the customer (Romaniuk and Sharp 2003). Furthermore, when a consumer spends time with a brand and processes information, positive affective responses (emotions, feelings, moods, primary affect, satisfaction) about the brand are evoked in the consumer's mind (Dick and Basu 1994). In the literature, this information processing is also described as cognitive loyalty, a phase where information on the brand at attribute performance level is the dominant driver of loyalty (Oliver 1999). Later, if the consumer is satisfied, affective effects start to build.

3.1.3 Brand Relationship

Brand literature shows how frequent communication has positive effects on customers' brand loyalty, and customer-brand relationships are deepened (Aaker 1996; Kapferer 1998). The development of customer-brand relationships can be described as a process of communication. For instance, Barnes (2001, 259-261) suggests that a brand can be conceptualized as moving through four stages on its journey from being merely a name to being a genuine relationship partner: The following development path has been suggested: brand awareness (using advertising to make customers in the target segment aware of the brand) → brand characteristics (associating the brand with certain characteristics and positioning it against competitors) → brand personality (attaching personality traits to the brand that are appreciated by the consumer) → brand relationships (the brand becomes important in the life of the consumer). That is, a marketer who is frequently in contact with its customers should recognize the different requirements of communication to customers in different stages of the relationship.

Our thinking aligns with modern brand theory's ideas of how brand relationships are developed. When consumers are regularly in contact with a brand, they may begin to perceive it as a person, a trusted friend who is part of their everyday life (Aaker 1997; Fournier 1998).

3.1.4 Perceived Value

When consumers engage in brand relationships and process brand communication, they begin to perceive the value (also often referred as benefits) related to the brand. Customers who have greater expected benefits and utility from an ongoing relationship are more likely to commit to

it (Anderson and Narus 1990). Perceived value can be divided into functional, economical, emotional, social/self-expressive, and epistemic (Aaker 1996, 95-101; Bhat and Reddy 1998; de Chernatony 1993; Long and Schiffman 2000; Sheth et al. 1991; Zeithaml 1988). Functional value describes overall satisfaction with the functional quality of a product or service (e.g. a car is reliable). Economic value may be constant (e.g. regular customer's low price), immediate (e.g. sales offers) or possible (collecting points, competitions). Emotional value includes feelings like enjoyment and entertainment. Social and self-expressive value relates to our relationships with others (e.g. brand as a status symbol, belonging to a community). Epistemic value relates to experienced curiosity, novelty or knowledge gained and learning. Customers may also perceive conditional value that exists only within a specific situation (Holbrook 1994). Due to the unspecific nature of conditional value it is treated as a mediator (situational factors) in our model.

In a more holistic view, customer-perceived value can be regarded as a ratio between perceived benefits and perceived sacrifice (Monroe 1991), or in another words "the consumer's overall assessment of the utility of a product based on a perception of what is received and what is given." (Zeithaml 1988). Thus, from the communication perspective marketer's active contacting decreases perceived sacrifice by lowering customer's effort to search for information.

In addition to traditional products, brands, and services, researchers have also successfully used the previously discussed dimensions of perceived value to assess consumers' perceptions of technology-based self-services, like mobile services (Heinonen and Strandvik 2003; Heinonen 2004; Pura 2005). Hence, we believe that these value categories should also be effective in capturing the effects of DMC on customer loyalty.

3.1.5 Commitment

In our model, the perceived value of brand communication relates to commitment, and they both relate to customer loyalty. This is consistent with research indicating that commitment mediates the relationship between brand satisfaction and loyalty (Fullerton 2005). Commitment is defined as a desire to maintain a relationship (Moorman et al. 1992; Morgan and Hunt 1994). Generally, commitment limits the impact of negative brand-related information and enhances

the impact of brand-related positive information, which leads customers to resist switching inducements (Ahluwalia et al. 2001).

Commitment can be divided into affective and continuance commitment (Gundlach et al. 1995; Fullerton 2003). Affective commitment is based on emotional attachments: identification, shared values, belongingness, dedication, friendship, and similarity (Price and Arnould 1999; Pritchard et al. 1999). Trust is also suggested to be closely related to affective commitment (Morgan and Hunt 1994). Therefore, in our model we include trust as an antecedent of loyalty (see e.g. Reichheld and Schefer 2000) under the affective commitment component. It has been found that affective commitment is positively related to both repurchase intentions and advocacy intentions for a brand (Fullerton 2005).

Continuance commitment is based on switching costs, investments, dependence, and lack of choices (Gundlach et al. 1995; Meyer et al. 1990). For example, service agreements can be perceived as continuance commitment. Continuance commitment has been found to be positively but weakly related to repurchase intentions and negatively related to advocacy intentions for a brand (Fullerton 2005). It is worth noting that also a concept of (cognitive) lock-in is also related to continuance commitment, defined as “Consumers’ decreased propensity to search and switch after an initial investment.” (Johnson et al. 2003; Zauberaman 2003). This term seems to be sometimes used as a synonym for continuance commitment, and describes consumer behavior on the Internet.

The number of contacts can also prevent the customer from having interest or time to look for competitive offerings, be the contacts initiated by marketer’s active contacting or customer’s active browsing. Customer-initiated contacts are a way to signal commitment, and there is evidence that frequency of communication is positively associated with a partner’s commitment (Anderson and Narus 1990).

Interactive media changes the way in which commitment is formed. It has been found that on the Internet consumer lock-in is greater than in a traditional retail environment (Brynjolfsson and Smith 2000). For example, when customers learn how to use a web store and personalize their own menus, continuance commitment is created. Also, the Internet can be very effective in creating affective commitment, one example being virtual communities like Habbo Hotel (www.habbohotel.com). Habbo Hotel is a virtual hotel where you can hang out with your

friends or meet new people: walk, dance, eat, drink and chat in the cafes, restaurants, swimming pools and game rooms. You can even decorate and furnish your own room.

The following propositions conclude the previous discussion. The effect of regular brand communication on customer loyalty can be stated as:

Proposition 1a: Regular brand communication has positive effects on behavioral customer loyalty.

Proposition 1b: Regular brand communication has positive effects on attitudinal customer loyalty.

Proposition 1c: Positive effects of regular brand communication on both behavioral and attitudinal customer loyalty increase up to a certain level until the communication starts to wearout. After this point it either has no effect, or has a negative effect due to irritation.

3.1.6 Content

While so far we have discussed how frequency affects customer loyalty, also the content of communication has an effect on how customers perceive and value the information they receive, or retrieve, and how this affects their relationship with the brand and the marketer.

It has been argued that communication rather than persuasion is the foundation of customer-focused marketing efforts (Duncan and Moriarty 1998). A basic way to classify the content of brand communication would be to divide it into promotional and relational communication. While promotional communication like price promotions and persuasive letters are intended to quickly generate sales and other responses, relational communication focuses on enhancing customer's attitudes and loyalty in the long term by providing content such as information about new products, usage tips, or invitations to events. Relational brand communication can be perceived by the recipient as a service rather than as advertisement or offer, which might allow increased frequency before the messages start to wearout. This is also suggested by Tellis (1997), who states that complex messages, including soft-sell or emotional appeals and novel messages, may be able to sustain and benefit from higher ad frequency.

In their research on consumer packaged goods, Mela et al. (1997) found that in the long run price promotions (temporary price reduction, feature, or coupon) make consumers more price

sensitive in both loyal and nonloyal segments. In contrast, non-price-oriented advertising (e.g. brand building) makes consumers less price sensitive in both segments, the impact being stronger on the nonloyal consumers. Hence, advertising increases the relative strength of brand preference, making consumers more loyal. Similarly, Jedidi et al. (1999) found that in the long term, advertising has a positive effect on brand equity while promotions have a negative effect. Furthermore, their results suggest that frequent promotions of brands may also make it unnecessary for consumers to switch brands because it becomes increasingly likely that a deal on the favored brand will be forthcoming. However, frequent promotions are often unprofitable for a company and may not enhance attitudinal customer loyalty, making customers more likely to switch brands if they get better price deals elsewhere.

Parallel implications on the relation of the content of brand communication and customer loyalty can be drawn from more recent studies concerning digital channels. Extensive survey data from more than 2,000 e-tail sites shows that price-sensitive customers may be the least loyal, whereas customer service support is the main factor that attracts repeat buying (Reibstein 2002). Moreover, studies of email marketing have found that nonloyal customers mainly want promotional offers, but loyal customers also appreciate other content, like news, invitations to events, and usage tips (Martin et al. 2003; Merisavo and Raulas 2004). Newsletters with mainly non-price promotion content had better impact on the brand loyalty of the loyal customers than on the nonloyal. Overall, these results imply that the content of brand communication should be tailored to different customer segments in order to further enhance customer loyalty.

Based on the discussion of the content of brand communication we expect that:

Proposition 2a: Relational brand communication has positive effects on behavioral customer loyalty.

Proposition 2b: Relational brand communication has positive effects on attitudinal customer loyalty.

Proposition 2c: Promotional brand communication has positive effects on behavioral customer loyalty, which can be negated if competitors make better offers.

Proposition 2d: Promotional brand communication has negative effects on attitudinal customer loyalty.

3.2 Personalized Brand Communication

Personalization is expected to be an element that can work to boost customer loyalty by creating more personal, interesting and relevant brand communication, and better service. In the literature different terms are used when talking about personalization (e.g. customization, targeting, segmentation, profiling, and one-to-one marketing). Kotler's (1997) idea of personalization is that the ultimate level of segmentation leads to segment of one, customized marketing, or one-to-one marketing. Peppers and Rogers (1993) define one-to-one marketing quite simply: treating different customers differently. The goal is to differentiate customers individually and customize marketing messages to each customer's needs. This is also the basic idea of personalized brand communication. For example, if a marketer would know at what time and where a customer would like to have her coffee, a local café could send a personalized offer to the customer's mobile phone. This would comply with the recency theory, which suggests that advertising is most effective when it occurs close to the time when consumers are ready to buy (Broussard 2000). In addition, mobile location services could be used to detect the customer being near his favorite café and he would automatically receive an invitation to visit. Thus, the marketing communication would have the potential for a stronger effect on boosting sales and customer loyalty because of using personalization (moderator in the model) based on a known situation (mediator in the model). Marketers are increasingly using personalization. For example, Tesco, the UK's largest grocer, has over 8 million different message configurations, and offers tailored mailings to specific audiences (Humby et al. 2003).

The rationale for personalization is already recognized in earlier studies on advertising and consumers' information processing, which show that when the personal relevance of a message is high, people spend more time processing it, generate more product-relevant thoughts, and spontaneously draw more conclusions about the product (Celsi and Olson 1988; Kardes 1988; Leippe and Elkin 1987; Petty and Cacioppo 1979). Personalization can also be initiated by the customer. This way personalization also builds continuance commitment by creating customer exit barriers. For example, the time devoted by the customer to give information or personalize his own service may feel like an investment, a great effort that is not easy to do all over again with another service provider (see e.g. Burnham et al. 2003; Pine II et al. 1995)

There is support that personalization in digital channels is important to customers. A study sponsored by the CRM vendor Kana found that almost 75 percent of respondents cited personalization as a major contributor to their most satisfying purchasing experience, online or offline (CyberAtlas 2002). Personalization capabilities in this study included self-service, personalized voice or email interactions, the ability to track purchases and requests, and knowledgeable customer service representatives who are educated in the customer's history.

Personalization can also improve response rates for brand communication; Ansari and Mela (2003) have found that response rates could be increased by 62% if the email's design and content are personalized. Another example, eBag, was able to increase average revenue per recipient by 187 percent by finding the optimal timing for email messages, i.e. sending them to consumers on the same day of the week and time of day as they had originally opted-in (Nussey 2004). They could therefore get their messages through the clutter, and were able to reach people when they had more time to shop.

Furthermore, Simonson (2005) suggests that consumers' responses to customized offers are determined by how stable and well-developed their preferences are and by the consumers' self-insight into those preferences. Marketers can create more personal brand communication based on customers' behavior and preferences, which can increase the effectiveness of brand communication by making customers perceive it as more relevant and interesting, and hence want to maintain their relationship with the marketer. In addition to personalizing the content and timing of messages, channels of brand communication are also important. Customers' channel preferences and perceived channel benefits vary individually, and change according to information search and purchasing stages (Louvieris and Oppewal 2004). Customer's channel behavior can be dynamic as they are made aware of channel options and gradually learn which channel best suits their needs (Knox 2005). Therefore it is critical to identify the customers' current and future channel preferences and benefits and provide an optimal channel combination in order to make brand communication more effective and more valuable to customers. However, customers' preferences may sometimes conflict with company's business view. For example, a bank customer may favour personal service at the counter whereas self-service technologies such as teller machines, interactive voice response or e-banking facilities are much more cost-efficient for the bank (Bitner et al. 2002).

To conclude, there are three main elements that can be personalized in brand communication: content, timing, and channels. We expect that:

Proposition 3a: Personalizing the content of brand communication positively moderates its effects on customer loyalty.

Proposition 3b: Personalizing the timing of brand communication positively moderates its effects on customer loyalty.

Proposition 3c: Personalizing the channels of brand communication positively moderates its effects on customer loyalty.

3.3 Interactive Brand Communication

The digital environment offers cost effective and convenient opportunities to convert communication from one-way into interactive and give customers access to information and communication. When customers can easily search and find desired services or support, and filter out the information they need, they see this as a convenience and as better service. In effect, companies increasingly offer customers interactive tools to make better decisions about financial issues, purchases, health care, and other complex issues (Wind et al. 2002, 180). The same is true in the b2b sector, for example, eRoom provides collaboration tools in the form of a digital workplace to help companies bring together cross-functional, cross-enterprise teams to build and manage relationships with customers, partners and suppliers, and to innovate in the design, development and delivery of products and services.

Interactivity can be studied from different perspectives. An extensive categorization of definitions is provided by McMillan and Hwang (2002). *Functional view* (see Sundar et al. 2003; Sundar and Kim 2005) concerns the functions of an interface (e.g. feedback forms, chat, downloads), features (e.g. audio, video, games), attributes (e.g. presence and choice of control), processes (e.g. reciprocal communication), and outcomes (e.g. user satisfaction). These functional elements may be different, depending on the channel and media being used.

Interactive functions enable a search process that can quickly locate a desired product or service, thereby replacing dependence on detailed customer memory (Alba et. al. 1997). Interactivity also increases the amount of information that can be presented to a customer

(Deighton 1996; Watson et al. 1998). This can increase brand knowledge and thereby customer loyalty. Srinivasan et al. (2002) show how that interactivity has a positive effect on loyalty toward an e-retailer in a study conducted among 1211 online customers, where the availability and effectiveness of customer support tools (information, search processes, etc.) and the degree to which two-way communication (contact forms, chat, etc.) was facilitated were independent variables.

Process (i.e. contingency) view, originated by Rafaeli (1988), emphasizes the behavioral nature and processes of interaction between user and system. Under this view interactivity is realized when messages are contingent upon previous messages. Key elements include responsiveness, two-way communication, reciprocity, exchange, and participation. These are also very common terms in relationship marketing literature. For example, Grönroos (2004, 103) argues that “the management of an interaction process is the core of relationship marketing.” In this process, planned communication and dialogue potentially lead to value-enhancing interactions. The firm is not always the party that starts the interaction or dialogue; instead customers often act as initiators. Customers’ activity may have positive effects on their purchases and loyalty. In support of this, Kwak et al. (2002) found that product information requests over the web are positively related to online purchases. Interactive communication enables marketers and customers to connect in ongoing learning relationships, where individual customers teach the company more and more about their preferences and needs. The more customers teach the company the better it becomes at providing what they want (Pine II et al. 1995). Relationship performance can be improved through relationship learning (Selnes and Sallis 2003). For instance, visitors to a website learn to be more efficient at using that website the more often they use it, which increases the probability of purchase (Johnson et al. 2003). It has also been found that the higher the bidirectional communication between the customer and supplier, the higher the purchase frequency (Venkatesan and Kumar 2004).

Interactivity is no longer entirely based on personal communication from the marketer’s side. Digital channels like email make it easier and less expensive to carry out life cycle automation than in the offline world (see Nussey 2004). Life cycle automation times each message so that each recipient gets a message at time most appropriate for them. Timing can be executed by external events (e.g. customer opt-in), threshold (e.g. a certain number of miles for a frequent flyer), or time and date (e.g. birthday). Also, the state of customer relationship and changes in it could be used as interaction triggers (e.g. a frequent flyer approaching next membership

level). Lifecycle automation has the potential to increase interaction between customers and companies, as sending the messages is not dependent on the employees' memory and response times. This can create more value for customers.

The proper understanding of the process view also creates challenges for research. Stewart and Pavlou (2002, 381) stress the different nature of measurement in interactive media: "Research that treats marketing communication as an independent variable, useful for predicting consumer response, ignores the reciprocal influence that consumer response has on subsequent communication." That is, any response to marketing communication, including that of simply taking part, may be contingent on other factors. Perhaps due to this complexity, the psychology behind the development of customer loyalty achieved with interactive marketing methods is not well understood.

The *Perception view* underlines that even if interactive media have a high potential for interaction, whether and to what extent such interaction can be realized to benefit both interaction participants is largely determined by how interactions are perceived (Wu 2005). Indeed, in addition to actual interactivity (i.e. potential features for interaction in a medium), some researchers highlight consumers' perceived interactivity (Bucy 2004; McMillan and Hwang 2002). Many studies related to this view have concentrated on measuring attitudes toward websites (see Chen and Wells 1999; Chen et al. 2002; Chung and Chao 2004; Wu 2005) or service quality delivery through websites (see Zeithaml 2000; Zeithaml et al. 2002; Parasuraman et al. 2005).

It has been found that perceived interactivity is positively correlated with attitude toward the website, memory of its content, as well as with trust and product evaluations (McMillan et al. 2003; Chen et al. 2005). Furthermore, McMillan et al. (2003) found that perceptual variables seem to be stronger predictors of attitude toward the site than structural variables (i.e. website features). However, there is positive correlation between these variables, and both should be considered when researching interactivity (Wu 2005). Also, research on service quality delivery through websites highlights both actual and perceived interactivity, for example, efficiency concerning the ease and speed of accessing and using the site, and responsiveness concerning the effective handling of problems and returns through the site (Parasuraman et al. 2005). However, some products benefit from different kind of interactivity than others. A study by Martin et al. (2003) of email advertising in cosmetics showed a negative relation between

the perceived usefulness of messages and website visits, but positive relations regarding store visits. This suggests that cosmetics are products which may require more real-world sensory contacts.

The perceptions of interactivity also depend on the customers' goals in online behavior. The nature of marketing in interactive media and customer experience on the Web has been an essential research topic (see Hoffman and Novak 1996; Novak et al. 2000; Novak et al. 2003). This research finds that goal directed and experiential are the main attributes of online consumption behavior. Consumer choice in goal directed behavior is based on a clearly definable goal hierarchy, which involves choices among products and services, information sources, and navigational alternatives (e.g. ordering a book). Consumer choice in experiential behavior is dominated by choices among navigational alternatives based on a relatively unstructured and continually changing goal hierarchy (e.g. net surfing). Consumers' perceptions of interactivity and its effects on perceived value and customer loyalty depend on their mode of online behavior. Liu (2002) states that higher active control of interactivity and information will produce higher satisfaction when a user browses a website for information (i.e. goal directed behavior), and more two-way communication is valued more when browsing for pleasure (i.e. experiential behavior).

3.3.1 Interacting and Spending Time with a Brand

In addition to the three views of interactivity discussed above, we propose that spending time with a brand is an important aspect of interactivity and a key factor in strengthening brand relationship and loyalty. Digital environment offers consumers new ways to spend time with a brand. They no longer need to go to stores to see the products and to talk with sales people. Over the Internet, consumers can access a vast amount of product information, view 3D-images and test different product variations, as well as play games and interact with other brand users. The new digital environment and emergence of multiple channels has created opportunities for marketers to be more creative than before. For example, Nokia has invented an annual game event. Nokia Game is an interactive multimedia adventure provided by Nokia since 1999. In Nokia Game, players are called upon to collect and act on a series of clues, delivered via a host of channels – including the Internet, newspapers, magazines, radio, email, mobile phone and TV. All media are closely linked to one another. The player that interprets all information best and excels in the online games wins. Gaming keeps consumers interacting

with the Nokia brand for 10 to 25 days. In 2003, the game was running in 35 countries at the same time, and there were over 6 million visitors to its home page (www.nokiagame.com). In 2005 Nokia's new online and multi-channel game 20Lives entertained almost 750,000 registered users from 21 countries (www.nokia.com/20lives).

Prahalad and Ramaswamy (2004, 3) suggest that “thematic consumer communities, in which consumers share ideas and feelings without geographic and social barriers, are revolutionizing emerging markets and transforming established ones.” Virtual communities can have greater geographical scope and narrower focus than most offline communities (Wind et al. 2002, 97). Although these communities may also form around any brand, it is more likely for brands with a strong image, a rich and lengthy history, threatening competition, and with public consumption (Muniz and O’Guinn 2001). Brand communities make customers spend more time with the brand and actively seek and spread information about it. Marketers are encouraged to create brand communities, because customers belonging to them are more loyal than others; they are less apt to switch brands and more motivated to provide feedback (McAlexander et al. 2002). Active community members can also be considered as opinion leaders who can be used to test new ideas and concepts, and hopefully to spread positive information by word of mouth. Recommendations are very effective, as in some cases they can double sales or response rate (Howard and Kerin 2004; Senecal and Nantel 2004).

To conclude, interactivity is likely to positively moderate the effects of brand communication on customer loyalty by increasing the number of brand contacts and time spent with the brand. Similarly, interactivity can enhance customers’ service perceptions and bring more value because customers have better tools and options to control service situations, get help in problematic situations, and to modify their service profiles. Based on this discussion, we propose the following:

Proposition 4a: Customers’ usage of interactive brand communication functions positively moderates the effects of brand communication on customer loyalty.

Proposition 4b: Company’s well-designed interactive brand communication processes positively moderate the effects of brand communication on customer loyalty.

Proposition 4c: Customers’ perceived value of interactivity in brand communication positively moderates the effects of brand communication on customer loyalty.

Proposition 4d: Customers' increased time spent with a brand positively moderates the effects of brand communication on customer loyalty.

Table 1 summarizes the integrative model and its propositions discussed in previous sections.

TABLE 1
Propositions of An Integrative Model of the Effects of Digital Marketing Communication on Customer Loyalty

Model Components and Propositions		Effects on Customer Loyalty	
		Behavioral	Attitudinal
Regular Brand Communication	P1a, P1b	+	+
- Frequency	P1c	+/-	+/-
- Content: relational	P2a, P2b	+	+
- Content: promotional	P2c, P2d	+/-	-
Personalization	P3a, P3b, P3c	Positively moderates the effects of brand communication	
Interactivity	P4a, P4b, P4c, P4d	Positively moderates the effects of brand communication	

3.4 Mediating Factors

Although the main independent variables of our model are brand communication, personalization, and interactivity, there are mediating variables which affect how customer loyalty effects of DMC are created.

3.4.1 Customer Characteristics

All customers are not equally responsive to DMC or willing to engage in it. It is useful for a company to know which customers have the most future potential, and which are more likely worth the investments in extensive communication and relationship building.

For example, according to Cram (2001, 80-84), customers have four primary needs and motivations, which drive their behaviour and relationship orientation. *Best-deal customers* seek for lowest price, and there is no value in a relationship for them. *Novelty seekers* are innovators, whose driving force is curiosity. They seek variety and take risks. *Involvement customers* want to belong, to be recognized and to be regularly in touch with the marketer. *Certainty customers* avoid risks and do not want any surprises. They want continuity but do not actively seek a relationship with the supplier.

Kwak et al. (2002) surveyed Internet users and explored consumer attitudes, Internet experiences, demographics, and personality traits that may potentially influence consumers' online purchasing, and the type of purchases they are willing to make. In the study it was found that gender (male), high income, and opinion leadership increase the odds for online purchases. Furthermore, it was found that consumers' web purchasing may not be considerably enhanced by their mere exposure to Internet advertising. Instead, online consumers' buying behaviour may be rooted in their self-generated interests with the subjects of the web before they surf the online marketplace.

It is important to examine what drives consumer attitudes towards using online and other technology-based services. Dabholkar and Bagozzi (2002) tested the moderating effects of consumer traits and situational factors on attitudes and intentions toward using technology-based self-services. They identified ease of use, performance, and fun to have direct effects on attitudes toward using the services, and self-efficacy (level of confidence to use technology-based self-service), inherent novelty seeking, need for interaction (with a service employee), self-consciousness, perceived waiting time, and social anxiety (discomfort through perceived crowding) to be moderating variables. Similarly, consumers' tendency to engage in web communities and other relational activities varies a lot, depending on their communal, exchange, and relationship orientation traits (Mathwick 2002).

These findings suggest that in order to enhance customer loyalty marketers should develop and promote different factors of DMC depending on customer characteristics.

3.4.2 Involvement

Different products and services can be differently suitable for digital marketing, and the opportunities for relationship building can also be diverse. Involvement concerns an ongoing commitment on the part of the consumer with regard to thoughts, feelings, and behavioral responses to a product (Gordon et al. 1998). Product involvement affects consumer's relationship proneness (Christy et al. 1996; Dick and Basu 1994; Gordon et al. 1998; Pine II et al. 1995; Warrington and Shim 2000). For example, cosmetics, cars and clothes are high involvement products to many consumers (Fisher 1985; Kapferer 1998, 31). In the case of low-involvement products, brand choice is less connected with the consumer's lifestyle and

variety seeking is increased; it is therefore easier to attract consumers to switch brands with promotions (de Chernatony 1998, 75).

Involvement affects the way in which customers process marketing communication. When involvement is high, consumers devote more attention to advertisements, exert greater cognitive effort to understand them, and focus more attention on product-related information (Celsi and Olson 1988; Petty et al. 1983). The Elaboration Likelihood Model states that high involvement increases the likelihood of elaboration (i.e. the central/cognitive route of attitude formation), which results in more enduring attitude change (Chaiken 1980; Petty et al. 1983; Wright 1973).

A consumer's involvement also affects how different media evoke responses. Retrieval media (print and Internet) are more effective under high product involvement, whereas delivery media (television) are better suited for influencing uninvolved consumers (Dijkstra et al. 2005). On the web, those with high product involvement are more interactive with product-related content than those with low involvement (Chung and Zhao 2004). Gordon et al. (1998) also argue that when involvement is high, buyers are more likely to value customization of the marketing mix, interaction with the company representatives, and an ongoing relationship with the firm.

We expect that when involvement is high, the effects of DMC on customer loyalty are stronger.

3.4.3 Relationship

Customer relationships tend to be very heterogeneous; they differ in duration, strength, interactivity, and in many other aspects. Customer relationships also change dynamically over time, and are shaped by different stages and incidents. There are a number of factors embedded in the relationship between a marketer or a brand and the customer that have an impact on how DMC affects loyalty. Next, we discuss these factors.

Brand Familiarity and Loyalty

Brand familiarity reflects the extent of a consumer's direct and indirect experience with a brand, familiar and unfamiliar brands differing in terms of the knowledge regarding the brand that a consumer has stored in memory (Alba et al. 1987; Campbell and Keller 2003; Kent and

Allen 1994). It has been found that communication effectiveness depends on the prior familiarity of the brand: repetition wearout is postponed when the brand is familiar to the consumer (Campbell and Keller 2003; Snyder and Stukas 1999). Communication from a trusted source is also expected to influence attitudes more strongly and feel more personal than from unfamiliar sources which may be disputed and thus not have as less impact on attitudes (Dick and Basu 1994; Howard-Brown 1998; Smith and Swinyard 1988).

Repetition of a brand's advertising has stronger effects (responses, satisfaction, etc.) on those consumers who already use the brand and are familiar and/or loyal with/to it (Cacioppo and Petty 1985; Ehrenberg 1974; Sawyer 1981; Simon and Arndt 1980; Tellis 1988; Zauberman 2003). Accordingly, Merisavo and Raulas (2004) found that regular email newsletters had better impact on the brand loyalty of the loyal customers than on the nonloyal.

In effect, we predict that DMC works better with customers that are already familiar and/or loyal with the brand.

Switching Costs

Over a series of transactions, customers build switching costs through the development of personal relationship and the accumulation of firm-specific knowledge and sunk costs (Bell et al. 2005). Customers will be more likely to engage in relational behaviors when they perceive that the monetary and nonmonetary switching costs are high (Bhattacharya and Bolton 2000; Burnham et al. 2003; Fornell 1992; Sheth and Parvatiyar 1995). In more detail, switching costs can be divided into following types (Burnham et al. 2003):

- *Procedural switching costs*: economic risk, evaluation, learning, and setup costs – primarily involves the expenditure of time and effort.
- *Financial switching costs*: benefits loss and financial loss costs – involves the loss of financially quantifiable resources.
- *Relational switching costs*: personal relationship loss and brand relationship loss costs – involves psychological or emotional discomfort due to loss of identity and the breaking of bonds.

Product categories where switching costs are high include insurance, child care, and financial services (Bhattacharaya & Bolton 2000). As a term, switching cost is related to perceived risk.

Consumers are more brand loyal and willing to engage in long-term relationships with products that they perceive as high-risk. Risks can be functional, physical, financial, social, psychological or time-based (Keller 1998, 8-9). High-risk product categories include airlines, clothing, medicines, and financial services (Bhattacharaya and Bolton 2000). Consequently, products and services with high risks are also in many cases those where the switching costs are high.

Switching costs are likely to mediate the effects of digital marketing communication on customer loyalty. For example, if financial and relational switching costs are low, regular marketing communication could have little or no effect on customer loyalty. An example of this is the fierce price competition between mobile phone operators, which has made differentiation among them difficult and lowered the switching costs perceived by consumers. A study in the Turkish mobile phone market found that perceived switching costs had a direct and positive effect on customer loyalty (Aydin et al. 2005).

Hence, we predict that the higher the switching costs, the stronger the effects of DMC on customer loyalty are, and vice versa.

There are also a number of other factors in the relationship that have an impact on how DMC affects customer loyalty, such as previous purchases, frequency of transactions, cross-buying behaviour, and share of wallet (see Reinartz et al. 2005), to name a few. These other relationship-related factors are in this paper modeled in as factors that explain in their part how relationships develop.

3.4.4 Situational factors

Customers may perceive conditional value, which is defined by Sheth et al. (1991) as “the perceived utility acquired by an alternative as the result of the specific situation or set of circumstances facing the choice maker.” Conditional value depends on the context in which the value judgement occurs and exists only within a specific situation (Holbrook (1994). In our model, conditional value is treated as a mediator called situational factors. Such situations may be seasonal, once in a lifetime events or emergency situations (Sheth et al. 1991). Situational factors can also be regarded as triggers, factors or events that change the basis of a relationship (Roos et al. 2004). Gustafsson et al. (2005) discuss about situational and reactional triggers. Situational triggers alter customers’ evaluations of an offering based on changes in their lives

or in something affecting their lives (e.g. demographic changes in the family, changes in job situations, and changes in the economic situations). Reactional triggers are critical incidents of deterioration in perceived performance, for example service failures (see also Gardial et al. 1996).

We predict that situational factors have an impact on how DMC affects customer loyalty. For example, personalized brand communication can be used to make messages more relevant to specific situations, and thus create extra value for customers (e.g. children's health insurance offer when a child is born).

3.5 Outcomes of Digital Marketing Communication for Customer Loyalty

The outcomes of digital marketing communication in our model include perceived value, commitment, and customer loyalty. We use the term “customer loyalty” as the ultimate dependent variable, a term close to brand loyalty, because it is more general of these two and is applicable to both b2c and b2b markets. The discussion of how to define and measure both customer and brand loyalty has a long history (Dick and Basu 1994; Odin et al. 2001; Oliver 1999). The most frequently used definition of brand loyalty is that it is a form of repeat purchasing behavior reflecting a conscious decision to continue buying the same brand (Jakoby and Chestnut 1978). That is, for brand loyalty to exist, a pattern of repeat purchase must be accompanied by a positive attitude towards the brand. Accordingly, Oliver (1999, 34) has defined customer 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.” Most researchers believe that the best way to operationalize loyalty is to measure both attitudes and behavior (Rundle-Thiele and Bennett 2001). If only behavior were measured, it could be only spurious loyalty, a low relative attitude accompanied by high repeat patronage due to situational effects (Dick and Basu 1994). Therefore, the metrics that we suggest for measuring the effects of digital marketing communication on customer loyalty are both behavioral and attitudinal.

In our model, behavioral customer loyalty metrics consist of purchases (including RFM, LTV, etc.), product or service usage, store/website visits, and recommendation (WOM). Attitudinal

metrics in our model include brand attitudes, brand image, brand knowledge, satisfaction, and service perceptions. Both traditional advertising and brand literature (e.g. Aaker 1997; Batra and Ray 1986; Rossiter and Percy 1998), and more recent literature related to digital channels (e.g. Chen et al. 2002; McMillan et al. 2002; Srinivasan et al. 2002; Zeithaml et al. 2002) offer good operational metrics and scales for assessing the outcomes for digital marketing. Operationalization details, however, are not discussed in this paper.

4 DISCUSSION

When the dominant logic of marketing is shifting from exchange of goods toward service (Vargo and Lusch 2004), digital marketing communication (DMC) can help marketers improve their return on marketing and profitability (Reinartz and Kumar 2003; Reinartz et al. 2005). Digital channels offer cost efficient opportunities for marketers to keep frequently in touch with customers and improve customer loyalty. With such prospects in mind, it is not surprising that the use of digital channels in marketing is becoming an essential part of strategy in many companies. Despite these opportunities, there is a lack of a models explaining how DMC affects customer loyalty. While parts of DMC, such as web advertising, attitude toward a site, perceptions of interactivity, and electronic service quality have been studied, integrated theories of DMC are scarce. Our conceptual model integrates ideas and findings suggested in many areas of marketing literature to show how regular brand communication, personalization, and interactivity affect customer loyalty. We present research propositions for testing in future research.

We suggest that brand communication builds customer loyalty mainly through frequency and relational content. Information processing triggered by regular brand communication generates customer value and commitment. Increases in these improve customer loyalty, both attitudinal and behavioral. Personalization and interactivity moderate the effects of brand communication on customer loyalty. Finally, we propose that customer characteristics, involvement, relationship, and situational factors act as mediators.

The proposed model needs more empirical support. Because of the number of constructs and the complex relationship among them, it could be best to test it in two or more parts before testing the entire model. There are also a number of operationalization issues; while some measurement scales already exist, some have to be designed. It should also be considered

carefully which parts of the model need real world behavioral data (e.g. purchases, perceptions of received brand communication) and which can be asked hypothetically in a survey (e.g. “What value would you perceive if you would get personalized communication?”). Qualitative research could also be valuable for clarifying certain concepts and outcomes of DMC, such as information processing, perceived value, commitment, and their link to customer loyalty.

Although there are some cases where DMC has been effective, it is still unclear in which product or service categories and to what type of customers DMC works best to build and enhance customer loyalty, and where marketing via conventional channels works better. In this sense, it is similar decision like whether to use relationship marketing or not. Like Varey (2002, xv) argues: “I don’t see Relationship Marketing (RM) as a replacement for Product Marketing, but more as a further option. The clever thing will be to figure out when to adopt this strategy, and when not to do so.”

In practice, companies often mix digital marketing with more traditional aspects of marketing (Coviello et al. 2003). Systems and process issues have to support this kind of multi-channel marketing (see Vesanen and Raulas 2006). Thus, the process of DMC and its integration to other marketing would also be a valuable research topic.

DMC also requires permission and willingness from customers. Although customers can perceive marketer’s personalized and interactive communication valuable, it can also raise social concerns such as privacy invasion arising from the collection and use of personal details (Evans 2003). Therefore, marketers should be cautious and follow the rules of permission marketing (see Godin 1999). Future research could focus on understanding how customers would like their personal information to be collected and used in DMC.

Moreover, as our model suggests how to strengthen the loyalty of existing customers, it could also be applied to new customer acquisition. For example, if a potential customer has visited the marketer’s website and inquired something or expressed interest for receiving information about products or services, we expect it would make sense for the marketer to stay in touch with these prospects not only with promotional or selling activities but with informative and brand-related digital communication to keep the brand in the consideration set. It would be interesting to further examine the effects of this kind of interactivity and optimization of acquisition and retention efforts (see Reinartz et al. 2005).

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