A Brand's Referral of Another Brand: Does it Work?

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Background and Research Purpose: In the retail industry, the number of startups referred to as direct-to-consumer (DTC) brands is growing. DTC brands sell directly to consumers without intermediaries like department stores. An example is Gymshark, a sportswear brand founded in 2012. Within six years, Gymshark reaped $50M in revenue and in 2018, its sales more than doubled, amounting to $128 million (Winkler, 2018). DTC brands' primary, if not the only, sales channel is their online store. While operating purely online has the benefit of low costs, it can be limited in acquiring new customers. One emerging marketing strategy is accessing the customer base of a fellow DTC brand through partnership by placing promotional messages in the partner brand's marketing emails (Sutton, 2019). This is akin to a brand's referral of another brand.

The power of word-of-mouth (WOM) has been demonstrated by prior studies examining its effects on the retail outcomes like purchase intention (Buttle, 1998). However, the focus has been customers' referral of a brand, and, to the best of our knowledge, no study has examined a brand's referral of another brand, despite its potential as a low-cost yet effective customer acquisition strategy. To fill this gap, we tested the effectiveness of the WOM by a brand relative to (1) an alternative marketing strategy (paid social media marketing) and (2) the WOM by close others, which was shown to be the most effective WOM type (Brown & Reingen, 1987). We included two conditions for the WOM by a brand: referral by a high-loyalty brand (for which the consumer has high loyalty), and referral by a low-loyalty brand. We examined the effects of the different brand promotion sources on the attitudes toward the promoted brand and on the intention to visit the promoted brand's online store (visit intention), in addition to the mediating role of the source trustworthiness.

Theoretical Background and Hypotheses: Consumer-brand relationships have been conceptualized as interpersonal relationships (Fournier, 1998). Underlying this notion is the consumer tendency to anthropomorphize brands and perceive them as relational partners (Rauschnabel & Ahuvia, 2014). One implication is that, as in interpersonal relationships, positive consumer-brand relationships entail corresponding beliefs about the brand. One defining belief is trust, the expectation of brand reliability and consistency in delivering products and services, as well as a belief that the brand will act in the customers' best interest (Delgado-Ballester et al., 2001). Brand trust drives brand loyalty (Chaudhuri & Holbrook, 2001). As such, customers' relationship to their preferred or favorite brands (i.e., high-loyalty brands) can resemble individuals' relationship with their close friends.

The level of the source's trustworthiness is an important determinant of message reception. Prior findings showed that when consumers perceive a message source to be trustworthy, they are more likely

to accept the message and develop favorable attitudes and behavioral intentions (Ismagilova et al., 2020). This effect is explained by attribution theory, which posits that individuals' causal attributions determine their reactions. A key aspect of the motive attribution is whether the cause is perceived to be internally or externally motivated (Kelley, 1973). In the case of the WOM by a brand, consumers may perceive the referral to be externally motivated (e.g., monetary gains) and find the referral less credible and compelling. On the other hand, customers may be more receptive to a referral if it is provided by a close friend or a high-loyalty brand because they believe both to have their best interests in mind, relative to a brand promoting itself on social media or a brand with which they have not established a close, trusting relationship (i.e., low-loyalty brand). Therefore, a referral from trustworthy sources may lead to more favorable attitudes and greater visit intention toward the promoted brand. Thus, we predicted,

H1. There will be no significant difference in the attitudes toward the promoted brand between the close friend and high-loyalty brand conditions.

H2. There will be no significant difference in the visit intention between the close friend and high-loyalty brand conditions.

H3. Relative to (a) the social media and (b) the low-loyalty brand conditions, the high-loyalty brand condition will have more favorable attitudes toward the promoted brand.

H4. Relative to (a) the social media and (b) the low-loyalty brand conditions, the high-loyalty brand condition will have a higher visit intention.

H5: Source trustworthiness will mediate the effects of the source of brand promotion on (a) the attitudes toward the promoted brand and (b) the visit intention.

Methods and Results: Two hundred and one participants were recruited from an online panel. We employed a one-way between-subjects design where the source of brand promotion was manipulated via fictitious scenarios. Participants were randomly assigned to one of the four conditions: close friend, high-loyalty brand, low-loyalty brand, and social media. In line with the industry practice of partnering with a brand with a complementary product category, apparel and shoe categories were chosen, with the apparel brand as the promoted brand and the shoe brand as the promoting brand. To avoid biases, no brand names (either fictitious or real) were provided. In the high-loyalty and low-loyalty brand conditions, participants were prompted to imagine that they received a marketing email from a shoe brand they have subscribed to. They were then told that the e-mail included a marketing message promoting a casual apparel brand, which was unfamiliar to them. Brand loyalty was manipulated by asking participants to imagine that they were either loyal or not loyal to the shoe brand. In the social media and close friend conditions, participants were presented with corresponding scenarios. Source trustworthiness and attitudes toward the brand were measured with semantic differential scales, and loyalty and visit intention with Likert-point

scales. The scales showed high internal consistency, with Cronbach's alpha values ranging from .95 to .97.

The loyalty manipulation was effective as the high-loyalty brand condition ($M = 6.28$, $SD = .74$) reported significantly higher loyalty than the low-loyalty brand condition ($M = 3.07$, $SD = 1.54$). A one-way ANOVA revealed significant differences in the attitudes toward the promoted brand across the four conditions, $F(3, 197) = 10.26$, $p < .001$. A post hoc Tukey's HSD test indicated no difference between the close friend ($M = 5.61$) and the high-loyalty brand conditions ($M = 5.67$), $p = .99$. However, significant differences emerged when comparing the high-loyalty brand condition to the low-loyalty brand ($M = 4.62$) and to the social media conditions ($M = 4.75$), $ps < .01$. A one-way ANOVA revealed significant differences in the visit intention across the four conditions, $F(3, 197) = 8.32$, $p < .001$. A post hoc Tukey's HSD test indicated no difference between the close friend ($M = 5.31$) and high-loyalty brand conditions ($M = 5.09$), $p = .87$. However, a significant difference emerged between the high-loyalty brand and low-loyalty brand conditions ($M = 4.17$), and between the high-loyalty brand and the social media conditions ($M = 4.19$), $ps < .05$. In sum, the high-loyalty brand condition showed attitudes and visit intention comparable to those of the close friend condition but showed more favorable attitudes and higher visit intention than the low-loyalty brand and social media conditions. Mediation analyses were conducted using the SPSS PROCESS macro and showed that the source trustworthiness significantly mediated the differences in the attitudes and visit intention toward the promoted brand between the high-loyalty brand and the low-loyalty and social media conditions (all confidence intervals not including zero). Therefore, all hypotheses were supported.

Discussion and Contributions: Results showed that a high-loyalty brand's referral can be as effective as a close friend's referral, and even a low-loyalty brand's referral can be as effective as social media marketing. This indicates that WOM by another brand can be an effective yet low-cost marking strategy. This study extends the WOM literature by showing that brands can be not only the recipient of referrals, but also the influential agent of referrals.

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