Abstract

This paper aims to learn whether utilizing blockchain technology improves a brand or businesses brand loyalty. This paper explores how blockchain works, what brand loyalty is, and how the two intersect in the world of advertising and marketing.

Introduction

Over the recent decade, the role of blockchain technology in our society has been commandeered to one area of our economy, that area being the finance industry with 30% of blockchain use cases (Shirer & Soohoo, 2021). More specifically, blockchain technology is the backbone of how cryptocurrencies operate. Cryptocurrencies such as Bitcoin, Ethereum, and BAT all operate on blockchain technology, which is one of the reasons blockchain technology is more widely known (Chen, Shi, Zhao, 2018). However, blockchain technology is not only useful for the finance field - it can help transform a plethora of industries including the industry of marketing and branding. This essay will elucidate the ways in which blockchain can transform current business practices and increase brand loyalty among consumers. In order to achieve this, the essay will first review how blockchain technology works, including how blockchain technology is already being used in the larger economy. In addition to this, an overview of why consumers are loyal to a brand will take place, including the four different types of consumers that marketers need to be aware of (loyalists, habitualists, variety seekers, and switchers). Next, a discussion of how the four different types of consumers would view a brand utilizing blockchain technology will be conducted. This discussion will help future marketing researchers to determine whether a brand utilizing blockchain technology will help them in their pursuit of

turning a normal consumer into a loyal consumer. Finally, future research objectives will be provided, offering markers insights into the future research in this field.

Literature Review

What is blockchain technology?

Blockchain technology Blockchain technology refers to a decentralized distributed ledger system, which makes it difficult for information stored on a blockchain to be tampered with (Iansiti & Lakhani, 2017). Blockchain refers to a coded chain of blocks that contains information. A blockchain works as a distributed ledger system that has information stored inside of blocks (Iansiti & Lakhani, 2017). Once this information is stored in the blockchain it cannot be tampered with. Taking a closer look at an individual block, each block has three parts - data, hash, and hash from the previous block (Haber & Stornetta, 1991). Depending on the type of blockchain, the data stored inside each block will vary. A hash is the identifier of each block, kind of like a fingerprint (Haber & Stornetta, 1991). Each hash has a unique code assigned to it, and this code is always unique to the specific block. Any changes to the data inside of the block will cause the hash code to change (Haber & Stornetta, 1991). Third, the hash of the previous block is what creates the chain of blocks i.e. blockchain, this chain makes the entire blockchain secure (Haber & Stornetta, 1991). To make them even more secure, blockchains use something called, ‘proof of work’, which basically slows down the creation of new blocks in a chain (Yaga, Mell, Roby, & Scarfone, 2018). This is necessary for added security because if someone wanted to tamper with the hash code on a block, they would not only have to tamper with all the blocks that come after that specific hash, but one would have to recalculate the proof of work on all the following blocks (Yaga, Mell, Roby, & Scarfone, 2018). As an example, the blockchain that Bitcoin runs on has a proof of work time of 10 minutes (Hertig, 2020). If someone were to

tamper with a hash code on a specific block, not only would they have to change the hash code on all the blocks after it but they would have to wait 10 minutes per block. An average blockchain has 10,000 blocks, meaning if one wanted to tamper with block 1,000, one would have to wait 1,500 hours in order to tamper with the data (Yaga, Mell, Roby, & Scarfone, 2018). In addition to this, a blockchain operates as a distributed ledger system, otherwise known as a peer-to-peer network (Tapscott, 2017). This essentially means that when someone joins this peer-to-peer network, that person receives a copy of the full blockchain to verify that everything is in order and no blocks are being tampered with (Tapscott, 2017). When a new block is created on the network, everyone in the network reviews the block, which guarantees a consensus among the peers in the network that everything looks safe and secure (Tapscott, 2017).

How is blockchain technology currently being used?

Blockchain is being used in the finance industry, of course as cryptocurrency, but in other forms in the finance world as well. Big banks like JP Morgan Chase and Citigroup have made significant investments in this technology because of the security and savings (Tapscott, 2017). According to Harvard Business Review, blockchain could help save consumers $16 billion in banking and insurance fees (Tapscott, 2017). However, finance is not the only industry utilizing blockchain. Blockchain can provide a faster and more transparent way to track the supply chain in a myriad of industries (Apte & Petrovsky, 2016). According to IPEC Americas. utilizing blockchain technology would allow end users to verify exactly how, where and by whom the product they intend to purchase has been assembled and made (Apte & Petrovsky, 2016). According to BIS Research, the global market value of blockchain being utilized in the food and agriculture industry is estimated to reach $1.4 Billion by 2028 (BIS Research, 2018). Meaning,

that blockchain technology is only going to grow in use throughout industries in the global economy.

What is brand loyalty?

Brand loyalty is the propensity to keep buying a specific brand or product for a specific reason (Alhaddad, 2015). There are two different components of brand loyalty, attitudinal and behavioral (Kim, Morris, & Swait, 2013). Attitudinal refers to a consumer's attitudes towards a brand or product. This could include any interactions that the consumer has had with the brand or product in the past or any interactions in the consumer's social circle has had with the specific brand or product (Kim, Morris, & Swait, 2013). Behavioral, refers to the consumer's past purchase behavior which can result in a repeated purchase behavior or habit (Kim, Morris, & Swait, 2013). There are a myriad of reasons that a consumer would be loyal to a brand, product, or service. However, the type of consumer that a person is can impact that.

Four Types of Consumers

Past research has shown that there are four types of consumers to be aware of when studying brand loyalty, these consumers include loyals, habituals, variety seekers, and switchers (Knox & Walker 2001). Loyals are consumers who stick with their brands to reduce risk (the risk of getting something they did not want etc.) and buy from a brand because of their quality or features (Knox & Walker 2001). Habituals include consumers who habitually buy a brand because they are most familiar with a brand (Knox & Walker 2001). However, habituals are not necessarily loyal to a brand, their purchasing behavior can easily be disrupted depending on the passive information they process regarding a specific brand or product (Knox & Walker 2001). Variety seekers are consumers that are motivated to keep a certain level of stimulation in order to

help satisfy their perceived needs. Variety seekers are more likely to choose novel products or different brands in order to satisfy their perceived boredom (Knox & Walker 2001). Switchers are consumers that have a low brand commitment and will switch brands because of a multitude of reasons - one of them being price and value (Knox & Walker 2001).

Brand Resonance

Brand resonance is essentially the highest level of brand loyalty. It refers to the feeling the customer may have with a particular brand, the feeling of being "in-sync" (Alhaddad, 2015). Consumers with a high degree of brand resonance will seek out interactions with the brand and tend to share their positive experiences with others. (Alhaddad, 2015).

Why is brand loyalty important for a business?

Brand loyalty is important to a business for several strategic reasons. The ability to bring in new potential consumers, being less sensitive to price, and the ability to cut down on costs are all reasons that businesses should be concerned with brand loyalty (Alhaddad, 2015). One of the most important reasons that businesses should be concerned with brand loyalty is because of brand resonance (Alhaddad, 2015). When a consumer has a high degree of brand resonance, they tend to share their experience with the brand to others, which in turn creates a positive reputation for the specific brand.

Analysis

How Brands can utilize blockchain technology

Loyalty programs

An important aspect of marketing for a brand in this day and age is a loyalty program that rewards users for using their brand or product. Tons of brands have loyalty programs, including

global brands like Starbucks, Dunkin Donuts, & McDonalds. However, loyalty programs are not always the most efficient platform making them less of a priority for marketers (Fromhart & Theratti, 2016). Why are loyalty programs not realizing their full potential? This is due to a variety of factors including account inactivity, low redemption rates, time delays, high transaction and system management and customer acquisition costs, and low client retention (Fromhart & Theratti, 2016). According to Deloitte, 80 percent of respondents said that they were much more likely to choose a bank that offered them rewards for being a good customer over a bank that didn't reward them (Fromhart & Theratti, 2016). Blockchain can be a way to revitalize customer loyalty programs as it will eliminate inefficiencies, reduce costs,and improve customer experience (Fromhart & Theratti, 2016). This investment into a customer loyalty program can increase user experience and thus make users more loyal to the brand if the platform is easy to use and be rewarded on. Utilizing a loyalty rewards program could also increase brand resonance as brand loyalty programs often involve earning rewards from the brand. Earning rewards or offering discounts on a brand's products/services can allow a consumer to feel more in-sync with the brand, increasing brand resonance and positive customer reviews. Loyalty rewards programs often award discounts or free products to customers. Brands that engage in a loyalty rewards program can garner a certain type of consumer who values price, like a person who embodies the switcher persona.

NFTs

NFTs, otherwise known as non-fungible tokens, is a blockchain based virtual asset (Chohan, 2021). Recently, NFTs have skyrocketed in popularity, especially after the artist Beeple sold an NFT for $69 million (Kastrenakes, 2021). NFTs are being described as the future of how we acquire art, while others are saying it's just a popular trend (CB Insights, 2021).NFTs have also

become a way for brands to acquire customers, with brands such as Taco Bell and Pringles joining the craze (Clark, 2021). In the case of Taco Bell, they have auctioned off NFTs of different digital artwork in order to raise money for their foundation, the Taco Bell foundation (Clark, 2021). For Pringles, they were able to tease the release of 50 NFTs of a moving can of Pringles they dubbed “Crypto Crisp”, as a way to get people excited about a new flavor launch (Kulp, 2021). The use of NFTs as a marketing tool is a way to create more brand resonance, as some consumers will feel more connected to a brand that utilizes NFTs. In addition to this, some types of consumers will feel the use of NFTs makes the brand more exciting. This could impact how variety seekers or switchers view a brand that utilizes NFTs.

What this means for marketers

Blockchain technology is only going to expand across industries. It’s important for marketers to understand how this technology can actually benefit brands and businesses and how they can use it to encourage brand resonance and which leads to an increased brand loyalty. Brands and businesses can start utilizing blockchain technology through the two ways discussed in this analysis - loyalty programs and NFTs. This analysis provides brands and businesses with an idea about what blockchain is, how it is currently being utilized in the marketplace, and how blockchain could be perceived by the four different types of consumers. Marketers need to understand the implications and the benefits of using or not using this technology.

Research Limitations

There are some limitations of this analysis. One of them being that other variables need to be analyzed to understand truly whether utilizing blockchain can influence a consumer. Some

variables include analyzing, brand awareness, brand association, and studying specific companies that utilize blockchain. Future research into this subject should include research regarding consumer knowledge of blockchain in general. As consumer knowledge of the technology plays a role in whether a consumer would be loyal to a brand because of it.

Future Use Case

The inspiration for this research was inspired by the author's intention of starting a consumer packaged goods dessert brand. The author's interest in blockchain was stemmed by the ability to utilize blockchain in the supply chain of her company. Through this research, the author discovered ways to utilize blockchain in order to increase brand loyalty for her company.

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