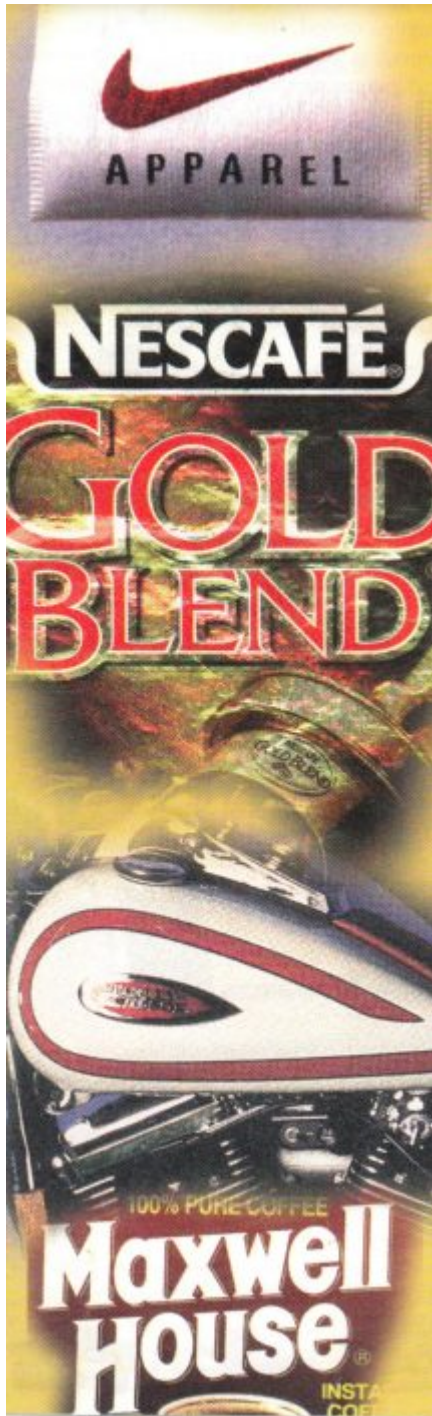


Advertising Brand Loyalty

Posted on

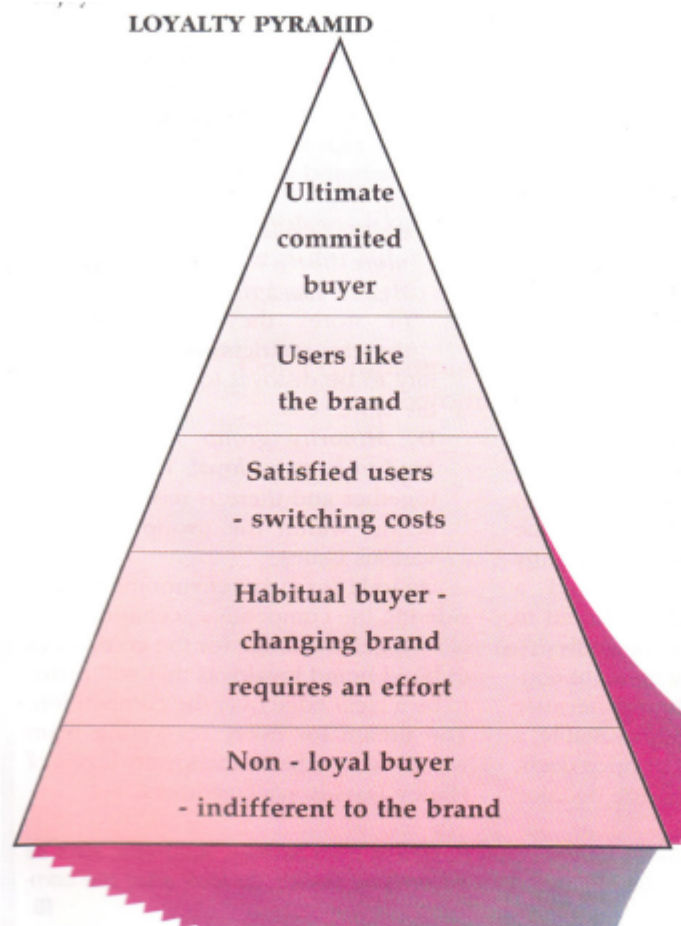


A teenager in USA has 140 sports shoes, but what is surprising is that they all carry Nike branding. A friend of mine has shoes, caps, briefcase, T-shirts, trousers and many other accessories that belong to a brand called Nike. For instance, when we buy coffee, we will probably choose Nescafe or Maxwell House and we will repeat this purchase overtime when we go out to shop. This trend, to buy a particular brand, will be consistent across different categories. Loyalty towards a brand will inevitably churn out larger profits for the brand in the long run. A large base of loyal customers is every company's dream. In this story, I have endeavored to elaborate different levels of loyalty, what it actually means and how to measure it.

What is 'Brand Loyalty'?

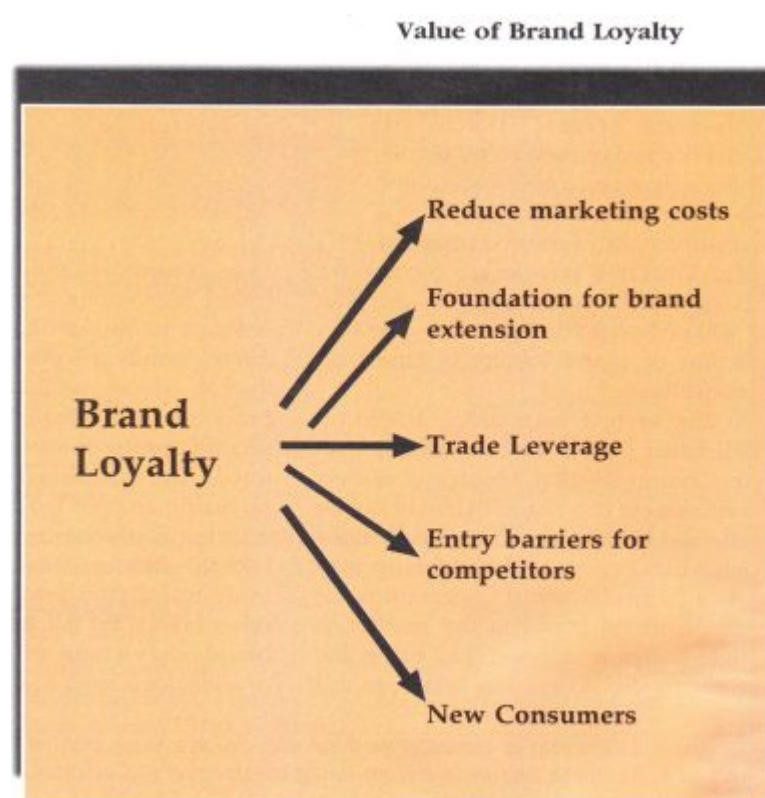
The term 'Brand Loyalty' is self explanatory. It represents a favorable attitude towards a brand resulting in consistent purchase of brand overtime. Though different theorists have defined it in different words, Tucker says "No consideration should be given to what the subject thinks or what goes on in his central nervous system; his behavior is the full statement of what brand loyalty is. According to Jacoby- To exhibit brand loyalty implies repeat purchasing behavior based on cognitive, affective, evaluative and predispositional factors -the classical primary components of an attitude. If we read the above explanations of loyalty, we will find a vast difference in the basic thinking of the concept. We will analyze the above schools of thought later on in the article. Brand loyalty is the result of consumers learning that one brand can satisfy their needs. Once the brand proves itself as a problem solver it comes closer and starts a relationship with the consumer. This relationship varies from brand to brand and from customer to customer.

This has been demonstrated by Aaker in his Loyalty Pyramid, which shows five levels of loyalty a brand can enjoy:



The lowest level of loyalty is represented at the bottom level, where a buyer is indifferent to the brand. What- ever is on sale or convenient is preferred. The second level has a buyer who is more of a habitual buyer. He is comfortable with the brand as long as he is not grossly dissatisfied with the brand and changing the brand requires an effort. He is quite vulnerable to competition. The third level consists of satisfied users but have switching costs. Costs in terms of money, time etc. These buyers need heavy inducement or benefits from the competitor's brand in order to have them switch over. The fourth level comprises of users who truly like the brand. They are a group of buyers who have experienced the

qualities of a brand and have built a bond with the brand. They like the brand. The top most level consists of ultimate committed buyers or users. For this group brand is an identity of themselves, they live the brand. There is a strong emotional feeling involved. One example of a committed buyer, that will come to everyone's mind is the Harley Davidson rider, who has Tattoos of Harley Davidson. The name Harley Davidson personifies his/her lifestyle. There is probably no other brand that derives as much loyalty from its customer as Harley Davidson. Though there d of Beetle drivers and a



new breed of Nike customers that also represents loyalty towards their respective brand. For instance, in the Sri Lankan context, there exists a level of loyalty towards Elephant House lemonade as opposed to other lemonade brands in the market, though this level of loyalty is still less than the brands mentioned above.

As mentioned earlier, brand loyalty leads to long term profitability for the company. It is of strategic importance in more than one way. It forms a platform for brand extensions, as there is a loyal base of customers who perceive less risks from a known brand. This leads to less effort in establishing an extended brand as opposed to a new brand. All the above result in reduced marketing costs. Loyalty of existing customers, help in building entry barriers for competitors. Loyalty also ensures trade leverage, in the sense that known brands can


dictate terms in the market-place as to their preferred space on the shelf. The retailer is compelled to place them in the most visible places as they will feature on the consumer's shopping list. A large group of satisfied consumers will also attract many new consumers. For example, in Sri Lanka, Greaves Garuda three-wheelers, have an expanding group of satisfied customers who are attracting many new buyers, the satisfied group helps in reassuring the brand's superiority. Diagrammatically the value of brand loyalty is shown as:

There has been a considerable decrease in brand loyalty in the 1990s as compared to the 80s. This decrease has precipitated a strong reaction from many corporate houses across the world. These corporations are interested to know the level of loyalty they enjoy from their respective consumer base. Many studies have been done, in order to measure the above. Two years ago, Grey Advertising initiated groundbreaking global program called Brand Loyalty+sm that's specifically designed to address relevant critical issues. Today, this ongoing, world wide effort is finally unlocking the secrets of brand loyalty and providing marketers with practical, real-world information that can help them build loyalty and drive long-term profits. This program is on the lines of Fortune 500 ranking or the Standard & Poor's stock index.

Two schools of Thought

Taking on from what is mentioned early on in the article (the two definitions given by Tucker and Jacoby), the two definitions represent two different schools of thought. The first indicates that 'consistent purchasing of one brand over time defines or demonstrates brand loyalty. Tucker and Lawrence, among others, fall into this category, they define loyalty linked with a number of purchases in a row. This group believes that consumers repeat purchasing behavior is assumed to reflect reinforcement and a strong stimulus- to-response link. For example, if a consumer buys new improved Farm Trust milk powder ten consecutive times, there is a strong probability that it will be bought the next time. The prediction of brand loyalty is based on probability.

The second approach is based on belief that behavior alone does not reflect brand loyalty. Loyalty implies a commitment to a brand that may not be reflected by just measuring continuous behavior. For example, a family may buy a particular brand because it is the lowest-priced brand in the market. A slight increase in price may cause the family to shift to another brand. In this



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case, continuous purchasing does not reflect reinforcement or loyalty, Jacoby belongs to this group, in his words- 'brand loyalty is a function of psycho- logical (decision-making, evaluative) processes.' Day, another believer of the second approach states that to be truly loyal, the consumer must hold a favorable attitude toward the brand in addition to purchasing it repeatedly. To take this further, consumers might continue to buy the same brand because other brands are not readily available, a brand offers a long series of price deals, or consumers want to minimize decision making. We can address it as false loyalty as they do not reflect commitment. Evidence suggests that utilizing both the attitudinal and behavior components provides a more powerful definition of Brand Loyalty or true loyalty.

Brand-Loyal Consumer

Several researchers have attempted to define the characteristics of a brand loyal consumer. Their studies have uniformly shown that there is no general, brand loyal consumer; that is, a consumer who tends to be loyal regardless of product category. Brand loyalty is product-specific. Consumers will be loyal to brands in one category and will have little loyalty to brands in other categories. It has been found out that brand loyalty is the highest when consumers are personally involved with the brand and find purchase risky. In these cases, the brand is a source of self-identification (cosmetics, automobiles, cigarettes).

Despite the product-specific nature of brand loyalty, some generalizations can be made about those who tend to be brand loyal:

- A. The brand-loyal consumer tends to be more self-confident in his or her choice.
- B. Brand-loyal consumers are more likely to perceive a bigger level of risk in the purchase and use repeat purchasing of a single brand as a means of reducing risk.
- C. The brand-loyal consumer is more likely to be store loyal. He/she has a restricted number of stores they visit which thereby restricts the opportunity to be disloyal to the brands, the store sells.
- D. Minority group consumers tend to be more loyal. They stick together and there is more interaction within the group about various issues.

In today's market environment, considering the competitive scenario, there is a bigger challenge for the companies to build brand loyalty as that will prove to be a clear edge over the competition. The dream for every marketing team would be to achieve the loyalty levels of Harley Davidson's customers.