AN ANALYSIS OF THE BRAND LOYALTY BASED CONSUMER TYPOLOGY

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Abstract: Even though the number of brands has strongly increased in recent years, only a few managed to endow themselves with significant brand loyalty. Besides the actual proprietary brand assets, such as patents and trademarks, other major elements like brand loyalty, perceived quality, brand associations, and others, underlie brand equity. A successful brand strategy must be based on creating brand loyalty. For achieving this goal consumers must be classified on a loyalty basis, while marketing strategies and mixes must be shaped accordingly.

Keywords: brand equity, brand loyalty, loyalty degree, brand strategy.

The American Marketing Association defines brand loyalty as “the situation in which a consumer generally buys the same manufacturer-originated product or service repeatedly over time rather than buying from multiple suppliers within the category” or “the degree to which a consumer consistently purchases the same brand within a product class”. Trying to define the term, David A. Aaker considers that brand loyalty “reflects how likely a customer will be to switch to another brand, especially when that brand makes a change in price, product features, its communication or distribution programs” (Aaker, 1992). Brand loyalty represents the core of a brand’s equity. Daryl Travis considers that “creating customer loyalty is neither strategic nor tactic”, but rather “the ultimate objective and meaning of brand equity”, adding that “brand loyalty is brand equity” (Travis, 2000).

A successful brand strategy must be based on creating brand loyalty. For achieving this goal, consumers must be classified on a loyalty basis and then the marketing mix must be shaped according to this classification.

A first approach of classifying consumers considering their degree of loyalty is that of George H. Brown (Kotler, 2002), according to whom buyers can be divided into four groups: *hard-core loyals* (always buy the same brand), *split loyals (*loyal to two or three brands), *shifting loyals* (loyal to one brand for a period of time, but easily shifting from one brand to another, due to certain advantages offered by the new brand), and *switchers (*show no loyalty to any brand, switching the brand with almost any buying situation). Each market consists of a different number of these four types of buyers. For example, a brand-loyal market has a high percentage of hard-core loyals. In such markets, entering or increasing market share are very difficult tasks. Still, brand loyalty must be carefully interpreted as it may actually reflect habit, indifference, a low price, a high switching cost, or the non-availability of other brands.

A second approach is that of David A. Aaker (Aaker, 1991) who sees five levels of brand loyalty and groups customers accordingly into a loyalty pyramid (fig.1):

a) The first level represents non loyal buyers who are completely indifferent to brands, each brand being perceived to be adequate if the price is accepted.

b) The second level includes satisfied or at least not dissatisfied buyers with no dimension of dissatisfaction sufficient enough to stimulate a change, especially if that change involves effort. These customers can be vulnerable to competitors that can create a perceived benefit in the case of switching.

c) The third level consists of satisfied customers with switching costs (loss of time, money, or acquired loyalty advantages, performance risks associated with switching etc.). In this case, competitors must create an inducement or incentive to switch by offering a benefit large enough to compensate the switching costs.

d) The fourth level contains customers who truly like the brand and have an emotional attachment to the brand, based upon associations such as a symbol, a set of use experiences, or a high perceived quality. The emotional attachment's reason is not clearly identifiable as sometimes just the fact that there has been a long term relationship can create a powerful affect.

e) The fifth level represents committed customers, proud to have discovered and used the brand, and to whom the brand is very important both functionally a as an expression of their personality. The value of this category of customers stays in the impact they have upon others through their recommendations.

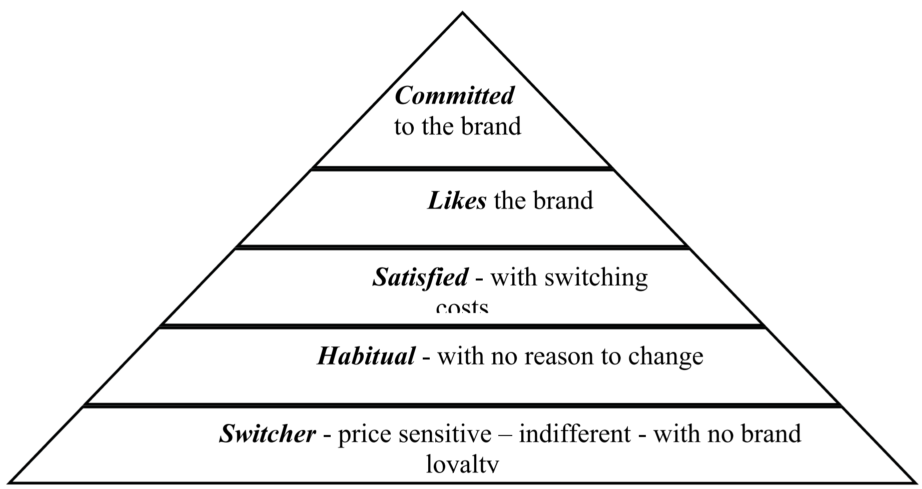

Figure no 1: The loyalty pyramid

Considering the level of involvement and that of perceived differences between brands, Henry Assael (Kotler, 2002) identifies four types of consumers (fig.2):

a) Complex loyals firstly do research, then develop beliefs and attitudes about the brand, and finally make a thoughtful choice. Marketers should educate these consumers about the brand's attributes, differentiate and describe the brand's features, and motivate sales people to influence the brand choice.

b) Dissonance loyals shop around and buy fairly quickly, as they may consider most brands in a given price range to be the same, even though expensive and self-expressive. After buying, they experience dissonance noticing certain disquieting features or hearing favorable things about other brands, but seek information that supports their choice. In the case of these consumers, marketers should supply evaluations that help them feel good about their brand choices.

c) Habitual loyals make decisions based on brand familiarity. They keep buying the same brand out of habit as they are passive recipients of information conveyed by advertising. In the case of these consumers, marketers should try to dominate shelf spaces, keep shelves stocked, and run frequent reminder ads.

d) Variety-seekers switch brands for the sake of variety rather than dissatisfaction. These consumers have some beliefs about brands, choose brands with little evaluation, and mostly evaluate them during consumption. In the case of these buyers, marketers could offer lower prices, coupons, free samples etc., but should constantly try to reconfigure the brand's features so as to offer something new etc.

		Involvement	
		High	Low
Perceived differences	Many and/or significant	*Complex loyals*	*Variety-seekers*
	Few and/or not significant	*Dissonance loyals*	*Habitual loyals*

Figure no 2: Involvement / perceived differences based loyalty types

Brand loyalty has also been conceptualized as an interaction of attitude and behavior. Dick and Basu (Dick and Basu, 1994) argue that loyalty is determined by the strength of the relationship between relative attitude and repeat patronage. On the basis of attitude-behavior relationship, they propose four types of brand loyalty (fig. 3). The "spurious loyalty" and "no loyalty" categories occur under low relative attitude that might be indicative of a recent introduction and/or an inability to communicate distinct advantages, or may be due to the dynamics of a specific market, where most competing brands are seen as similar, and it may be difficult to create a high relative attitude.

		Repeat Patronage	
		High	Low
Relative Attitude	High	*Loyalty*	*Latent loyalty*
	Low	*Spurious loyalty*	*No loyalty*

Figure no 3: Attitude / behavior based loyalty types

Rowley and Daves (Rowley and Daves, 2000) observe that in the previous loyalty typology, Dick and Basu's category of no loyalty is seen to relate to customers whose repeat patronage and relative attitudes are low, but not necessarily negative, meaning that this category includes customers who make infrequent purchases or potential customers. Non-loyals may exhibit this trait as they have no particular interest in the brand, have a negative orientation towards a brand or have a positive orientation towards a competing brand. Thus, Rowley and Daves propose that non-loyal consumers be differentiated on the basis of: repeat patronage or intent to continue shopping, and relative attitude as demonstrated through recommendations made to others, from inertial (associated with behavior and attitude which is relatively passive, and not likely to influence others and which may or may not lead to purchase) to negative (concerned with strong negative attitudes, or behaviors which seek to undermine a brand) (fig. 4):

a) Disengaged loyals are neutral and uninterested. They have never been customers because they have no awareness, the product is not relevant to them or the product is not within their perception of affordability. Yet, these circumstances may change and they may have potential for being customers in the future.

Disengaged loyals need to be re-engaged with the brand. Marketing communications that are likely to be successful focus on promotion. Customer awareness may need to be enhanced by offering free samples, and other promotions which encourage these customers to sample the product again may be important.

b) Disturbed loyals are existing and continuing customers, who are suffering a temporary perturbation in their loyalty status, and are in the state of questioning previously assumptions about a brand, because they had a negative experience with the brand, or have an unfavorable comparison with other brands, or were exposed to promotion of competitive brands, which tempt them to try alternatives. These customers could be encouraged or enticed to consider re-commitment to the brand, provided they are assisted to see past their negative experience.

Disturbed loyals need to be re-captured. They are susceptible to promotional endeavors such as attractive packages and new products of competitors. Organizations should respond by benchmarking with competitors' products. Recovery procedures such as complaints procedures, suggestion boxes, customer service and reimbursements may be appropriate.

c) Disenchanted loyals are customers who used to be loyal, but who have become less so. Their behavior is such that they do not at present purchase the brand and are unlikely to do so in the future. Their attitude has ceased to be positive towards the brand but often remains neutral, rather than negative, due to previous positive experiences with the brand. Disenchantment arises because of a negative experience with the brand, a positive experience with a competitor, or changes in the match between customer requirements and the product range associated with the brand.

Disenchanted customers are susceptible to strategies similar to those used for disturbed loyals, with the difference that the opportunity for addressing specific incidents has passed.

d) Disruptive loyals are previous customers, who have strong negative attitudes and behaviors in respect of the brand. They maintain negative views on the brand and are likely to communicate these to others, possibly vociferously.

Disruptive customers are not likely to be converted into loyal customers again. The focus must be on negating the effect of any negative aspect on brand image that these customers can achieve, either in the media, and through pressure groups, or by word of mouth. In order to be successful in this endeavor, a business needs to understand where any earlier major weaknesses or flaws in product performance and customer service lie, to eliminate these, and to demonstrate that any major problems have been eliminated.

		Behavior	
		Inertial	Negative
Attitude	Inertial	*Disengaged*	*Disenchanted*
	Negative	*Disturbed*	*Disruptive*

Figure no 4: Types of non-loyalty driven behavior

Finally, it is useful from a marketing perspective to see how brand loyalty evolved along the time. Thus, Bennett and Rundle-Thiele (Bennett and Rundle-Thiele, 2005) identify five distinct brand loyalty eras:

1) The birth of brand loyalty (1870–1914), when products quality varied widely and brands made products clearly identifiable. Brands were initially introduced as a means of assisting consumers to distinguish between available products.

2) The golden era of brand loyalty (1915-1929), when customers perceived improved quality of brands while retailers were enthusiastic about the increased sales resulting from brands. Brand recall was high and many consumers were loyal to a single brand of product. As consumers were able to access the brands more widely, familiarity and loyalty with the brands increased. Towards the end of this era, however, consumers became cynical towards advertising, which they perceived to be tasteless, manipulative and deceptive, while its costs were said to inflate prices.

3) The latent brand loyalty era (1930-1945) was characterized by a scarcity of branded products. Brand scarcity meant that many consumers were either rationed or required to do without previously purchased brands. Despite the lack of availability, brand preference actually increased during this period. Consumers had high levels of brand preference, but were not able to actually buy the brand.

4) The multi-brand loyalty era (1946-1970), when brands became more available, and consumers returned to their old habits and continued to purchase their favorite brands. During this period there was an explosion in new products and discount retailers emerged changing distribution with a focus on price competition for brands, with many introducing private brands. This created great concern for the manufacturer brands and, combined with increasing choice and high product quality, encouraged variety-seeking behavior. A common feature in many markets during this era was that customers were polygamous, buying several brands. Multi-brand loyalty emerged in the middle of the 20th century. Marketers realized that brand loyalty was not a personal disposition, but rather it was specific to certain product categories.

5) The declining loyalty era (1971 – today), when the level of differentiation is declining, and hence competing brands are becoming more substitutable, as product quality increased and brands became more consistent, while consumers are increasingly price-sensitive. This similarity between competing brands, the increasing array of competing brands, combined with the increased cynicism towards advertising, has resulted in consumers being both more price-sensitive and rarely loyal to a single brand. In markets with little differentiation, customers can be ambivalent towards brands and, as a result, they buy different brands. Today most customers include several brands in their preferred brand set. There are, however, some brands towards which consumers demonstrate intense sole-loyalty, and these brands often have brand communities. Brand communities are groups of consumers whose common theme is their usage of a particular brand, and the more integrated the consumer is into the brand community, the more loyal they are in consuming the brand.

To conclude, we might say that any brand strategy must use several loyalty based consumer typologies in order to identify the appropriate marketing mix best shaped to each segment. Furthermore, certain rules generally apply when managing brand loyalty, along with specific tactics and strategies established after a detailed analysis of the particular situation a brand or its actual and potential clients has. Managing brand loyalty implies a periodical assessment of the results obtained through specific strategies and of the levels of brand loyalty among customers, considering both functional and emotional perceived aspects related to the brand.

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