CHAPTER - VII

DISCUSSION ON THE ISSUES RELATING TO BRAND LOYALTY
CHAPTER VIII
DISCUSSION OF THE ISSUES OF THE RESEARCH

8.1. Introduction

The success of a firm depends largely on its capability to attract consumers towards its brands. In particular, it is critical for the survival of a company to retain its current customers, and to make them loyal to the brand. Former Ford Vice President - Basil Coughlan estimates that, every percentage point of loyalty is worth $100 million in profits to his firm (Serafin and Horton (1994), and major enterprises like Del Monte, Harley Davidson and General Motors are spending large sums of money to induce brand loyalty (Alonzo (1994); Lefton (1993)). Firms selling brands with a high rate of loyal consumers have a competitive advantage over other firms. Brand loyal consumers reduce the marketing costs of the firm, as the costs of attracting a new customer have been found to be about six times higher than the costs of retaining an old one (Resenberg and Czepiel (1983)). Moreover, brand loyal consumers are willing to pay higher prices and are less price sensitive (Krishnamurthi and Raj (1991); Reichheld and Sasser (1990)). Brand loyalty also provides the firm with trade leverage and valuable time to respond to competitive moves (Askar (1991)). In sum, loyalty to the firm’s brands represents a
strategic asset which has been identified as a major source of the brand’s equity.

Given the importance of brand loyalty, it is not surprising that it has received considerable attention in the marketing literature since Copeland’s seminal work which was published over 70 years ago (Copeland (1923)). Studying and managing brand loyalty, however, should start with a clear definition of the construct involved, and with the development of valid measures.

Unfortunately, while there seems to have emerged considerable agreement on the conceptual definition of brand loyalty since the work of Jacoby and Chestnut (1978), no unified perspective to measure it has yet emerged. Still, a valid measure is essential for a better understanding of the concept by marketing researchers and marketing managers alike. Moreover, knowing the limitations of a measurement method is crucial for a correct interpretation of the results of a study.

8.2 The concept of Band Loyalty

“Brand loyalty is the consumer’s conscious or unconscious decision, expressed through international stimulated behaviour, to repurchase a brand continually. It occurs because the consumer perceives
that these goods offers the right product features, image, or level of quality at the right price. Consumer behaviour becomes habitually because habits are safe and familiar. In order to create brand loyalty, advertisers must know the consumer habits, help them acquire new habits, and reinforce those habits by reminding consumers the value of their purchase and encourage them to continue purchasing those products in the market such other definitions also exits.

However, the most elaborate conceptual definition of brand loyalty was present by Jacoby and Chestnut (1978). It covers the most important aspects of brand loyalty, and enjoys widespread support in the marketing literature, either in its original form or in slightly modified versions (e.g. Assael (1992); Mowen (1993); Wilkie (1990)).

According to this definition, brand loyalty is: “The (a) biased, (b) behavioural response, (c) expressed over time, (d) by some decision-making unit, (e) with respect at one or more alternative brands out of a set of such brand, and (f) is a function of psychological (decision-making, evaluative) processes (Jacoby and Chestnut (1978, p. 80))”. This definition identifies six requirements for brand loyalty. Below, each of them is discussed in somewhat more detailed manner.
8.2.1. Biased behavioural response

First, brand loyalty is a biased response. This implies that there has to be a systematic tendency to buy a certain brand or group of brands, which means that brand choice should not follow a zero-order process. A process is zero-order, if each brand is chosen by the consumer with a certain probability which is independent of the consumer’s past purchase decisions. Nothing that the consumer did or is exposed to, alters the probability to purchase a specific brand (Massy, Montgomery, and Morrison (1970)). Zero-order behaviour is not part of the brand-loyalty construct, because this would imply that brand loyalty is beyond control by any marketing action, and hence a meaningless concept for marketing managers. Brand loyalty also entails actual purchases of a brand. Verbal statements of preference towards a brand are, therefore, not sufficient to ensure brand loyalty.

8.2.2 Expressed over time

An incidental bias towards a brand does not guarantee brand loyalty. As the process is dynamic, some consistency is needed during a certain time span. This suggests that one should not only consider the number of times a specific brand is purchased during that period, but also the purchase pattern over successive purchase occasions. As such, one can distinguish partially loyal behaviour from completely (non) loyal
behaviour. Considering a purchase sequence for brands A and B, Brown (1952) distinguished consistent loyalty towards brand A (indicated by a purchase sequence AAABBB), divided loyalty (ABABAB), and unstable loyalty (AAABBB). For brand A, the situation is much dimmer under unstable loyalty than under divided loyalty. These simple example show that the purchase pattern over a given time span contains valuable information about brand loyalty.

8.2.3 Decision-making unit

Brand loyalty is defined by the purchase pattern of a decision-making unit which may be an individual, a household or a firm. Important to note is that the decision unit does not have to be the actual purchaser. For example, the purchases of a household are often made by one of the parents, but other members of the household may also be involved in the decision process (see e.g. Agnew (1987); Davis (1976)). This issue becomes important when the members of a household have different product needs and use goods for different purposes. In that case, observe the switching behaviour on the household level which represents different needs or usage purposes by different family members rather than an absence of brand loyalty.
8.2.4 Selection of brands

Under this condition, one or more brands are selected out of a set of brands. This condition implies that consumers may actually be loyal to more than one brand, a phenomenon observed by many researchers (e.g. Ehrenberg (1972); Jacoby (1971); O’Leary (1993)). Especially for low involvement goods, the consumer often does not evaluate brands on a containers scale, but classifies them discretely as acceptable or unacceptable. If more than one brand is acceptable, an individual might be indifferent between them, and exhibit loyalty to a group of brands rather than to a single brand. A problem with multibrand loyalty is that it is hard to distinguish this kind of behaviour from brand switching, especially if there are only a few brands available. An individual who buys brand A and B with the purchase sequence ABBABAAB may be defined as a multi-brand loyal consumer if more than two brands are available. But if only brands A and B can be selected, the behaviour can be interpreted as brand switching, since every brand available is used regularly.

This condition also implies that in order to have brand loyalty, there must be an opportunity to choose among alternatives. Jacoby and Chestnut (1978, p. 82) expressed it as follows: “Before one could speak of brand loyal, one must have the opportunity of being disloyal”. As
such, brand loyalty cannot exist when a brand has a monopoly position. The determination of the product category therefore becomes of major importance.

8.2.5 Function of a psychological process:

Brand loyalty is a function of psychological (decision-making, evaluative) processes. Brands are chosen according to internal criteria resulting in a commitment towards the brand, which, according to Jacoby and Chestnut (1978), is an essential element of brand loyalty. This point of view is in line with the information-processing paradigm, which is the dominant point of view in consumer behaviour (Bettman (1979)). Although consumer do not always seek information actively, they do receive some information, e.g. due to advertising campaigns, which may be used to form certain beliefs about brands. Based on these prior beliefs, brands are evaluated and some are preferred over others. In time, the consumer may develop a commitment towards a brand and become brand loyal. Hence, brand loyalty implies consistent repurchase of a brand, resulting from a positive affection of the consumer towards that brand.

However, it should also be pointed out that the importance of commitment is not supported by some researchers who argue that buying behaviour is caused by instrumental conditioning (e.g. Foxall (1987)).
They post that observed behaviour alone is capable of explaining brand loyalty. According to this view, the purchase will lead to a “reward” (the brand is adequate) or a “punishment” (the brand is inadequate). The former induces the repurchase of a brand while the latter induces brand switching. In this approach, brand loyalty is regarded as a consequence of behaviour, rather than as an explanation.

Repeat buying may be due to inertia, which means that consumers stay with the same brand because they are not prepared to spend effort and time to search for other brands. A study of Hoyer (1984) concluded that inert consumers have different motives, different decision rules and require other marketing actions than brand loyal consumers. In particular, they do not evaluate a large set of alternatives but use simple decision heuristics like “Always buy the cheapest brand” or “Always buy the same brand”. Repeat buying may be influenced by variables such as the amount of shelf space or distribution intensity, which are supervised by the retail manager. In contrast, brand commitment is more likely to be influenced by a brand’s distinguishing characteristics, design features or images (Riezebos (1994)).
8.3. Measures of Brand Loyalty

“Familiar brand name was the first or second most important element when making a purchase in the supermarket. . . .”

76 percent of Foreigners in all demographic groups consider a products brand before making a final product selection.

Consumers are twice as likely to choose a brand that is of high quality but costs more than one average quality that costs less.

Foreigners would also pay a higher price for a product whose taste they enjoy “and a product with added health and nutritional benefits”.

60 percent say that they are willing to pay more for a national brand product so that the company can continue to develop new products.

Over eight-in-ten frequently consider the price of a product before making a final selection.

Peer recommendations influence brand purchases: against factors such as “Cost”, “Familiar brand name”, “a sale” and “convenience”,

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Those brands which are able to give regular, sustainable and consistently high 'perceived value' would be able to attract and retain customers. This trend suddenly emerged because of: (i) competition; (ii) the running standards, and (iii) expectations of Indian Consumer. Further, many brands never had brand loyalty but a mere monopoly in a particular category or force of habit amongst consumers. Thus, the consumers were not loyal to the brand out of choice, but instead out of force conditioning.

The earlier identified six criteria can be used to evaluate specific operational measures. Since measures with common characteristics have similar strengths and weaknesses, they are classified into four groups, based on the following two dimensions: (1) attitudinal versus behavioural measures, and (2) brand-oriented versus individual versus individual-oriented measures. These dimensions are used since they appear frequently in the marketing literature. Bloemer (1993); Jacoby and Chestnut (1978)), are related to specific requirements of the conceptual definition and provide a workable distinction for marketing managers.

8.3.1. Behavioral versus attitudinal measures

Behavioral measures define brand loyalty in terms of the actual purchases observed over a certain time period, thus focusing on
conditions (biased behavioural response, expressed over time) of the conceptual definition. Their advantages are that they are: (1) based on actual purchases, which are directly related to the performance and existence of the firm; (2) not likely to be incidental as they are usually based on behaviour over a period of time; and (3) relatively easier to collect than attitudinal data.

The most important limitation of behavioural measures is that they make no distinction between brand loyalty and repeat buying, and therefore may contain spurious loyalty (Day 1969). Furthermore, although behavioural data are the most accurate representation of past behaviour, they are not necessarily a good representation of future behaviour especially under changed circumstances (Day, Shocker, and Srivastava 1979). In particular, behavioural measures are sensitive to short-run fluctuations, caused for example by the fact that the customer’s preferred brand is temporarily out of stock. Finally, it is hard to select the right decision unit as no information is collected on the underlying reason for a particular behaviour.

In contrast, attitudinal measures are able to distinguish brand loyalty from repeat buying. They are based on stated preferences, commitment or purchase intentions of the consumers, thus emphasising
the cognitive element of brand loyalty. Using attitudinal measures, it might also be easier to choose the right decision unit. They are usually based on surveys, and it may be possible to get data from the decision maker rather than the purchaser by asking questions to the right individual. Finally, they give insight into the motivations for the consumer’s choice behaviour, and these motivations are less likely to be influenced by random short-run fluctuations.

However, attitudinal measures may not be an accurate representation of reality as they are not based on actual purchases. A consumer may rationalize his choice when questioned by the researcher, and make up an evaluation of brands even when no explicit evaluation is made in real shopping situations. Moreover, other variables than attitudes are known to influence actual purchases. Hence, the validity of attitudinal measures depends on the strength of the attitude-behaviour relationship. Furthermore, attitudinal measures are often based on data observed at a single point in time. Their incidental nature might be attenuated by collecting attitudinal data on a longitudinal basis, but the costs in doing so may quickly become prohibitive.
8.3.2. Individual – oriented verses brand-oriented

Brand loyalty is the result of a mental processing of the brand's features by the consumer. Hence, brand loyalty may be seen mostly as a property of the brand (Aaker (1991); Rossiter and Percy (1987)) or may be considered more as a characteristic of the respective consumers who process that information (Hafstrom, Chae and Choung (1992); Sproles and Kendal (1986)). Along those lines, brand-loyalty measures are classified as, respectively, brand-oriented or individual-oriented. This distinction is not always as clear-cut as between attitudinal and behavioural measures, and some operationalizations may even be labelled as brand-oriented in one study and as individual-oriented in another. If brand-oriented measures are used, a value of brand loyalty is derived for each brand. Differences in loyalty between individuals are of less importance, and data are often aggregated across individuals. With these measures, it is possible to compare brands, and to study the influence of their respective marketing strategies on the resulting brand loyalty. However, they are less suited to study the influence of individual characteristics on brand loyalty. Moreover, aggregation problems may arise if the consumer population is heterogeneous with respect to brand preferences. If this is not taken into account, the resulting estimates will be biased (Massy et al. (1970)). On the other hand, if an individual-oriented measure is used, the loyalty of specific customers is estimated,
and it is of less importance to what specific brand that individual is loyal. It may further distinguish individual-oriented measures which quantify brand loyalty within a specific product category (e.g. cars, soft drinks), and individual-oriented measures which treat brand loyalty as a general characteristic of the consumer (i.e. as a character trait). This information is useful to segment the consumer population, or to study the influence of certain consumer characteristics such as risk avoidance, innovativeness, or shopping-proneness on brand loyalty. Because, little attention is paid to specific brands, these measures are less suited to make comparisons between brands.

8.4. Based on the aforementioned dimensions, four main categories of measurement categories can be distinguished:

1. Brand-oriented attitudinal measure
2. Individual-oriented attitudinal measures
3. Brand-oriented behavioural measures
4. Individual-oriented behavioural measures

8.4.1. Brand-oriented attitudinal measures

This category examines (1) measures that use stated purchase intentions or stated preferences, and (2) measures that utilize commitment as an indicator of brand loyalty. The difference between these two
subgroups is that the former is measuring intended behaviour, while the latter is measuring directly an essential element or component of brand loyalty.

8.4.1.1. Stated purchase-intention/preference measures

A brand-loyal consumer is likely to prefer a certain brand, and has the intention to buy that brand on future purchase occasions. This has lead some researchers to use measures based on stated preferences or on purchase intentions, after which one could derive the proportion of people preferring the brand.

The earliest effort to quantify brand loyalty in this way was made by Guest (1942) who asked individuals "which brand do you prefer?" Since then similar measures have been employed quite frequently in marketing practice (see e.g. Brown (1193); Test-Aankoop Magazine (January 1992). Their main disadvantage is that they only indicate the tendency to buy a specific brand, and may therefore be only a weak indicator of both actual behaviour and the underlying brand loyalty. On the positive side, they are well interpretable, easy to collect within a short period of time, and may therefore be an appropriate alternative when actual purchase data are hard to get (e.g. in the case of durable goods with
long interpurchase times). Hence, although the theoretical base of these measures is weak, they maybe quite useful for practical purposes.

8.4.1.2 Commitment measures

It seems logical that brand loyalty an be estimated in terms of the level of commitment towards a brand (see e.g. Blomer (1993); Martin and Goodell (1991); Traylor (1981)). To obtain a brand-oriented measure, the number of customers committed to the brand, or the mean level of commitment is computed.

In the literature, several operationsalizations of commitment have been proposed including direct ratings (see e.g. Traylor (1981) and indirect approaches such as the extent to which one recommends the product to other people (Aaker (1991)). Compared to other attitudinal measures, commitment measures of brand loyalty are superior as: (1) and additional element of the conceptual definition (function of psychological process, is explicitly incorporated, and (2) the link between commitment and behaviour is likely to be stronger.

8.4.2. Individual-oriented attitudinal measures

Two categories of individual-oriented attitudinal measures can be identified: (1) measures which define brand loyalty within a specific
product category, and (2) those which specify brand loyalty as a general characteristic of the individual. When general measures are used, unique brand are not specified. In contrast, measures on the product category level explicitly consider the evaluation of a number of brands.

8.4.2.1. Measures on the product-category level

An individual is likely to be brand loyal if he has a highly favourable attitude towards certain brands. Therefore, brand attitudes may be used to construct individual-oriented brand-loyalty measures. This category has been discussed using the measures developed by Jacoby (1971), which has received considerable attention in marketing literature (see e.g. Bennett and Kassarjian (1972); Jacoby and Olson (1970); Jacoby, Chestnut, and Fisher (1978); Jarvis and Wilcox (1976)).

The basic idea is that an individual’s attitude towards any brand varies from absolutely acceptable to absolutely unacceptable. If the number of acceptable brands increases, brand switching is more likely to occur, and the individual will become less brand loyal. This notion is reflected in the acceptance-rejection scale. Individual 1 is expected to be more loyal than individual 2 as only one brand is acceptable for him and he is likely to buy that brand on every purchase occasion. In this approach, brand loyalty can be estimated by: (1) the number of brands in
the acceptance region; or (2) the distance between the acceptance and the rejection region, which becomes larger when brand loyalty is stronger.

Table: 8.1

FIGURE 1

Acceptance/rejection scales of two individuals

Individual 1

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Individual 2

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<td>Acceptable</td>
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The Jacoby method incorporates the evaluation process of the individual and allows for multi-brand loyalty. It requires, however, an expensive and item consuming data-collection method, especially if the number of brands under study is relatively large. The measure seems rather sensitive to the specific brands chosen. For example, the evaluation of brands becomes blurred if unknown brands are taken into account, since they are unlikely to be rated higher than acceptable brands (Sabonmatsu, Kardes, and Gibson (1989)). Therefore, obscure brands are
hardly ever included in the acceptance region, but that may be due to lack of awareness rather then to an explicit evaluation.

8.4.2.2 General individual-oriented attitudinal measures

General individual-oriented attitudinal measures regard brand loyalty essentially as a personality characteristic. Brand loyalty is not primarily the result of an evaluation of a specific set of brands but is caused by the consumer's personality or decision-making style. In this tradition, brand loyalty is estimated by a battery of statements concerning general individual behaviour rather than statements about specific brands. Examples of this approach are the measures of Raju (1980), Sproles and Kendall (1986), and Hafstrom et al. (1992). For instance, Raju's measurement instrument included statements like: "If I like the brand, I rarely switch to another brand" or "I get bored buying the same brands, even if they are good". A score is obtained for each individual, depending on the level of agreement or disagreement with such statements, and this score is interpreted as a general brand-loyalty measure. The measures in this subgroup are relatively easy to apply and quantify brand loyalty directly as a property of the individual. They are useful in studying the influence of consumer characteristics on brand loyalty, and when dealing with new products for which it is uncertain which individuals are most likely to become brand loyal. However, one may question whether it is
actually justified to treat brand loyalty as a general characteristic (Assael (1992)). The problem is that although some consumers may, in general, tend to be more brand loyal than others, many other variables (e.g. consumer knowledge of a product category) also influence their behavior. As their knowledge is not equally high for every product-category, the consumer's loyalty may differ among product-categories, and the predictive validity of these general measures may be limited. A final drawback is that the evaluation and selection of specific brands is not incorporated.

8.4.3 Brand-oriented behavioral measures

A number of subgroups are distinguished within this cell on the basis of the measures' data requirements. They are: (1) measures based on aggregated data, and (2) measures based on individual-level data.

8.4.3.1. Measures based on aggregated data

Aggregation across individuals is a common way of obtaining brand-oriented loyalty measures. Which are of two kinds namely, switching matrices and market shares.
8.4.3.1.1. Measures based on aggregated switching matrices

Brand loyalty may be quantified by distinguishing consecutive purchase occasions, and observing which brands are purchased. If an individual sticks to the same brand, his behaviour can be characterized as brand loyal. This notion forms the basis for brand-loyalty measures derived from aggregate switching matrices.

For a simple two brand scenario, a switching matrix indicates how many consumers stick to the same brand or switch to another brand on five consecutive purchase occasions. As illustrated in Figure 2, these aggregate switching matrices can easily be transformed into a Markov matrix of conditional switching probabilities'. Component \((1,2)\) of this matrix indicates the conditional probability of choosing brand B given that brand A was chosen on the previous purchase occasion. The diagonal elements then represent the probability of staying with the same brand, and can be interpreted as a measure of brand loyalty.

A first-order Markov process implies that consecutive purchases are statistically dependent (i.e. the probability of buying brand B in period depends on what brand was purchased in t-1) and therefore satisfies condition, Biased behavioural response of the conceptual definition. Markov matrices have been used quite frequently to study
brand loyalty (e.g. Massy et al (1970)). They are easily interpretable, and their analysis is straight forward. However, some researchers have criticized the use of Markov matrices in studying brand loyalty. Engel and Blackwell (1982). One of the disadvantages is that the consumer population is assumed to be homogenous. This assumption is rather restrictive, as consumer are likely to have different preference towards brands. If the consumer population is indeed heterogeneous in their preferences towards brands, the Markov-based estimate of brand loyalty will be biased (Massy, et al. (1970)).

**Table: 8.2**

Transformation from a switching to a Markov matrix

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<thead>
<tr>
<th>Switching matrix</th>
<th>Current brand</th>
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<td>A</td>
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<tr>
<td>Previous brand</td>
<td></td>
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<tr>
<td>A</td>
<td>50</td>
</tr>
<tr>
<td>B</td>
<td>20</td>
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<tr>
<th>Markov Matrix</th>
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<tr>
<td></td>
<td>A</td>
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<tr>
<td>Previous brand</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>0.67(50/75)</td>
</tr>
<tr>
<td>B</td>
<td>0.25(20/80)</td>
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A parsimonious way to incorporate heterogeneity was developed by Colombo and Morrison (1999), who distinguished two groups of buyers: (1) hard-core loyals who buy the same brand with absolute certainty at every single purchase occasion, and (2) potential switchers.
who choose at every purchase occasion one of the brands according to a certain probability distribution. The proportion of hard-core loyals can be interpreted as reflecting the magnitude of a brand’s loyalty base. These estimates are more realistic than those obtained using Markov matrices as they account for the fact that a repeat purchase does not always imply brand loyalty. Hence, Colombo and Morrison’s measure will contain less spurious loyalty based on Markov matrices.

The measure of Colombo and Morrison is a special case of latent-class models. For other (more complex) applications of latent-class models in the context of brand-loyalty measures, refer to Grover and Srinivasan ((1987), (1989)), Jain, Bass, and Chen (1990) and Jain and Rao (1994). The underlying idea of these studies is that the entire consumer population can be divided into different segments. The probability to choose a brand is the same for all consumers of the same subgroup but differs between subgroups. As with the Colombo and Morrison model, the size of the group choosing a brand with probability one (and which therefore is completely loyal) is used as the brand-loyalty measure. These complex latent-class models are theoretically superior to the Colombo and Morrison model as the population of potential switchers is divided further into different segments, which is more realistic. Therefore extended latent class models will provide better
estimate of brand loyalty. However the models are mathematically complex which may inhibit their widespread implementation among marketing managers.

8.4.3.1.2. Measures based on market shares

Brand loyalty can also be quantified using the brand-specific intercepts in market-share attraction models (Cooper and Nakanishi (1998)). In these models, a brand’s market where is determined by its relative attractiveness vis-à-vis the other brands. This attractiveness itself is determined by (1) the value and effectiveness of its marketing-mix variables, and (2) a constant, which is assumed to reflect the brand’s loyalty.

The advantage of brand-loyalty measures based on market shares is that the data are often available at low cost. Moreover, brand loyalty is directly related to a managerially important performance variable. However, condition (biased response) of the conceptual definition is not incorporated as a high market share might be the result of a zero-order process.
8.4.3.2. Measures based on individual-level data

Discrete-choice models are used increasingly to model the selection of brands out of a finite set of alternatives. A particularly prominent model is the one developed by Guadagni and Little (1983). They used an individual’s sequence of purchases to derive a brand-loyalty estimate for the individual for each brand on every purchase occasion. Brand j’s loyalty measure for individual h on purchase occasion n, $BL^h_j(n)$, is defined as a weighted average of this value at the previous purchase occasion $(n-1)$ and the previous purchase decision. Stated formally:

$$BL^h_j(n) = \alpha BL^h_j(n-1) + (1- \alpha) \text{HISTORY},$$

Where HISTORY is a dummy variable which equals one if alternative j is chosen by individual h at purchase occasion n-1 and zero otherwise. The implication of equation (1) is that at a given purchase occasion the purchase history of an individual is exponentially weighted. Brand loyalty is high for a particular brand, if that brand is bought frequently on recent purchase occasions. The relative influence of the most recent purchase is given by the parameter $\alpha$. If $\alpha$ is zero, the first factor in equation (1) vanishes, and only the last purchase decision determines the value of the brand-loyalty measure: that is, the most recently bought brand has a brand loyalty of one, and all others have a brand loyalty of zero. In contrast, it is only determined by the very first purchase if $\alpha$ is
one. Hence, the value of $\alpha$ is of utmost importance but unknown to the researcher. The estimation of this parameter is rather cumbersome. (Fader, Lattin, and Little (1992)), and often the value of $\alpha$ is determined by a grid search on a hold-out sample. In discrete-choice models, the variable $BL_{hj}(n)$ is incorporated along with marketing mix variables to predict the individual's brand choice, and has often been found to have significant explanatory power.

The Guadagni and Little measure in equation (1) does not filter out the effects of marketing-mix variables which may have affected the consumer's purchase history. As shown in Srinivasan and Kibarian (1990), this may both mask the effect of marketing-mix variables and overstate the loyalty estimate. Moreover, several researchers have argued that the expression captures the heterogeneity among consumers rather than their brand loyalty (Kanetkar, Weinberg, and Weiss (1990)).

Individual measures related to discrete-choice models offer vast opportunities for brand-loyalty research as (1) they are behaviour measures at the individual level, (2) choice dynamics are incorporated, (3) explanatory variables describing brands and consumers can be added so that both the individual-related component and the brand-related component of brand loyalty are implementable, and (4) the relative
influence of brand loyalty on brand choice compared to other variables can be studied. However, the data requirements are high as individual purchase data over long time periods are needed. Tills issue is becoming less burdensome with the growing availability of scanner data. On the other hand, it is unclear whether these measures give an accurate and unbiased estimate of brand loyalty, which may inhibit their usefulness for marketing managers.

8.4.4. Behavioural Individual-oriented measures

In the last part it is considered that behaviour based approaches that regard brand loyalty as a property of the individual, under two main categories: (1) proportion-of-purchase and (2) sequence-of-purchase measures.

8.4.4.1. Proportion-of-purchase measures

As brand loyalty is a behavioural tendency towards a brand, one could argue that an individual is brand loyal if one particular brand accounts for a high proportion of his total purchases in the product category. This insight is used proportion-of-purchase measures. An example is Cunningham's (1956) market share criterion, which computes the market share of brands with in a household. This method is a common way to separate loyal from non-loyal consumers (Helsen and Schmittlein
An individual is considered brand loyal for a given product category, if the brand purchased most frequently has a market share higher than some cut-off value (often 50%).

Proportion-of-purchase measures are easy to use and easy to implement. Their main disadvantage is that they oversimplify the issue. For instance, more raciest purchases are not weighted more heavily. Moreover, a high proportion of purchase can be the result of a zero-order process which means that the condition Biased behavioural response, of the conceptual definition can be violated. Like purchase intention measures, the theoretical value of proportion-of-purchase measures is Limited. However, the researcher may prefer such a measure because of practical considerations.

8.4.4.2. Sequence-of-purchase measures

The second may to obtain an individual-oriented brand-loyalty measure based on the individual consumers' purchase behaviour, uses purchase sequences. A consistent bias in a purchase sequence towards a brand is an indication of brand loyalty. A simple procedure using purchase sequence is the "three in row" criterion (Tucker (1964); McConnell (1968)). Accordant to this measure, an individual is considered brand loyal if he buys a particular brand on three consecutive
purchase occasions. These rules of thumb have similar (dis) advantages as the proportion-of-purchase measures discussed earlier.

A more advanced measure is related to the number of brand runs. A brand run is any sequence of consecutive purchases of the same brand. For example, a purchase sequence AABBBBABBB of brand A and B consists of three brand runs. If brand loyalty exists, the number of brand runs will be small. An added benefit of the more advanced measures is that they can be used to study the order of the choice process (Bass et al. (1984); Massy et al. (1970)). For example, the binomial runs test uses the fact that, if the choice process is zero-order, the number of brand runs containing a particular brand is distributed hyper geometric. Using this result, the expected number of brand runs is calculated and is compared to observed number of runs. If the former is significantly higher than the latter, the process is not zero-order and the condition, biased behavioural response, of the conceptual definition is satisfied. Hence, sequence-of-purchase measures are of special theoretical interest as they enable us to test an essential condition of brand loyalty.

8.4.5. Mixed Measures

Given the aforestated four measures’ one-sidedness, it seems desirable to construct mixed measures. A number of measures have been
developed that simultaneously incorporate attitudinal and behavioural elements (see e.g. Day (1969); Mehrotra (1984); Newman and Werbel (1973)). An example of such an approach is the dollar-metric procedure described in Pessemier (1959), which formed the basis for the brand loyalty operationalization in Raju, Srinivasan and Lal (1990), and was used by Park and Srinivasan (1994) in their study on the measurement of brand equity. The idea of this measure is to determine the price-premium a consumer is willing to pay for his favourite brand. If that price is high, the consumer is likely to be brand loyal. Since it is impossible to measure this premium by looking at actual price and purchase data, a laboratory experiment is needed. As such, data requirements may be expensive and inhibit the widespread use of the methods. Moreover, it is questionable whether laboratory studies present valid representations of actual behaviour. Because of these disadvantages, the dollar-metric procedure had only been used sporadically in the marketing literature. However, the principle of a price-premium paid by the customer to obtain his preferred brand is increasingly used in recent brand-equity studies (see in this respect Francois and MacLachlan (1995) and Swiat et al. (1993)).
8.5. Building Brand Loyalty

In order to build brand loyalty among consumers, a number of measures have been suggested. They are:

By rewarding customers for their loyalty: an increase in the spend per visit; an increase in the visiting frequency; and non-loyal customers turning into loyal customers, can be achieved.

Brand Loyalty develops customized Loyalty Promotions. These promotions are designed to stimulate existing high-spending loyal customers to spend more money during the promotional period (usually 16-20 weeks) and encourage semi-loyal shoppers that visit any supermarket to change their behaviour so they become loyal, higher spending shoppers. These promotions deliver increased store turnover and profit, through consumers increased spend and reduced consumer defection rates. For an investment of 0.5 percent to 75 percent of turnover, retailers are generating sales increases of 5 percent up to as high as 10 percent.

Another unique product Brand Loyalty provides is promotional games. Everyone enjoys the thrill of winning. Whether it is a scratch-and-win card or an imprinted code in a package, Brand Loyalty offers exiting possibilities for instant win promotions. Participants indicated
weekly store flyers produced the highest level of awareness and translated into greatest level of sales, followed by in-aisle coupon dispensers, and individuals offering free samples.

Other methods include: Weekly store flyers, In-aisle coupon dispensers, Person offering free samples, In-aisle coupon dispensers, Person offering free samples, Store window advertisements, Store announcements, Above-aisle product banners, Shopping cart advertisements, On-shelf flashing lights, Product trial packages, On-floor product advertisement, and the like.

8.6. Discussion

Brand loyalty has been studied extensively for academic as well as practical reasons. As was emphasized in the Introduction, a loyal customer base is a competitive advantage for a brand. However, in order to manage brand loyalty effectively, good measurement methods are necessary.

Despite extensive research, many problems still have to be addressed before brand loyalty is fully understood. The following two are the most important namely: (1) improvement of the brand-loyalty
measures adopted, and (2) construction of brand-loyalty measures for marketing practices.

8.6.1. Improvement of the brand-loyalty measures

From a theoretical point of view, one could argue that the ideal measure should include attitudinal and behavioral components. And should be able to reflect both individual-level and brand-related differences. Indeed, the attitudinal and behavioral aspects are two key components of the widely accepted conceptual definition of Jacoby and Chestnut (1978). Furthermore, (e.g. degree of risk aversion) and brand- (e.g. their quality) related characteristics may induce differences in brand loyalty. An aggregation across either dimension could obscure important managerial insights and lead to sub-optimal decision making. Even though from a practical point of view, it may not be straight-forward to incorporate in a single operationalization all four dimensions, it remains an important goal for applied researchers.

A promising opportunity in this respect is offered by the emergence of discrete-choice models. Thus far, however, these models have mostly been estimated on actual purchase data, and have thereby ignored the cognitive aspect. These models could also be applied to preference data (see e.g. Kamalura and Srivastava (1986)), in which case
they would capture reflect the cognitive dimension. The data collection efforts would quickly become excessive, however, when doing this on a regular basis to incorporate dynamic effects.

8.6.2. Construction for marketing practice

Another major avenue for future brand-loyalty research is to bridge the gap between measures used in the academic marketing literature and measures used in marketing practice. Since the start of brand-loyalty research, the technical complexity of the methods to analyze brand loyalty has increased dramatically. However, this may hamper their widespread use in practical applications (Little (1970)). Moreover, due to budget or time constraints marketing managers may actually prefer simpler measures over theoretically better ones. More research is needed on the consequences (e.g. in terms of predicted validity) of using simple rather than advanced measures.

8.7. Recommendations

Finally, provided some recommendations for applied researchers, based on theoretical discussion of brand-loyalty measures.
8.7.1. Carefully define the product category

Great care should be exercised in adequately defining the product category. Indeed, this will determine which brands are included in the analysis, and will therefore influence the resulting brand-loyalty estimates.

8.7.2. Keep it simple

In applied settings, it may be advisable to use simple measures, as they are often cheaper, easier and faster to obtain. Moreover, more complicated techniques often require data of higher quality. If these data are not available (or are too expensive to collect), increased measurement error may off set the theoretical advantages of the advanced methods. Also, theoretical research has not yet adequately shown the severity of the (potentially negative) consequences of using simple measures.

8.7.3. Be careful with uni-dimensional measures.

The vast majority of brand-loyalty measures is uni-dimensional in the sense that they either emphasize the cognitive, behavioural, brand-related, or individual-related component of brand loyalty. Because of this, the validity of the measures used today is limited. The manager should always consider the specific limitations of the selected measurement
method. If two different measures yield the same conclusions, confidence in the validity of the findings increases substantially.

8.7.4. Select a brand-loyalty measure corresponding to the intended purpose

As every category of brand-loyalty measures emphasizes different elements, no method is suitable for every intended purpose. Therefore, the method chosen should correspond to the purpose of the brand-loyalty study. If one wants to use brand loyalty for segmentation purposes, an individual-oriented measure should be used. In this case, attitudinal measures (general or at the product-category level) may be most appropriate. The stability of segments based on these measures is greater as they are based on preferences of consumers which are less influenced by short-term fluctuations. Finally, behavioural measures are more appropriate when the influence of marketing-mix variables on brand loyalty is important. In this respect, measures related to discrete-choice models are particularly useful as they estimate brand loyalty at the individual level and offer the possibility to study the interaction between brand loyalty and marketing-mix variables.
8.7.5. Further suggestions may be:

- Develop an unbeatable product – if one want to keep customers, make sure they can get what they want from the product.

- Give customers an incentive to repeat-purchase – change to win a prize, gift with a certain number of proofs of purchase, in-pack discount coupon, and the like.

- Stand behind the product- if customers don’t trust the product, they won’t purchase it again.

- Know the trophy customers and treat them best of all – remember the rule that 80 percent of sales will come from the top 20 percent of customers.

- Make it easier to buy than competing brands – availability and simplicity are keys in today’s high-speed world. Customers appreciate convenience more than ever.

- Go to customers – bring the product to customers when possible.

- Become a customer service champion – seek to serve the customer and they will repeat – purchase ....again and again!5

8.8. Theoretical Vast background:

With this theoretical vast background, the present study has been attempted on a simple yet product (fertilizer) based Brand loyalty. Here,
the individual related component of brand loyalty has been established at
the micro level study.

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