Chapter II

REVIEW OF LITERATURE

2.1 BRAND EQUITY

Taylor and Goodwin (2004) in their study, "the importance of brand equity to customer loyalty" which involved a nation-wide sample of industrial customers of heavy equipment manufacturers. The results suggest that brand equity and trust are consistently the most important antecedents to both behavioral and attitudinal forms of customer loyalty. There was also evidence that the models underlying the formation of behavioral versus attitudinal forms of customer loyalty may vary across research settings. The results suggested that industrial equipment marketers might consider moving beyond a focus on satisfaction in relationship marketing strategies toward integrated strategies that foster brand equity and trust in their customer base as well.

Keller (2008) considers brand equity from a customer based perspective as being the differential effect of brand knowledge on consumer response to the marketing of the brand. Brand knowledge is defined in terms of awareness and image, brand awareness being the consumers’ ability to identify the brand under different conditions (recognition and/or recall), while brand image being defined as a set of brand associations held in consumer’s memory. Thus, brand loyalty is viewed as the reflection of brand strength, being the essential output of what brand awareness and brand image can generate.

Ahmad and Hashim (2011) in their research work titled “Customer’s Brand Equity and Customer Loyalty: A Study on Hotel’s Conference Market” tried to explored the relationship between the multi-dimensionality of brand equity construct, satisfaction and loyalty in the conference market segment within the hotel industry.
Customer-based brand equity is a valuable tool in brand positioning and evaluating its marketing strategy. Necessary feedback can be obtained from consumers for this evaluation will aid in: identifying service or product related problems; identifying advertising/positioning problems; and also providing feedback to the employees on where improvements need to be made. Customer-based brand equity scale gives managers a structured approach for formulating their branding strategies.

2.2 CONCEPT OF BRAND LOYALTY

Tucker (1964) established that brand loyalty develops over time. He concluded, whether one observes at the concentration of household purchases among brands at a point in time or at its stability over time, there is marked evidence that brand loyalty is a 'real' and reliable phenomenon.

Carman (1972) reports positive results when looking at store loyalty, some personality variables, information sources, and miscellaneous others. However, the major explanatory variable is store loyalty--not surprising considering the number of brands available was not controlled for in the study. Nonetheless, the study does support the search for a causal factor to explain brand loyalty.

Wheeler (1974) proved that consumer loyalties for particular brands of products appear to be an established fact. Brand loyalty is an important aid to firms that have recognized brands. Theoretical models of consumer brand loyalty lack consistent and widely acceptable definition. A number of specific hypotheses have been advanced to explain why some consumers switch from one brand to another. There is usually empirical evidence of some kind for any one of the theoretical positions. Qualitative models present a view of consumer purchasing as being caused by something as opposed
to quantitative models which show purchasing as being a function of random processes. Qualitative models can be categorized as being behavioral descriptions of internal psychological states which explain the behavior under study. He emphasized on the need of a unified definition of brand loyalty. Brand loyalty must be a reflection of consistent purchasing behavior and favorable attitudes and level of patronage (repeat purchase) observed through the data. He suggests that consumers may demonstrate spurious loyalty if they show high repeat patronage and high preference and no royalty, if there is low repeat patronage and low preferences.

As the firm builds a relationship with the customer he moves from being a prospect to finally a stage where he advocates to others. This may be in the context of a brand or a store. The key to move a customer through these different stages is the ability of a loyalty programme to create a bond through reward structure which encourages him to stay loyal, get involved and strengthen the relationship.

**Jacoby and Chestnut (1978)** review of thirty-three different behavioral indices of brand loyalty leads to their conclusion that brand loyalty exists if it can be measured post hoc (i.e., it is an empirical phenomenon exclusively). Most of this kind of research specifies criteria by which loyalty obtains, rather than defining, a priori, what it is and then trying to measure it. This is intuitively unsatisfying; if brand loyalty is nothing more than repeat purchase behavior, it is strictly an empirical phenomenon and has limited applicability for marketing strategy.

**Ha (1988)** in the theory of reasoned action is applied to reconceptualize brand loyalty. According to the theory of reasoned action, the antecedents of purchase behaviour are attitudes towards the purchase and subjective norm. If the antecedents of purchase behaviour are integrated to predict and measure brand loyalty, the prediction
and measurement of brand loyalty will be more stable over time and accurate. The purpose of this paper was to integrate three aspects of brand loyalty, and to investigate the relationships among several antecedents of behavioural brand loyalty by introducing the theory of reasoned action. Eight conditions of unit brand loyalty have different levels of brand loyalty shown by the consumers. When attitude, subjective norm and purchase behaviour are all consistent and favourable, the maximum level of unit brand loyalty will be realized.

**Bloemer and Kasper (1995)** investigated the relationship between consumer satisfaction and brand loyalty. More specifically the moderator effect of elaboration upon the relationship between two different types of consumer satisfaction and true brand loyalty is investigated.

First, in defining brand loyalty, they made a distinction is made between repeat purchasing behavior and brand loyalty. Next, true brand loyalty is distinguished from spurious brand loyalty. Second, two types of consumer satisfaction are distinguished based on the amount of elaboration upon the evaluation of the brand choice: manifest satisfaction and latent satisfaction.

**Fournier and Yao (1997)** in their study “Reviving brand loyalty: A reconceptualization within the framework of consumer-brand relationships” used the perspective of interpersonal relationship theory to critically examine, reposition, and extend the notion of brand loyalty.

The authors suggest that not all loyal brand relationships are alike, in strength or in character, and many brand relationships not identified as ‘loyal’ according to dominant theoretical conceptions are especially meaningful from the consumer's point of view; and
current approaches to classification accept some brand relationships that, upon close scrutiny, do not possess assumed characteristics of ‘loyalty’ or ‘strength’ at all. Ideas stemming from a reframing of loyalty as one component in a multifaceted construct of relationship strength are put forth, encouraging a move from the metaphor of ‘loyalty’ to the broader notion of ‘relationships’ that encompasses it.

*Gome et al. (2006)* analyzed the behavioural and affective loyalty of retailer customers in order to establish the role played by loyalty programmes in the development of these variables. The result showed that participants in loyalty programmes were more behavioural and affectively loyal than non-participants. Nevertheless, most customers do not change purchase behaviour after joining a loyalty programme. The strategy was therefore, to retain loyal customers and to achieve the reinforcement of affective bonds linking the customer to the retailer.

### 2.3 DEFINITION OF LOYALTY

*Jacoby and Kyner (1973)* defined loyalty as a biased behavior expressed over time by an individual with respect to one or more alternatives, and their definition of loyalty is often used by researchers. According to these authors, loyalty is a function of psychological processes.

*Oliver (1999)* defined brand loyalty as “a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour”
2.4 BEHAVIOUR LOYALTY

Olson and Jacoby (1971) provided empirical support for the theory that cognitive and behavioral loyalties are identifiable components that could be separately measured. They defined loyalty as "a process in which various alternative brands are psychologically compared and evaluated on certain criteria and the selected brand or brands are selected".

Jacoby and Chestnut (1978) defined four kinds of loyalty based on the sequence of purchasing a particular brand, how much of that brand is purchased, the probability of purchasing that brand, and a synthesis of variables by combining several behavioral criteria such as the number of switches for the loyalty object and the number of brands available.

A major criticism of the behavioral loyalty approach is that it fails to distinguish customers making purchase decisions because of genuine brand preference, from those who purchase solely for convenience or cost reasons (Back, 2001). In other words, underlying customers repeat brand purchase may be inertia (i.e., repeat brand purchases for the sake of saving time and energy (Assael, 2004)), rather than the customer-brand bond (Fournier, 1998).

Aaker (1991) who suggests a behaviour based and, respectively, a loyalty constructs based assessment. On one hand, behaviour based loyalty assessments consider the actual purchase patterns of the customer base using measures like repurchase rates of the brand, percents of purchases which went to each brand purchased considering the last acquisitions, or the number of brands purchased by a customer during a recent given period.
Frank (1967) in a series of articles dealing with this subject, had limited success in trying to develop indicants of brand loyalty for grocery products. In one study, Frank tried to segment the market based on consumption, degree of repeat purchase, store loyalty, extent of dealing, and some other variables. He used a factor analytic approach to develop a brand loyalty dependent variable; however, Frank did not use any attitudinal indices. He regressed husband and wife scores on the Edwards Personality Preference Schedule, but concluded that brand loyal consumers cannot be profiled on the basis of these personality measures.

2.4.1 Sequence of Purchase Measures

Under this kind of measures a consistent bias in a purchase sequence towards a brand is an indication of brand loyalty. One simple measure is using purchase sequence 'three in a row' criterion (Trucker, 1964) McConnell (1968). According to this type of measure, an individual is considered brand loyal if he buys a particular brand on three consecutive purchase occasions.

A more advanced version is taking into consideration is the brand runs. A brand run is any sequence of consecutive purchases of same brand. In case number of brands runs is small, it indicates brand loyalty. This measure also helps in tracking the order of the choice process. (Bass et al. 1984, Massey et al. 1970)

2.5 ATTITUDINAL LOYALTY

Guest (1944) was arguably the first researcher to propose the idea of measuring loyalty as an attitude. He used a single preference question asking participants to select the brand they liked the best, among a group of brand names. A number of researchers followed his approach, and conceptualized loyalty as attitudes, preferences, or arguably
purchase intentions, all of which can be considered as a function of psychological processes (Jacoby & Chestnut, 1978).

**Schiffman and Kanuk (2004)** reported that having attitudinally loyal customers can contribute to higher profits because the firm will not need to keep using promotions and price discounts to generate repurchase. Instead, a firm can generate regular and loyal purchasing behavior, even at a premium, without having to offer any additional incentive because of the positive brand attitude that has already been created over time.

**Chaudhuri and Holbrook (2001)** in their study 'The Chain of Effects from Brand Trust and Brand Affect to Brand Performance: The Role of Brand Loyalty', the authors examined two aspects of brand loyalty — purchase loyalty and attitudinal loyalty, as linking variables in the chain of effects from brand trust and brand affect to brand performance (market share and relative price). The model included product-level, category-related controls (hedonic value and utilitarian value) and brand-level controls (brand differentiation and share of voice). The researchers compiled an aggregate data set for 107 brands from three separate surveys of consumers and brand managers. The results indicated that when the product and brand-level variables are controlled, brand trust and brand affect combine to determine purchase loyalty and attitudinal loyalty. Purchase loyalty, in turn, leads to greater market share, and attitudinal loyalty leads to a higher relative price for the brand.

### 2.6 Composite Loyalty

**Day (1969)** argued that genuine loyalty is consistent purchase behavior rooted in positive attitudes toward the brand. His two-dimensional conceptualization of loyalty suggested a simultaneous consideration of attitudinal loyalty and behavioral loyalty,
which profoundly influenced the direction of loyalty 18 research (Jacoby & Chestnut, 1978; Knox & Walker, 2001).

Day (1969) suggested that loyalty should be measured as a combination of attitudes and behaviours and proposed a loyalty index as a function of proportion of purchase and attitude towards the brand.

Jacoby and Chestnut (1978) explored the psychological meaning of loyalty and distinguished it from behavioral (e.g., repeat purchase) aspects of loyalty. Their analysis concluded that purchasing consistency can be an invalid indicator of product or service loyalty due to a combination of impulse purchases and a preference for convenience (e.g., convenience loyalty). Furthermore, inconsistent purchasing could be made by multibrand "loyal customers." Based on the mitigating factors, they conclude that it is naive to infer loyalty or disloyalty based only on repetitive purchase patterns. Jacoby and Chestnut raised concerns about the conceptualizing of loyalty strictly from an attitudinal perspective, because this ignores other variables that are related to loyalty. The conclusion they reached is that "real" loyalty should be measured from both the attitudinal and the behavioral perspectives.

Brand loyalty is “the (a) biased (b) behavioural response (c) expressed over time (d) by some decision-making unit (e) with respect to one or more alternative brands out of a set of such brands and (f) is a function of psychological (decision-making evaluative) process (Jacoby and Chestnut, 1978)”. This definition has six pre-requisites for the existence of brand loyalty.
a) Biased Behaviours Response:

It means that there should be a systematic tendency to buy a certain brand or group of brands. The choice of brands should not follow zero-order process by which a consumer chooses a brand with certain probability.

b) Expressed over time:

This response should spread over certain span of time. The response must reflect some consistency in the form of purchase pattern just number of times a brand is purchased is not sufficient. This can help in distinguishing partial loyal behaviour from completely non-loyal behaviour. Brown (1952) distinguished consistent loyalty towards a brand A indicated by a purchase sequence of AAAAAA, divided loyalty ABABAB and unstable loyalty AAABBB. For brand A, the position is worse in case of unstable loyalty than under divided loyalty. Therefore, it can be concluded that the purchase pattern over a given time span contains valuable information about brand loyalty.

c) Decision making unit:

The decision making unit can be an individual, a house or a firm. It is not necessary that decision unit have to be actual purchaser.

David Aaker (1992) who is a leading authority on brands noted that one of the brand assets at the source of value, brand loyalty implies both a consistent pattern of purchase of a specific brand over time and a favourable attitude towards a brand.

Reinartz and Kumar (2002) reported that there is little correlation between customer longevity and company profits. A study of the relationship between customer loyalty and profit from 16,000 customers in four companies’ database tells a different
story. The authors found no claim to support loyal customers and that they actively market your company by word of mouth.

2.7 TYPOLOGY OF BRAND LOYALTY

Brown (1953) was first to classify consumers considering their degree of loyalty and according to whom buyers can be divided into four groups. The first group contains the so-called “hard-core loyals” who always buy the same brand. The second category of consumers, the “split loyals”, are loyal to two or three brands, while the third group includes consumers who are loyal to one brand for a period of time, but easily shift from one brand to another, due to certain advantages offered by the new brand, these consumers being categorized as “shifting loyals”. Finally, the last group is represented by “switchers”, the consumers who show no loyalty to any brand, switching the brand with almost any buying situation.

Assael (1974) considering the level of consumer involvement versus the perceived differences between brands, identified four brand loyalty driven types of consumers: “complex loyals”, who firstly do research, then develop beliefs and attitudes about the brand, and finally make a thoughtful choice, “dissonance loyals”, who 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 (in spite of experiencing dissonance noticing certain features or hearing favorable things about other brands, they seek information to support their choice), “habitual loyals”, who make decisions based on brand familiarity and keep buying the same brand out of habit as passive recipients of information conveyed by advertising, and, finally, “variety-seekers”, who switch brands
for the sake of variety rather than dissatisfaction, choosing brands with little evaluation, and evaluating them mostly during consumption.

**Aaker (1991)** who sees five levels of brand loyalty and splits customers accordingly into a “loyalty pyramid”, comprising five types of buyers, each type being positioned on a corresponding level of the pyramid: non loyal buyers who are completely indifferent to brands, satisfied or at least not dissatisfied buyers with no dimension of dissatisfaction sufficient enough to stimulate a change, satisfied customers with switching costs, customers who truly like the brand and have an emotional attachment to it, and committed customers, proud to have discovered and used the brand.

**Dick and Basu (1994)** argue that loyalty is determined by the strength of the relationship between the relative brand attitude and the repeat patronage related to it. A low relative attitude can occur in several situations or causes like when a brand has low awareness (for example, after a recent introduction), when a brand is unable to communicate distinct advantages, when competing brands are seen as similar etc. On the basis of this attitude-behavior relationship, the authors propose four types of brand loyalty. Thus, a low relative attitude combined with a high rate of repeat patronage designates “spurious loyalty”, while the actual absence of loyalty (“no loyalty”) implies both a low rate of repeat patronage and a low relative attitude. When the relative brand attitude is high, the authors identify either “latent loyalty” (low repeat patronage) or actual “loyalty”, when both relative attitude and repeat patronage have high levels.

**Baloglu (2002)** described that there are four different levels of loyalty: high (true) loyalty, latent loyalty, spurious loyalty, and low (or no) loyalty.
High (true) loyalty customers tend to have a very strong attitudinal attachment and high repeat patronage. They almost always buy a product at a particular company or brand because they have strong preference over that product and are least vulnerable to the offerings of other competitor brands. High (true) loyalty customers tend to remain loyal over time.

Latent loyalty customers have a strong attitudinal attachment but their repeat patronage is low. These customers favor a particular brand but the low repeat patronage may occur because of several reasons such as price, accessibility, or distribution.

On the other hand, spurious loyalty customers have a high repeat patronage but they are not strongly attached to the brand. The high repeat patronage may be explained by such reasons as financial incentives, lack of alternatives, or the customer's individual situation. Although these customers make frequent purchases, they may even dislike the brand. The customers may only be loyal temporarily and they are likely to be very open to competing offers.

Finally, low (or no) loyalty customers have weak attitudinal attachment and also have low repeat patronage. They neither have any feelings for a particular brand nor make any purchases. Spurious and low (or no) loyalty customers are the most unstable customers who can easily response to other benefits or offers from competitor brands but then again, they also have the most potential to become high (true) or latent loyalty customers depending on what tactics companies use. For that reason, it is these two levels, spurious and low (or no), of loyalty customers that businesses additionally want to attract to their product and try to lock them in as high (true) or latent loyalty customers.
Srinivasan (2007) says that these are two main categories of loyal customers. The first category is of loyal customers. Within the loyal category there are satisfied and unsatisfied customers. The satisfaction is not an essential requirement for loyalty, so satisfied customers do not have to be loyal but there is a correlation between the satisfied customers and loyal customers. Sometimes unsatisfied customers are also loyal due to attachment and commitment with the supplier. And satisfied customers, if lack the trust commitment and attachment with the suppliers products and services will always deflect once they find a competitor with better quality of products and services. This type of loyalty is sometimes called False Loyalty in which unsatisfied customers remain loyal to their suppliers. The reason for this false loyalty is the factors due to which the customer feels hurdles and obstacles in his/her way, which stops him/her from switching or choosing another supplier. These hurdles are called switching costs.

2.8 MEASUREMENT OF LOYALTY

Guest (1944) was the first researcher who proposed the idea of measuring loyalty as an attitude. He used a single preference question asking participants to select the brand they liked the best, among a group of brand names. A number of researchers followed his approach, and conceptualized loyalty as attitudes, preferences, or arguably purchase intentions, all of which can be considered as a function of psychological processes.

Shyam Sunder (1986) did empirical study on pharmaceutical and doctors. The study explored non-buyer type of loyalty i.e. shadow loyalty and answered questions like: What is brand loyalty? How should it be measured? How should it be manipulated to the best advantage of the firm? A definition for brand loyalty which is more explanatory than
operational was suggested. In this study not only correlates of brand loyalty were identified but regression model to measure brand loyalty was also suggested.

**Backman (1988)** integrated behavioral and attitudinal measures of loyalty to compute an index to measure participants' loyalty. Based on customers' scores on behavioral consistency and psychological attachment, they were assigned to one of four categories which constitute the loyalty paradigm — Reliable Loyalty, Latent Loyalty, Spurious Loyalty, and Disloyalty.

**Pritchard, Howard and Havitz (1992)** undertook a research study titled “Loyalty measurement: A critical examination and theoretical extension”. Following a critique of loyalty research in the leisure literature, the authors suggest for improving both the behavioral and attitudinal components of loyalty measurement. Crosby and Taylor's (1983) theory of psychological commitment was proposed as a basis for better operationalizing the attitudinal component of loyalty. This conceptualization describes the psychological phenomena that underlie loyalty to leisure goods and services in terms of preference stability (cognitive consistency) and resistance to change. Adopting this cognitive interpretation would allow leisure researchers to avoid some of the operational difficulties currently evident in consumer loyalty measurement.

**Heiens and Pleshko (1996)** carried a study titled, “Categories of Customer Loyalty”. It applied the customer loyalty classification framework developed by Dick and Basu (1994) to the fast food hamburger market. Based on a two factor classification, consisting of repeat patronage and relative attitude, four categories of customer loyalty are examined and profiled on the basis of perceived risk, product class importance, brand decision importance, self-reported brand loyalty, number of brands purchased in the past six months, brand awareness, and brand consideration. A Chi-Square statistical test did
note four loyalty categories in the fast food hamburger market, suggesting that all four
loyalty categories are present in the fast food industry. The analysis finds that the four
groups are distinct in their characteristics and suggests that marketers design separate
marketing programs for each group.

Bowen and Chen (2001) refers that there are three distinctive approaches to
measure loyalty in general though it is difficult to define customer loyalty in one specific
way: behavioral measurements; attitudinal measurements; and composite measurements.

Knox and Walker (2001) in the empirical study “Measuring and managing brand
loyalty” such a measure was developed for grocery brands in which both brand
commitment and brand support were found to be necessary and sufficient conditions for
loyalty to exist. Based on this measure, four consumer purchasing styles were identified
and characterized as 'loyals', 'habituals', 'variety seekers' and 'switchers'. The strategic
implications of segmenting grocery markets on this basis is discussed in both the context
of the marketing of brands and managing brand equity.

Olsen (2002) in his study evaluated alternative measurement approaches to
examining the relationship between perceived quality performance, customer satisfaction,
and repurchase loyalty. The author defined and measured the constructs within a relative
attitudinal framework and compare these results to a non-comparative or
individual evaluation of products. In addition, loyalty is measured and defined as self-
reported repurchase behavior instead of purchase intention.

caution” It has been found that the contemporary interest in customer loyalty has resulted
in a proliferation of multi-item scales containing an aggregated mix of items that appears
to reflect different aspects of loyalty. It has been common practice to include two specific loyalty aspects – repatronage intentions and word-of-mouth intentions in the same loyalty measure and to consider as if they reflect the same underlying construct. The purpose of this study is to examine and question this practice in conceptual, methodological, and empirical terms.

The research design of this study was based on two empirical studies in service settings were conducted and multi-item measures were used to collect data on repatronage intentions, word-of-mouth intentions, and satisfaction. A structural equation model approach was used to compare an aggregated measurement approach with an approach which models the two loyalty constructs as two separate factors. The results indicated that repatronage intentions and word-of-mouth intentions can indeed be seen as two discrete constructs. The results indicated that caution is required when the investigator measures customer loyalty with multi-item measures. Indeed, the clubbing together of such facets as repatronage intentions and word-of-mouth intentions is likely to conceal significant aspects of loyalty per se and its relation to other variables in the nomological net.

Punniyamoorthy & Mohan Raj (2007) in the study attempts to develop the empirical model for measuring brand loyalty in English newspapers by developing a model using factor analysis, multi regression analysis and the analytical hierarchy process. The study was carried out in three dominant cities of India and 180 respondents were contacted through survey. The focus of the study was the factors that influence brand loyalty. The study also examined loyalty behaviour of customers, especially from an Indian perspective and measures the brand loyalty score of three major English newspapers.
2.9 FACTORS OF BRAND LOYALTY

2.9.1 Brand Trust

Lau and Lee (1999) proved that brands are the interface between consumers and the company, and consumers may develop loyalty to brands. This study proposed that trust in a brand is important and is a key factor in the development of brand loyalty. Factors hypothesized to influence trust in a brand include a number of brand characteristics, company characteristics and consumer-brand characteristics. Respondents representing a broad spectrum of Singapore consumers were surveyed. The findings revealed that brand characteristics are relatively more important in their effects on a consumer's trust in a brand. The results also showed that trust in a brand is positively related to brand loyalty. Marketers should, therefore, take careful consideration of brand factors in the development of trust in a brand.

Harris and Goode (2004) In a four-dimension scale of loyalty that reflected Oliver’s conceptualization of a sequential loyalty chain was proposed, operationalized, and tested. Further, through both synthesizing and building on existing research into loyalty, trust, satisfaction, value, and service quality, a framework was proposed and tested that positions trust as a pivotal driver of loyalty.

2.9.2 Brand Identification

Kim, Chung K. et al. (2001) in their study investigated the effect of brand personality on brand asset management by using the concept of consumers’ identification with a brand. The focus was on one important type of high-technology product, the cellular phone. The authors develop a conceptual framework to explain the effect of brand identification on brand loyalty.
The important variables of this framework included the attractiveness of the brand personality, the distinctiveness of the brand personality, the self-expressive value of the brand personality, positive word of-mouth reports of the brand, and brand loyalty. The empirical results showed that there are positive relationships between attractiveness, distinctiveness, and self-expressive value of brand personality. These relationships had a statistically significant effect on consumers’ identification with a brand. Further, it was revealed that brand identification had a direct effect on word-of-mouth reports and an indirect effect on brand loyalty.

Selnes (1993) in his study titled “An Examination of the Effect of Product Performance on Brand Reputation, Satisfaction and Loyalty” concluded that the customer loyalty is a major strategic objective and focus in marketing. It has been suggested that brand reputation is a major driver of customer loyalty, and hence companies seek to increase the equity of their brands. Quality affects not only customer satisfaction, but also the reputation of the brand. Thus, both brand reputation and customer satisfaction are important determinants of customer loyalty. The interaction between these two drivers of customer loyalty has, however, been neglected in the literature. The author presented a theoretical model which integrates quality, brand reputation, customer satisfaction and loyalty. The model is tested in four industries, covering both business-to-business markets and private customer markets. The findings suggest that companies should monitor and improve both customers satisfaction and brand reputation. In situations where the intrinsic cues of the product or service were ambiguous, brand reputation was the strongest driver of customer loyalty compared with customer satisfaction. In fact, when the intrinsic cues are ambiguous, it was found that customer satisfaction was not driving customer loyalty.
2.9.3 Satisfaction

Bloemer and Kasper (1995) in their study “The complex relationship between consumer satisfaction and brand loyalty”, investigates the relationship between consumer satisfaction and brand loyalty. More specifically the moderator effect of elaboration upon the relationship between two different types of consumer satisfaction and true brand loyalty is investigated. First, in defining brand loyalty, a distinction was made between repeat purchasing behaviour and brand loyalty. Next true brand loyalty was distinguished from spurious brand loyalty. Second, two types of consumer satisfaction was distinguished based on the amount of elaboration upon the evaluation of the brand choice: manifest satisfaction and latent satisfaction. The study hypothesized that the positive relationship between manifest satisfaction and true brand loyalty stronger than the positive relationship between latent satisfaction and true brand loyalty. In other words, a moderator effect of the amount of elaboration upon the relationship between consumer satisfaction and true brand loyalty was expected and found.

Arora’s (1985) propounded brand satisfaction scale. Three item scale used in retail sales. The scale was modified to fit general branding satisfaction:

1. I am very satisfied with my brand.

2. Most of the time, my brand meets my expectations.

3. My brand is most appropriate for people like me.

Mittal and Lassar (1998) undertook a study titled "Why do customers switch? The dynamics of satisfaction versus loyalty." One of the most unexamined assumptions marketing firms have made in recent years is that satisfaction alone will guarantee customer loyalty. The research questions this assumption. The authors explored the
correspondence between customer satisfaction and loyalty, and found as many as half of
the “satisfied” customers to be predisposed to switching service suppliers. This
satisfaction-loyalty gap reflects the fact that different components of service quality drive
satisfaction versus loyalty. Satisfaction is driven more by “technical quality” (the quality
of the work performed) than by “functional quality” (how the service work was
delivered); however, once satisfaction is achieved, loyalty is driven more by functional
than by technical quality. This is the pattern of influence for a “low contact” (where
customers’ direct contact with service providers is absent or marginal) service. For a
“high contact” service, the pattern of influence is exactly the reverse. Of significant
importance to service managers, the paper explains the dynamics of loyalty versus
satisfaction and derives their managerial implications.

Back and Parks (2003) in their study “Model Involving Cognitive, Affective,
and Conative Brand Loyalty and Customer Satisfaction” found that despite the amount of
research focusing on brand loyalty, empirical tests of the relationship between customer
satisfaction and brand loyalty have not been conducted. The primary purpose of this study
was to investigate the mediating effects of attitudinal brand loyalty on the relationship
between customer satisfaction and behavioral brand loyalty.

2.9.4 Perceived Value

Zeithaml (1988) defined perceived value as the consumer’s overall assessment of
the utility of a service based on perceptions of what is received and what is given”

Zhilin and Peterson (2004) undertook a study titled “Customer perceived value,
satisfaction, and loyalty: the role of switching costs”. It is a marketplace reality that
marketing managers sometimes inflict switching costs on their customers, to inhibit them
from defecting to new suppliers. In a competitive setting, such as the Internet market, where competition may be only one click away, has the potential of switching costs as an exit barrier and a binding ingredient of customer loyalty become altered. To address that issue, the study examines the moderating effects of switching costs on customer loyalty through both satisfaction and perceived-value measures. The results, evoked from a Web-based survey of online service users, indicated that companies that strive for customer loyalty should focus primarily on satisfaction and perceived value. The moderating effects of switching costs on the association of customer loyalty and customer satisfaction and perceived value are significant only when the level of customer satisfaction or perceived value is above average. In light of the major findings, the study sets forth strategic implications for customer loyalty in the setting of electronic commerce.

Ramesh Kumar and Advani (2005) carried a research titled “Factors Affecting Brand Loyalty: A study in an emerging market on fast moving consumer goods”. This study examines the combined effects of brand benefits, brand symbolism, brand trust, genetic influence and price consciousness of consumers on brand loyalty for toothpaste product category. Data from a random sample of four hundred and forty four consumers in India confirm significant influence of brand functional benefits, brand trust, price consciousness, and genetic influence on brand loyalty. Results suggest that marketers would have to balance the traditional axiomatic views of brand loyalty with the emerging dimensions of brand migration in a competitive context. This research paper explores factors closely related to the management of brand loyalty and could offer insights to practitioners of marketing. It also offers a framework that reflects the implications of the study to marketing practice with regard to management of brand loyalty.
Kressmann et al. (2006) in their study “Direct and indirect effects of self-image congruence on brand loyalty” present a model which posits that self-image congruence positively affects brand loyalty directly and indirectly through functional congruity, product involvement, and brand relationship quality. The model was tested using cars as the product stimulus in a survey of 600 car owners. Automobiles were chosen because cars are high in conspicuousness (therefore are likely to be evaluated using symbolic criteria) and are used across a variety of situations. The model was mostly supported by the data. First, the results document the paramount importance of self-congruity in predicting brand loyalty. Second, the study integrated the emerging construct of brand relationship quality into self-congruity theory. Third, in regards to the hypothesized effect of self-congruity on functional congruity, the data were supportive. Managerial implications are also discussed in this study.

Yee and Sidek (2008) in their research investigated how the respondents are influenced by factors of brand loyalty towards sportswear brands. The seven factors of brand loyalty are brand name, product quality, price, style, promotion, service quality and store environment. Brand name has shown strong correlation with brand loyalty. In order to increase customer satisfaction and drive them to be brand loyalists, marketers are encouraged to develop aggressive marketing programs.

Descriptive analysis, one-way ANOVA and Pearson Correlation were used in this study. The research results showed that there is positive and significant relationship between factors of brand loyalty (brand name, product quality, price, style, promotion, service quality and store environment) with sportswear brand loyalty.

Akhter, Waheed et al. (2011) in their study titled, “Factors affecting customer loyalty in Pakistan” tried to identify key factors which influence customer loyalty around
the globe in general and in Pakistan in particular. This study investigated the correlation between the factors and customer loyalty through hypotheses testing. The study reveals a positive relationship among customer satisfaction, customer relationship, image of the product, trustworthiness and customer loyalty. This study concludes that long-term success and sustainable reputation of an organization depends on customer loyalty. The study recommends that the ‘customer is always right’ is a golden principle to achieve customer loyalty.

2.9.5 Involvement

Involvement is "the degree of personal relevance that the product or purchase holds for that consumer" (Schiffman, Kanuk and Wisenblit, 2010). This facet of brand commitment represents the relevance and importance of the brand category to the consumer. Involvement with a brand is related to brand loyalty (Simon and Walker 2003) and affects the extent of consumer information search, the size of the evoked set and the nature of brand loyalty (Howard and Sheth 1969).

Zaichkowsky (1985) developed a 20-item scale of “enduring involvement”. The intensity of the bond “love” scale was selected because it deals with brand “appeal”. He used it as the love for the brand representing “the intensity of the emotional bonds” with the brand (Keller 2008,). The second item is the “importance” of the category for the respondent. "Importance" is often used in involvement scales (Ratchford 1987). The third item was related to “concern” in making the right choice (Zaichkowsky 1985) or "requires a lot of effort" (Ratchford 1987). Thus the following scale was used in this study:

1. I love my brand.

2. It is very important for me to buy the right brand in this product category.
3. I invested much effort before selecting the right brand for me.

2.9.6 Trust

Chaudhuri and Holbrook (2001), defined brand trust as the willingness of the average consumer to rely on the ability of the brand to perform its stated function, brand trust was measured based on the following four statements:

“I trust this brand;”

“I rely on this brand;”

“This is an honest brand;”

and “This brand is safe.”

The author obtained a reliability coefficient of .845 for this scale.

Brand trust plays a very important role in building and maintaining both attitudinal and behavioral brand loyalty, its role having been researched extensively in both business to customer and business to business sectors. Results indicated that brand trust augment brand loyalty and influences market share and price elasticity. He was of the view trust and commitment should also be associated, because trust is important in relational exchanges and commitment is also reserved for such valued relationships.

2.9.7 Commitment

Jacoby and Kyner (1973) argue that it is commitment that distinguishes between loyalty and repeat purchase behaviour. Thus a person who is committed towards a product/service has an attitude which is durable and impactful. In terms of commitment
there would appear to be two types of commitment – affective and calculative commitment.

2.9.8 Brand Affect

Chaudhuri and Holbrook (2001) defined brand affect as a brand’s potential to elicit a positive emotional response in the average consumer as a result of its use.

Brand affect was measured by the sum of the following three statements:
1. I feel good when I use this brand
2. This brand makes me happy
3. This brand gives me pleasure.

2.9.9 Brand Loyalty

Beatty and Kahle's (1988) used three-item scale to measure brand loyalty. This scale, which has been widely used for measuring soft drink brands, was modified here into general questions about a brand. The items used were:

a. I consider myself loyal to my brand.
b. In case my brand is not going to be available in the store I will not buy other brands.
c. I can identify with people using my brand.

2.9.10 Brand Positioning

Davis (2002) asserts that brand loyalty can only be achieved through a strong brand positioning which means creating and managing a unique, credible, sustainable, and valued place in the customer’s minds, revolving around a benefit that helps the brand stand apart from its competition.
a. Price deals for X are frequently offered.

b. Too many times price deals for X are presented.

c. Price deals for X are emphasized more than seems reasonable.

2.10 BRAND LOYALTY AND MARKETING STRATEGY

Vasudeva (1999) carried out an exhaustive study of Brand Loyalty in context to Marketing Strategies. In her doctorate thesis she tried to find out the relation of elements/variable of marketing strategy with that of brand loyalty. She also made efforts to find out the market share of the brand, competitive strategy of the brand, pricing strategy of the brand, promotion scheme of the brand, advertisement and perceived level of advertisement, media of advertisement, factors influencing first purchase and Distribution outlet.

2.11 ADVERTISING

Singh (1980) in his empirical study on the relationship between advertisement and brand loyalty does not support the hypothesis that advertising influences brand loyalty. His study reveals only 11 families out of 102 families were loyal to their brands because of the brands being advertised.

Regarding brand choice, 64 families stated advertisement played little to moderate role in this process. Only 10 families indicated a high or very high influence of advertising on brand choice. In case of advertisement as a source of information was indicated by only 45 per cent of the families surveyed.

Abraham and Lodish (1990) feel that Advertising does not click every time and excessive advertising goes waste. Many brands can survive drop in sales even if advertisement is reduced. The authors carried out 360 tests in which advertising weight
was the only variable. Increased advertisement led to higher sales only in 50 per cent of the cases. Therefore, it was confirmed that in 50 per cent of the cases, increased advertisement was a wasted expenditure. The authors feel that many companies could reduce their total advertising budget and improve profitability. Though the authors do not recommend a policy of ‘no advertisement’ but favour usage of advertising in those situation in which it can give better results like at the time of new product introduction.

**McDonald (1993)** opined that to measure the effectiveness of advertising, the measure of brand loyalty should be used. The case for advertisement is being challenged today because researchers are evaluating it with misleading measures like increase in sales whereas the main function of advertisement is to encourage and maintain loyalty of the consumer to the brand. The effectiveness of advertisement vis-à-vis brand loyalty can be seen not in an increase in sales but in a lack of decline in sales especially in markets which are more or less in a state of equilibrium. The author favours a person-centred approach that segments customers on the basis of brand loyalty. The author cites the example of Campbell Soups in which 60 per cent of their marketing budget was wasted as advertisement was focused on non-users, houses loyal to other brands or price shoppers. By segmenting the company was able to identify their loyal customers and concentrated their focus on them.

**Blackstone (1995)** pointed out that the advertising industry has been discussing ways and means to study the relationship of brand loyalty and advertising in a more systematic and scientific manner.

**Bhattacharya (1997)** In his study “Is your brand’s loyalty too much, too little, or just right?: Explaining deviations in loyalty from the Dirichlet norm” investigated the factors that relate to the deviations of brand’s actual loyalty levels from theoretical norms
in packaged goods markets. An aggregated measure of brand loyalty, share of category requirements, commonly tracked by marketing managers were used for this analysis. The comparison was conducted against the estimated share of requirements provided by the Dirichlet model of purchasing behaviour. The researchers contended that a brand’s positioning strategy and marketing mix can influence the magnitude and the direction of the deviation from the norm. A two step modelling procedure was used where the deviation from the norm for each brand was computed and subsequently conducted a regression analysis of this brand-level data to test the proposed hypotheses. It was found that on average, brands that cater to some market niche, were bought in higher quantities, have lower prices, promote to a lesser extent, and have shallower price-cuts and enjoy higher than expected loyalty levels. Possible implications of these results and offer guidelines were discussed that managers can use to better assess both the actual and the theoretical loyalty levels of their brands.

The researchers founded contradictory findings on the relationship of advertisement and brand loyalty while reviewing the literature on this topic. On the one hand, there are certain researchers who propose that advertisement’s main role is to sustain repeat buying among existing customers. On the other hand, there are those who find that advertisement largely induces brand switching and not repeat purchase. Bhattacharya’s own findings were that effects of advertising are in contrast to the effect of the promotional variable and price cuts. Advertising might induces brand switching that is not purely price related.

Aggryrawal, Deepak (1996) highlighted in his study the issue of balancing media advertising (pull strategy) and trade promotions (push strategy) for manufacturers of
consumer packaged goods utilizing a three-stage game theoretic analysis and test model's implications with scanner panel data was studied.

Mela et al. (1997) studied the medium term and long term impact of promotion and advertising on two types of customer—the loyal (or relatively less price sensitive consumers) and the non-loyals (price sensitive consumers). Regarding advertisement they were able to find that it had a strong role in reinforcing consumer preferences for brands.

2.12 BRAND LOYALTY AND SALES PROMOTION

Sales promotion, in particular, price promotions (e.g., short-term price reductions such as special sales, media-distributed coupons, package coupons, cents-off deals, rebates, and refunds), are believed to erode company reputation over time despite immediate short-term financial gain. Aaker (1991) reported that sales promotion may not be a desirable way to increase customers’ loyalty because it is easily copied and counteracted.

Winer (1986) investigated the nature of the reference price effects on brand choice. He proposed a linear probability model in which he found evidence that consumers response is related significantly to the disparity between reference price and observed price. The reference price is the expectation of the consumer. The consumer then evaluates the future price of the brand. In relation to this reference point and his response is related to disparity between the two. Therefore, consumer response to an unexpected price decrease is greater than the response to an expected price decrease. Empirical work of the research supports presence of general reference price effect on consumer brand choice behaviour. He concluded that in the long run, sales promotion may convey a low-quality brand image. Furthermore, frequent price promotions may
jeopardize brands in the long run because they cause consumer confusion based on unanticipated differences between expected and observed prices, which results in an image of unstable quality.

Shimp (1997) reported that price promotion campaigns do not last long enough to establish long term brand associations, which can be achieved by other efforts such as advertising and sales management.

Gupta (1988) Price promotions do not seem to be related to brand loyalty, although they are consistently found to enhance temporary brand switching. This is because customers are momentarily attracted to the brand by the transaction utility that the price promotions provide, and when deals end, they lose interest in the brand. Adopting Kirmani and Wright’s (1989) scale, price promotions were measured as the perceived relative frequency of the price deals presented for the focal brand.

Abraham and Lodish (1990) observed that increasing emphasis on volume and market share at the cost of income and profitability of the brands. According to the former only 16 per cent of the sale promotional schemes were successful which is quite a low rate of success. They criticized sales promotion schemes on various fronts. They were of the opinion that as promotion schemes push up the breakeven point and the manufacturers forced to sell more. The retailers indulge in ‘forward buying’ and end up in accumulating which later leads to decline in sales. Sales promotion is essentially a short-term tool to enhance sales and unlike advertising, promotion never has a positive long term impact on established brands. The fact of the matter remains that in case of established brands, sales promotional schemes usually attract either current users who would buy the product otherwise also or it attracts brand switchers who keep on moving among brands on deals.
Sometimes sales promotion schemes lower the image of the brand in the eyes of the consumer. On the other hand, competitors also jump into the market with their own promotion campaign and try to neutralize the impact of the scheme. Another point that goes against the Sales Promotion Schemes is that retailers wish to receive sales promotion schemes on regular basis.

**Papatala and Krishnamurthi (1996)** in their study reviewed the previous research on post promotional effects and came to conclusion that it dealt primarily with one type of promotional tool namely, coupons. While examining the effects of repeat-purchase probabilities and found evidence for both positive and negative effects. It was pointed out that in case of coupon promotion negative effect occur only in case of loyal customers.

In this study, they not only studied the effects of price related promotional tools but also of non-price related promotion like display. They found that coupons and display reduce loyalty and the price sensitivity is increased by coupon purchases. They also found that prior purchase made on display and feature promotions as well as purchase made when price cuts are paired with display or features improve subsequent response to such promotions. One short coming of this research comes to notice is that there was only one product category which was investigated that was liquid detergent.

**Aggarwal (1996)** carried out study to understand the role of brand loyalty in the optimal promotional mix for manufacturers. He distinguished between strength of brand loyalty and size of brand loyalty. Strength of brand loyalty is conceptualized as the intensity of customer loyalty towards the brand, whereas size of brand loyalty is conceptualized as the proportion of consumers loyal to the brand in the market.
The study indicated that stronger brand loyalty requires less advertisement than weaker brand loyalty; but a larger loyal segment requires more advertisement than a smaller loyal segment. He also found that trade promotional spending is dependent on cost effectiveness of advertising. If advertising is cost effective then the weaker brand would spend fewer trade promotional budget than the stronger brand. In case advertising is costly, then the weaker brand would spend more trade promotional budget than the stronger brand. In such a situation, the retailers would promote the stronger brand more often than but provide a smaller price discount on average for it than for the weaker brand.

The findings imply that advertising is a ‘defensive’ strategy used to build brand loyalty as it helps in retaining loyal customers. On the other hand, price promotions is an offensive strategy used to attract customers away from the rival brand, The stronger brands play offensive by using more trade promotion and the weaker plays defensive by emphasizing advertising.

Mela et al. (1997) studied the long term impact of promotion on the loyal and non-loyal segment. They divided promotion into two groups price and non-price. Their results indicated that unlike advertising the effects of Sales Promotion is not good. The author found that in long run price promotions make both loyal and non-loyal consumers more sensitive to price. An increased use of such sales promotions schemes makes consumer habitual to look for deals. They also found that sales promotion reduce the price sensitivity of loyal consumers but significantly increase the price sensitivity of non-loyal consumers.

Singh (1980) in his empirical research carried out at households of Delhi, studied the impact of special price/deals/incentives on brand loyalty. It indicated that the 69.6 per
cent of the respondents constituting the largest segment, would continue to stick to their favourite brand. 18.6 per cent of the households will switch to other brands if that is one of their three favourite brands. Only 12 per cent of the households will switch over to the brands offering the deal or adopt it for trial and they belonged to the low income bracket. The author concluded that incentive selling will have more effect on people having relatively lower income and that it can affect their brand loyalty.

According to Yoo et al. (2000) sales promotions, especially price promotion, can be inconsistent with high quality and image, reduce brand equity in the long run, as they do not enhance the strength of brand association, despite short-term financial gain. Frequent use of sales promotion, especially price promotion, can harm the brand equity. It was observed that sales promotion erodes brand equity and must be used with caution.

Lau et al. (2006) reported the results of brand loyalty in sportswear in Hong Kong. The study concluded that promotion was one of the key factors that distinguished hardcore loyal consumers from brand switchers. Brand name and style had more influence on brand loyalty of hardcore loyal consumers, while promotions influenced brand switchers. After analysing the data, it was also found that promotion was the most efficient strategy in attracting brand switchers.

2.13 BRAND LOYALTY AND PRICE

There is a general believe that even if there is rise in price or the price of the particular brand is more, the loyal customer would stick to his favourable brand.

Tellis (1988) carried a study titled “In Advertising Exposure, Loyalty, and Brand Purchase: A Two-Stage Model of Choice”. Information processing theory and findings on advertising response suggest a nonlinear response to repetitive ad exposure, mediated by
brand loyalty. The response can occur in either or both of the hypothesized stages of purchase: brand choice and quantity choice. A to bit-type analysis of scanner purchases (with TV exposures) of a mature product category appeared to support these hypotheses. The effect of advertising generally is nonlinear and its impact on volume purchased is mediated by brand loyalty. Advertising seems to reinforce preference for current brands rather than stimulate brand switching but it was found features, displays, and especially price have a stronger impact on response than does advertising. The effect of brand loyalty dominates that of the other variables.

Raju et al. (1990) in the Effects of Brand Loyalty on Competitive Price Promotional Strategies’. This paper analyzed the role played by brand loyalty in determining optimal price promotional strategies used by firms in a competitive setting. Loyalty has been operationalized as the minimum price differential needed before consumers who prefer one brand switch to another brand. The objective of the study is to examine how loyalties toward the competing brands influence whether or not firms would use price promotions in a product category. It was examined how loyalty differences lead to variations in the depth and frequency with which price discounts are offered across brands in the same product category. The analysis predicted that a brand’s likelihood of using price promotions increases with an increase in the number of competing brands in a product category. In the context of a market in which a brand with a large brand loyalty competes with a brand with a low brand loyalty, it is shown that in equilibrium, the stronger brand (i.e., the brand with the larger loyalty) promotes less frequently than the weaker brand. The results suggested that the weaker brand gains more from price promotions. The analysis helps us understand discounting patterns in markets where store brands, weak national brands, or newly introduced national brands compete against
strong, well known, national brands. The findings are based on the unique perfect equilibrium in a finitely repeated game. The predictions of the model were compared with the data on 27 different product categories. The data was consistent with the main findings of the model.

**Bhattacharya et al. (1996)** concluded that consumers who normally purchase low-priced brand will switch to a high priced brands but not vice-versa. It means the penetration level of high priced brands is higher that of the lower priced brands, but such increase in penetration will not be accompanied by commensurate increase in repeat buying. It was also observed that even brands that go in for price promotion have less loyalty than the other brands.

**Krishnamurti and Raj (1991)** found that **loyal buyers are less price sensitive.** It was revealed that loyal buyers buy lower quantities of their favourite brand at regular prices and buy more when prices are less. The non-loyalists on the other hand choose brands on the basis of prevailing prices and less sensitive to quantity decisions.

**2.14 BRAND LOYALTY AND DISTRIBUTION:**

**Macintosh and Lockshin (1997)** investigated the linkages between trust in a sales person, trust in the store and repeat purchase intention. It was revealed that those having an interpersonal relationship with the salesperson are directly linked with purchase intention as well as indirectly linked through store attitude. Those customers who do not have relationship with the sales person, trust in the store can lead to loyalty only indirectly through store attitude, but it do not have a direct impact on purchase intention. The findings indicate the important role that the sales people play in retailing. It proves the point of practitioners who advocate enhancing loyalty through relationship
development programmes. Therefore it is prudent to train employees to nurture, maintain and develop relationship with the customers.

Singh (1980) focused his study on store loyalty and brand loyalty. It was revealed that store loyalty is a strong intervening variable for generating brand loyalty. Regarding locality of the outlets, the researcher found that the nature of the product, its purchase frequency, the quantum of purchase and the need for wider choice are the factors that influence choice for locality of the outlets.

Tolba (2011) in his study, “The Impact of Distribution Intensity on Brand Preference and Brand Loyalty”, presented a model that links distribution intensity with brand preference and loyalty, and empirically tests it on the fuel industry in Egypt. Brand equity constructs identified include awareness, associations, perceived quality, and loyalty, among others. Further, brand performance has been operationalized in terms of market share, ability to charge price premium, and distribution coverage.

While most studies focused on consumer-based constructs, few researchers tested the effect of distribution intensity on brand performance. In-depth interviews with industry experts were conducted to validate research hypotheses. Then, online surveys were distributed to test model relationships on four leading brands. The study revealed that affect, satisfaction, perceived quality, as well as distribution intensity significantly affected brand preference; which in turn was the key driver to brand loyalty. It is recommended that firms consider the role of distribution while developing marketing strategies and brand-building activities.