

SAMPLE

Literature Review on Brand Loyalty

Consumer loyalty can be defined as brand affiliation or business entity, which is based on a strong positive attitude and manifests in re-purchases, highlighting two important dimensions on which loyalty is based, namely: attitude and behavior. If a consumer has a weak attitude and poor behavior toward buying a certain brand of product, it is clear that he will not be loyal. Poor position means that the consumer has no habit of buying a particular product, while poor behavior indicates that the consumer perform sporadic purchases. True honesty of consumer loyalty occurs in a situation where the consumer has a strong attitude and behavior in terms of concrete purchases. Retail Loyalty refers to the consumer's willingness to pay for the same store over a longer period of time. Loyal consumers spend most of the money within selected stores and are therefore the most significant market segment. The basic marketing problem is how to keep existing loyal customers and increase the segment of the same. The loyalty of the seller varies depending on the type of store. Potential growth in real consumers takes place in a process that begins by identifying consumers with product interest and cost-effectiveness. Such potential consumers are the basis for transformation into real consumers. Companies invest financial and personnel efforts to translate potential into real consumers who buy products. Consumer loyalty is everywhere recognizable as a valued estimate in competitive markets (Srivastava, Shervani, & Fahey, 1998). Loyalty management investments are of particular importance if consumers face a low price difference during a change of supplier, since they are not tied to the contract. Strategies towards consumers must be shaped in such a way as to preserve high-value consumers or high-growth consumers and to determine whether consumers with negative value can be transformed into profitable consumers. The process of creating loyalty can be divided into three evolutionary phases: the stage of acquaintance, in which the company needs to know the consumer and its expectations, loyalty is not yet present, and the relationship with consumers is mainly based on knowledge of products and prices; the emotional phase in which the company monitors and analyzes the consumer behavior

SAMPLE

and the phase of verity, in which the crucial relationship between the consumer and the subject of the bid is the relationship personalized, and the precondition for this is to have a high level of satisfaction.

In service marketers, loyalty of service consumers is observed in two ways (Gwinner, Gremler, & Bitner, 1998). According to the first, loyalty is viewed as the proper behavior of service consumers, or as a repetition of their behavior in purchasing a particular service. The lack of such access to loyalty is reflected in the fact that it includes those service consumers who appear as surprisingly loyal, ie consumers who repeat the purchase of certain services for a simple reason that they have no choice. The inability to choose a service business practice is the result of lack of competition or inability to access second-hand service capacity. By the second approach, the loyalty of service consumers is viewed as a combination of appropriate consumer behavior in terms of repetition of their behavior in purchasing specific services and the principle of positive attitude. This approach also has certain shortcomings. A service consumer can be a consumer who is willing to repeat the purchase of a particular service, but does not do so in some period. Such a consumer is in a sense loyal, but since he does not repeat the purchase for a certain period, the service company does not register it as such. Also, the principle positive attitude of a service consumer can in practice be difficult to analyze in isolation. It is about getting a positive attitude depending on the consumer's service, as well as service-specific features. The concept of customer loyalty has prevailed in several industries over the past decade (Herschell, 1997). Membership in loyalty programs provides prize members with added value, which is why they are popular among consumers (Liebermann, 1999). This has led to increased competition among different companies within the same retail industry that compete with each other to meet the same consumer group. As a consequence of this, consumers are often involved in loyalty programs in a number of companies within the same industry (Passingham, 1998). For example, it is customary to expect consumers to wear loyalty cards from numerous retail outlets. Also, there is a development aspiration among companies to launch loyalty programs as a defense marketing strategy. In the absence of a clear distinction or a special value proposition, companies often spend valuable marketing sources in loyalty-building attempts that may or may not result in a profitable outcome

SAMPLE

(Reinartz, & Kumar, 2000).

The main question is - what is needed to build and maintain "true" loyalty? Specifically, what research efforts should be targeted to increase behavior-based loyalty, admitted loyalties based on attitudes while at the same time creating profitability? Responses may be hiding in correcting some of the core level problems that prevail in the way companies treat and interpret consumer loyalty. Traditionally, consumer loyalty is defined as behavioral behavior. (Brown, 1952), acquisition consistency (Kahn, Kalwani, & Morrison, 1986), the acquisition rate (Cunningham, 1966), the likelihood of purchasing (Farley, 1964), the frequency of purchases (Brody, & Cunningham, and many aspects of shopping behavior (Duwors, & Haines, 1990). In the context of retail, the following measures of consumer behavior are commonly applied by purchasers, who measure relative purchases of consumer purchases when compared to the total number of purchases and visits, which counts the number of visits to the store compared to the total number of visits (Mägi, 2003). Other common measures in this activity include the share of money, which is the consumption in a particular store as a part of the total spending category (Berger, & Nasr, 1998), and recentness, frequency and monetary value, which shows whether the buyer almost bought, how often and how much the amount of money he spent in a particular store (Hughes, 1996). All these measures help marketers to assess loyalty behavior, i.e. customer loyalty based on consumer behavior in shopping. The problem is that consumers sometimes associate their loyalty with a certain reward program rather than with the brand (Dowling, & Uncles, 1997). The same loyalty-based behavior cannot be the measure of "true" consumer loyalty and it can be an unreliable indicator of customer's profitability. Loyalty programs that reward consumer behavior (such as the frequency of buying or coming to the store) without taking profitability into consideration, are at risk of immediate disruption. According to some authors, the measure of profitability or consumer spending used by current loyalty programs is not a plan for the future (Reinartz, & Kumar, 2000). The research shows that customers who have been well-versed in the past (in terms of spending and profitability in favor of the company), do not have to work similarly in the future (Reinartz & Kumar, 2000). On the other hand, loyal customer loyalty is often defined within the context of the inside, as it embraces emotional and cognitive aspects of loyalty within the interior, such

SAMPLE

as the brand's priority and the brand's dedication. Loyalty-based attitude is a commitment to a higher level, or a long-term commitment of consumers to an organization that cannot be inferred from a mere observation of consumer behavior during repurchase. This loyalty is important because it shows a tendency to show a certain behavior, such as the probability of future use (Liddy, 2000), or the chances that consumers will recommend that company to their friends and colleagues (Reichheld, 2003). The loyalty-based attitude can sometimes give consumers a unique value to the company's positive story to others (Dick, & Basu, 1994; Reichheld, 2003). Therefore, in order to achieve "true" loyalty, companies should at the same time focus on creating and behaving loyalty as well as attitude.

REFERENCES

- Srivastava, R. K., Shervani, T. A., & Fahey, L. (1998). Market-Based Assets and Shareholder Value: A Framework for Analysis. *Journal of Marketing*, 62 (1), 2–18.
- Gwinner, K. P., Gremler, D. D., & Bitner, M. J. (1998). Relational Benefits in Services Industries: The Customer's Perspective. *Journal of the Academy of Marketing Science*, 26 (2), 101–114.
- Herschell, L.G. (1997). Does Your "Loyalty" Program Inspire any Loyalty. *Direct Marketing*, 46–48.
- Liebermann, Y. (1999). Membership Clubs as a Tool for Enhancing Buyers' Patronage. *Journal of Business Research*, 45 (3), 291–297.
- Passingham, J. (1998). Grocery Retailing and the Loyalty Card. *Journal of Market Research Society*, 40, 55–63.
- Reinartz, W. J., & Kumar, V. (2000). On the Profitability of Long-Life Customers in a Noncontractual Setting: An Empirical Investigation and Implications for Marketing. *Journal of Marketing*, 64 (4), 17–35.
- Brown, G. H. (1952). Brand loyalty – Fact or fiction. *Advertising Age*, 23, 53–55.
- Kahn, B. E., Kalwani, M. U., & Morrison, D. G. (1986). Measuring Variety Seeking and Reinforcement Behaviors Using Panel Data. *Journal of Marketing Research*, 23 (2), 89–100.

SAMPLE

- Cunningham, S. M. (1966). Brand loyalty – What, where, how much. *Harvard Business Review*, 34, 116–128.
- Farley, J. U. (1964). Why Does Brand Loyalty Vary Over Products. *Journal of Marketing Research*, 1 (4), 9–14.
- Duwers, R. E., & Haines, G. H. (1990). Event History Analysis Measures of Brand Loyalty. *Journal of Marketing Research*, 27 (4), 485–493.
- Mägi, A. W. (2003). Share of Wallet in Retailing: The Effects of Customer Satisfaction, Loyalty Cards and Shopper Characteristics. *Journal of Retailing*, 79 (2), 97–106.
- Berger, P. D., & Nasr, N. I. (1998). Customer Lifetime Value: Marketing Models and Applications. *Journal of Interactive Marketing*, 12 (1), 17–30.
- Hughes, A. M. (1996). *The Complete Database Marketer*, 2nd. New York: McGraw-Hill.
- Dowling, G. R., & Uncles, M. (1997). Do Customer Loyalty Programs Really Work. *Sloan Management Review*, 38 (4), 71–82.
- Liddy, A. (2000). Relationship Marketing, Loyalty Programmes and the Measurement of Loyalty. *Journal of Targeting, Measurement Analysis for Marketing*, 8 (4), 351–362.
- Reichheld, F. F. (2003). The one number you need to grow. *Harvard Business Review*, 81 (12), 46–54.
- Dick, A. S., & Basu, K. (1994). Customer Loyalty: Toward an Integrated Conceptual Framework. *Journal of the Academy of Marketing Science*, 22(2), 99–113.