Two patterns of customer loyalty and brand performance marketing essay

Abstract

This essay would discuss the two patterns of customer loyalty and brand performance. There are Double Jeopardy (DJ) and Duplication of purchase law (DoPL). In DJ, it will be discussed about loyalty and penetration which also connected with market share and purchase frequency. The graphs are given to show the differences in measuring DJ in loyalty and penetration by looking at the market share and purchase frequency of big brands and small brands. On the other hand, in DoPL, it will be discussed about how brand compete each other by sharing their customers. The graph is given to show how big brands share their customers to small brands, vice versa. Furthermore, there is deviation of Double Jeopardy in brand growth where niche markets are applied by big companies. Therefore, marketers should not expect an attitudinal loyalty of buyers in their brand. Necessarily, they should expect buyers to purchase from other competing brands. Other is deviation of purchase law which called partition. In which, there are segmentation made by brands to fulfill customers' needs. The reason is for the marketers to design the market structure to compete wider to other brands without specifically compete only with brands in the same line of brand size.

Introduction of Double Jeopardy (DJ) and duplication of purchase law (DoPL)

In general, as mentioned by McDowell and Dick (2005, p. 1), Double Jeopardy effect is where " brands earning small market shares attract fewer customers but also experience less customer loyalty than more popular brands. From this definition, we can say that leading brand have a good chance in the market because they have high purchase frequency rate as well as a large number of buyers. It means that big brand will have low loyal rate compared to small brand due to rare of heavy buyers in the market. However, light buyers are the highest or majority proportion of market that buy leading brands' product and it could be linked to heavy-half principle. Therefore, small brands suffer in two ways that low number of consumers and low purchase frequency rate. Another pattern is the duplication of purchase law (DoPL) where it is about brands who share their customers to other brands. It is supported by Lomax, Hammond, East & Clamente (1996, p. 4) that buyers' behaviour of purchase is random. It means there are many brands in buyers' purchase frequency with the same line of category for a period of time. Furthermore, the law is big brand share more customers to bigger brands and share less customer to smaller brands. Nevertheless, there is deviation for duplication of purchase law that refers to partitioning which the law is contrast to DoPL.

Double Jeopardy (DJ) – Loyalty and Penetration

Before many potential managers are growing in the world, there are only few brands in the market. It means loyalty towards a brand is high compared to nowadays. Currently, people are sharing their loyalty to another brand although there are some brands that having high loyalty from heavy buyers. Brand Loyalty is " generally entails a strong commitment to a particular brand on the part of the consumer "(Bandyopadhyay, Gupta & Dube 2005, p. 415). It means how consumers are loyal with a brand in the market. Penetration is " proportion of users in the time period" (Wright 2002, p. 313). Another author said that penetration is " the percentage of available shoppers who purchase your brand at least once in a given period of observation" (Habel & Rungie 2005, p. 1). It means as managers, they could know how many buyers buy their products for a period of time. There are two categories of buyers in the market, such as light buyers and heavy buyers, that will be stipulated the sales of products. Therefore it comes out a heavy-half principle says that 50% of sales for a brands come from 20% of heavy buyers and another 50% of sales come from 80% of light users. By using this principle, brand managers would know which type of buyers that has a high influence for their majority sales of their brand. Therefore, brand growth would have got to do with the increasing in penetration and sales rather than the increasing in the consumers' loyalty.

Table III(1 and 2) shows the database of an instant coffee in USA that is could be linked with the double jeopardy theory in this case. It means the table also prove that small brand suffer in two ways as in few people who bought the products and small purchase frequency. As we can look at the table, we could see Brim as a small brand has low market share, consumers and purchase frequency rate compare to Maxwell House and it is below than average. From this table, it is shown that the average purchase frequency is 9. 5 and although Maxwell House as the biggest brand in the market, their purchase frequency rate is only 3. 6. " this means that the average purchaser of the leading brand purchases other brands almost twice as often as they purchase the leading brand itself during the year" (Wright, Sharp & Sharp 1998, p. 468). However, if we compare Maxim brand as the smallest brand and compare with High Point as the one of leading brand based on purchase frequency, High Point has smaller purchase frequency rate compare to Maxim. It means although Maxim is a small brand in the market but the purchase frequency of sole buyers is higher than average and some leading brands.

By looking at the table, there is no 100 percent loyal of consumer towards any brand and over a year the highest loyalty rate is 20% for a leading brand. Leading brand has high sole buyers because of the attractiveness of the brand compared to small brand. Wright, Sharp & Sharp (1998, p. 470) said in their journal that " sole buyers are also relatively light buyers." It means the double jeopardy pattern occur in terms of the type of buyers-heavy buyer and light buyer. In this case, big brands will have more light buyers because loyalty is not as important as penetration for them. However, for small brands, most of their buyers are heavy buyers due to low market share (example is Brim and Maxim brands).

According to table III (3), there are high correlation among market share, loyalty and penetration. This table is showing the difference changes for penetration and loyalty toward change in market share. By comparing penetration and loyalty, the changes in penetration with market share is higher than the changes in loyalty with market share. It means penetration could give an influence for market share of a brand rather than loyalty. In the other hands, when we look at the correlation of change in penetration with change in share for all type of brands, there is a small difference between them, where for high-share brands are 0. 87, for mid-share brands are 0. 80 and for low-share brands are 0. 87. Nevertheless, when we look at the correlation of changes in loyalty with changes in share for all type of brands, there is a large gap or difference from high-share brands to low-share brands. The last but not least the correlation between changes in penetration and change in loyalty is 0. 44 means penetration is higher than loyalty that could impact to the brand growth.

In conclusion, penetration is more important than loyalty due to the low of heavy buyers in the market. Most of buyers are light buyers that could grow a brand become big that could be seen from the table. According to Baldinger , Blair & Echambadi (2002, p. 14), they said that “ for managers who wish to grow market share over time, the first imperative is to increase penetration, regardless of whether the brand is big or small, but an almost equal imperative is to build customer loyalty.”

Duplication of Purchase Law (DoPL) – brand performance

By looking at the definition of purchase law above, it can be seen that brands would always compete each other through sharing their customers. This is happened because there are very rare of 100% loyal customers for a brand which is fall into the category of heavy buyers, whereas customers who are always switching brands in the same category would fall into the category of light buyer. It means, there are many brands lists in their mind in the same category which will make them switch brands more often and it is called repertoire market (Dawes 2008, p. 203).

Generally, marketers are believed that most of the customers’ mind set would be influenced by the marketing strategy like advertising, price and loyalty program. Supported by Hoeffler & Keller (2003 cited In McDowell and Dick, 2005) “ A motivator for brand purchase is brand awareness, saliency in their marketing and advertising”. Therefore, most of the marketers always try to advertise more, give promotion and discount and increase loyalty programs to gain loyal customers and to make them purchase the brand.

However, as it is mentioned above that there are no solely loyal customers; in fact, brands in the same category gain their revenue from customers who are also purchase other brands. It means, marketers should not think about how to gain loyal customers, yet how to gain high salience to reinforce the brand in their mind. The reason for this is to decrease their expenses in their loyalty program as it is costly and the fact that there is very rare of attitudinal loyalty. For example, a brand who gives their customers points that can be accumulated to rewards is not going to take for a long period of time. The reason is that customers would only go for that brand because of the accumulated points and not because of the brand name and loyal behaviour. As it is suggested by Kivetz (2005 cited in Liu 2007, p. 21) that " this type of program may elicit reactance from consumers and reduce their intrinsic motivation to engage in the original purchase activities".

To gain high salience in customers' point of view, marketers should do more penetration to gain high market share and customers from other competitors. As supported by Sharp and Sharp (1977, p. 477) that penetration and market share is the main effect on duplication of purchase.

According to table IV(1) duplication of purchase law can be seen where there is a declining number of brand size from right to left. In which, West End is leading this market with the highest brand duplication and penetration, whereas, Crown gain the least customer share because it is the smallest brand. Also, to prove the duplication of purchase, it can be seen that bigger brands share their customers more to the big brands and share less customers to small brand. Furthermore, penetration also takes place where big brand like West End acquire more customers and because of that, it can gain higher market share. Conversely, small brands would always gain lower than the big brands. As it is supported by Ehrenberg, Unclesan & Goodhardt (2004, p. 1310) that brands' penetration is comparative with the level of switching.

From the explanation and prove of the table of duplication of purchase law, it can be concluded that marketers should have to do more penetration rather than increase purchase frequency by loyalty program. As it is mentioned above that loyalty program is not really useful as it is costly that can only be applied in particular category and also not for a long period of time. Therefore, marketers should increase brand salience where customers would reinforce the brand and put it into the purchase set in mind. As the result of duplication of purchase law, brands are battling each other and share customers where bigger brands will gain high market share and small brands would have to struggle more in the market.

Deviation of Double Jeopardy

Double Jeopardy phenomenon is " small brands suffer twice; fewer people support them, and those that do both like them less and are less loyal" (McPhee 1963 cited Wright, Sharp A & Sharp B 1998, p. 465). This theory is useful to differentiate the consumers' preference between big and small brands. Nowadays, people are more believed towards big brands, which would give them good quality products that represent in the price. Although the price of big brands' products may be more expensive than small brands' products but they would not mind it as long as they satisfy with the brands (Baltas 1997 cited Gbadamosi 2009, p. 1080).

Actually, brands is growing because after consumers feel satisfy with the products, they will recommend all people that they know. It means the impact of word-of-mouth is huge for a successful brand. Word-of-mouth is “ getting opinion leaders to spread “ good words” about the company in the marketplace-needs to be extended” (Haywood 1989, p. 56).

Most of people could not be loyal to a brand because of the spread of information, which are issued by people in the market, makes them to purchase the product (Procter & Richards 2002, p. 8). It means buyers have habitual behavior that makes them to share their loyalty to other competitors’ brands. The buyers who have that behavior could be said that they are a repertoire market. Repertoire market is “ these [market] have few solely loyal buyers as most buyers allocate their category requirements across several brands in a steady fashion “(Sharp, Malcolm & Goodhardt 2002). In fact, these buyers are light buyers that have high proportion in the market towards a brand.

In reality, big brands could earn high profit because the strategy that they use based on the price or quality of the product and more light buyers purchase their products. However, most of small brands are using niche marketing strategy to compete with big brands. It is because the managers think that if they could satisfy the needs of niche market, their brand could grow up. Niche market is defined as “ a small market that is not served by competing products” (Dalgic & Leeuw 1994, p. 40). For example last time

Body Shop is one of company who is a niche brand (Dowling & Uncles 1997, p. 8). To make it is clear, niche marketing strategy is “ the splitting of traditional markets into smaller segments and then devising separate marketing programs for each of these smaller segments, or niches” (Parrish, Cassill & Oxenham 2006, p. 697). In the other hand, there are some big and successful brands in the market that are using niche marketing strategy to grow their brand. For example Ford’s Jaguar which creates a sport car for high class consumers that need good quality performance (Bandyopadhyay, Gupta & Dube 2005, p. 420).

Although there are no 100% loyal consumers in the market (references) that only buy one brand for all of his or her products but there are some unique consumers that need a brand to satisfy their needs. Therefore, we cannot judge the brands based on the quantity of consumers who like the products but we could see that without large quantity of consumers, a brand could grow in the market.

Deviation of Purchase Law

Necessarily, partitioning should not be applied to prove duplication of purchase law. However, sometimes, because of the differences in customers’ needs and wants, there is deviation. This deviation of purchase law is namely as partitioning which occurred when “ several brands share customers to a greater or lesser extent than what would be expected given the market share of the brands” (Dawes and Romaniuk 2005, p. 57). The reason that partition is formed is because of the major functional differences or similarities between brands (Sharp and Sharp 1997, p. 477). Therefore, as the empirical evidence states that this partition is actually could increase the knowledge and understanding over the market structure in customers' point of view, especially in relation to price as an internal aspect which results to a higher expected duplication.

It is undeniable that price is the most sensitive case for most of the customers behaviour in purchase situation. Therefore, there is segmentation for price based such as lifestyle, income and need based. This partition in brand competition is called " neighborhood price effect" which is stated in the empirical evidence by Sethuraman et al. (1999) that brands will compete with each other brands with a similar price set and not far distant in price (cited in Dawes and Romaniuk 2005, p. 58). As it is proved in the exampled by Romaniuk and Dawes (2005) that buyers would likely to purchase different bottle wines at the affordable range of price rather than choose the high level of price in a period of time. It can also be an evaluation of quality in which buyers would purchase outside the range of price due to different occasion. Other example also raised by Haley (1968, p. 31) that heavy coffee drinkers who drink at the chain store, would think that the taste for all coffee are basically the same. Therefore, purchase a relatively inexpensive brand is their sensibility. On the other hand, heavy coffee drinkers who drink at the premium store would feel that adding for more bucks would satisfy their needs.

Thus, it is apparent that price set is knowledge for the marketers to design market structure in partitioning where it is connected to their income, lifestyle and need based.

Appendix

Table III (1) USA instant coffee (one year)

*Where b is the percentage of consumers and w is the purchase frequency rate.

(Wright, Sharp & Sharp 1998, p. 467)

Table III (2)

BRAND PENETRATION VS. PURCHASE FREQUENCY FOR COFFEE SALES

(Baldinger , Blair & Echambadi 2002, p. 10)

Table III (3)

(Baldinger, Blair & Echambadi 2002, p. 11)

Table IV (1)

(Dawes 2008, p. 205)