

Customer behaviour brand loyalty and retention



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Introduction

Usually loyalty is expressed by different tendencies towards the brand, store or service. Expressing through attitudes and behaviour generally show these tendencies. Previous work has concentrated more in the service industry, on how repeated the purchases are, i. e. retention and advocacy of the brand (Reichheld, 1996). Retention can be measured by duration of time, in numerous service and utility markets, as a customer. In terms of grocery market, where consumers use several suppliers, the share of category expenditure is one of the behavioural criterion of loyalty and is committed to a brand or store (Cunningham 1956, Dunn and Wrigley, 1984). In service market, while measuring the attitude, researchers have used psychological states such as satisfaction, commitment and trust (Morgan and Hunt, 1994; Ennew and Binks, 1996). Whereas attitude to the brand or the store has been used for the grocery markets. These are the forms of customer loyalty.

This paper defines loyalty and talks about the meanings and the complications related to it. As the forms of loyalty are explained initially, further more the relationship between these forms and loyalty is presented with an in depth evidence. This paper also shows the implications of how marketers can implement the customer loyalty in the on the basis of the research carried by few practioners.

Defining Loyalty: Meanings and complexities

Loyalty can concentrate more on single concept, it can be either attitudinal or behavioural. Though, a great deal of debate over loyalty has focused more on convoluted definitions that may comprise both consequences and

antecedents of loyalty. Jacoby and Chestnut (1978) came up with a six-component definition of loyalty that incorporated behaviour and attitude. This method of the conceptualisation of loyalty appears to be partially associated to a requirement to represent the causes of loyalty, and partially semantic, that this is what 'loyalty' means. Semantic considerations provide an establishment in scientific definition, on the contrary the thought that attitude-behaviour congruence is necessary for loyalty looks ill founded.

The definition by Oliver (1999) involves a positive relation between behaviour and attitude in loyal groups but Oliver states that this relation is typically very weak and finalises that the loyalty to a brand, which is true and which involves emotional commitment and its rare. This definition of Oliver raises problems and doubts as the casual description of loyalty without any circularity, does not makes it possible to test this causality.

Even though while describing loyalty unites various meanings, its definitions must be singular and noticeably associated to measurement. East, Sinclair and Gendall (2000) argue that this is essential, as measures of the singular forms of loyalty could confirm slight correlation. The study of Dunn and Wrigley (1984) showed little correlation amongst few stores used and the share of expenditure given to the primary store. While in the case of store research, East et al. (2000) discovered merely a weak link between retention and share loyalty. This is possibly predicted. Theoretically, share of category and retention are fairly different and there is no stipulation that a customer buying a huge share of a brand must retain that brand for a long time compared to a small-share customer. Weak correlations have too been discovered between the evaluative and behavioural facets of loyalty. East <https://assignbuster.com/customer-behaviour-brand-loyalty-and-retention/>

and Hammond (1999) analysed the association between satisfaction and true retention. Their study states that most researches about customer loyalty have shown weak relations, in spite of extensive administrative postulation to the contrary. In such conditions it looks like it would be imprudent to generate permutation measures of loyalty that contain both evaluative and behavioural aspects, as the two components seem to have restricted relation.

Brand and Customer Loyalty

The study of Jacoby and Chestnut (1978) shows the basic difference between behavioural loyalty and cognitive loyalty; therefore clearing the concept of repurchase behaviour is not an adequate requirement of brand loyalty. The early studies of loyalty have focused on two most important phenomena. There has been research on the substantiation of loyalty behaviours for more than a brand, differentiated by changeable levels of complementarity/substitutability and hence the reasons of switching behaviour (Wind, 1977; Jacoby and Chestnut, 1978; Wernerfelt, 1991; Keaveney, 1995). As different studies on loyalty have increased knowledge of its various forms, they fail to examine the progress of loyalty over the time, without any explanation of how and why these various forms of loyalty arise. An active approach, if it is appropriately measured, can give an explanation of the various configurations of customer loyalty in the range of stages of the relationship life cycle (Costabile. M, no date). (See figure 1. In appendix)

Oliver states that this form of customer loyalty is a process of four chronological stages. After passage of time and continuous purchases in the third stage, most concentrated stage of loyalty is attained. According to <https://assignbuster.com/customer-behaviour-brand-loyalty-and-retention/>

Crosby and Taylor (1983) model for voter behaviour analysis, Loyalty is now cognitive by becoming a motivating force. The action control concept of Kuhl and Beckmann (1985), most concentrated stage of loyalty is recognized as action loyalty. Therefore it can be said that loyalty that is kept not only on the basis of strong motivation, but results in actions taken to get rid of every obstacle that will interfere while deciding of purchasing a brand to which a person is loyal.

Customer buying behaviour and Loyalty

Customer satisfaction and relationship marketing fields can be found from the involvement towards understanding customer behaviour and their purchase habits after their first preference of a supplier, brand or a store.

Satisfaction and Loyalty

Exploring the concept 'self-esteem', Hoppe (1930) and Lewin (1936) found the basics of the 'confirmation/disconfirmation' model helpful to describe the "satisfaction" opinion and the association between satisfaction and trust. What is appropriate in this theory is not just about how this satisfaction model behaves, but also the confirmation of close links between satisfaction over trust and time (Bitner, 1995; Costabile 1998).

There have been few developments in the study of customer satisfaction recently. This study has examined the emotional aspects of satisfaction and the dynamics of the model over time (Westbrook, 1987; Oliver, 1997; Fournier and Mick, 1999). Marketing researchers are also putting efforts to understand the variables that interfere between the opinion of satisfaction and the preference of repurchase of a brand (Oliver, 1999). Even though '

satisfaction-trust- loyalty' association has not constantly been confirmed therefore obvious high degrees of satisfaction might not result in a behaviour, distinguished by high loyalty, and vice versa (Jacoby and Chetsnut, 1978), due to the several overruling variables during the process of exchanging over the time (Jones and Sasser Jr., 1995; Oliver, 1999).

Retention and Loyalty

Debates on customer loyalty use the idiom loyalty and retention synonymously. Nevertheless the literature states that there is criticism of organisations that have elected to define customer loyalty as simply customer retention, hence attaining repurchase. Stewart (1996) states that 'Customer loyalty and customer retention are not synonymous' (Stewart, 1996 p. 8). In the 'Relationship Marketing ladder of Customer Loyalty' (See figure 2 in appendix) of Christopher, Payne and Ballantyne (1991), they state that the consumer advances up the ladder from regular purchasers (retention), to strong supporters of the firm and ultimately to being active and vocal promoters of the firm referring others to the organisation. As stated by Prus and Brandt (1995) that 'Loyal customers repeatedly purchase products or services. They recommend a company to others. And they stick with a business over time'. Therefore customer loyalty is a more convoluted observable fact that comprises other assets rather than just the behavioural theory of repurchasing (Samuelson & Sandvik, 1997).

Recommendation and Duration of time

According to East, Wright, Vanhuele (2008), consumers would value their suppliers when they possibly will find out more about the qualities of the suppliers offering over time and those who do not like their supplier change

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the supplier, approving consumers' stay. Regardless of these effects Smith and Higgins (2000) and Fournier, Dobscha and Mick (1998) mention how a brand may be prominent once it was obtained and gradually do not talk much about it once it becomes common. This happens because the brands are recommended when there is a change, while a comparatively static product does not have an advantage of a second recommendation. In the earlier research of East et al. (2005a) they discovered either no correlation between recommendation and duration of time or a negative correlation. With the proofs from twenty-three researches they learned that the overall relation between recommendation and duration of time was neutral, whereas the individual correlations varied from considerably negative to considerably positive. According to Reichheld (1996), in few of the cases, have mentioned that customers who are with a supplier for a long duration of time, recommend more. On the other hand East et al. (2005a) do not agree with Reichheld. According to them new customers will give more recommendation compared to customers with long duration of time.

Attitudinal aspects and Loyalty

The evaluation of the study of repurchase and loyalty and satisfaction and loyalty has recommended that loyalty comprises attitudinal aspects. Further, a study that supports the involvement of an individual's attitudes is describing loyalty is presented.

Commitment and Trust

It is commitment that differentiates between repeat purchase and loyalty as per the debate of Jacoby and Kyner (1973). Hence a person loyal to a product or a service has an attitude, which is strong and full of impact. While <https://assignbuster.com/customer-behaviour-brand-loyalty-and-retention/>

considering commitment it would seem to be affective and calculative commitment. The definition of affective commitment is 'the extent to which a customer likes to maintain their relationship with the organisation' (Buchanan, 1974). While the definition of calculative commitment is 'where the customer is loyal because they have to be rather than that they desire to be' (Meyer & Allen, 1984). Therefore the calculative committed consumer is not very reliable as he can get an offer that allows him to change suppliers. Samuelson and Sandvik (1997) recommend that whichever or both types of commitment possibly will be used in loyalty study and is reliant upon the reason of the study. For example, to forecast prospect loyal behaviour affective commitment will be very effective. Hart and Johnson (1999) have mentioned that as loyalty is conventionally defined in as per its occurrence, that is referral intent, repurchase intent, share of purchase and actual repurchase. They recommend that for organisations to attain true loyalty then they need to go further than customer delight to 'total trust'. Therefore it would look as if commitment and trust are important aspects when defining loyalty.

Marketing implications of customer loyalty

The majority of the customer loyalty programs that have presently been implemented by companies appear to be intended at encouraging repeat purchases (Hart et al. 1999). Several companies then, spend a substantial amount in lock in policies so that they could raise the costs of switching in a brand or a supplier (Shapiro and Varian, 1999). It is obvious that the customer loyalty objective must be mainly aimed at the top most and promising customer segments, and it is also evident that not all relationship

has to be dealt in an evolutionary viewpoint. Potential value must not be described exclusively considering the profit or income flows to be gained, but more than all when thinking of opportunities in terms of growth that the relationship provides the company are development of business and the trust and knowledge resources (Costabile. M, no date).

On the basis of the study of Dowling and Uncle (1997) the following could be the implication for company to employ customer loyalty. For a company to perform loyalty marketing still, it is first essential to identify the loyal consumers. When the customers grow, the use of market research and database marketing in the nonexistence of own knowledge is essential. Companies into direct marketing are endeavoring to come up with loyalty programs, which attach the purchasers of a broad variety of consumer goods and services to a meticulous provider or a brand. In cases of firms that have very less data regarding their customers, a supplementary advantage of customer loyalty programs is that members will repeatedly see themselves during buying or service delivery. Membership cards are a rapid and proficient means for customers to indicate that they are worthy of special attention. Many airlines, and successful companies like General Motors, American Express, Nestle, Holiday Inn, Unilever and shell have experienced adequate advantages in customer loyalty programs to apply such schemes. For example, in the rebate scheme of General Motors (the GM card), it permits members to collect savings towards the cost of a new GM car, the car and not the collection of a discount is dominant. Another good example is of Australian Fly Buys frequent-buyer program. The members registered for the Fly Buys program can collect points for free air tickets and

accommodation in hotel either by using credit card or a membership card. This membership is free of any cost. 1. 7 Australians had registered themselves within just one year of the launch. The analysis of customer cost-benefit makes it easier to elucidate why the least desired loyalty program (figure 3 in appendix) fascinated so many, or is it so few members.

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