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Larry P. Pleshko
Kuwait University

Richard A. Heiens
University of South Carolina Beaufort

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Analyzing True Loyalty in the Middle Eastern Market: Brand Preference and Brand Insistence

Larry P. Pleshko

Kuwait University

Richard A. Heiens

University of South Carolina Beaufort

ABSTRACT

The purpose of this study was to investigate loyalty profiles in among consumers of western-style coffee shops within the emerging market of Kuwait. The loyalty profiles were developed based on the typology presented by Dick & Basu (1994), where buyers can be truly loyal, spuriously loyal, latently loyal, or not loyal to a specific brand. Added to these four loyalty types are the inclusion of two specific true loyalty categories, preferent true loyalty and insistent true loyalty. The study presents evidence that a large proportion of customers fall into the true loyalty category. However, only about five percent of the market exhibits insistent true loyalty, where they are loyal to only one brand at the exclusion of all others. Instead, the vast majority of respondents exhibited the brand preferent form of loyalty, choosing to periodically switch their purchases between a small number of retailers.

INTRODUCTION

In 2017, Kuwait was officially recognized by the British financial index compiler FTSE as an emerging market, joining their Middle Eastern neighbors Egypt, the United Arab Emirates, and Qatar on the list. Similarly, global index compiler MSCI (formerly Morgan Stanley Capital International) is considering reclassifying Kuwait to emerging market status at its annual market review in 2019 (Debusmann 2018). The reclassification of Kuwait is expected to lead to an estimated \$700 million inflow of capital from both local and foreign investors (Pacheco 2017). In light of the expected influx of new investment, it is more important than ever to establish a firm understanding the dynamics of the Kuwait market. Sarangi (2018) argues that it is vital for firms operating in emerging markets to establish effective distribution systems. Because all business processes are driven by consumer sales, any effective distribution system is dependent on the management of consumer demand at the retail level of the supply chain (Lau 2012). Consequently, current research studies that seek to understand and profile the consumption patterns found in the Kuwait retail sector are crucial for new firms seeking to identify the most significant business opportunities in emerging markets.

Retailers depend on repeat purchases to drive profitability (Shah, Kumar, and Kim 2014). Therefore, many retailers have adopted a wide variety of relationship marketing practices in a quest to engage customers and to foster customer loyalty (Bruneau, Swaen, and Zidda 2018). However, there has been a growing recognition among marketing scholars that there are varying degrees of loyalty and that loyal customers may not represent a single homogeneous segment

(Woodham, Hamilton, and Leak 2017). Instead, various categories of customer loyalty are likely to exist, and there may be varying degrees of loyalty within each category. Moreover, the loyalty segments that may exist are likely to depend on both product category (Stading and Johnson 2012) and geographic market (Echambadi, Jindal, and Blair 2013). As a result, researchers need to examine the concept of loyalty within specific competitive and cultural contexts. Consistent with this aim, the purpose of the present study is to analyze brand loyalty profiles in the Kuwait retail market, with a particular focus on the true loyalty segments.

CUSTOMER LOYALTY

As the study of marketing began to take shape in the early 1940s, academic researchers turned their attention to the measurement and quantification of marketing phenomena such as consumer purchase patterns and brand switching behavior. For example, Guest (1944) was one of the first researchers to conduct, what was at the time, ground-breaking work on the measurement of customer loyalty to a particular brand. Initially, the conceptualization of loyalty was squarely focused on the behavioral dimensions of the construct, including the repeat or habitual purchase behavior of a given product, service, or brand over time. Thus, the earliest studies on loyalty in a marketing context emphasized customer actions rather than the affective processes that govern and direct those actions (Demsetz 1962; Harary and Lipstein 1962). In addition, although the term “brand loyalty” is often used, Zhang, Dixit, and Friedmann (2010) suggest that it is most appropriate to use the term “customer loyalty” since loyalty is a condition of customers rather than a characteristic inherent in a brand.

As the 1960s progressed, however, the social sciences, including psychology and sociology, began to have a noticeable influence on marketing thought. Thus, marketing scholars began to consider the motives and internal drives that were responsible for consumer behavior. For example, with respect to the concept of customer loyalty, Moulson (1965) was the first to recognize that loyalty measures based on reports of purchase decisions alone do not distinguish between true or “intentional” loyalty and “spurious” loyalty. In his view, spurious loyalty could be defined as the consistent purchasing of one brand because of situational factors such as better shelf locations or promotional incentives. In contrast to the truly loyal, spuriously loyal buyers lack any attachment to the brand. As a consequence, spuriously loyal buyers can easily be captured by a brand that offers a better deal, a coupon, or enhanced point-of-purchase visibility through displays and other devices (Day 1969). Recognizing the limitations inherent in a strictly behaviorally based interpretation of the customer loyalty construct, Day (1969) suggested that loyalty should be evaluated with both attitudinal and behavioral criteria. In practical terms, this means a customer’s loyalty score for each brand purchased in a given period should be based on both the number of total purchases and that customer’s attitude toward the brand (Day 1969).

Confirming the reasonableness of a two-dimensional customer loyalty concept compared to a purely behavioral definition, Dick and Basu (1994) proposed that customers can be classified into four loyalty categories based on their attitudes and purchase behaviors. These four categories include (1) the true loyalty condition (high attitude/high repeat purchase), (2) the no loyalty condition (low attitude/low repeat purchase), (3) the latent loyalty condition (high attitude/low repeat purchase), and (4) the spurious loyalty condition (low attitude/high repeat purchase). In recent years, increasing attention has been focused on this framework, as

researchers have begun to study and catalogue the many forms of brand loyalty in a variety of industries and markets (Ngobo 2015; Jaiswal and Lemmink 2017). Although there is no universally accepted definition of customer loyalty, it is clearly a multidimensional construct. Taking the Dick and Basu framework as a starting point, further specificity may be appropriate when examining the true loyalty category. In particular, even though a consumer may exhibit high repeat purchase behavior and a high relative attitude toward a brand, there are likely to be varying degrees of brand commitment.

Uncles, Dowling, and Hammond (2003) proposed that consumers could be grouped into three groups where one merely buys a brand, another accepts a brand, and the third is actually committed to the brand. Similarly, Curren and Healy (2014) proposed that different levels of loyalty are identifiable along a continuum which includes low, medium, and high levels of loyalty, and that these levels are roughly analogous to the spurious loyalty, latent loyalty and true loyalty conditions respectively. Nevertheless, by adopting the two-dimensional definition of loyalty, it can be argued that the true loyalty condition within the Dick and Basu framework is the only category that accurately represents the concept of loyalty. Thus, any gradation or progression of the loyalty construct should occur squarely within the true loyalty category.

One of the simplest approaches to understanding the various levels of true loyalty is to simply differentiate between brand preference and brand insistence (Young 2018). Brand preference can be thought of as a lesser true loyalty condition, where a customer may favor a particular brand over those of competitors. Despite their positive attitudes and behaviors towards the brand, these customers are not exclusively committed to the brand, and may still be occasionally swayed by short-term promotions or advertising programs to engage in some degree of periodic brand switching. In contrast, the most profitable level of true loyalty occurs when a customer not only prefers a brand, but exhibits such a personal connection and commitment to the brand that he or she actually insists upon it to the exclusion of all others. Sometimes referred to as brand evangelists, these brand insistent true loyals exhibit an intense level of brand support that leads them to not only repurchase the brand, but to actively advocate for the brand as well (Becerra and Badrinarayanan 2013). The expanded conceptualization of Dick and Basu's loyalty classification scheme that recognizes two distinct levels of true loyalty is shown in Figure 1.

Figure 1
Expanded Categories of True Customer Loyalty

		Repeat Patronage	
		High	Low
Relative Attitude	High	Insistent True Loyalty (no brand switching) ----- Preferent True Loyalty (some brand switching)	Latent Loyalty
	Low	Spurious Loyalty	No Loyalty

HYPOTHESES

Customers exhibiting the highest level of true brand loyalty, the brand insistent condition, are often willing to serve as ambassadors to new customers. Such a high level of commitment takes both time and effort, and is likely to develop gradually through successive changes as these customers continue to have peak experiences that solidify their connection to the brand. In contrast, brand preference requires fewer emotional or psychological attachments to the brand, and is more likely to characterize the typical “true loyal” customer, as defined by those with both positive attitudes and consistent repurchase over time. As such, the brand insistent condition is not likely to be the norm, and we should expect a greater proportion of preferent true loyals in comparison to the number of insistent true loyals in a given market. Thus, our first hypothesis is as follows:

H1: The largest proportion of true loyal customers will exhibit preferent true loyalty rather than insistent true loyalty.

As previously described, rather than being synonymous with exclusive repurchase, brand preference can be thought of as a predisposition towards a certain brand (Ebrahim et al. 2016). A customer may exhibit both positive attitudes and consistent repurchase for brands that they prefer, but they may not exhibit brand insistence to the exclusion of other preferred alternatives within the total market. Utilizing a sample of undergraduate students in the U.S. market, Woodham, Hamilton, and Leak (2017) recently demonstrated that customers who have experiences with multiple brands have larger consideration sets than do those consumers that had experience with only a single brand. Although, when considering the two-dimensional

conceptualization of brand loyalty, the consumers in the Woodham, Hamilton, and Leak (2017) study cannot be classified as “true loyalists”, their research provides some insight regarding to the size of the consideration set that leads to the following hypothesis:

H2: Preferent true loyal customers will have tried more brands than insistent true loyal customers.

DATA COLLECTION

One common service-based retail format found in the Kuwait market is the coffee shop. Coffee has been prevalent in the social life of the typical Arab consumer for many centuries. In Kuwait, for instance, sitting rooms known as “Dewaniya” have long served as gathering places where men would congregate to discuss politics or social issues while enjoying a variety of coffee drinks. Given the restriction on the sale of alcohol within the Kuwait market, the coffee shop continues to be a gathering place for both social and business oriented meetings. Not surprisingly, in conjunction with the overall global trend, coffee consumption throughout the Middle East is poised to grow significantly in the coming years (Andrews 2015). Moreover, consistent with the trend toward modernization, the western-style coffee shop has begun to dominate the market. For example, on a per capita basis, Kuwait currently has the sixth highest number of Starbuck’s® coffee shops in the world (Smith 2017).

With a focus on the retail coffee shop market, the data for the current study were derived from a group of coffee shop customers in the State of Kuwait. At the time of the study, thirty-nine western-style coffee shop retail brands (i.e. Caribou Coffee®, Costa Coffee, and Starbuck’s Coffee®) were operating in Kuwait. These thirty-nine retail brands were operating approximately two hundred and fifty western-style coffee shops and food-service establishments that specialized in coffee. Data were collected on retail coffee shop customers using personal interviews to administer a standard questionnaire. Seventy field workers were trained and assigned the task of collecting information from a combination of quota and convenience samples. This approach resulted in 618 usable surveys. A test of the expected versus sample frequencies revealed no differences between the sample and the population as a whole on the basis of age and gender ($X^2=2.03$, $p'=0.37$). Therefore, although comprised of current users, the sample appears to be representative of the population.

MEASURES

The study included a variety of loyalty constructs. The Dick & Basu (1994) typology was used as the guide in defining and measuring customer loyalty. Operationally, the indicators can be defined as follows. To measure attitudes, respondents were asked to rank up to five favorite coffee shops (5-most favorite to 1-fifth favorite) from a list of the thirty-nine coffee shop brands in the market. Respondents were instructed that they need not rank five brands, but could allocate a “favorite” designation on zero, one, two, three, four, or up to five brands. For each respondent, those coffee shops ranked as a favorite were designated as “high attitude” and those excluded from the list were designated as “low attitude”. Behaviors were measured through the estimated number of visits to the coffee shops over the past three months. Respondents were asked to write an estimation of their number of visits to each coffee shop. For each respondent,

those coffee shops with the top five most visits were designated as “high behavior” with the remaining coffee shops designated as “low behavior”.

To develop the loyalty profiles for each respondent, the attitude and behavior designations for each coffee shop were combined. Consistent with Dick and Basu (1994), respondents with both high attitude and high behavior towards a given retailer were classified as truly loyal to that retailer. Respondents with high attitude and low behavior towards a given retailer were classified as latent loyal. Respondents with low attitude and high behavior towards a given retailer were classified as spuriously loyal. Finally, respondents with both low attitude and low behavior towards a given retailer were classified as not loyal. Within the true loyalty category, respondents were further classified into preferent true loyals (true loyals who also patronize other coffee shops) and insistent true loyals (true loyals who only patronize a single coffee shop).

ANALYSES

The first hypothesis proposed that the largest proportion of true loyal customers will exhibit preferent true loyalty rather than insistent true loyalty. The results indicate that, on the basis of attitude and behavior, true loyalty is prevalent among our sample as the ratio of truly loyal to not loyal buyers was an astounding 87.3 (611/7). Specifically, there were only seven respondents who were categorized as not loyal to any brand, while the remaining 611 respondents were categorized as truly loyal to at least one brand. Further analysis revealed that 30 respondents (4.9%) were truly loyal to a single brand (insistent true loyals), 68 respondents (11%) were truly loyal to two brands, 208 respondents (33.7%) were truly loyal to three brands, 230 respondents (37.2%) were truly loyal to four brands, and 75 respondents (12.1%) were truly loyal to five brands. On the basis of attitude and behavior alone, the Dick and Basu framework would lead to the vast majority of respondents being classified as “true loyals”. However, the results demonstrate that the majority of these consumers exhibit a significant amount of brand switching among a select number of retail brands. Thus, in this context, it makes a great deal of sense to enhance the Dick and Basu framework by differentiating between the brand preferent and the brand insistent true loyals. The difference in the relative numbers found in each of these categories is readily apparent and, unsurprisingly, a Chi-square test revealed a statistically significant difference among the sizes of the various categories ($X^2=690.2$, $p'=0.00$). These findings clearly support the first hypothesis and indicate that in the Kuwait coffee shop market, the most evident type of true loyalty is brand preference rather than brand insistence.

The second hypothesis proposed that preferent true loyal customers (those with true loyalty to more than one brand) will have tried more brands than insistent true loyal customers. Individual comparisons of the means found in Table 1 (at $p' \leq 0.05$) reveal the following for the number of coffee shop brands tried: $TL_5 < TL_4 < TL_3, TL_2, TL_1$, and $TL_5 < TL_1$. Overall, it can be seen that the coffee shop brands in this market have achieved a trial rate of 29% (11.48/39). Also, those loyal to one, two, or three brands have tried the most coffee shops, while the respondents loyal to four or five brands appear to have tried the fewest. While previous research suggests that customers who have experiences with more brands have larger consideration sets, the opposite appears to be true in this particular context. This finding is counterintuitive and does not support the second hypothesis.

Table 1
Sample Loyalty and Brand Trial Statistics

Truly Loyal #Brands	n	Average #Brands Tried
1	30	12.33
2	68	12.50
3	208	12.52
4	230	10.92
5	75	9.35
Total	611	11.48

$F = 5.18, 'p' = 0.000$

DISCUSSION AND LIMITATIONS

Although the findings are preliminary and require more investigation, it can be seen that a large proportion of coffee shop customers in the Kuwait market fall into the true loyalty category. However, only about five percent of the market exhibits the brand insistent form of true loyalty, where they are loyal to only one brand at the exclusion of all others. Instead, the vast majority of respondents exhibited the brand preferent form of loyalty, choosing to periodically switch their purchases between a small number of retailers. The findings indicate that brand preferent customers outnumber the brand insistent segment by a margin of nearly fourteen to one. The evidence suggests that most buyers are loyal to more than one brand and are using other brands as well. In fact, the typical brand preferent buyers are truly loyal to more than three brands.

Also, the insistent true loyal customers actually have experience with more brands than do customers in the preferent true loyalty segment, especially in comparison to brand preferent true loyals that exhibit loyalty to multiple brands. The findings suggest that in this particular market, the brand insistent customers are comprised of some of the more experienced consumers. Specifically, insistent true loyal customers have experience with approximately 1/3 of all coffee shop retail brands in the market. Despite, or perhaps because of, their knowledge of the market, they have zeroed in on their most preferred retailer, to the exclusion of all others. Brand insistent customers are not naïve consumers. Instead, they appear to be savvy consumers who know what they want and have developed an efficient and dedicated consumption pattern based on extensive knowledge of the market.

Given the greater level of brand experience of the insistent true loyals, it is likely that brand preference is the first step, and that brand preferent customers may gradually gravitate to the insistently loyal category. Because truly loyal customers have been shown to be valuable to a firm, recognizing the journey from lower levels of preferent loyalty, where a limited form of brand switching is relatively common, to higher levels of true loyalty in the form of brand insistence is meaningful to marketing researchers and practitioners alike. Therefore, future

research should be conducted to help marketers devise a strategy capable of moving all loyal customers to the highest level of exclusive commitment to the brand.

Finally, several important limitations must be acknowledged. First, the data were not collected through probability sampling and therefore may not be fully representative of the population of interest. Although the sample appears to be similar to the sampling frame on the basis of age and gender, the sample appears to include a large proportion of heavy users, and may not be indicative of the market as a whole. In addition, the study examines only one retail category and the results may only be specific to the Kuwait retail coffee shop market. Consequently, future research should focus on additional product categories and even additional geographic markets in order to enhance the generalizability of the findings.

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ABOUT THE AUTHORS

Larry P. Pleshko earned his Ph.D. in Marketing from Florida State University and he currently serves as Professor of Marketing at Kuwait University. Dr. Pleshko has held positions at academic institutions in Australia, Jamaica, Kuwait, Saudi Arabia, the United Arab Emirates, and the USA, and his research focuses on international marketing strategy and the measurement of firm performance.

Richard A. Heiens earned his Ph.D. in Marketing from Florida State University and he currently serves as Professor of Marketing at the University of South Carolina Beaufort. His research interests are in the area of strategic marketing, and he has published in a wide variety of academic journals, including the *Strategic Management Journal*, the *Journal of Business and Industrial Marketing*, the *Academy of Marketing Science Review*, and the *Journal of Strategic Marketing*.