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# Customer Loyalty: Do Brands Still Matter?

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## ABSTRACT

*The conventional wisdom holds that consumers' brand loyalty is a function of their perceived brand performance. However, recent studies have shown that loyalty may be affected by non-performance factors, such as brand parity, brand size, and a consumer's propensity to be loyal. This study explored the three effects on brand loyalty in a tourism context, and lent partial support to their direct effects on loyalty. Specifically, it was revealed that respondents' attitudinal loyalty was significantly and positively related to their loyalty proneness, and their behavioral loyalty was significantly and positively related to a brand's market share. However, brand parity did not seem to affect respondents' attitudinal loyalty but was found to have a slightly positive effect on respondents' behavioral loyalty. These results suggest that the three effects on loyalty could be more complicated than originally conceptualized*

## INTRODUCTION

In the marketing literature, conventional wisdom holds that brand loyalty is a function of perceived brand performances, such as customer satisfaction, perceived value, and quality. Following this line of thought, marketers have been investing heavily on improving customer satisfaction, enhancing brand perception, and advancing brand performances (Reichheld, 2006). Nevertheless, the general decline of customer loyalty (Chancy, 2001) and the fact that more consumers today hold polygamous loyalty to brands (Bennett & Rundle-Thiele, 2005; Cooil, Keiningham, Aksoy, & Hsu, 2007; Rust, Lemon, & Zeithaml, 2004; Uncles, Dowling, & Hammond, 2003) suggest there might be other forces in play.

Recent marketing research has revealed some effects on brand loyalty that are not directly associated with brand performances. For instance, some researchers suggest that when all brands are perceived to be the same, the benefits from choosing a "good" brand over the bad ones are minimum (Batra & Sinha, 2000). If so, customers could have lost the very reason to be loyal to a brand. Muncy (1996) termed this lack of perceived differences "brand parity," and suggested that consumers who perceive all the brands in a product category the same will be less loyal (Muncy, 1996).

Another group of researchers argued that loyalty (or the attitudinal aspect of it) is a personality trait rather than a calculated choice (Martin & Goodell, 1991; Raju, 1980; Rundle-Thiele, 2005; Traylor, 1981), and some customers tend to be more loyal than others by nature (Bennett & Rundle-Thiele, 2002; Rundle-Thiele, 2005). Put simply, these

customers' loyalty is a function of their individual personality traits rather than the characteristics or performances of brands (Haistrom, Chae, & Cholung, 1992; Mellens, Dekimpe, & Steenkamp, 1996; Rundle-Thiele, 2005; Sproles & Kendall, 1986). If this is the case, some marketers may find that their loyalty program works more effectively with some customers than others, simply because those customers are "born to be loyal."

Finally, some marketing researchers were inspired by the "double-jeopardy" phenomenon in sociology literature (McPhee, 1963) and maintained that brand loyalty was mainly a function of market share. Specifically, with other things being equal, less popular brands (i.e., brands with lower market shares) tend to have less loyal customers (Ehrenberg, Goodhardt, & Barwise, 1990). McPhee (1963) called this the double jeopardy (DJ) phenomenon because low-share brands are punished twice for being small: (1) low-share brands have fewer customers than high-share brands, and (2) those few buyers of low-share brands usually like the brands less and buy less frequently (Fader & Schmittlein, 1993; Yang, Bi, & Zhou, 2005). Because of the DJ effect, larger brands, simply due to their size, tend to attract higher repeat purchasing and more loyal buyers than smaller brands.

From different perspectives, these studies have challenged extant beliefs on how to cultivate customer loyalty and design loyalty programs. Nevertheless, due to the infancy of this line of research, most findings still need more robust validation. Further, the majority of related studies have focused on consumer goods, while empirical examination of these non-performance effects in service contexts is still lacking. This study attempts to introduce this discussion to the tourism literature, and test these effects in a cruise tourism context. Specifically, three hypotheses were developed based on previous discussion:

> *H1*: Cruise passengers' loyalty (i.e., attitudinal and behavioral loyalty) is significantly but negatively related to their perceived brand parity.
> *H2:* Cruise passengers' loyalty (i.e., attitudinal and behavioral loyalty) is significantly and positively related to their levels of loyalty proneness.
> *H3:* Cruise passengers' loyalty (i.e., attitudinal and behavioral loyalty) is significantly and positively related to a brand's market share.

## METHODS

The study employed a self-administered online panel survey. Based on the expert panel's recommendations and pilot study results, attitudinal loyalty was measured with a five-item scale proposed by Li and Petrick (2008). Behavioral loyalty was measured by proportion of brand purchase (Cunningham, 1956; Iwasaki & Havitz, 2004). Brand parity and loyalty proneness were both measured with existing scales (Muncy, 1996; Rundle-Thiele, 2005). Finally, different cruise lines' market share was calculated by each line's yearly number of cruise passenger nights divided by total North American cruise passenger nights as of the year of 2005 (Marine Administration, 2007).

Participants of this study were cruise travelers who had cruised at least once in the past 12 months, who were over 25 years old and had a household income of $25,000 or more, and volunteered to complete the survey. The survey started from a screening question, asking whether the respondent took a cruise vacation in the past 12 months or not. For respondents who said "Yes", they were asked which cruise line they cruised with in their most recent cruise vacation, and a list of nineteen North American cruise lines was

presented as a drop-down menu. Clicking any of the nineteen cruise company names would lead the respondent to the actual survey, which was customized to the cruise line being chosen.

The online panel survey generated an effective sample size of 554. This sample included 55.8 percent male respondents with an average age of 53.9, with the vast majority white (91.7%) and married (80.5%). About two thirds (63.9%) had a college degree or more and the median income was $75,000 to $100,000. On average, respondents had taken 8.3 cruises with 3.4 different cruise lines in their lifetime. Respondents' brand purchase history included an average of 3.1 cruises with the cruise line, and 6.2 years cruising with that line. Finally, no significant non-response bias and sampling bias were detected.

## FINDINGS

To test H1, the author conducted multiple regression analyses in two steps (Cohen, Cohen, West, & Aiken, 2003), with eight control variables being entered in Step 1, and the "main effect" of brand parity entered in Step 2. The control variables included respondents' overall satisfaction level, their cruise experiences (in terms of amount of cruises they have taken in their lifetime, amount of cruises they have taken with the focal brand, amount of lines they have cruised with, and four demographic variables (gender, age, education level, and household income).

When attitudinal loyalty was the dependent variable, brand parity did not significantly contribute to the prediction of the dependent variable ($p > 0.05$). When behavioral loyalty was the dependent variable, brand parity did contribute significantly (albeit marginally) to the regression ($p = 0.044$). However, the contribution was positive, which was contrary to the hypothesized effect. A comparison of the results of Step 1 and Step 2 showed that adding brand parity to the model increased very little explanatory power to the model ($\Delta R^2 = 0.006$). Thus, H1a and H1b were not supported by the data.

The H2 test followed the same procedure as in testing H1. When attitudinal loyalty was the dependent variable, loyalty proneness significantly contributed to the prediction of the dependent variable ($p < 0.01$). A comparison of the results of Step 1 and Step 2 showed that adding loyalty proneness to the model increased some explanatory power to the model ($\Delta R^2 = 0.011$). However, when behavioral loyalty was the dependent variable, brand parity did not contribute significantly to the regression ($p > 0.05$). Thus, H2a was supported, but H2b was not supported by the data.

To test H3, cruise brands were categorized into "Big," "Medium," and "Small" brands, based on their market share. Following Backman and Crompton (1991), respondents were divided into "high attitudinal loyalty" and "low attitudinal loyalty" based on their scores on attitudinal loyalty measures. Similar to Petrick (2004), respondents' behavioral loyalty was transformed into two categories — low behavioral loyalty ($< 0.5$) and high behavioral loyalty (0.51-1). The Chi-square and Gamma tests suggest that while attitudinal loyalty and brand size were marginally related ($\chi^2 = 5.894$, $p = 0.052$), the relationship is not strictly an ordinal one as hypothesized (Gamma = 0.022, $p > 0.05$). However, market size did affect respondents' behavioral loyalty significantly (Gamma= -0.437, $p < 0.001$). Thus, H3a was not supported, but H3b was supported

## APPLICATION OF RESULTS & CONCLUSIONS

Recent studies have shown that loyalty may be affected by non-performance factors, such as brand parity, brand size, and a consumer's own propensity to be loyal. This study, through a survey on American cruisers, partially supported these claims. Specifically, it was revealed that respondents' attitudinal loyalty was significantly and positively related to their loyalty proneness, and their behavioral loyalty was significantly and positively related to by a brand's market share. However, brand parity did not seem to affect respondents' attitudinal loyalty, and it was found to have positive effect (albeit marginally) on respondents' behavioral loyalty.

The present study provides an initial exploration of the three effects on brand loyalty in a tourism context. While conceptually the three effects seem to make intuitive sense, the empirical results only lent partial support to two of them. On one hand, this illustrates the limitations of the present study. On the other hand, the present findings suggest that there remains much unknown regarding the three effects under discussion and future research on this is warranted. Understanding these non-performance effects on brand loyalty should by no means invalidate or undervalue the importance of brand and brand performances, which may continue to be effective and controllable tools of loyalty building for marketers. Ultimately, studies like the present one suggest marketers to think more broadly in their strategic decisions, and take the characteristics of the industry, product category, competition, and customers into consideration.

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