

# A Review of the Literature on Brand Loyalty and Customer Loyalty

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## Abstract

Brand Loyalty or Customer Loyalty? Brand Loyalty and Customer Loyalty are two concepts that have been delved into by researchers as they are two very important dimensions in marketing. Brand Loyalty is a biased behavioural response expressed over a period of time. It implies a consistent repurchase pattern of the brand as a result of positive affection towards the brand (Mellens, DeKimpe and Steenkamp, 1996). Brand loyalty theories suggested that loyalty to brands is the outcome of several factors comprising affective, behavioural and attitudinal dimensions. Customer loyalty as defined by Oliver is a deeply held commitment to re-buy or re-patronise a preferred product or service consistently in the future despite situational influences and marketing efforts having the potential to cause switching behaviour. This article discusses the difference between Brand Loyalty and Customer Loyalty and the methods used by researchers in academic research.

Brand Loyalty in marketing has been associated with a positive perception by consumers towards the brand while Customer Loyalty has been associated with the spending power of consumers induced by various loyalty programs. However research in both Brand Loyalty and Customer Loyalty uses the same multi-dimensional constructs of affective and behavioural approach.

**Keywords :** Brand Loyalty, Customer Loyalty

## Brands

What are brands? Brands comprise the logo, the pictorial representation of the company or organisation, the signature of the company. According to the American Marketing Association a 'brand' is a name, term, sign, symbol or design or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors (Keller, 1998). Today a brand is also represented by a personality and a signature tune to capture the hearts of consumers and keep them loyal.

## Benefits of Branding

Strong brands have a number of benefits for a company, the retailer, the consumer and for society as a whole. Strong brands help the consumer locate and identify products and evaluate their quality and makes it easier for them to develop attitudes and expectations (Pelsmacker, Geuens, and Van den Bergh, 2001). Branding also makes shopping more efficient as it tends to reduce the amount of decision-making time required and the perceived risks of purchase since a brand promises a constant level of quality (Pelsmacker et. al., 2001).

Well-known brands are capable of developing favorable attitudes and perceptions more easily, leading to increase sales. Higher perceived quality gives the consumer a good reason to purchase the product (Pelsmacker et. al., 2001). The same brand equity components may give the manufacturer an efficient base for line or brand extensions. The image and personality of the brand is easily carried over to the new products, giving it a head start. An extension set of brand helps the consumer retrieve information from memory, thus it facilitates the purchasing process and bias towards the brand (Pelsmacker et al., 2001).

In a competitive business environment, brands are not just symbols that serve as identifiers but have an economic function. The value of brands is its ability to form an exclusive, positive and prominent meaning in the minds of consumers (Kapferer, 1977). A brand can create a lasting impression on consumers and this may result in brand loyalty or attract loyal customers.

## **Loyalty**

Loyalty is a biased response towards a brand or product expressed over a period of time and is defined by the purchase pattern of a decision making unit which may be an individual, a household or a firm (Mellens, Dekimpe and Steenkamp, 1996).

Therefore loyalty implies consistent repurchase of a brand resulting from positive affinity of consumers towards the brand or the product. Jacoby and Chestnut (1978) argued that commitment is an essential element of loyalty and distinguishes between loyalty and repeat buying which is due to inertia.

Former Ford vice president, Basil Coughlan estimates that every percentage point of loyalty is worth 100 million dollars in profits to his company (Serafin and Horton, 1994). Del Monte, Harley Davidson and General Motors spend large sums of money to induce brand loyalty (Mellens, Dekimpe and Steenkamp, 1996). Brand loyal consumers are willing to pay higher prices and are less price sensitive to price increases (Mellens et.al.).

Therefore loyalty is at the heart of a company's success. Researchers and marketers are keen to understand the variables that determine loyalty to a company or to a product and to distinguish between brand and customer loyalty, although there is not much difference between the two concepts.

The advantages enjoyed by a brand with strong and consistent customer loyalty include the ability to maintain premium pricing, greater bargaining power with channels of distribution, reduced costs, a strong barrier to potential new entries into the product or service in the same category (Reichfeld, 1996).

## **Brand Loyalty**

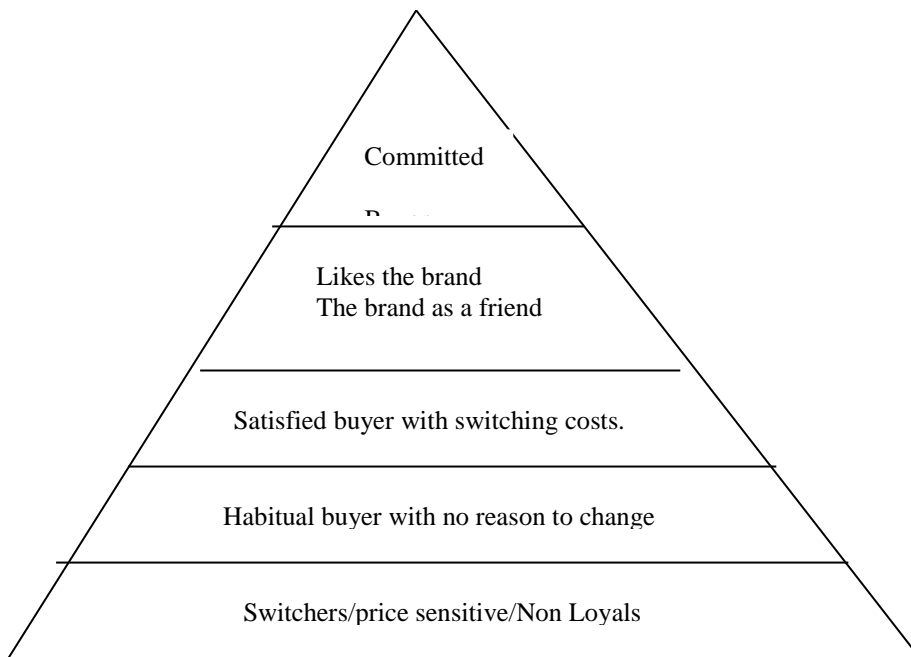
Brand loyalty is a consumer's preference to buy a particular brand in a product category. It occurs when consumers perceive that the brand offers the right product features, images or level of quality at the right price. This perception may translate into repeat purchase resulting in loyalty. Brand Loyalty is therefore related to a customer's preference and attachment to a brand. It may occur due to a long history of using a product and trust that has developed as a consequence of the long usage.

One of the most comprehensive and most cited conceptual definitions of brand loyalty was forwarded by Jacoby and Chestnut (1978). Jacoby et al, defines brand loyalty as "the biased, behavioural response, expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological decision-making, evaluative processes."

Cunningham (1956) identified three definitions of brand loyalty comprising; customers lost and gained over specific time periods; time sequences of individual purchases and share of the market (Smith). Olsen and Jacoby (1971) used factor analysis to conceptualised brand loyalty and found that brand loyalty is related to; percentage of purchase devoted to the most purchased brand, number of different brand purchased over the past two years, number of times the favourite brand was purchased out of the last five purchases, three consecutive purchases out of the last five purchases and the actual number of consecutive purchases of favourite brand out of the last five purchases (Smith). Based on the summary by Smith brand loyalty as defined by Cunningham (1956), Day (1969) Buford, Enis and Paul (1971), Olson and Jacoby (1971) behavioural loyalty is expressed in the form of 'repeated purchase' of the brand (Smith, 2003).

David A. Aaker defines brand loyalty as the measure of attachment that a consumer has towards a brand. Brand loyalty according to him reflects how likely a consumer will be to switched brands when that brand makes a product change either in price or product features. Aaker states that the core of a brand's equity is based on customer loyalty. Therefore if customers buy with respect to features, price and convenience with little concern to the brand name, there is perhaps little equity (Aaker, 1991).

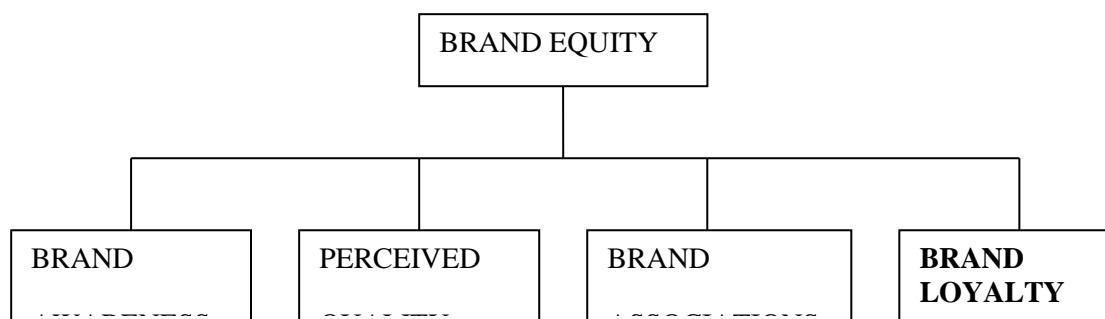
Aaker conceptualises brand loyalty as a pyramid with five tiers. The bottom represents the non-loyal consumers who are indifferent to the brand and who perceived any brand as being adequate whereby the brand name has little influence over buying decisions. The second level are those who are satisfied with the product or are at least not dissatisfied. The next level are the satisfied buyers with switching costs, those who do not want to risk changing product and may be termed habitual buyer. The next level are loyal buyers who considers the brand as a friend. The fifth level is the committed buyer or those who are extremely loyal to the brand. They comprise those who are proud users and will recommend the product to others (Aaker, 1991).



(Aaker, 1991)

Aaker cited that brand loyalty is at the core of brand equity. Brand loyalty he says is tied more closely to the use experience as it cannot exist without prior purchase and use experience. However he says that loyalty is influenced by other major dimensions of brand equity, namely awareness, associations and perceived quality. However he says in many instances loyalty may be independent of other factors such as perceived quality or attribute associations as the nature of the relationship is unclear

(Aaker,1991).



(Aaker, 1991)

Three of Aaker's dimensions namely, brand associations, perceived quality and brand loyalty have been accepted and delved into by many researchers. Of the three dimensions, brand loyalty according to Aaker is at the heart of a brand's value. It is the most important component of brand equity. The importance of brand loyalty have been accepted and acknowledged by researchers and people in marketing. Loyalty has been the subject of research delving into its relationship with variables including perceived quality and brand associations.

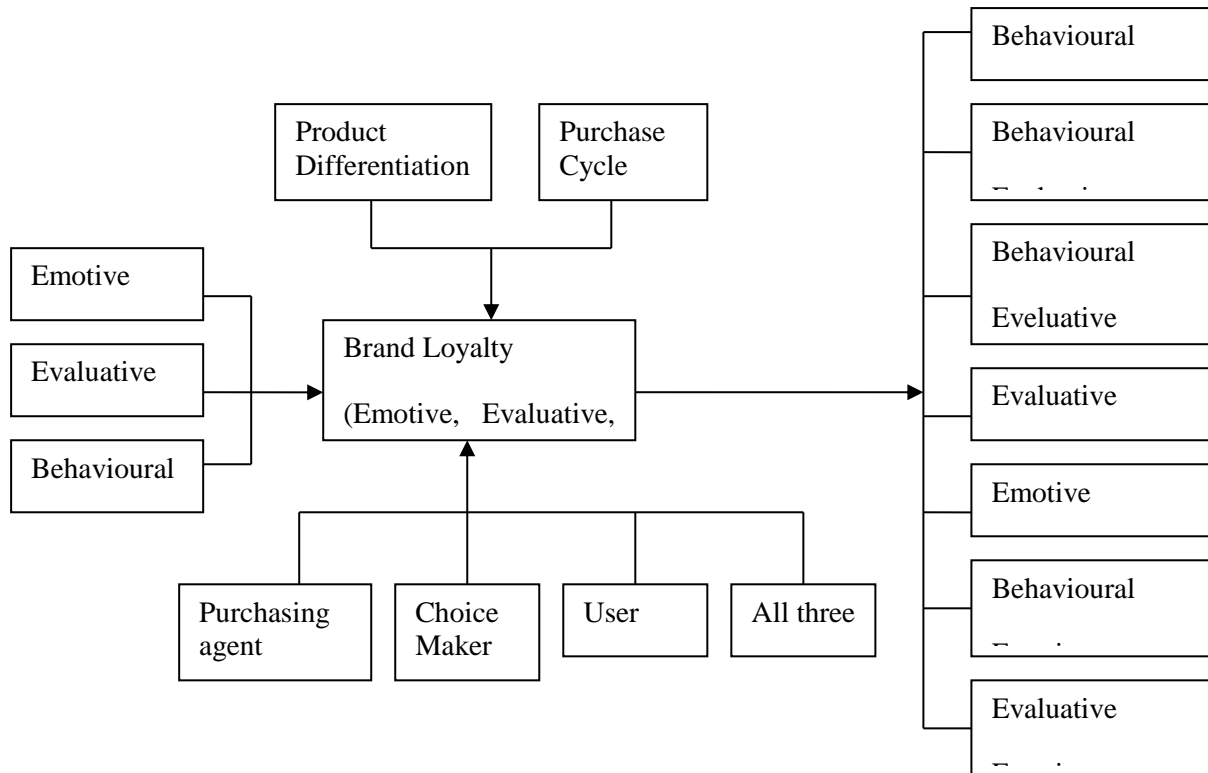
Most operational measures in the study of loyalty are either behavioural or attitudinal depending on relative emphasis of the research. The popularity of the measurements used has varied over time and among researchers as both categories have their own strength and weaknesses.

Based on their definition brand loyalty may be divided into two broad categories of operational definitions. The first stresses the "behavioural response, expressed over time" and refers to a series of purchases or repeat purchases.

Jacoby and Chestnut perfected the conceptual definition and developed a measure of brand loyalty into four categories.

1. Brand oriented attitudinal measures. It is measured by looking at the intention of customers who wish to buy the same product the next time.
2. Individual oriented attitudinal measures.
3. Brand oriented behavioural measures.
4. Individual oriented behavioural measures.

Sheth and Park (1974) suggested that Brand Loyalty is multi-dimensional and comprise three dimensions namely, the emotive tendency towards the brand; the evaluative tendency towards the brand and third the behavioural tendency towards the brand. They theorised that all three dimensions are present in every situation where brand loyalty prevails (Sheth and Park, 1974).



(Sheth and Park, 1974)

### Customer Loyalty

Oliver defines customer loyalty as a deeply held commitment to re-buy or re-patronise a preferred product or service consistently in the future despite situational influences and marketing efforts having the potential to cause switching behaviour.

Oliver (1999) proposed four categories of customer loyalty based on the assumption that the consumers first process information to form beliefs, use those beliefs as the basis for attitudes and then make behavioural decisions based on relative attitude strengths.

Dick and Basu define customer loyalty as the strength of the relationship between an individual's relative attitude and repeat patronage.

Customer Loyalty is a newer concept as compared to Brand Loyalty. Among the prominent authors who have expanded research in Loyalty are Jacoby and Chestnut, Dick & Basu whose concept were being expanded by other after them.

### Loyalty Research

Author	Contribution	Year
Jacoby and Chestnut	3 fold classification characterising approaches to measuring brand loyalty :  Behaviour Psychological commitment Composite indices.	1978
Dick and Basu	Study concentrated on the relative attitude and potential moderators of the relative attitude to repeat patronage based on social norms and situational factors.  Relative attitude is the degree to which the consumer's evaluation of one alternative brand dominates over another True loyalty only exists when repeat patronage co-exists with high relative attitude  Classification including spurious, latent and sustainable categories of loyalty.	1994
Christopher et. al.	The loyalty ladder.  Examine the progress up or along the rungs from prospects, customers, clients, supporters and advocates.  Progression requires increased discussion between exchange parties, commitment and trust which develops within a consumer's attitude based on their experiences including dialogue.	1993
Baldinger and Ruben	A composite approach. Investigated the predictive ability of behavioural and attitudinal data towards customer loyalty across five sectors.	1996
Hallowel	Examined the links between profitability, customer satisfaction and customer loyalty.	1996
Reichheld and Teal	Loyalty coefficient to help compare consumer loyalty. They found that some customers would switch over to another product for just a 2 percent discount while some will only switch at 40 percent discount. Some do not switch even for larger discounts.	1996
O'Malley	Effectiveness of loyalty programs.	1998

Raju	Developed scale to measure loyalty within the Exploratory Tendencies in Consumer Behaviour Scales (ETCBS).	1980
Beatty et al.	Developed scale to commitment based on the assumption that commitment is similar to loyalty. This scale included items which reflected ego involvement, purchase and brand commitment.	1988
Pritchard et al.	Conceptualised customer loyalty in a commitment-loyalty measure, termed Psychological Commitment Instrument (PCI)	1999
Gremler and Brown	Extended the concept of customer loyalty to intangible goods with their definition of service loyalty. They recommended a 12-item measure with a seven point scale described at either end strongly agree to strongly disagree.	1999
Oliver	Greater emphasis on the notion of situational influences Developed four-phase model of customer loyalty development building on previous studies but uniquely adding the fourth action phase.	1999
Jones et al.	Explored a further aspect of customer loyalty identified as 'cognitive loyalty' which is seen as a higher order dimension involving the consumer's conscious decision-making process in the evaluation of alternative brands before a purchase is affected.  One aspect of cognitive loyalty is switching/re-purchase intentions which moved the discussions beyond satisfaction towards behavioural analysis for segmentation and prediction purposes.	2000
Knox and Walker	Developed measure of customer loyalty Empirical study of grocery store Found that brand commitment and brand support were necessary and sufficient conditions for customer loyalty to exist. Produced a classification-loyal, habitual, variety seeking and switchers Provides guidance for mature rather than new or emerging brands.	2001

### Concepts in Loyalty Research

Although Brand Loyalty and Customer Loyalty are two different concepts research in both areas share the same dimensions.

Brand Loyalty and Customer Loyalty in past literature have been conceptualised by two main typologies, the behavioural and the attitudinal typologies. The behavioural typology to the approach of customer loyalty is primarily concerned with measures of repeat purchase, proportion of purchase and frequency of purchase. The popularity of the measures has varied over time and among



researchers as both categories have their strengths and weaknesses (Mellens, Dekimpe and Steenkamp, 1996). Behavioural measures define brand loyalty in terms of the actual purchases observed over a certain time period (Mellens et. al., 1996). The advantages of behavioural measures are;

1. It is based on actual purchases which are directly related to performance.
2. Unlikely to be incidental as it is usually based on behaviour over a period of time.
3. Relatively easier to collect than attitudinal data.

Limitations to behavioural measures is, they do not make any distinction between brand loyalty and repeat purchase and thus may include spurious loyalty (Mellens et al., 1996).

	Advantages	Disadvantages
Behavioural Measures	<ol style="list-style-type: none"> <li>1. Based on actual behaviour</li> <li>2. Non incidental</li> <li>3. Easy to collect data</li> </ol>	<ol style="list-style-type: none"> <li>1. Repeat buying is not distinguishable from brand loyalty.</li> <li>2. More sensitive to short-run fluctuations.</li> <li>3. Difficult to pick right decision unit.</li> </ol>
Attitudinal Measures	<ol style="list-style-type: none"> <li>1. Repeat buying separated from brand loyalty.</li> <li>2. less sensitive to short-run fluctuations.</li> <li>3. Easier to pick right decision unit.</li> </ol>	<ol style="list-style-type: none"> <li>1. Valid representation of reality not guaranteed.</li> <li>2. Incidental.</li> <li>3. Harder to collect.</li> </ol>

(Rundle-Thiele, 2006)

There are many studies delving into brand loyalty or customer loyalty measured using the behavioural approach which attaches loyalty to repeat purchase. Bayus (1992) in a study of brand switching of home appliances and Fader and Schmittlein (1993) in his investigation into the advantage of high share brands in brand loyalty measured brand loyalty only by the behavioural aspect of brand loyalty (Choong 2010).

Day (1969) however found weak evidence that repeat patronage measured share category purchased associated with customer characteristics and suggested that this was because many behaviourally loyal customers were influenced by opportunity and routine rather than by preference (East, Gendall, Hammond and Lomax, 2005).

Some researchers however believe that behavioural measures may not be enough to understand true loyalty. To compensate for the incompleteness of the behavioural measure, Jacoby and Chestnut introduces the 3 fold classification characterising approaches to measuring brand loyalty comprising the behaviour, psychological commitment and composite indices. Advance in the study of loyalty was further made by Fishbein and Ajzen who combine the behavioural and attitudinal measures in the study of loyalty. The attitudinal approach to loyalty was developed by researchers who wanted a more comprehensive methodology of measuring loyalty. Attitudinal loyalty includes measures of commitment and trust and has been seen as a more comprehensive conceptualisation of loyalty.

Oliver argued that the value to the firm of loyalty increases as the basis moves from attribute beliefs, to attitudes, to behavioural intentions, and, in the fourth category to a behaviour pattern that is strong enough to resist most obstacles.

Oliver calls “ultimate loyalty” as being driven by behavioural intentions based on extremely strong attitudinal preference.

Oliver 4 phases of loyalty – cognitive which is based on brand belief, liking or attitude towards the brand, conative loyalty or a commitment to repurchase, action loyalty a transformation into readiness to act.

Colombo and Morrison (1989) developed the preference-behaviour loyalty construct which is based on a simple change in a brand switching model. The Colombo and Morrison model was derived from a classification of consumers as either hard core loyal or potential switchers. Thus, after any given purchase, a consumer will either be sufficiently satisfied that he will consider no other brands and automatically repurchase the last brand purchased, or he will consider alternatives and have some probability of buying each. The simplifying assumption of the model is that hard core loyalists do not switch; potential switchers may or may not switch.

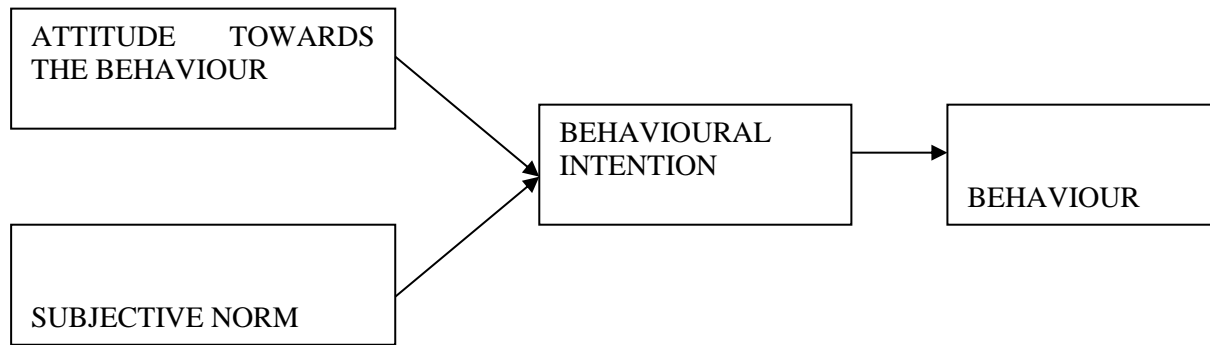
These categories generalize loosely to consumers who are very brand loyal and unlikely to switch at a given point and those who are not brand loyal and, therefore, are likely to switch from one brand to another.

An assumption of the model is that every consumer has a preferred brand. Nonetheless, despite the fact that consumers have a preferred brand, some preferences are stronger than others. Thus weak preferences characterize potential switchers. Potential switchers may be variety seekers or they may be responding to sales promotions or other situational factors. Thus each brand has the ability to attract customers who are using other brands based on situational factors.

In 1969 Day proposed that loyalty should be viewed as a composite concept. According to this view loyalty should comprise both the attitudinal and behavioural components (Rundle-Thiele, 2006).

In 1975 Martin Fishbein and Icek Ajzen developed the theory of reasoned action which is still popular among researchers in marketing. The theory proposed that behaviour comprise the attitudinal, normative and conative component. The TRA is much used by researchers today.

Fishbein and Ajzen developed their theory of reasoned action based on the belief that attitude towards buying and subjective norm are the antecedents of performed behaviour that influences the purchase behaviour.



(Martin Fishbein and Icek Ajzen TRA model, 1975)

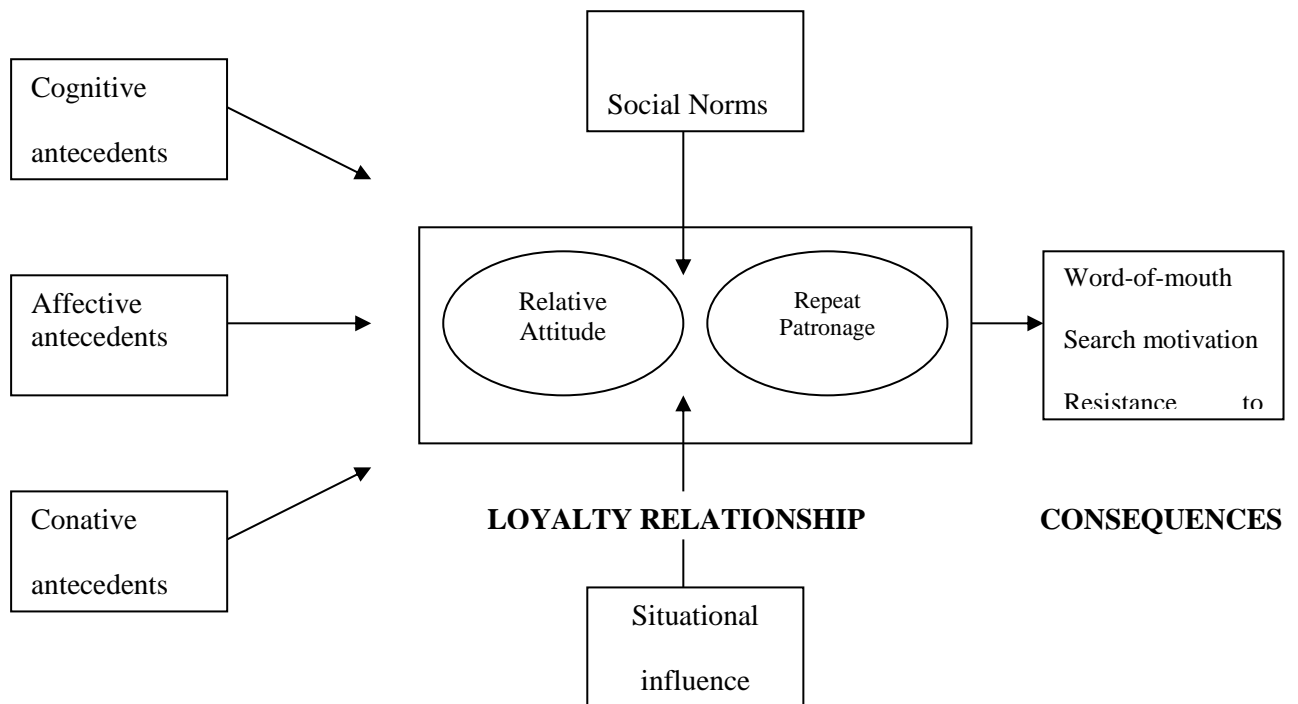
Attitudinal loyalty according to Fishbein and Ajzen develops in a person’s life as a result of life’s experiences about various objects, actions and events. Through life’s experiences beliefs develop as a result of observation or inferences. Some beliefs may persist over time while others may be forgotten (Fishbein and Ajzen, 1975).

The next step in loyalty research was made in 1994 when Dick and Basu proposed a conceptual framework to distinguish between various types on loyalty and to identify the driver of loyalty (Rundle-Thiele, 2006).

Based on previous studies Dick and Basu proposed the attitudinal loyalty concept where attitude includes the behavioural and attitudinal typologies. Their loyalty construct distinguishes loyalty into true loyals or just merely variety seekers.

		HIGH	LOW
		Relative	True loyalty
High	Spurious loyalty	No loyalty	
Low			

(Dick and Basu Loyalty Typology, 1994)



(Dick and Basu, 1994, Loyalty Typology)

## Conslusion

As the market becomes more competitive with products and services which are substitutes, the study of Brand Loyalty and Customer Loyalty will become more crucial. Producers need to understand consumer behaviour in order to compete with rivals. Consumers may be irrational people who make decisions not on based rational reasons. There will always be a gap in understanding how a decision making unit makes a choice in a market that offers a lot of choices.

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