ADMAP

What Brand Loyalty Can Tell Us

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Brand loyalty provides some constraints for marketing communications as well as some opportunities. In this article I will briefly outline the following:

1. What loyalty measures measure (mainly established habits)
2. How loyalty to different brands differs (mainly very little)
3. Whom to target and what to say (mostly to remind occasional users that the brand exists).

A few technicalities seem unavoidable. But two broad conclusions for marketing communications are that strong persuasion not essential, and that one can therefore aim at high media reach before high frequency.

How loyalty measures measure loyalty

Many different measures relating to brand loyalty have been used or written about over the years[1].

Some measures are attitudinal, from survey data or focus groups. They tap, for example, consumers' stated brand preferences, or perhaps their deeper commitment to a brand.

One outcome is that for favourable attributes, users of the brand by any definition score it higher than do its nonusers [2]. Users, and especially heavy users, tend to tick 'intend-to-buy' and 'tastes good'.

Another outcome is that users of a small brand score it somewhat lower than users of a large brand score the Double Jeopardy (DJ) phenomenon, [3], as explained below.

Other loyalty measures are behavioural mostly from large scanner-panels or retailers' checkout records. The main measure is some form of repeat-buying tabulation (or the related average purchase frequency). Another is the very different SCR, the brand's Share of Category Requirements, which reflects how much a brand's customers also buy other brands.

For many durables and financial services markets where people usually buy, own or subscribe to only one brand over a period of time (so-called 'subscription markets' [4], defection rates may be the only behavioural loyalty measure.

Any loyalty measure yields different numbers in shorter and longer analysis periods. It can even tell quite different stories (for example, almost every customer of an fmcg brand is 100% loyal to it in a week. Almost none are in a year). On the face of it, then, the various loyalty measures on offer seem to measure different things, a confusing state of affairs.

The news here is simpler, and therefore good: when different measures are compared across brands which admittedly is not often they tend to vary together, with correlations of 0.8, 0.9 or more. Even the brands' average purchase rates and their apparently very different SCRs co-vary closely. (The clue is that brand-users' category usage rates hardly vary between competitive brands.) The different measures therefore measure much the same thing, which is then thought of as brand loyalty.

To have many plausible measures is not unusual. There are also many diverse measures of temperature, say: mercury or alcohol thermometers, the electrical resistance of a metal object as it is heated, the voltages created by a thermocouple, ditto, or just how hot or cold things feel. These measures again correlate very highly (with known exceptions). Scientists then say they all measure temperature, with good reasons.

Habit

For brand loyalty, most people would probably agree that a major ingredient is habit. Individual consumers develop convenient habits to choose certain brands that they know to be all right, rather than laboriously re-evaluate all the brands and their attributes on each purchasing occasion. I myself have long come to regard personal habits as just about all there is to being brand loyal. A specific piece of evidence apart from informally observing and questioning people is that such habits are the key assumption in a long-established theoretical model that rather successfully predicts the observed regularities in consumers' buying behaviour (the so-called Dirichlet [5]).

But some commentators also posit deeper 'commitments'. Or that there are 'true' loyals. Or that much motivating brand differentiation exists, or extra values, or some special 'brand equity'. Leading names here include Ries and Trout, Reichheld and John Philip Jones, with Paul Feldwick as perhaps a splendid doubter. There seems to be no consistent evidence or agreement.

Habits can be difficult to break, as we all know. But not impossible.

The large sales blips resulting from fmcg price promotions are an important instance of changes in buying behaviour occurring without changes in brand choice habits. It has been found that a promoted brand's extra sales come almost solely just from its past customers [6]. They already knew the brand well and could just buy it also in the period when it was cheaper. But the price cut was not enough to change non-users who had habitually been avoiding the now-promoted brand for up to five previous years in the study.

In contrast, new habits develop and remarkably quickly when consumers adopt a successful new brand [7]. The question remains why some people adopt new habits, and many others do not.

Loyalties to competitive brands differ little

Comparing the loyalties of different brands, the overall outcome is simple, but subject to some technicalities. First, loyalty levels of the brands are broadly alike. Second, smaller brands do have slightly lower user-loyalty. This pattern has been long established as McPhee's Double Jeopardy.

To illustrate I quote from repeat-buying results for new cars, using traditional large-sample multi-country two-purchase survey data (the current make and the previous make [8] [9]). Focusing on just two makes in two countries where their shares totally differed provides a 'natural experiment'. In France, Renault was four times bigger than Ford. In Britain, Renault was one-sixth as large.

Defection rates in each country went with the market shares, not with the makes as such. As Double Jeopardy foretells, repeats were somewhat lower where the make was smaller (50% observed, 53% predicted by a simple Dirichlet-type model from each make's smaller market share, versus 65% observed, 64% predicted in the country where the make was larger).

McPhee explained DJ long ago not by any attributes of the brands (they could even be identical), but by their customers' differing competitive exposures. In France, Ford's competition included the large Renault brand, and Renault's included the small Ford brand. And vice versa in Britain.

Deviations from such predicted norms can arise, for example due to patchy retail availability (a regional brand naturally has fewer users but no reduced loyalty). But substantial deviations are rare. Yet, for fmcgs, some slow erosion of repeat buying over time has been found to occur, by some percentage points a year [10].

Given the small loyalty differences between brands, any sales change for a brand shows up much more in its penetration than in its steady-state loyalty [11]. Ailawadi and his highly-respected colleagues [12] thus said in their abstract that 'deals and coupons increase market penetration and surprisingly have little impact on customer retention'. To us, that has not been surprising for years.

Consumers with split loyalties

Customers of a brand of butter or petrol (A, say) often choose a different brand (B or C, etc) next. They usually come back to A a little later, and also to B and C. For fairly frequently bought goods, most customers are polygamous, with split loyalties to several steady partners, say A, B and/or C, one consumed more often than the other.

Consumers seem to pick their brands in apparently irregular or 'as-if-random' sequences, but with steady underlying probabilities over the medium or longer term (say .6, .3 and .1 for A, B and C).

The actual overlap between competitive brands for example, how many annual customers of A also buy B or C that year then varies simply with the brands' penetrations. If more people in total buy B rather than C, then about that many more buyers of A are found also to buy B rather than C.

This simple kind of observed overlap is well captured by the so-called Duplication of Purchase Law, which is much easier to use but is still a close approximation to the Dirichlet. It seems to operate even for functionally differentiated product variants, such as for different flavours, or different pack sizes [13]. Market share or penetration is all. For markets that are partitioned, only simple adjustments to the model are required to cope (for example, for clusters of caffeinated vs decaff coffee brands, or for price tiers).

Systematic brand switching can occur on top of all this ubiquitous as-if-random to-ing and fro-ing between people's repertoire brands. But really giving up brand B for good and/or systematically taking up with D from scratch is usually fairly rare. It possibly occurs mostly with the brands' many occasional buyers.

Whom to target and what to say

These various aspects of brand loyalty imply that the main target of marketing communications, whether for brand growth or for brand maintenance, has to be how many customers the brand has. Their loyalty will be much more difficult to budge, because brand loyalties have never been budged much before.

Any marked market partitioning that could be used for targeting is usually already known or suspected and not still waiting to be discovered. It will also be known to competitors.

Opportunities for really telling targeting seem in the past to have been quite hard to discern. Brand segmentation occurs less than is often expected [14]. That is partly because competitive brands seek to match each other's functional advantages, and partly because brands have so many polygamous customers in common.

The heavy buyers of one's brand have, however, been a popular target. But they are rare for any brand.

It is probably more cost effective to target the brand's occasional buyers. There are more of them, and they repeat buy enough over time to bring in substantial sales. Occasional buyers seem well worth nurturing. Doing so will in any case catch many of the much rarer heavies.

Persuasively claiming that brand X is better or best will hardly gel with consumers' split-loyalty experience where several brands continue to be 'good enough'.

The brand will, however, need to be publicised [15], to remind its occasional buyers that it is still there. The aim is to maintain the brand's salience (ie memory links, awareness, familiarity and assurance [16]).

Publicity can at times also nudge some consumers to buy, or to buy more. A little nudging of a lot of people is likely to be more cost-effective than hard selling a few heavy buyers to squeeze yet more out of them.

Not many impacts are needed just to remind people only enough to cut through the fragmented media and advertising clutter. The media implication of targeting occasional buyers is therefore to go for reach, rather than to maximise frequency.

Sponsorship and numerous ads nowadays by no means all do just, it seems, want to remind consumers. They merely publicise the brand, and I think rightly so. Indeed, some advertisements therefore present a totally irrelevant story or display to grab attention and keep it for its 30 seconds or so, with a sign-off that then briefly mentions the brand (sometimes perhaps not long enough to leave even a subconscious memory trace).

In concluding this brief review of brand loyalty and how it may guide communications policies, I note that more research is, as always, still needed, to probe the following, for example:

- How and/or why individuals develop their personal brand repertoires (and their wider consideration sets)
- How and why individuals then choose a specific brand to buy, from what are often near-lookalikes
- Why one consumer behaves differently from the others (with demographics still not the answer).

Nonetheless, much has already become known about brand loyalty in the aggregate how consumers as a whole choose brands as part of their varied but often low-involvement habits.

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NOTES & EXHIBITS

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