

LOYALTY IN THE MARKET PLACE

Dr. M J Xavier, Associate Professor - Marketing
Indian Institute of Management - Bangalore

Whether husbands are loyal to their wives or not, whether employees remain loyal to their employers or not, marketers are realising the need to have a large number of loyal customers. The purpose of any organisation does not end with just getting the customers. Retaining them in their fold is an equally important task. No successful company is satisfied if a customer buys the product of the Company just once or twice. He/She must be made to buy the same brand again, and again. This is should be the core strategy for many of the fast moving consumer goods.

Often consumers may not be aware of even the total set of brands available in the market of the product category under consideration. Again, they do not consider for choice all the brands they are aware of. They have an evoked set or a consideration set of brands within which they normally switch from one to another. Consider the case of toilet soaps. There are any number of toilet soaps available in the market. But consumers usually choose from their evoked set only. Suppose, the evoked set of brands for toilet- soaps for a consumer consists of Hamam, Rexona and Lux, she will buy only from these three brands. At the same time, she may buy one particular brand more often than other brands in the evoked set, which is a different issue to be taken up later.

The composition of the evoked set might change from time to time depending on the advertising pressure brought on the consumers by different companies. Hence it is important for the marketer to know the composition of the evoked set of consumers he is trying to satisfy and then try and get their brands into the evoked set of customers. We shall develop the concept of brand loyalty using our understanding of evoked sets.

Suppose the brands in the evoked set of a consumer are A, B, C, D and E. Out of the last 10 purchases made in that product category let us say brand C was bought 7 times, brand A,B, and D were bought once each. Then he is said to be 70 per cent loyal to brand C. On the other hand if all the ten purchases were that of brand C then the customer is said to be totally loyal to brand C. This kind of data about customers has a lot of implications to the marketer. Customers can be divided into four groups according to their loyalty status.

HARD-CORE LOYALS:

Consumers who buy one brand all the time. Thus a buying pattern of C, C, C, C, C, represents a consumer with undivided loyalty to brand C.

SOFT-CORE LOYALS:

Consumers who are loyal to two or three brands. The buying pattern C, C, A, A, C, A, represents a consumer with a divided loyalty between C and A.

SHIFTING LOYALS:

Consumers who shift from favouring one brand to another. The buying pattern, C, C, C, B, B, B, would suggest a consumer who is shifting brand loyalty from C to B.

SWITCHERS:

Consumers who show no loyalty to any brand. The buying pattern A, C, E, B, D, C, would suggest a non-loyal consumer who is either deal prone (buys the brand which gives discount or gift) or variety prone (wants something different).

A company can learn a great deal by analysing loyalty in its market. It should study the characteristics of the hard-core loyals if any. This would pin-point the target market. By studying its soft-core loyals, the company can pin-point which brands are most competitive. By looking at customers who are shifting away from its brand, the company can learn about its marketing weaknesses. The reason why people are switching brands so often may be studied. This may give ideas for new product development.

Consider the following example. Vazir Sultan Tobacco (VST) company made a thorough study of the smoking population of the country in the year 1979 and identified a segment of the market consisting of modern, educated youth who were not happy with the brands of cigarettes existing then. This was the middle-priced filter cigarette group, where various brands (Wills, Four Square, Regent etc.) were trying a 'Catch all Strategy'. Normally smokers are loyal to one brand of cigarette like Charminar, Wills Filter, or Scissors.

But this group was not loyal to one specific brand. VST also found out through further investigation that the segment cherished youthfulness and liberation. VST responded to this opportunity by introducing Charms cigarette in a denim pack which symbolised youthfulness and liberation. The spirit of freedom was emphasised in their advertisements. Charms created history in cigarette marketing in India by becoming extremely popular in a short duration.

Let us see another example from international arena. Coca-Cola Company, in order to respond to the Pepsi challenge, wanted to catch the youth by introducing a new coke in place of their traditional coke. The new coke was rated better in taste compared to

Pepsi Cola in blind tests with the labels tapped. But the new Cola, when introduced into the market, was not accepted by the consumers for the simple reason that the loyal customers of the old coke would not touch anything other than the former Coke from the Coca-Cola Company. On popular demand they had to bring back the old Cola into the market besides the new coke.

A similar thing happened to Cinthol in India. When the New Cinthol was introduced, the loyal users of the soap wanted the Old Cinthol back. Godrej responded positively by declaring through media that the consumers could choose either old or the new Cinthol and made both of them available in retail outlets.

In the tooth-paste market, a number of companies tried to challenge the uncrowned monarch 'Colgate'. But, for many people, tooth-paste means only Colgate. Though Promise and Close-up have had some success in the tooth-paste market, Colgate continues to control a very large share of the market because of the brand loyalty it has created among consumers. In the case of baby-care items, mothers have undivided loyalty to Johnson & Johnson products. That is why, even heavy-weights like Ponds or Wipro could not get a foothold in the baby-care market.

Only an understanding of the loyalty status of different segments of the consumers would help the company develop better marketing strategies.

The measurement of brand loyalty is not very difficult. The following questions are indicative of the type of questions asked in a survey research to measure brand loyalty.

What is the brand of _____ (PRODUCT) you are using currently?

How long have you been using this brand?

What was the brand you were using earlier?

p73

Could you please tell the reasons why you switched over to the current brand?

Answers to the above questions can throw light on a number of issues like loyalty status of consumers, switching pattern of consumers from one brand to another and also the reasons for switching. If a number of people are switching away the brand being studied, one could find out the dominant reasons for the change and take corrective actions. A survey of this type, done at least once a year, would reveal a number of things that could be extremely useful to the marketing executives.

Furthermore companies use panel data, such as the data collected by Indian Market Research Bureau (IMRB) from its Household Purchase Panel which monitors the purchase behaviour of 10,000 housewives across six metros in India. ITC has set up through IMRB, a smokers panel to understand loyalty status of smokers. MODE, another marketing research firm, maintains a rural household panel.

Attempting to formulate marketing strategies for a firm by merely looking at the sales figure will not help a great deal. It might even be misleading because the growth in sales might have come about due to overall market growth or on account of non-availability of a competing brand during the period under consideration.

In many companies, marketing strategy formulation exercise simply means meddling with figures such as market share, demand forecast, advertising and promotion expenditure etc. Some other companies go a little further to understand the competitors' strengths, weaknesses and their major strategies. Very few companies, spend their time and energy to understand the consumer and the way the consumer decides on a specific brand, which can help the planners develop better marketing strategies. This could be the dividing line between successful companies and the also-rans.

