

BRAND LOYALTY AND BRAND SWITCHING

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In the 1990s many companies in India shifted their marketing goal from customer satisfaction to customer loyalty. According to the author, today's environment demands value addition based on customer relationship, and the brand should be a means of serving the customer. In an era of intense competition and instant information, brand loyalty should become the core of any marketing programme. The study is intended to make marketers of packaged tea leaves understand the various forms of repeat purchasers of tea, extent of their loyalty and to identify the series of events which make a customer leave a loyal brand of tea or seek a new brand. This will help marketers in designing and implementing their overall marketing strategies.

INTRODUCTION

An important facet of post-purchase behaviour is presented by the tendency of many customers to be loyal to a particular brand. Researchers have been aware of this and the concept of customer loyalty has become the subject of sophisticated definitions and measurement. Brand loyalty is a measure of the attachment that a customer has to a brand. Brand loyalty should not give the impression that all consumers are loyal and that loyalty is a static attribute of some market segment. The reality is that loyalty is rarely absolute; where loyalty exists it is more likely to be divided than undivided. Over the last decade, the Indian market has seen the rise of niche markets. Customers are more enlightened, more demanding and have specific needs. Further, given multiple brands that perform at satisfactory levels, producing for satisfied customers is necessary but not sufficient for many marketers. It is a widely held belief by marketers that it is sufficient to satisfy a customer. In reality, except in rare instances, complete customer satisfaction is the key to secure customer loyalty and generate superior long term performance. Anything

below total satisfaction may result in a major drop in loyalty, especially in markets where the competition is intense.

A variety of factors can generate false loyalty or make customers seem deeply loyal (Reicheld, 1993) : government regulations that limit competition, high switching costs, proprietary technology that limits alternatives, and strong promotional programmes. Whenever these customers have choices and feel free to make a choice they will act like customers in markets with intense competition. They will remain loyal if they are highly satisfied.

The economic benefits of high customer loyalty are considerable (Slywotzky and Shapiro, 1993) and can explain the differences in profitability in many industries.

When a company consistently delivers superior value and wins customers' loyalty (Aaker, 1991), market shares and revenue go up and the cost for acquiring and serving customers goes down. The additional profits allow the company to invest in new activities that enhance value and increase the appeal or add product features. Better

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economies mean increased pay for workers, and boost for employee morale and commitment. Employees' overall satisfaction leads to better service to customers; customers are then inclined to stay loyal to the company; and as the best customers and employees become part of the company, competitors are left with less desirable customers and less talented employees. The longer the cycle the greater the cumulative benefits.

COMPETITION IN BRANDED PACKAGED TEA SEGMENT

India has the unique distinction of being the biggest producer, and the largest consumer of tea in the world. Tea is one of the few industries where India has a dominant presence in the world — 25 per cent of the world's tea production comes from India.

Retail sale of tea in India (Sharan, 1996) has a well defined dichotomy into loose and packet tea (as a branded product in packets and polypacks). Loose tea consumption grew from 255.23 million kilogram (mkg) in 1980 to 377 mkg in 1995 — an increase of 47 per cent — and the consumption of packet tea grew by a massive 140 per cent in the same period, up from 90.77 mkg in 1980 to 218 mkg in 1995. While the total tea production increased from 720 mkg in 1990 to 753.9 mkg in 1995 — an increase of 4.7 per cent — the production of packet tea increased by 20 per cent from 250 mkg in 1990 to 300 mkg in 1995. The rising trend for packet tea consumption, according to the Tea Board estimates, is going to continue. Manufacturers are trying to move tea from being a commodity product and position it as a consumer product.

The manufacturers use two distinct methods of processing tea, namely CTC and Orthodox. CTC stands for crush, treat and curl. Here the tea leaf is abrasively, mechanically treated. It produces a stronger

tea but loses out on flavour. Orthodox tea is hand-rolled rather than abraded mechanically. The resulting tea has more flavour and is costlier. Further, based on the shape of leaves, tea is graded as follows : (a) Leaf : The tea consists of full or partial leaves; (b) Fannings : Here the leaves are of smaller size; and (c) Dust : This is virtually tea powder. Since this offers the maximum surface area, it gives the strongest brew.

The packet tea market is witnessing intense competition. Brooke Bond Lipton India Ltd., now merged with Hindustan Lever, is the largest and oldest producer player in the branded tea market, with a market share of 68 per cent. Tata tea is credited with the maximum innovations in the packet tea segment, controlling 25 per cent of the market. Duncans is the third largest player in the market.

On the demand side, the tea market is classified into two broad segments (Krishnan, 1996) : (a) Household consumers; and (b) Tea shops and other institutional buyers. These two segments differ considerably in their consumption pattern. Tea shops generally demand CTC teas, especially the dust brands, because they give them more cups per unit weight than leaf blends and are cheaper (although their quality is inferior).

To convert the loose tea consumer, marketers are concentrating at the CTC grain and dust tea rather than the orthodox leaf tea level. This is because of two reasons : (a) Product to Brand switching can take place through a lower priced alternative; and (b) CTCs, being stronger than Orthodox, give more cups per pack and "Kadak" (strong) brew. This study concentrates on the household branded tea consumption patterns.

The Indian tea industry is facing problems as follows : (i) According to the Indian Tea Association (ITA), the disintegration of the USSR, the biggest tea export market (over 50 per cent of tea exports) for India, resulted in tea exports falling drastically. Even today the Commonwealth of Independent States is buying very small amount of tea; (ii) The overall world demand for tea is not growing. Tea markets like the U.K., Germany, U.S.A. and Ireland are slowing down. There is an excess crop situation in Kenya, Sri Lanka and India. The world market is seeing price compression; and (iii) Out of the total tea production of 785 mkg in 1996, as per ITA estimates, the domestic market will absorb 596 mkg and exports 163 mkg. This leaves a surplus of 26 mkg in 1997 plus 13 mkg carried forward from the last year.

The loss of USSR market has seen the emergence of a number of manufacturers of regional brands (around 100), who buy and blend tea leaves, packet and brand them; and garden owners who have stepped into the branded tea market. The dominant firms are not just competing with loose tea but also with regional brands. This has resulted in intense marketing activity. In this milieu, the objective of customer research is to discover who the customer are, what they are buying and why they are loyal. This information is critical to any marketing plan for upgrading loyalty.

With the marketing environment changing every moment, business marketers are adopting new strategies to retain existing customers and win new loyalties. How can a business, upgrade repeat customers into loyal clients and keep them loyal? Five factors need to be considered in the formulation of any strategy for transforming repeat customers into loyal clients (Griffen, 1995) : (1) Researching customer; (2) Constructing barriers to switching; (3) Hiring

and training for loyalty; (4) Motivating staff for loyalty; and (5) Marketing for loyalty.

OBJECTIVES AND METHODOLOGY

This study was done with the objective of (a) Identifying the various forms of customers' repeat purchase behaviour and to explain such behaviour; and (b) ascertaining the proportion of brand loyal customers, and identifying the determinants of customers' brand switching behaviour. The product selected was branded packaged tea leaves. The product was consumed by the population being sampled, and brands within the product category were not very dissimilar in their composition and there was a presence of marketing mix elements that develop brand loyalty.

Brand loyalty is taken to be 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 process.

Explanatory research was undertaken to gain information about the Indian tea market and generate hypotheses for the study. Descriptive cross sectional research was used to measure and describe brand loyalty, decide the demographic profile of respondents and study the association of age, income, gender, marital status, occupation, and family income with brand loyalty. Personal, non-disguised survey was used to gather information from the respondents. Questionnaire method was used to collect the data which was structured and non-disguised in nature. Since the study concentrated on the household branded packaged tea segment, only those respondents were selected who were the "decision-making unit" for their family's most preferred brand of tea. A non-probability quota sampling compound stratification method based on income, age

and gender was used for selecting the respondents. Behavioural, attitudinal and composite measures were used to measure brand loyalty.

RESULTS AND DISCUSSION

Brooke Bond Red Label emerged as the most preferred and purchased brand. Taaza was the least preferred brand. Lipton Green Label and Taj Mahal exhibited a high level of behavioural brand loyalty.

The composite price until switching measure identified that a large majority of consumers were not ready to switch from their most preferred brand (MPB) at any price. This result was reinforced by the composite stated brand commitment measure. An overwhelming number of respondents (70 per cent) were found to be committed to their MPB of tea. The intention to repurchase showed that nearly all respondents agreed with their intention to purchase their MPB, in their shopping trip.

A good percentage of respondents were highly satisfied with their most preferred brand of tea. However, half of the respondents were just satisfied. Taj Mahal, Tata Tea and Brooke Bond Red Label need to change their marketing mix attributes as majority of their purchasers were just satisfied or neither satisfied nor dissatisfied.

The decision to purchase tea was dominated by the mother and all members of the family together. The tea marketers thus need to direct their promotional mix towards the family as a decision making unit and towards the mother in particular.

Based on the analysis and interpretation of data, the buyers were classified as loyalists (loyals and apostles), hostages (hostages I and hostages II), and mercenaries and switchers (genuine switchers and possible defectors).

Loyalists exhibited high composite loyalty and were highly satisfied with their MPB. The apostles, in addition to the above qualities, had not shifted from their earlier MPB. Freshness and strong aroma were the primary reasons for their loyalty to their MPB of tea. The factor that distinguished the apostles from the loyalists was habit. The relevant brand switching marketing mix element for the apostles and loyalists was identified as trialability.

The hostages were just satisfied, but showed high composite loyalty to their MPB. Hostages I were habitual users of their MPB. Hostages II were the price sensitive segment of the market and were not inclined to switch from the MPB because of the availability of usable packaging and word of mouth recommendations about a different brand.

Mercenaries were found to be completely satisfied but exhibited no loyalty. Freshness, aroma and flavour were the brand attributes causing the satisfaction levels to be high.

Switchers exhibited low loyalty and were just satisfied with their MPB. Genuine switchers had shifted from their past MPB and rated availability as the attribute for purchasing their MPB. On the other hand, possible defectors stated economical price, freshness and flavour to be reasons for their sticking to their MPB. Genuine switchers agreed with the statements that special price offers and attractive advertisements could induce them to shift to a new brand.

Considering all the buyers simultaneously, brands' core attributes of freshness, flavour and aroma and ready availability were the most important determinants for brand loyalty. Price, habitual consumption and the company's reputation were not the relevant attributes that could cause brand loyalty. Marketers thus need to concentrate on the

products (brands) physical attributes (flavour-taste, freshness-feeling, and aroma - smell) to develop brand loyalty. Further, the consumers MPB must be readily available — preferably at the first retail outlet he or she visits.

The most important brand switching determinant was identified as trialability. Marketers need to adopt the shaping strategy to induce respondents to switch from their present MPB. The testing of propositions showed that there existed an association between buyers satisfaction and brand loyalty. Also, gender was associated with brand loyalty. Age, education, marital status, occupation and family income were not associated with brand loyalty.

CONCLUSION

We thus conclude that it is not sufficient to satisfy a customer. Complete customer satisfaction is the key to secure customer brand loyalty, and generate superior long term performance.

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