

# Brand image and Loyalty

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# Abstract

I investigated the relationship between the responses that customers give to brand image questions and their loyalty. This is of importance to researchers and practitioners as the belief that brand perceptions strongly influence buying behaviour is widespread. This belief underpins many commercial image studies and models of consumer behaviour (eg Fishbein 1967; Engel, Blackwell et al. 1993). Brand/corporate image is a popular area of measurement and monitoring for managers and market researchers alike, with most large organisations, both private and government, undertaking a regular program of image tracking. Managers look to image studies to explain current marketplace performance, eg numbers of units sold and price gained, based on assumptions about a causal link between consumers holding certain beliefs and consumer behaviour.

## Prior research

The popularity and widespread acceptance of the direction of causality has meant that fundamental research to test these assumptions has been very sparse. The majority of the more recent research has focussed on identifying different ways of conceptualising and measuring brand image (eg Keller 1993; Sampson 1993; Coulter and Zaltman 1994; Steenkamp, Van Trijp et al. 1994) without asking the fundamental question of why measurement is necessary and/or useful managerially. The little empirical research that has been conducted to date (Woodside and Trappey 1992) has employed a cross sectional design and contains limited testing of competing hypotheses. Hence little is known about the relationship between company/brand image and future customer behaviour.

In addition, there is a substantial body of evidence that suggests that causality is in the other direction. That is, brand usage influences the likelihood of giving a response to a question on brand image. Current users have been found to be more likely to give an image response than non-users or even past users (Bird and Ehrenberg 1966; Bird, Channon et al. 1970; Barwise and Ehrenberg 1985). The mismatch between the widespread assumptions and (particularly) this stream of empirical evidence means that testing the common assumption that brand image has an influence on customer behaviour is an important research question.

## The approach

I started by testing three competing hypotheses about brand image and subsequent behaviour towards that brand. Competing hypotheses are an important factor in reducing confirmation bias, which is the tendency of a researcher to interpret results in a manner that supports the hypotheses they have developed (Greenwald, Pratkanis et al. 1986; Wright and Kearns 1998). I replicated the analysis in 3 subscription markets (where consumers typically ascribe 100% of their share of category requirements to one brand (Sharp and Wright 1999)) to test of the generalisability of the results. In these types of markets, loyalty is conceptualised as the likelihood of defecting from the brand at a future point in time (Sharp, Rundle-Thiele et al. 1997). The loyalty measure used here was a self-reported 11 point probabilistic estimate of switching from the current brand used which has been found to be an accurate predictor of future behaviour (Juster 1966; Danenberg 1998). In all cases actual future behaviour (either self-reported or from company records) was used to verify results. The results were then extended to customers' mentioning a competitor brand (ie a brand not currently used by the customer) and behaviour towards that competitor. Again this analysis was performed across the three studies using future behaviour as the dependent variable.

## Brand response level: Key findings

1. Mention of a brand for a non-negative attribute was positively related to customer loyalty. However, there was little consistent evidence to suggest that there are specific attributes or positions that have a greater/stronger relationship with customer loyalty than any other. There were, however some attributes that appeared to have no relationship with customer loyalty.
2. There is a consistent positive (apparently<sup>1</sup>) linear relationship between the level of brand response (based on the number of times a customer mentions a brand across the range of (non-negative) image attributes) and the self-reported probability of switching. The rate of change was about 1 to 2 percentage point decrease in the subjective probabilistic switching rate for each additional mention of the brand.
3. The relationship was further verified using actual switching behaviour. In this instance the rate of change was a 0.5 to 1 percentage point decrease for each additional mention of the brand.
4. These findings extended across three markets, residential and business customers, data collection by mail or telephone, different market share structures, prompted or unprompted collection of brand names and regardless of how the attributes were chosen.

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<sup>1</sup> Further model fitting is required before a linear relationship can be confidently asserted.

## Implications of these findings

The more frequently that customers mention a brand in a free choice image survey the less likely it is that they will switch from that brand. One of the most important contributions of this thesis to marketing knowledge is that this simple, generalisable and quantifiable pattern was uncovered in all three subscription markets tested. This is important because generalisable knowledge is one of the keys to scientific progress. In this thesis, I have identified a generalisable pattern in consumer response that is related to customer behaviour – something that has been lacking in previous brand image research.

## Competitor response: Key findings

The key findings in this area were as follows:

1. The level of competitor image response for a specific competitor brand was related to a customer switching to that competitor. This relationship was more apparent when knowledge of to which brand the customer had switched was available. That is, the level of competitor response to the brand to which they switched was higher than the level of competitor responses to other competitor brands in the marketplace.
2. Overall number of competitor mentions was not directly related to customer switching.
3. These findings are also generalisable across all three markets and conditions previously specified.

## Implications of these findings

A customer is more likely to switch when they are eliciting a high level of response for a specific competitor. The relationship between usage and image responses first identified by Bird et al (1970) means that it is expected that customers of a brand will be more likely to mention that brand than non-customers are and (correspondingly) that these customers are less likely to mention competitor brands. In this thesis I was able to show that is not simply the level of brand response that is related customer switching, but the level of competitor response (for a specific competitor) *relative* to brand response. That is, consumers have a propensity to give a certain level of brand response. This varies between consumers based presumably on all sorts of factors such as length of time with the brand, level of involvement with the product category and or brand, frequency of exposure to brand information and the like. For some customers, for some reason, a competitor approaches/reaches a level of response that is near their 'natural propensity' for a brand response. That is, their image responses for a competitor brand reaches a level where they begin to look like a user of that competitor brand, even though (behaviourally) they are not. For these customers, the usual survey responses patterns of high response of current brand,

lower response level for competitor brands changes to one which also reflects their possible future behaviour to that competitor brand. That is, high response level for the current brand, approaching equivalent response level for a specific competitor, low response for other competitor brands.

When this happens, these customers are more likely to become a user of the competitor brand in the future (ie their behaviour is likely to fall in line with their prior competitor response levels). If they switch brands, then their (previous) competitor responses will increase to the 'natural' level that was apparent for the original brand they were using.

## Managerial implications

Given the prevalence of brand image studies in market research, the findings of this thesis are of considerable direct benefit to marketing and research managers. It provides a mechanism for classifying/identifying vulnerable customers before they switch suppliers. It therefore provides something that has been considerably lacking in brand image research, a *reason* to measure the image of a brand. The accuracy levels are similar to that from direct probabilistic measures, however, the image response measures do have clear advantages over the direct probabilistic measures, namely:

- Image measures are already included in the majority of tracking studies for large companies. Therefore, rather than asking an additional question to determine 'vulnerable customers', similar information can be extracted from existing image questions.
- Managers might intuitively prefer to ask their customers image questions rather than questions directly prompting for the probability of switching (for fear it will 'put ideas' into customers' minds)
- Image measures may actually provide some explanatory power as to why people switch brands (although how, and the degree to which marketers can influence this is still not known). Probabilistic measures can be used to tell us what customers are likely to do, but they offer little by way of explaining why customers are likely to behave in that way. Therefore managerially, they offer little to help managers know what to do once vulnerable customers are identified.

In addition it provides guidelines for knowing what information from brand image monitors are useful benchmarks.

Managers do not need to concentrate on interpreting scores of individual attributes and trying to reach specific locations on perceptual maps, but can look instead to brand response levels as indicators of brand strength. In a world of increasing information, providing guidelines that decrease the amount of information that needs to be monitored is of considerable value.

## Key limitations

The main limitations of this thesis are as follows:

**The scope of the markets** - The analysis for this thesis was conducted in a particular type of market, referred to as a subscription market. This type of market has specific peculiarities (such as generally 100% share of category requirements with one brand) which may mean that the differential between brand response and competitor response is important. This might not be the case in repertoire markets where consumers are using multiple brands.

**Image measures** - This thesis focussed on one form of brand image measurement. Therefore it is important to determine if the findings hold under for alternative brand image measures, particularly forced choice measures such as ranking and rating to see if they measure the same underlying concept.

As the attributes were provided to respondents, it does not include other attribute links that may be present in consumer memory (and influence behaviour) but were not included in the attribute list.

**Testing individual variation** - This thesis focussed predominantly on aggregate level analysis and comparisons between groups. Therefore a limitation of this thesis is that it does not explore areas of differentiation between customers such as levels of involvement, importance of attributes, or length of time with the brand. This may change the nature of the empirical relationship for certain subgroups.