THE RETAIL INDUSTRY'S VARIANCE BETWEEN BRAND AND CUSTOMER LOYALTY

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Abstract

Customer Loyalty and Brand Loyalty are two variables in the field of marketing which look similar on the surface but when analysed critically, it would be discovered that they mean separate things. Today's consumers face greater choices due to the abundance of goods and services available. By understanding the factors that influence consumer behaviour, businesses may create specific products and sales strategies that give consumers a reason to buy. This research was carried out to investigate the impact of customer loyalty and brand loyalty in the retailing industry. This research adopted an empirical analysis of literature to determine which among the two concepts is receiving more attention in practice. The study was anchored on theory of reasoned action by Ajzen and Fishbein who asserted that consumers carry out actions that think, whether or not they know the consequences, will produce or bring about that conclusion. As a result, logical decision-making is the primary influence of consumer behaviour. The findings of the research revealed that in practice, brand loyalty is becoming more increasingly significant for business organizations than customer loyalty. Based on the revelation of the study, it was recommended among others that retailers should integrate their loyalty programmes with their CSR initiatives.

Keywords—Brand loyalty, Consumers, CSR, Customer loyalty, Retailers
Introduction

These days, businesses always strive to differentiate themselves from the competitors with their goods and services. Thanks to technological improvements, customers can now access a variety of information on businesses, and switching to their competitors only takes a click. Due to this fact, several firms have investigated and examined consumer behaviour. Lots of millions are invested in the pursuit of understanding why people make the decisions they do. Even while it often seems that some purchases are made for no apparent reason, there are really a variety of factors that affect customers' purchasing decisions.

Do customers develop loyalty for brands in the retail industry? Is the customers’ perception of retail brands inconsequential in the customers’ choice to be loyal towards a retail brand? Do retail brands need to build loyalty or should they focus more on customer loyalty? These are questions that this paper seeks to answer and the differences, similarities and benefits of customer loyalty and brand loyalty to retail brands, especially in the modern marketing climate.

Today's consumers face greater choices due to the abundance of goods and services available. By understanding the factors that influence consumer behaviour, businesses may create specific products and sales strategies that give consumers a reason to buy. Different terminology, including customer retention, acquisition, loyalty, experience, and customer pleasure, have been developed as a result of marketing studies on consumer behaviour.

By offering incentives like prizes, discounts, and other special deals, retailers and other businesses want to attract and retain customers. They provide customers with an incentive for returning to the store, which is intended to promote repeat business.

Brand loyalty and customer loyalty are two interconnected variables that are essential to customer retention. Seeing that these are two distinct variables, you cannot adopt the same approach to boost brand loyalty or customer loyalty.

A lot of marketers have a tendency to mix customer and brand loyalty up as though they were the same. But they are not and failing to note the subtle distinct features can subvert even the most outstanding marketing plan. Companies gain from loyalty programs by increasing customer loyalty as well as by getting crucial information on consumer spending habits and the most alluring products or offers.

Customers that often utilize loyalty programs are compensated for their purchases, and in return, the issuing company obtains a wealth of consumer information and data. Using a loyalty program gives businesses additional insight into the types of products that may be purchased together and whether some incentives are more effective than others. Businesses may still examine anonymous transactions.
Loyalty programs are especially relevant for high-volume companies that depend on repeat business. Furthermore, since selling to a current consumer is cheaper than finding new ones, the possibility of building a devoted community is essential to providing value. When properly implemented, repeat consumers may bring in new ones for a fraction of the price of conventional marketing strategies.

**Features of Customer Loyalty**

In retail setting, product quality, service quality, and brand image are drivers of customer loyalty with brand image being the strongest, followed by product quality, then service quality. Quality of service is positively linked with customer loyalty, one reason may be that customers regard store’s employees as part of the company, and the positive feelings they have towards the employee is most times extends towards the firm. Depending on the type of retail store, studies by found out that price deals play a major role in building customer loyalty in retail outlets. discloses that store image attracts customers to the store, but it is the quality of products, store service, price and product assortment that contributes to customer satisfaction which leads to customer loyalty. revealed that amount spent by customers, frequency of purchase and word of mouth are key determinants of customer loyalty.

Service quality leads to customer satisfaction, positive word-of-mouth and favourable behavioural intentions. Customer satisfaction enhances the customer's desire to stick with the company in the long run and encourages repeat buying behaviour.

**Features of Brand Loyalty**

Advertisements which portray the benefits of shopping with a particular retail brand and show customers the risks of switching brands help build brand loyalty. What impact do they have on customer purchasing power in the retail sector?

Brand loyalty has played an important role in creating long-term advantages for companies because loyal customers do not need any promotional efforts to make them purchase products recommends that brand loyalty be viewed as a long-term goal in the pursuit of competitive advantage.

**Customer Loyalty in Retail Store**

Customer loyalty is a complex topic with many approaches to it; the behavioural approach linked to repeated purchase, and the attitudinal approach linked to consumer preferences and disposition towards a brand. Many researchers, however, define customer loyalty in terms of repeated purchase. Customer loyalty is also defined by as “the customer's preference to purchase a product, service or from an organization consistently when the need arises to purchase.”
Customer loyalty is closely linked to loyalty reward programs where customers are given a purchase advantage to earn their loyalty.

As significant as customer loyalty is, brands still find it challenging to reap the rewards of customer loyalty even if most times it is the primary marketing goal. Could it be that brand loyalty has a significant role to play?

**Brand Loyalty in Retail Store Concept**

Brand loyalty according to is ‘a deeply held commitment to purchase a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour’. It is the purchase of a product on the condition that the customer will not look for alternative even if the need arises implying a strong connection between satisfaction and loyalty. The concept of brand loyalty is also defined as the strong belief a consumer has in a brand and it is a vital marketing tool for brands to establish long-term customer relations in today’s the highly competitive market. looks at brand loyalty from the angle of a customer’s preference to purchase a brand name in a product class because of the perceived quality of the brand, not the price.” All these definitions imply that the way a customer perceives a brand affects how loyal the customer would be to that brand.

**Problem Statement**

Theoretically, there is a distinction between customer loyalty and brand loyalty. However, practically, it is very difficult to separate the two concepts due to the fact that they tend to serve the same purpose.

Customer loyalty is tied to financial benefits which customers enjoy from patronizing a brand. This could be in form of buy-one-get-two-free, price discounts and so on. However, if customers can get these benefits in higher volumes from another competitor, they may switch to the second brand. Brand loyalty on the other hand is associated to the quality of service experienced by customers from using a particular product. For example, there is a wide claim among consumers that Toyota cars are more economical than other brands. Meanwhile, other consumers suggest that Mercedes Benz performs better than other brands. Thus, it can be inferred that the loyalty to a car brand is dependent on the quality of performance.

These two scenarios create a dilemma for retailers in determining which aspect they need to invest more; financial incentives or improving quality of service?

It is against this background that this study is embarked upon to comparatively investigate the popularity of customer loyalty and brand loyalty in the retailing sector.

**Research Objective**

Broadly, the objective of this study is to compare between customer loyalty and brand loyalty in order to ascertain which among the two concepts has more impact and popularity in the retailing sector.
Research Question

This study seeks to provide answer to the question below:

Which between customer loyalty and brand loyalty has more impact and popularity in the retailing sector?

Literature review

Concept of Customer Loyalty

When customers repeatedly have a good experience with a brand above the competitors, such brand gains customers’ loyalty. Along with discounts or partner rewards acquired through accumulated loyalty reserves, businesses could also consider alternatives such cash-back, paid loyalty programs, and Pay-With-Points (PWP).

Many firms decide to keep their current customers instead of spending money courting new ones. Research has shown that it costs less to retain customers than it does to acquire them. For many years, marketing techniques were created with the intention of gaining, maintaining, and fostering customer loyalty.

Customer loyalty and retention are frequently confused, nevertheless, leading to regular consumer confusion. Customer loyalty is about growth, but customer retention is about protection. Businesses use retention strategies to prevent customers from migrating to a competition. Short-term strategies like price reductions or long-term strategies like instructing customers in proper product evaluation are frequently used to achieve this.

Customer loyalty is described as a cognitive and behavioural propensity to prioritize one brand over all others, whether due to satisfaction with the product or service, its accessibility or quality, or simply one is familiar and comfortable with the brand, according to PR Loyalty Marketing. Customers make decisions every day of who to buy from, which they have a lot to choose from. Many factors play into a customer’s decision. When a customer repeatedly buys from one brand over another, then they are considered loyal to that brand. In recent times, retailers have adopted different methods to enhance customer loyalty in their businesses. These go across different membership schemes, loyalty programmes, discounts, and reward avenues. Digital disruption and new influencing strategies have driven towards a transition from traditional methods. Now, Retailers are able to efficiently get consumer data and create personalized technics of connecting with and motivating consumers to make recurrent purchases.

Most companies when designing their objectives and strategies take loyalty into consideration. Marketers around the globe have agreed that getting the customer is not enough but retaining the customer is the main aim. For this singular purpose customer loyalty plays a crucial role. Customer loyalty creates a platform where the customer ready to stay with the organization and lead to long term benefits.
Consumer loyalty is fluid based off of consumer behaviour and geographical location of their lifestyles as well. Retailers are not able to meet their customer demand: currently, declining consumer loyalty is the key issue for all big retailers.

Customer loyalty majorly associated with the total purchasing power of consumers. It is mostly about what the brand can propose to the customer in regards to fixed prices and thrifty deals. It is about offering more discounted prices than competitors or lower prices for particular products they are after. Consumers who are more on the customer loyalty side will definitely shop elsewhere if the brand prices increase to an unacceptable extent or if the brand stops making efforts to engage with them.

In several ways, Covid-19 has had an impact on the retail industry. As a result of the lockdowns in various countries and the potential of contamination in physical stores as soon as the lockdowns were lifted and stores began reopened, there has been an enormous dependence on online methods for purchasing. This change in the consumer consumption habits, which is facilitated by the availability of cheap and reliable internet, has caused difficulties for companies, which are already struggling low sales, to maintain relevance to their loyal customers in these times. However, there is also a chance for many merchants to make a lasting impact by prioritizing their staff and meeting their needs right away, as actions made in difficult times leave a lasting impression on customers and foster loyalty. Retailers are currently customizing their loyalty programmes to offer specialized services to a larger client group in an effort to increase their brand value.

Programs that reward loyalty create the ideal balance of practical and sentimental advantages. Customers consent to sharing their personal data in exchange for individualized incentives and unique rewards. Some of the most popular loyalty programmes in existence today are driven by this value exchange. Favourite coffee companies, for instance, provide rewards for purchases, free beverages for birthdays, and surprise-and-delight promotions on particular days. Hotel businesses make it simple to accrue and redeem rewards for free nights and welcome gifts like meal certificates and spa savings. These personalized, preference-based loyalty systems go well beyond the typical earn-and-burn structure of many current retail reward programmes. They make each client feel special. Enhancing customer loyalty by taking advantage of these techniques also make customers more predisposed to making recommendations of the brand to their family and friends, especially if they trust that the organization is offering premium value.

Brands can make each touchpoint exceptional by incorporating loyalty across the customer experience. (That does not always entail spending more money either; it can be as easy as saying "thank you" or providing an upgrade; anything that might foster a strong sense of brand affiliation among customers.) By establishing connections at every engagement, whether it be online, in-store, or on a mobile device, retailers are able to concentrate on the relationship and foster loyalty.
The more the brand engages their customer base with programs and tailored content the more likely they are to feel valued. A loyalty program also allows the brand to give their shoppers a VIP experience that goes beyond just the products they offer.

**Concept of Brand Loyalty**

As opposed to consumer loyalty, that is centred on monetary value (price and deals), brand loyalty is more concerned with perception (image and experience). Customers who are loyal to a brand feel that the brand is always associated with greater value and customer service than their competitors, irrespective of price. Overall, brand-loyal customers may not make as many purchases, but they do so at higher profit margins.

After it has been formed, brand loyalty is relatively easy to manage as long as the service level and quality of product maintains its high level. Brand loyalty is also cheaper to sustain than customer loyalty, which demands a consistent lower price point and ongoing promotion to preserve the reputation as the best offer available.

Brand loyalty is vital because it is a crucial component of corporate profitability: Most companies receive 65% of their revenue from repeat customers, and these brand-loyal customers buy 90% more often than new ones.

Brand loyalty occurs when customers make long-term commitments to brands based on the quality of the product, trustworthiness and values. A customer that displays brand loyalty to an organization usually has an emotionally attachment to that brand because of the value of its product or service offerings or its brand values. In fact, customers with brand loyalty typically remain loyal even when competitors offer lower prices. This may be achieved through reputation, various promotional activities, and the customers’ previous experiences with the company or brand.

A brand is said to have achieved brand loyalty when a customer identifies with the brand on a personal level to the extent that the customer either consciously or unconsciously purchases from the brand repeatedly because they rest assured that the products or service will not fall short of their expectations. This is why it is essential for marketing teams to work towards connecting with customers on an emotional level.

Building brand loyalty drives exponential growth. New customers purchasing the brand’s products and become ‘brand loyal’ will eventually become repeat customers. They will also recommend the brand to their peers, and become ambassadors for the products out in the real world.

In addition to this, recognizing their recurrent and a lot of loyal customers can help minimize the brand’s marketing and advertising expenditure, as they will require less in the area of direct targeting as opposed to new customers when it involves influencing their purchases.
Essentially, brand loyalty can become a self-sustaining machine. If experiences are well managed across all touchpoints and have products as well as purchasing processes that are strong all fronts, then they will soon find that they have customers buying more and more – and who are becoming more and more loyal each time they do.

Unfortunately, brand loyalty can be challenging to verify because it is not as definite as the outcomes of customer loyalty. Years ago, brand loyalty was built on the quality of goods or services. Retailers could focus towards internal development inward and would rely almost exclusively on offering the “best of the best product or service” — or “the best of the best for the price.” But the changes in consumer preferences have made this model nearly obsolete.

**Theoretical Framework**

According to the theory of reasoned action, consumers do acts that they believe, whether or not they are aware of the consequence, will produce or bring about that conclusion. As a result, logical decision-making is the primary influence of consumer behaviour.

This consumer behaviour concept places value on detail above cogitation. In other words, a customer can only act in a specific way when they have reason to think that act would result in the intended outcome. Any time between the moment of decision and when the action ends, the customer has the option to rethink the decision or move forward in another way.

The justification for selecting this theory is premised on the reality that if consumers believe they have an influence on the decision of business firms/organizations, they will act compulsively and force organizations to modify their vision/mission and act in response to the behaviour of their consumers.

**Empirical Analysis of Literature**

In this section, we will be providing a review of recent surveys conducted by research agencies on customer loyalty and brand loyalty in the retailing industry. These studies shall form the basis of conclusion for this study.

According to a separate poll conducted by the EMARSYS agency in August 2022, 71% of consumers were more devoted to merchants who offered them incentives, discounts, and prizes, had excellent customer service, and catered to their particular requirements in their marketing. The poll also indicated that 34% of respondents had left a company they were loyal to as a result of a negative experience, underscoring the need of providing great customer service. The outcome of this survey indicates that customer loyalty was higher than brand loyalty at the time of conducting the survey.
Similarly, the findings of PwC Customer Loyalty Survey uncovered that 82% of the respondents interviewed in the survey revealed that bad customer experience was the major compelling reason why they switched to another retailer. More than one-fourth of poll participants said they had quit using or purchasing from a company during the previous year, and negative experiences with the company's goods or services and/or customer service accounted for the vast majority of these decisions. 70% of consumers are curious about the social and environmental concerns that the businesses they support are addressing. Across all generations, 61% of consumers expect companies to address societal challenges.

Customers want assurances that you are contributing to society and doing your part. Otherwise, they'll find someone else. Once more, loyalty programmes are a handy instrument for carrying out CSR projects and for demonstrating to customers the essential values of your company.

**Conclusion**

Customers are more aware of how businesses feel about environmental, social, and governance (ESG) concerns, and they anticipate that firms will have similar views. And let's face it, today's consumers are more discriminating than ever.

Consumers are not just prepared to walk away—they are actually doing it because they mean it: In the previous year, 26% of respondents stated they had ceased making purchases from a particular company. For several other industry kinds, such as airlines, restaurants, banks, and hotels, that proportion was higher—in some cases much higher. Similarly, the likelihood that a consumer leaves a brand behind grows with age.

According to Kekes-Szabo, since E-Commerce boom, there has been a significant shift in consumer behaviour. It extends beyond the enduring trend of Millennials and Gen Zers being glued to their phones. More and more elderly age groups are starting to understand the advantages of internet purchasing, and social media is influencing more and more purchases. Businesses must adjust to these new trends, comprehend constantly shifting consumer needs, and search for new methods to interact with clients if they want to secure growth.

Corporate Social Responsibility (CSR) is unquestionably a crucial element that companies cannot ignore in 2022. In addition to being morally correct, it invariably has a significant influence on how customers view the company.

Based on the analysis provided above, it goes without saying that brand loyalty is becoming more increasingly significant for business organizations than customer loyalty. It could be argued that consumers of this generation are more focused on service quality, quality of life and environmental sustainability as against customer loyalty.
As we have seen, customer loyalty and brand loyalty are two closely complementary concepts. They both deserve some level of attention if the brand is looking to create a brand that inspires interest and keeps customers coming back for more. Ultimately, the brand wins by paying attention to its customer’s needs and wants. Tailoring the online brand and practices to retain customers and build loyalty is a big part of this.

At the end of the day, customer and brand loyalty are equally important. Businesses should aspire to target both by using different types of products in their range. By incorporating the two concepts in their marketing strategy, their revenue has a potential to rocket like never before. The major difference between brand loyalty and customer loyalty is pricing. Pricing is a defining factor in customer loyalty, but not in brand loyalty. Brand loyal customers are likely to buy products irrespective of the price. So, when it comes down to it, both concepts of brand loyalty and customer loyalty are intrinsic for customer retention but brand loyalty remains a step ahead with the numerous benefits it offers.

**Recommendations**

In light of the findings of this study, the following recommendations are preferred to corporate organizations:

Large-sized retailers need to commit more resources into quality of their services/products because the empirical analysis shows that in recent times, one of the major reasons why customers switch from one brand to the other is attributed to customer experience from using products/service. Hence, retailers should enhance their service/product quality.

Secondly, retailers need to increasingly integrate their loyalty programmes with their CSR initiatives. This recommendation can be described as a way of accomplishing two targets with a single plan. By integrating loyalty programmes to CSR initiatives, retailers are more likely to enjoy customer and brand loyalty simultaneously.

Lastly, retailers need to make more research into how the age demographic influence consumer behaviour. This is critical for modern organizations because research has shown that customers are prone to switch between brands with age being a determining factor. Specifically, the lesser the age, the higher the chances of switching between brands perceived to be insensitive about environmental protection and quality service.

Personalized experiences is another way to foster brand loyalty with brands leveraging on the availability of customer data, analytics, and artificial intelligence (AI) to gain insights and accurately predict and address the customer’s needs. Brands need to cut away from being brand centric to instead become more customer-focused. They must be immersed in their audience in order to learn about their wants, needs, and aspirations and make time for real customer interaction.
In addition, beyond discounts or partner incentives earned from accumulated loyalty reserves, retailers should consider exploring options like cash back, paid loyalty programs and pay-with-points (PWP). These are unique appreciation experiences that foster customer loyalty.

The distinctions between the two are fuzzy and will always overlap. But with campaigns more accurately aligned to each emotion, brands can achieve more lifelong and lucrative consumer connections.

References


